

Should Labour be promoting boom and bust?

Published: January 15, 2026, 8:56 am

I can well recall a guy I knew at university. Jock was a leading spokesperson for the gay movement in union debate at the time. What I recall was his reaction to being told that no one objected to his being gay. It was his practicing homosexuality that caused offence to some. His retort was that when he was with his boyfriend he was not practicing; he was doing it for real. Jock made a massively important point that the theorists will never get. It's what happens in practice that matters.

I mention this in the context of the debate with Jonathan Portes and Simon Wren-Lewis. Three things of real significance came out of this for me.

The first was Jonathan Portes' admission that he 'can't speak to the politics'. In other words, he and Simon Wren-Lewis are doing this in theory, and not in practice.

The second is the admission that the rule is almost identical to anything Osborne did, and is the same as the LibDem position. This then is a neoliberal rule in the real world of politics.

And third, the objective of the theory is to create a boom of such size that the Bank of England will have to resume the use of monetary policy, with all that we know went with it.

Unsurprisingly, as a result, Portes claimed his rule would create a bigger stimulus than MMT would do if the latter only targeted sustainable growth at full employment. Of course it would: in practice Portes is targeting boom and bust: the boom has to come first and be big enough to cause the bust.

I confess theory excites me only so far as it is useful. Anyone's theory ceases to be of interest to me when it becomes dogmatic, exclusive and a simple excuse for point scoring in isolation. To make it clear, I did not argue with Portes to defend MMT (and I noted no one from MMT joining in). Nor did I do so to argue theory with two macroeconomists who clearly have more experience in that field than I do. As a political economist I engaged to find out what this means. And that's because, unlike Jonathan, I

am interested in the reality of economics as it will play out in the politics of power relationships.

I have three reasons for doing that. Firstly, economic theory only has use in this way in my opinion. Economic theory for its own sake is not just dull: it can lead people down pointless alleyways that fail to deliver anything of value for real people, and often do much harm.

Second, there's little evidence that anything but the broadest brush of economic theory has much practical use in the real world, which persists in moving on despite that theory. This is why I am only interested in the essence of MMT, for example and can readily dismiss the detail.

And third, the political economic reality is that most theory has predicted little of use, and much has instead created structures that are really harmful in the hands of those who have to use them.

In that case the broad brushes, the motives and the desired outcomes of those promoting a theory to politicians (with obvious potential political impact, whether they like it or not) is what matters. And this debate gave Portes' motives away. That is what matters in the real world. That's not because in that world the theory he proposes won't work because his assumptions will not hold true. What matters is whether his prescription based on those assumptions, which few will understand, let alone test, are appropriate or not.

My suggestion is that the Portes / Wren -Lewis rule fails this test.

Labour should not, I suggest, be promoting a rule that will deliver boom and bust for the specific reason that this is the only way to restore central bank control of monetary policy, which has had such a disastrous track record of harming the well being of the people of this country. And that, we now know, is what this rule is designed to do.

My suggestion is Labour should be building a model for stable full employment based on a transition to a sustainable economy that creates jobs in every constituency as outlined in the Green New Deal. This should be matched by targets for low-interest rates, large scale public house building (which is a much better way to tackle house price inflation than increasing interest rates, as Portes and Wren-Lewis recommend) and low inflation.

So let's now do politics for real. Which of these alternatives is likely to appeal most to Labour if the options were spelt out as I now have done, based on what Portes has said? I have no doubt at all that my version would win, by a massive margin.

So I go back to my reason for engaging with this issue from the outset which is to ask why Labour ever embraced the fiscal rule Portes and Wren-Lewis rule, which seems so

far removed from promoting any goal I would have expected it to embrace?

I would love an answer to that question.

Because this is what doing economics in the real world demands.