

Not all Keynesian spending is equal

Published: January 13, 2026, 12:30 pm

The [Guardian has an editorial this morning](#) on Keynes and Keynesianism. In it they argue that:

In 1976 it was a British Labour prime minister, James Callaghan, who pronounced Keynesianism dead.

As they then note:

Monetarism, the economic theory that took over, has failed.

They then argue, [reflecting a theme that I raised last week](#), that what we are seeing in response is that:

Many authoritarians are now using state power to lock in the dominance of the rich.

I think this indisputable.

I also think that the editorial missed a killer punch. That was, first of all, because they kept referring to Keynes, and not his motives, and yet it is his motives, and their contrast with those of monetarism that is critical. Keynes was motivated by social concern: monetarism was motivated by the desire for private profit. Keynes was about creating fairer societies, and monetarism was about creating inequality.

It is then appropriate to say, as the Guardian do, that:

Austerity meant the economy was starved of demand when inflation was low. The answer is for governments to spend.

But [the right are] not talking about the state intervening on the side of labour, redistributing wealth or socialising investment. Instead, the right now proposes a Keynesianism without Keynes.

This is correct, and yet it needs contextualisation. We have just seen an election where

policies in the shadow of Keynes did not prevail. Whilst nationalisation, social housebuilding, the welfare state and much else that might be associated with Keynesian policy all poll well with focus groups they did not deliver election success for Labour.

Nor, come to that, did the Green New Deal in the way that Labour presented it. And that is because Keynes did not just want these things, as if they in themselves mattered. What he was particularly interested in, I suggest, was what they could deliver for people. In other words, what he wanted to address was not just an economic crisis, but the oppression of people's hopes and aspirations and their replacement by fear. He knew he was fighting fascism, and he played a key role in achieving that goal.

This is the point that I think the Guardian misses. A new dose of Keynesianism is not enough. Nor, most especially, is a bout of non-Keynesian government spending. Keynesian spending is about transforming relationships in society. It is, then, about much more than the spend itself.

I believe that the Green New Deal, when properly done, is exactly that. It is aspirational. Instead of Labour being paranoid about the private sector gaining advantage from it, I would have every hope that a plethora of new businesses will be promoted by Green New Deal activity. Wouldn't that make sense?

And I would hope too that the training programs, which have to be at the absolute core of everything that the Green New Deal does or no progress can be made, will provide skills for life, and not just for retrofitting insulation and triple glazed windows.

The spending that the government is now proposing is all about reinforcing Conservative control, and at its best that is about the maintenance of a power elite. The Green New Deal is all about the diversification of power to people and localities.

Both policies have at their core increased public spending. But one delivers that spending to maintain the status quo. The other spends to change that status quo for the benefit of all in society. Not all, then, is equal in what looks like Keynesian spending. In fact, the opposite is very much the case. And that has to be said, time and again.