

## Will Sunak rise to the challenge of today? I seriously ...

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As I [pointed out last week](#), literally minutes after he sat down from delivering it, Rishi Sunak's first budget was a disaster because of the massive underestimation of the implications of coronavirus implicit in it. I suggested that he would need to be back at the Dispatch Box very soon. I thought it would be weeks. It's turned out to be days. As the FT reports this morning:

*Rishi Sunak, UK chancellor, will on Tuesday announce a major package of measures to help Britain's businesses through the coronavirus crisis, amid warnings the economy could be living with the fallout for "a year or more".*

*Mr Sunak will announce measures to help companies deal with the consequences of the dramatic moves announced by prime minister Boris Johnson on Monday to tackle the outbreak.*

Some thoughts might be appropriate.

First, as ever the government will have a choice as to whom it wishes to favour when pursuing a course of action. It could, if it wished, favour capital. In effect, shareholders could be bailed out. In that case it is highly likely that employees would be treated less favourably. Alternatively, the bias can be towards households: the aim would, then, be to keep them solvent throughout this crisis.

I have a horrible fear, given the track record of this government, that the bias to be shown will be towards big business. The likelihood is that banks will emerge from this crisis unscathed, yet again, as will most other companies in the financial services sector.

In contrast, there will be casualties, but mainly in the hospitality and tourism sector. These will be considered expendable.

In between, who knows? But, the likelihood that there will be a vain attempt to preserve financial markets is high.

This objective will be seriously misplaced. It will be based upon the claim that unless it is done the value of pensions will be seriously undermined. This is to miss the point, entirely: the value of pensions has already been seriously undermined by their unfortunate investment in Ponzi style stock markets that have created enormous asset bubbles of little worth, as it is now becoming apparent. Retroactive support for that bubble will not preserve its value: it will simply send good money after bad.

The need now is for recognition that what matters for the future is the ability to add value. As a matter of fact this gives a reason for preserving the UK insurance industry, but much less excuse the preserving banks in their existing form when they would appear to have destroyed so much value for so long. Bank nationalisation, with the shareholders being wiped out, has now to be on the cards. We will have to underpin the banks, but the idea that we keep their structure in place for very much longer is now wholly beyond the pale.

There is good reason for preserving significant parts of the UK retail infrastructure: we are dependent upon their supply chains.

But, there is little reason the supporting many energy companies: when we know that they have been drastically overvalued because of the presumption that oil is the basis for our future, when that is clearly not true we should not be seeking to preserve their value now. The time for their nationalisation has arrived so that the transition to the green economy can be taken forward with speed after this crisis is over.

In contrast, there is very good reason preserving much of the UK hospitality sector. As a matter of fact when this crisis is over people will want to go out. They will want pubs, clubs, restaurants and bars. We will truly appreciate the pleasure of drinking in coffee shops once more. Our appetite for long haul travel may well disappear; our desire to holiday at home may increase. This sector, including peripheral aspects like cinema, needs all the help it can get: our collective well-being is heavily dependent upon it in a way that few have appreciated, but which they will now access to it is to be denied, at least in the short term.

What this also means is that support has not only to be selective, but must be right across the business size spectrum. Nothing less will do. Indeed, the preservation of the intellectual and human, as well as financial, capital of many smaller businesses might be just as important for our long term survival of this crisis as is support for larger enterprises.

And we will have to support households. On the right I have seen it suggested that a bail out of maybe £1,000 our household should be delivered: I wonder what planet those people live on if they think that this will be enough to keep the UK economy going in the face of downturn that is about to hit it? I stress, as I have before, and I will again, that whatever the size of the deficit does not matter now: keeping people afloat does, and only the government can do that. That requires, as I have said before, bank loan

holidays, rent payment holidays and tax payment holidays for business. But it will also require cash support.

Will Sunak rise to this challenge? I seriously doubt it. In which case he will be back at the Dispatch Box again, very soon.