

People v balanced budgets: the ultimate question that h...

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According [to the FT](#):

Rishi Sunak is drawing up plans for deferred tax rises and cuts to public spending in his Autumn Budget after he delivers a further fiscal stimulus for the UK economy in the weeks ahead.

The Treasury is first considering a temporary cut to value added tax and specific reductions in the rate for some sectors, according to those close to the chancellor, following significant pressure from industry and Tory MPs. A lower VAT rate for the tourism sector – including pubs, restaurants and hotels – is one option being discussed.

This is deeply worrying. It reveals that the Treasury, and Tory, mindset has not been altered by coronavirus. Their dedication to austerity remains intact. Because that is exactly what such a plan would represent. And we know at least three fundamental problems with this.

Firstly, cuts in government spending and increases in tax have the same result: they take money out of the economy. That means that demand is reduced, and unemployment follows. But, what we now also know is that there will be a massive increase in unemployment in the UK this autumn. It therefore follows that the government is planning to exacerbate this crisis with spending cuts.

Secondly, the only objective of this policy is to balance the government's books. A decade of austerity has proved that this does not happen. If that is the objective of government policy then the only way to achieve it is full employment on a living wage, and so far this government has never tried that.

Thirdly, people now know that austerity does not work and, at the same time they realise that we are all now heavily dependent upon the services that the government supplies. This is not just with regard to the NHS. Millions of people also now appreciate education a lot more than they ever did. And, at the same time they now realise that their security is dependent upon the government underpinning their well-being. And

yet, Sunak appears to be planning cuts. And there is a massive political risk in that.

There are a number of possibilities in this plan. One is that he is not intending to do this at all: he is instead simply trailing the possibility so that when he does not do it people feel better than they otherwise might. Such things have been done before. On this occasion I wish it was the case, but I doubt it.

Alternatively, Sunak really is willing to say that balancing the government's books is more important than the well-being of millions of people. This time, though, he will have to understand that people realise that this is the trade-off he is making, and that he will be making the claim when millions will be facing financial destitution.

And, whereas in 2010 it is fair to say that there was little coherent anti-austerity narrative within economics available for opposition parties to use, this time there is. I am only too well aware that many left of centre economists have a loathing of modern monetary theory, almost entirely based on the fact that they appear not to have read it: it's either that, or they have no trust in the state. But, the fact is, that in 2020 MMT is a 'shovel ready' economic explanation as to how to manage the economy without austerity. How it is possible to expand government spending without risking inflation can now be explained. In that case there is no reason for any opposition political party to go along with austerity, unless they really are the slaves of some defunct economist.

The choice that will face UK politics now will be a very simple one. It will be a choice between people or book balancing as the priority for government policy. There is, of course, only one acceptable answer. But will the opposition have the courage to oppose? That will require major intellectual shifts for many of them. That's necessary, but will it happen?

And I stress, our very future hangs on the answer to this question because if we lose this then we lose on climate change as well, which will never get funded if balanced budgets remain the plan. This fight is then, literally, to the death in that case.