

The naivete of those who think that we'll have a V-shap...

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A couple of days ago Andy Haldane, supposedly the most enlightened member of the Bank of England Monetary Policy Committee, [said in a speech](#):

There is a debate about which letter of the alphabet will best describe the path of the economy, with some scepticism about the V-shaped scenario path in the Bank's May Monetary Policy Report (MPR). It is early days, but my reading of the evidence is so far, so V.

In effect, he said the U.K. economy would bounce right back from coronavirus and the long term impact would be limited.

Let me be clear, I would love it if Haldane was right. But, I am absolutely sure he is not.

Right now more than 900,000 business have had government financial support to hopefully survive Covid. That's well over half of all trading companies in the UK.

9.2 million people are on furlough (although that may come down a little this weekend).

And 2.5 million are receiving self-employed income support.

So what Andy Haldane is seeing is the evidence that government support can be amazingly effective.

But there remain two issues that he appears to be ignoring. The first is that the business support will end - and after the losses that they have suffered this will leave many businesses massively under-capitalised for the recovery. And as I have said from the outset of this crisis, that is when the crunch will come. The biggest business killer is over-trading - when businesses fail because they overstretch themselves in proportion to the financial resources that they have available to them. This situation will occur time and again during the recovery.

Second, he's ignoring the swathes of job losses now already happening despite support as businesses no longer see any hope that their business models are viable. He only

[has to read the papers](#) to find evidence of these. We are already in a situation where, unfortunately, tens of thousands of people are losing their jobs - and that's just the announced ones. But this appeared to be ignored by those who wish to believe that we will recover from all this with no problem.

The naivete of those who think that we'll have a V-shaped recovery might be one of the biggest dangers that we face right now. I'm expecting Sunak to be high on the list of those saying he does, next week.