

The pretence that weâ€™re going to have a V shaped...

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Even the government is admitting that we are now facing a very difficult winter. It is very obvious that coronavirus has not been beaten. The social consequences of seeking to do so are going to have to continue. And yet, so far, the government does not seem to want to talk about the economic consequences of this, and nor, it seems, do many other people want to do so either. That, though, is a mistake.

It is not possible that we can go into any type of lockdown arrangement and for it to not have far-reaching economic consequences. At the very least new economic stress means that many of the assumptions that underpinned the arrangements put in place for the last lockdown are no longer valid. In other words, the assumption that taxes that have been deferred are going to now be paid; that mortgages can now be caught up with; that loan repayments can begin, and so on, simply do not stack if business is heading into another period of economic downturn. These arrangements were all based upon the assumption that there would be a V shaped recovery from the first lockdown, and that is now very obviously not true. So, what does need to be done?

Firstly, and I make no apology for returning to something that is now a familiar theme on this blog, the government has to decide whether it will prioritise the interests of landlords or employees in the continuing crisis that we face. It is simply not possible for most businesses to continue to pay the rent costs that they committed to before this crisis began and to continue in business. Business cost structures have fundamentally changed as a result of this crisis, with reduced activity and lower profit margins now being normal. That this means that something has to give if business is to survive should be obvious. There are, in effect, only two choices. Either rents have to reduce or employment will. This leaves any sensible government with only one choice, and that is compulsory rent reductions, now.

I am, of course, aware that this will also require support for banks, since many landlords are heavily geared. But, I stress that it is better to do this now before widespread commercial property vacancies become normal because of the failure of tenants, rather than afterwards. Whatever happens, landlords are going to take a massive hit as a consequence of this crisis because past levels of rent are no longer viable. The choice

that the government faces is between managing this issue, or letting it happen chaotically. I much prefer the first option, and as such programmes of compulsory rent cuts must now be put in place if business is to survive.

Second, all the financial deferral arrangements that have been put in place need to be reviewed. For example, it may be necessary for many of the taxes that are now owed to be added to the loan balances already due by businesses. And, third, and once more to repeat a theme that I have already addressed on this blog many times, frank recognition that many of the outstanding loans that have been provided to businesses will not be repaid has to begin with a programme of reorganisation of those loans into either grants or equity support, with the latter being my preference so that there is an upside for society in the case of those businesses that survive.

That this is necessary has been apparent for some time: now is the time to do it, but with a whole range of protections for wider society being included as a consequence, again as I have previously noted. Support must come at a price including the end of tax avoidance activity, full corporate accountability on public record, the recognition of trade unions if it is appropriate, a policy of paying genuine living wages, equal pay policies and employee representation on boards of directors.

Thereafter the government does need something it has lacked for decades, which is a genuine industrial policy. Despite all the support that can be supplied now it is very obvious that a changed economy will require a different range of businesses to service it. Whatever happens, some existing businesses are going to fail: that is completely unavoidable. But, in that case, and given that patterns of working are going to change radically, it would seem, and because it would seem that the government is the only source of capital available to fund the transition to a new style of working, an industrial strategy is absolutely essential.

I stress, however, that I use the term industry in the broadest possible sense. What I am, of course, really promoting is the idea of a Green New Deal. We have to transition to a low carbon, sustainable, high employment economy. This will also embrace the idea that health, care and education are at the core of a good society. Their provision is intimately associated with the Green New Deal. Planning how to deliver against these objectives is the critical task that the government should now begun. There is no hope of going backwards to the old normal now. It is not at all apparent that people would want to do so anyway. As a consequence a new plan is essential. And that is the Green New Deal: there is no other show in town.

I suppose I should apologise for repeating things that I have been saying since March, but I am not going to do so. It has been apparent since then that this crisis is bigger than anything to which the government has admitted. The radical reforms that I have been proposing since March are now absolutely essential. But will the government have the courage to deliver them?