

## 2021 will be volatile

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I have reviewed the last year, both from the perspective of [this blog](#) and from that of the [political economy](#). But what of 2021? Knowing that 2020 proved how foolhardy any form of production might be, what do I think 2021 might deliver?

The truth is, of course, that I do not know. What precisely will pan out cannot be known, but some over-arching narratives can be foretold, and that is what interests me. So let me get the obvious likelihoods out of the way and then consider the consequences.

First, there is Covid. It is here to stay for some time. Indeed, it is going to get a lot worse before anything gets better. And right now the government still seems intent on creating a disaster. A great many people are going to die unnecessarily as a result. The NHS will be stretched to its limits. Vaccines will only have a limited impact for some time. I strongly suspect that we will still have restrictions on behaviour in place when 2021 comes to a close. Whether that is because transmissibility still exists, or because anti-vaxers refuse to participate in immunisation programmes, or because of new variants, makes little difference; there will still be restrictions. Let's get used to it now and brace ourselves for the losses to come.

Brace ourselves too for NHS failure - through no fault of those involved but because of failure of leadership now and over the last decade.

And at the same time, those expecting economic recovery in 2021 should, I believe, think again. People living in jeopardy (and that is what 2021 is going to feel like) do not spend. Their 'animal spirits' will be subdued, and the economy with them. Past evidence suggests that this will be the case for some time to come. In which case expect more job losses, more corporate failures, and more distress. What 2020 taught was that a summer relaxation of measures was a big mistake. I hope the same mistake will not be made again in 2021, and I know the price of that.

In that case, any idea that this will be the year when the government begins to plan for the post-Covid recovery are hopelessly misplaced. This will be a year of continuing substantial government deficits driven by low tax receipts, in particular, whilst demand

on services will remain high, and will need to be met. Talk of austerity, tax increases and such issue are all a long way from what will really be on the government agenda.

And Brexit will not go away. Talks on the many unresolved areas will drag on. The costs will become very apparent. Services will begin to appreciate how hard they are hit. Northern Ireland will realise that its supply chains now have to come from the south, and not from the rest of the UK. There will be recurring reports of jobs and investments lost as a result of Brexit related departures of business from the UK.

So, that's the background. What does this mean?

First, Covid, plus Brexit will mean very limited, if any economic recovery in the year. The OBR suggested that growth might be 5% or so assuming no Covid second wave. That now looks to be fanciful. Presuming we are in lockdown for several months from mid January onwards, as Covid deaths exceed 1,000 a day, the likelihood of any recovery is remote. Brexit simply adds to the likelihood.

Furlough will continue to April, but the gross unfairness of a scheme that provides considerable unemployment benefit if you happened to be in a particular type of employment at some point will become too unjust to maintain. Those who have lost their jobs, the self employed and others who fell through gaps, will demand change. I suspect Marcus Rashford will extend his demands to encompass this. Then reform will happen. The idea of some form of basic income may arrive in the UK sooner than anyone expected if tourism and hospitality have the year I expect.

Significant measures to support business will be required. Loans are now seen to be fraud ridden. So, apart from extended rates relief I also foresee compulsory rent reliefs, with landlords able to make partial recovery claims from the government.

With luck, strategically important businesses, large and small, will begin to get capital injections. But measures to prevent cronyism will be key. The stresses in the economy in 2021 are already potentially incendiary; it will not take much for anger to erupt. Failure to provide fairness will deliver it.

Second, the risk of cronyism will remain high. But the seeds of dissent will grow the longer it remains apparent. If it breaks out of the PPE sector I am not sure the anger will be contained.

Third, freeports will begin and be a feature of local government campaigns this May. Counter-arguments are essential, now. The freeports themselves will prove to be a damp squib.

Fourth, the change in relationships in Northern Ireland will be rapid. There is a real risk of stress as unionists realise just how badly they will think they have been treated by

the UK. Ireland will continue careful diplomacy, backed by the EU.

Fifth, The SNP will win a landslide in Scotland in May. Johnson will still refuse a referendum. He will even refuse discussion on any real increase in devolved power, backed by Labour in Westminster. An intensely volatile situation will develop quite quickly. It may be a very tense summer. Scottish demands will not go away, and the SNP might have to grant what Westminster will seek to describe as an illegal referendum to keep the lid on stresses. A nation that has decided to be free, as Scotland almost certainly has, is not eventually stopped.

Sixth, the NHS will have a ghastly year. It will be overwhelmed by COVID. That is now almost unavoidable. Staff will suffer, considerably. It will be stressed beyond limits. The demand from the right that it must be broken up will become very strong. Labour will be left floundering, triangulating as ever. And the rise of new political sentiment around a revived commitment to public service is entirely possible. I cannot predict how that will happen. I think that a desire to support the NHS, care and education will underpin it when the essential nature of all three, and the lack of existing political support for them, becomes apparent.

Seventh, this concern will align with that on climate. COP 26 might happen, but what will be apparent is that it will be a cop out: the chance that business as normal will prevail in the face of the need for fundamental change will become very obvious. After the extended period of changed behaviour Covid will have already delivered many people will be open to new ways of thinking, and will appreciate that whatever there had been is no longer the answer to where we will be. It is just possible that this will be the year for the demand for real environmental change to become apparent. Increasing weather issues will fuel that. I expect flooding.

Eighth, the mainstream right wing media will do all it can to fight the NHS, teachers, care workers, the unemployed and those who want environmental change. The mantra that change will be unaffordable will echo around the country, and world. But the reality that money has been created for cronyism, the folly of Brexit and the gross mismanagement of PPE will make it clear that is not true. This will be the year for new economic narratives. These will not be called MMT. That is too hard to explain. Green and social QE will be what is demanded. That is, the money will not just be created now: its use will also be directed. The need to maintain economic discipline in a changed environment, and to tackle rising inequality will, in any case, demand this.

Ninth, although this will be the year of the delivery van, it will also be a year for new and local business as people consciously seek to support their communities.

And tenth? I think the threat of disruption in society will be so great that measures to tackle inequality will have to be taken by a government seeking to keep control when the risk of it losing it will be high.

In summary, this is going to be a year of very high political tension. The media will demand suppression. I very much doubt that will be possible when the reality of the next wave of Covid and all that follows from it is appreciated. Containment is the best this government can hope for, having failed to control the virus over the next few months. And that containment may not be possible. The idea that Covid was just a blip will disappear in 2021. The reality that Covid will change everything will arrive. And the politics of that are unknown, but presuming fascism can be prevented (and it is an ever present risk) then the foundations for real change may be laid.

2021 may go down in history.

And I could, of course, be completely wrong.