

The message from yesterday's Budget was a simple one....

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The morning after the Budget is announced is usually a moment for reflection.

In the Osborne and Hammond years the reflection usually focussed on the gaffe that they had made which was bound to result in an urgent backtracking, very soon. Caravans, pasties and national insurance contributions for the self-employed all come instantly to mind.

Sunak appears to have been relatively gaffe free, at least on the day. Regressive national insurance increases; harsh universal credit cuts and double counted expenditure promises had all been got out of the way before the announcement this year. A crass announcement on reducing the tax on domestic air travel, which was so inept a few days before COP 26, was the closest thing he came to an outright mistake.

The issues were as much in what was not said. He did not say Brexit is now causing more loss to the economy than Covid. The Office for Budget Responsibility (OBR) was left to do that.

Nor did he highlight his inability to find any green measures. Nor, come to that and air tax cuts apart, did he find any supposed economic benefits from Brexit.

The OBR pointed out too that freeports provide no net gain to the economy. So much for Sunak's big idea.

In fact, of big ideas there were few. What the government's industrial plan might be is anyone's guess. None was in view.

Instead, and as I noted yesterday, the whole budget edifice has been built on two explicit beliefs. They are that consumers are going to spend like never before and that businesses will be pouring money into investment. The evidence to support either contention is hard to find.

Without these two assumptions Sunak's new fiscal rule - to balance the current budget and to only borrow for investment - cannot work. So it was simply assumed that the

growth will happen to make the rule seem watertight. That's the way the OBR has always worked: it delivers forecasts a Chancellor wants.

Like the dozen or more fiscal rules that have existed since 1997 this one will fail. All the previous ones have. That is why they are continually reinvented. Chancellors really should stop promoting them. But they still do, and as a result the political careers of Chancellors have all been scarred by them. Sunak's will be too.

The talk in newspapers today is that Sunak is going to use the proceeds of growth to build a war chest for pre-election tax cuts. It's extraordinary that as far as I can see none of the journalists reporting this seem to doubt the growth forecasts. They take them as read, although growth forecasts from the OBR have always been wildly optimistic and this one is no different. It's my quite strong belief that there will be no war chest for this purpose, not least because, as these journalists do not seem to appreciate, there is no Treasury piggy bank. The reality is that borrowing is forecast into the foreseeable future.

However, the City bought the line that about £25 billion less will be borrowed next year, and the interest rate on gilts rose considerably as a result. They too are buying the growth forecast for now. They seemed not to notice the plan to unwind QE: pressure resulting from that appears intended to keep interest rates up. I suspect none of these forecasts are true. I think borrowing will be higher than forecast and QE unwinding will be on hold. Interest rates may well have to be cut again if the Bank is so unwise that it increases them soon.

So having noted what will not happen, what in the Budget will stick? One thing will. That is bigger spending. The reason for that spend is that it is needed. Across the piste there is a backlog of public services to be supplied, from health, to education, to social care, to justice, to transport, to the environment: in every case there is a decade or so of austerity to reverse. Sunak tellingly kicked Osborne and Hammond, and so Cameron and May, very hard yesterday. He used Labour spending levels in 2010 as his benchmark. It's as if he wants to be the heir to Brown.

There is good reason for this. The last decade has left a legacy on public service provision that means there is an enormous frustration within government - which ministers will hear daily - and beyond it, which they will get in their inboxes, that what is essential is not happening. There have been real cuts, and simultaneously real inflation in the cost of providing services to the levels now required which productivity cannot compensate for. The result is a pent up and growing frustration at government failure that has to be addressed.

The message from yesterday was then a simple one. It may not have been said but the message was that big government is essential. The obvious hint is that big government would be better still. Sunak has reluctantly realised this. It is time Labour did too. Sunak has not worked out the financial consequences of this. That is, in fact, the big challenge

for all politicians: understanding modern monetary theory would really help them on the way. The rest follows from that.

But what has really to be appreciated about yesterday is that austerity did not happen. It is, in fact, over. The plans may still be inadequate, but at least cuts were not on the table. Instead it took a Tory - and a hardcore Thatcherite - to admit that what this country really needs is more government spending.

Will other parties jump on this? Will the plan also survive the recession that is more likely to happen than the growth that Sunak predicts? Those are issues to follow up on. The point for now is that even the Tories have admitted government spending as a proportion of GDP has to grow to meet need. And for recognising that, albeit without clearly saying it, this might be a significant budget. But, time will tell if the Tories will let Sunak get away with this. If they do their electoral prospects increase considerably. Labour should be worried.