

Labour's commitment to balancing the books destroys any..

Published: January 15, 2026, 3:36 pm

As the [Guardian notes this morning](#):

Keir Starmer will make a pitch to win over Britain's business leaders by promising a Labour government will not simply "throw cash at" the country's problems.

Starmer will apparently tell the CBI:

Labour "absolutely don't think that the solution to every problem is to throw cash at it", promising to run "a stable government and a tight ship".

He will highlight Rachel Reeves's tough approach to the public finances, saying: "We will never spend money just for the sake of it."

So, yet again, Labour is trying to do three things.

The first is to play by the Tory rule book on fiscal austerity.

The second is to live by the so-called household analogy - which says that the government is just another microeconomic entity that has to live within its supposed means.

Third, it is seeking to fail, because this policy necessarily means that many of the policies that the country needs cannot be delivered. Instead, the bankrupt status quo is to be maintained.

I despair at the poverty of this thinking.

We do not need a Labour party that believes that there is nothing it can do with the power to create money that a government has.

We do not also need another Labour government that thinks it is beholden on business to pay tax and money markets to lend support, 'if they would be so kind', when we know that Covid has shown that the need to address a crisis has shattered both myths,

and that the power of money markets has been broken by quantitative easing.

But what we do not need most of all is a Labour government so in awe of the supposed Treasury rule that says that the books must balance come what may that the real need for transformation in our society, to tackle inequality, to create the well-paid jobs that are needed, to deliver that housing, care, health services, education and justice systems that are required, must be sacrificed to this goal.

I am so bored by cowardly politicians who when they see a problem walk away from it saying that we cannot afford to deal with whatever is required because the cash is not available within the Treasury when the ability of the Treasury to create money is limitless, and constrained only by the need to tax sufficiently to recover that amount that must both leave room for necessary private sector activity and to control inflation.

What Keir Starmer is revealing is a total lack of understanding of macroeconomics that is now hard-core Labour policy. Reconciling this with a policy agenda that might meet needs is impossible. That is the sorry state of the UK's official opposition.