

The absence of any sort of strategic thinking within th...

Published: January 14, 2026, 5:17 pm

This morning's newspapers, mixed with some comment from Sunday's, reveal a continued confusion at the heart of UK economic and political policy that suggests how ill-equipped those tasked with managing it are for the job that they are about to face.

There are three crises that we really face right now. They are war, covid and climate change.

There are consequences that we face as a result. They are the impact of sanctions, inflation, refugees, sickness and the long term inability of our economy to survive without massive long term changes in our greenhouse gas emissions.

Dependent upon our reaction to these threats we also face the real risk of massive increases in poverty, rising unemployment, a significant increase in demand on the NHS, austerity, recession and despair as we fail to tackle the climate crisis, which is the biggest issue of all that must face.

What is the government doing as a result? It is permitting energy price increases. National insurance increases are planned. It is expected that official interest rates and so mortgage costs will rise this week. It is increasing benefits by much less than the current inflation rate, let alone one adjusted for fuel costs. It is planning austerity. It is seeking new carbon energy sources. It is abandoning green targets. In effect, full scale recession is its current plan.

The knock on effects will include substantial increases in poverty, increasing unemployment, failed companies, increases demand in the NHS, higher benefit payments, rising national debt, inflation higher than it need be, and a failed energy strategy. And that only scratches the surface of the issue. I ignored Covid in that, which remains a massive issue.

What remains apparent within government thinking is the belief that there is some 'old normal' or, to use economic jargon, equilibrium, that they can re-establish if only the right combination of austerity buttons that magically shrink the state and

simultaneously release a previously unknown spirit of entrepreneurship in the people of the UK can be found.

I have news for the government. There is no such old equilibrium that can be found.

First, that's because there was no perfect time anywhere in the recent past to which we should aspire again. In that case the very notion of recreation is based on false memory.

Second, that's because, as I keep saying, everything has anyway changed. War in Ukraine indicates that, and we're not going back to 23 February, ever, just as we're not going back to pre-Covid times, ever.

Third, that's because that 'equilibrium' state had implicit within it all the failings that have led us to where we are now. If we have learned anything from what has, and is, happening, it should be that we do not want to repeat those mistakes again. And yet that would seem to be the government's objective.

So what might be done about this? First we need new strategic thinking. For defence. For health. For climate change. And as a result, for the economy. These strategies have to ask why we need to act, what we need to do, when, with what purpose and what hoped-for outcome, at what cost, with how this plan will be delivered and paid for being considered.

Of course those plans will not be right. But unless the state does plan at a strategic level again - and I would suggest that it has not for a long time - there is no way out of this mess.

Second, strategic plans need to change into operational realities that are consistent with them. Unless that is done there is always confusion in the actions that governments take, as is so very apparent at present. As example, if we really had and understood a plan for climate change then the focus at this moment would be entirely upon reducing energy consumption and the generation of energy from alternative sources, rather than upon the apparent goal of investing for medium to long-term increases in energy supply from the North Sea, which makes no sense at all.

Similarly, if we had an economic plan we would not be increasing interest rates; would be doing everything that [I suggested over the weekend](#) to reduce the cost of energy; there would be no tax increases; there would be a plan to use long term borrowing and maybe quantitative easing to support investment in critical infrastructure for climate change, healthcare, and other resources; there would be a windfall tax now, and they would be a massive reorientation of other taxation from those on low incomes [to those with the greatest ability to pay](#).

What would the goals be? Peace. Freedom from fear. Full employment. Good healthcare. A managed approach to climate change. The development of the skills to

deliver all of these. Transparent accountability for delivering them. Political freedom within a system where the rule of law is respected.

None of this thinking is happening in government right now. It is little in evidence elsewhere. That's why we're in a mess.