

The best hope is that the Tories will boot Truss out. O...

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The morning after Kwasi Kwarteng's non-budget it is hard to write an objective appraisal because there was nothing objective about it.

The fact that it was not called a budget when very obviously it was just that was contemptuous of parliament, and everyone else in the country.

The fact that Kwarteng set out to spend more money than any other Chancellor in history and yet do nothing to help the public services, or anyone working for them, or anyone in need in the UK was staggering. Money was reserved for the very wealthiest, companies, and the households who consume the most energy. Banks and energy companies get a bonanza from Kwarteng. No one else will.

In exchange, and as I have already noted in previous comments on this blog, it is likely that Kwarteng will need borrow more than £250 billion in the next year, with the Bank of England quite bizarrely also seeking to raise another £80 billion from financial markets over the same period of time. This is possible but only if interest rates increase, considerably. Talk is now of base rates of well over 4%, with 5% possible. This plausibly increases repayments on a £200,000 mortgage, which is a commonplace amount, by more than £9,000 a year, measured since this time last year. There are very few households than can absorb that shock.

Many businesses will, of course, be suffering the same sort of hit on their bank loans.

And given that rents close follow mortgage interest costs these are going to skyrocket too.

I suggest that very few in the UK should be looking at the tax consequences of this budget today in that case. They are really of little interest to anyone but the very best off. The only appropriate way to look at this budget is to appraise its overall consequences for households and business.

Many households, facing additional fuel costs despite support, increasing rent or mortgage costs plus inflation in almost all other costs, which will increase rapidly now

after major falls in the value of the pound yesterday following this budget, will be facing devastating blows which they will not be able to manage. There is no point pretending otherwise: the numbers are not going to stack for many millions of households in the UK when the overall consequences of this budget and the mess we were already in before Kwarteng chose to make things very much worse are taken into account. In fact, many households who previously thought they might get through this crisis will not now do so.

It will be the same for business. Interest rate increases will now kill off many who thought they might just survive energy cost increases. The fact that households will now be avoiding spending as much as they can to withhold funds for the crisis to come will just make things worse: demand will be falling in many sectors right across the UK now. Massive rates of insolvency are likely.

Will anything Kwarteng did change that? No, in a word. Businesses do not pay tax on losses, so the major tax bonus for them will have no impact at all. Nor do they invest in downturns, so upping the investment allowances for that have no consequence either. Kwarteng revealed his ignorance of business by thinking these things matter.

As for the tax cuts: none of those will feed through into growth. The rich will save them. For everyone else they are inconsequential and will be overshadowed by increase in inflation and interest costs that will cause massive economic stress (that is an understatement).

Meanwhile, the Bank of England is going to be at war with the Treasury and markets have already made it very clear what they think of all this.

And the sad thing is, we need deficit funding. It can also be afforded but only if it is used to fund support for public services, the green economy and those in need if it was to be appropriately spent. Kwarteng is using it for all the wrong reasons.

My only comfort? I cannot see the Tories putting up with this for long. I am hoping Trussonomics has a very short life with her own MPs calling a halt to this, because remember, most of them did not want her.