

The only winners from Truss are those who want to impos...

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I [posted this on Twitter](#) this morning:

We have our fourth Chancellor since July. There is not a person on earth who can suggest that is a record to be proud of. What does that mean? A thread.....

The fact that there is also no one who can be confident that Jeremy Hunt will stay in office for long is an even greater indictment of the mess into which the Conservatives have led the country.

Just for the record, I suspect the Tories will move to oust Truss next week. Hunt might, in that case, beat Kwarteng as the Chancellor with the shortest time in office. That's how bad things are.

But, much more important are three things. Why did this happen? What are the consequences? And what happens next?

This happened for one essential reason. That is that an incredible (in its proper sense of being not credible) budget was presented by Truss without any explanation as to how it might work and no one believed that it could as a result.

The suggestion that growth could be generated by tax cuts or by relaxing regulation was not believed. There was good reason for that. There is no evidence that either achieve that outcome.

This was the core failing. A libertarian plan was dismissed as absurd, even by those financial markets at which it was most particularly aimed and where support for it was meant to be strongest.

If Truss had laid out some detail and some evidence to make her case it might have helped her, but she did not.

Instead, it was apparent that her plan for a routine deficit, plus tax cuts of £45 billion and £100 billion or so of energy support would cost more than £200 billion. The trouble was she gave no clue how she would finance this spending.

And to compound things, the Bank of England had, literally the day before Kwarteng delivered Truss's budget, said it wanted to sell £80 billion of its bond holdings that they have as a result of QE back to the financial markets.

Truss was looking like she needed QE to fund her plan. The Bank of England was looking as if it was reversing QE (a process called quantitative tightening, or QT). It was glaringly obvious that the two weren't talking to each other.

Worse, the combination required about £300 billion be raised in total from financial markets. Without Truss having provided any details to justify her wild growth assumptions that supposedly paid for this, the markets began to panic.

The absence of any support for Truss's plan, whether from the government's own Office for Budget Responsibility, or third parties like the OECD and IMF, who did not see that growth happening, did not help Truss.

That she and her Chancellor appeared to revel in the absence of that support only made things worse. They weren't seen as disrupters. They were seen as wreckers.

We know what happened. The pound fell. Interest rates rose. Some pension funds faced a meltdown. The mortgage market did likewise. If pensions have probably been saved, the grim reality for millions is that their mortgage costs will skyrocket. So will rents.

Indisputably, this crisis was created in Downing Street. Sacking Kwarteng will not change that. And sacking him whilst Truss remains makes no sense to anyone. That Jeremy Hunt is already parroting the Truss growth lines to the media this morning shows no lessons have been learned.

That is why I think that next week Tory MPs will dispatch Truss to the political oblivion from which she should never have risen. But that is only a minor consequence of all this.

The major consequences are threefold. Firstly, the libertarian right wing that has undermined the Tories for decades have been revealed as both incompetent and in possession of ideas that are totally out of step with the country.

That is the good news in all this. The power of the ultra-free marketeers who, amongst other things, gave us Brexit, looks likely to be shattered by this. No one believed their growth plan. That is the good news.

Second, the lesson will surely be learned that economic policy has to be justified. I don't think Truss was wrong to say that the Tory policies of the previous twelve years were

wrong, because I clearly also disagreed with them.

What I do think Truss got hopelessly wrong was to try to break that Tory mould by very obviously biasing the rich, which the country (me included) found totally unacceptable, and at the same time to not make clear the framework for her thinking.

The Tufton Street think tank crowd had enjoyed decades of funding to have had an economic plan for this eventuality in place. But either because they did not appreciate the need or because they could not do it, none was available.

That was incompetent. Their incompetence transferred straight to Truss. And when that conflicted, head on, with the Bank of England plan for austerity, to which Andrew Bailey is clearly dedicated, the recipe for a disaster was created.

What that says is that anyone hoping to rock the boat again need better do their planning a long time in advance, and get the detail watertight before trying to deliver it.

Third, Truss demonstrated that if you have a plan you need to act on it. So, she should have told the Bank of England that they were to cancel their plans for bond sales, or QT. And she should have told them to do QE instead.

Truss had the power to do both these things. She didn't. She let the Bank oppose her instead. The coup against her was coordinated from Threadneedle Street as a result. She has very clearly not read Machiavelli. She did not take on the Bank, as she should have done.

The failure to announce QE to fund the emergency £100 billion support for households and businesses that markets would, I think, have accepted as a necessary cost of avoiding recession, was another failure to use the power available to her.

Instead she, totally naively, threw herself upon the mercy of the markets and they told her precisely where she could get off as a result.

So, what will happen now? Leave aside that the Tories are in disarray, and that their Brexit wing has been shattered, and that their reputation for competence has gone for a generation, and look at the bigger picture instead.

The Bank of England and the financial markets won this encounter. Their confidence has been appropriately trimmed by QE for more than a decade. But now they will think that they control the show again because Truss did nothing to challenge that idea in all this.

The result is a disaster. The deficit hawks will run wild. They will claim we must have austerity. Their demand will be that government cut the size of its debt. They will push for higher interest rates because they will say that controls inflation. And recession will follow.

I presume we will have a Labour government soon. And I see no sign that they will fight this agenda. Rachel Reeves is Bank of England to her core. Labour will claim that their fiscal credibility requires that they do this. They will hope it will be forgotten in five years.

I see no good outcome from the win for Treasury orthodoxy as a result. I loathed what Truss planned. But the idea that people must be crushed to serve the whims of financial markets is what has won in this battle.

It need not have done so. Government does have the power to create money. At the right time it should do so. This has already been forgotten. I doubt Labour will revive it. In that case the hope of a better society, sustainability, and improved public services have gone for now.

£100 billion of QE now could have transformed the chance of us getting through the crisis we face. But Truss did not do it. She can't now. Instead she reinforced the financial view of the world that destroyed hope in the 1930s and might well do so now.

And that, to be blunt, opens the way for an openly fascist party to replace the Tories, which really does worry me.

Modern monetary theory explains how the left could avoid this. Nothing else does. But Labour explicitly rejects it, preferring the interests of the City over those of people. They think they can do this when riding high in the polls. Pride might deliver their fall.

Truss was right on one thing. The economic policy of the last forty years has failed. She got the alternative all wrong. What she did as a result is guarantee more crushing austerity instead. It's another good reason to condemn her.

There will, however, be a real price to pay for all this and it will be high in terms of the misery it will inflict. That worries me more than anything.