

Funding the Future

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The reality that the Bank of England and the Treasury are, in combination, seeking to create the biggest recession in UK living memory is seeping through into the mainstream media.

This was by [Larry Elliott in the Guardian](#) yesterday:

If there was really such a thing as a fiscal black hole, it might be a good idea to fill it, but the idea that Britain is about to be sucked into a vortex because it is running a budget deficit is a fairytale. A country that has its own currency, as the UK does, can print money to cover its spending. While it is never admitted, the Bank of England's quantitative easing – large-scale buying of bonds – effectively funded government deficits during both the global financial crisis and the pandemic. There is no black hole because there is no way the government can ever run out of money.

Larry added:

But even though it should be obvious that more austerity will make structural economic problems worse, the UK is firmly in the grip of a technocratic, economic orthodoxy that insists budgets must be balanced, inflation tamed and markets kept sweet. The consensus among the commentariat is that there is no real alternative to what the Bank and the Treasury are doing. Credibility is the priority.

This argument has been deployed before. It was used in 1925, when the consensus agreed there was no alternative to putting the pound back on the [gold standard](#). It was used in 1990, when the consensus was that there was no alternative to joining the [exchange rate mechanism](#). Eventually, the “no gain without pain” approach was seen to lack credibility, and abandoned. But only after immense damage was done.

My colleague, Danny Blanchflower gets significant credit for the views we are promoting in the article.

The Guardian editorial this morning reinforces this theme:

Without mechanisms to keep prices going higher, they will fall. This is what happened in [2009](#) after the last big shock. There's no sign that both price- and wage-setters are

simultaneously driving up their demands. But there are distributional and political choices in how inflation is brought down. The Bank places an oppressive thumb on the scale of economic justice, to guarantee the continued – and baleful – dominance of extractive interests in the British economy. As the central banks' [annual report](#) shows, they think that if the rising cost of goods causes inflation, then workers, not companies, should pay for it with lower pay. The Bank of England should be stopped in its tracks, not left to ride roughshod over the public.

I hope Labour are listening. They need to, very urgently.