

Planning the economy around a government surplus can ne.

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I [noted an article by Martin Wolf in the FT](#) last week on this blog. In that article, Wolf argued that the UK needed a way out of economic stagnation. I offered my alternative.

Wolf's plan [was published late yesterday](#), again in an article in the FT. It was headlined:

Britain desperately needs a growth strategy

The country has for too long settled for managing
stagnation

Wolf then offered an analysis based on the work of the Resolution Foundation, [which I analysed here last Saturday](#).

For those who did not read that analysis of what the Resolution Foundation proposes, in summary it suggested:

- * Governments should manage the macroeconomy in the way a household should budget its affairs
- * Money should be treated as being in short supply
- * Governments should, as a consequence, run surpluses for three out of every four years on average to save funds for the proverbial rainy day.

This, as I noted, is classical economy thinking from the pre-Keynesian era of more than a century ago that failed to recognise the proactive role that a government must have in the economy if growth is to be delivered, whilst simultaneously not apparently appreciating the drag on growth that government surpluses, by definition, always represent. This was the policy that led to the Great Depression of the 1930s.

Wolf does not notice any of these failings in the Resolution Foundation's work. He praises it for demanding an active state in peacetime. How that is possible when the state should, according to the Resolution Foundation, make its primary focus the withdrawing of value from the economy in most years, Wolf does not explain.

Wolf also agrees with the Resolution Foundation that the basis for UK growth should be the 'export of intellectual property and cultural, business and financial services.' Let's describe all of these, bar the cultural activities (maybe, but only maybe, given the way that they are now packaged as financial products) as what they are, which are exploitative, monopoly-based, rentier activities. This, apparently, is what Wolf and the Resolution Foundation want us to focus on.

I accept that other points are made, including that domestic services are based largely on low-paid employees servicing the whims of the well off, and that we as a country are short of investment, but there is no other vision in the Resolution Foundation report, despite which Wolf says:

I admire the strategic vision. That is such a welcome change from the usual cramped debates.

I wish I knew what I was missing. But I can only see outdated neoliberal (or earlier) thinking in the Resolution Foundation report of a sort that could, if implemented, lead to perpetual recession and even depression as vain attempts to run government surpluses led to a shrinking state, failing state services and a declining economy as a whole.

That, in my opinion, is not a strategic vision. It is a recipe for disaster. Planning the economy around a government surplus can never represent a strategic vision. It is instead a programme for book-keepers those with no idea of how an economy really works.