

The curse of the fiscal rule

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As the [Guardian noted](#) in its editorial yesterday:

[The current economic] context demands a bold economic strategy fit for the times, with a major role for public investment. Instead, the EU is set to return in 2024 to the tight national spending guidelines that were suspended in 2020 when the pandemic took hold. Talks will resume soon on reintroducing a modified version of fiscal rules that limit EU member states' debt to 60% of GDP and their annual budget deficits to 3%.

This, to be polite, is a policy created in the economic madhouses of Berlin.

There are some countries which there have a special responsibility for the curse of the fiscal rule, as a result of which so many are now suffering.

One is the USA, where so much of the economics that is supposedly used to justify these rules was created, without any evidence base.

The second is the UK, where George Osborne did so much to promote the cult of austerity building, based on the dubious legacy of Ed Balls, who disastrously engineered the independence of the Bank of England.

The third such country is Germany.

It really is time that Germany grew up economically.

I know it lost the First World War, and suffered the disastrous consequences of the Treaty of Versailles.

I also know that Germany suffered the inflation of the Weimar Republic era.

And I know that Germany suffered the terror of the Nazis in so very many ways.

That means that I also recognise that in some ways Germany still carries the guilt of that era.

But, crucially, unless Germany stops playing the perpetual economic victim and begins to accept the role of economic leadership that it must have in Europe, and the responsibility that goes with it, then far from extinguishing that guilt it will compound it through the promotion of inappropriate economic policies that necessarily lay the foundations for the return of fascism not only in that country (where the far right is already dangerously popular) but also elsewhere.

As long as democratically elected politicians tell the people of Europe, the UK and the USA that there is nothing that they can do to protect them from the ravages of financial capitalism then they assist those unscrupulous politicians who will claim otherwise through the promotion of the politics of discrimination and hate. Nothing is more certain to facilitate the dangerous cult of democratic political incapacity than the creation of wholly unnecessary fiscal rules.

The threat to the financial stability of the EU right now comes from interest rates that are far too high because of the bizarre belief of those economists who also promote fiscal rules that raising them would have an impact on inflation.

In reality, nothing in the EU money creation programmes that have delivered stability since 2008 now threatens its economic future or the freedom of anyone within that Union. There is just one thing that does that, and that is the promotion of the idea that the EU government debt must be repaid, their deficits must be reduced, and new investment should be crushed meaning that people must be denied opportunity on the basis of the worship of the false god of the fiscal balancing of a government's books. Quite literally, nothing creates more opportunity for the advance of fascism than this cult does.

So, what should the EU be doing? Like the UK, it should be turning the financial wealth of its populations into the capital that is required to transform the economies of Europe into the economically durable and environmentally sustainable places that we need to live in. Using the power of legislation, regulation and taxation that financial wealth could be redirected to form the capital that could underpin this transformation. But, beholden to the financial services sector, as the leading governments of Europe are, those governments are far too frightened to do this and instead let the financial services sector command capital that capital for speculative activity, denying in the process any creative role for its use.

Our futures are at risk unless this curse of the fiscal rule is ended.

The question is, how can that be done?

That will be a recurring theme of discussion here next year. You have been warned.