

# Funding the Future

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As [The Guardian](#) notes this morning:

**Analysis**

## Labour pushes 'military Keynesianism' to win support for defence spending

The core of the story is that today's Defence Review will unveil a plan for increased defence spending by the UK, one of the goals of which will, apparently, be to create growth in the UK as a result of increased government spending.

There are three problems with this.

First, defence spending is not likely to be wildly popular when so many other government services are failing. The government will have to make a compelling case that it has got the focus of its spending right. I am a long way from convinced that twelve new submarines are what we need right now.

Second, their reference to Keynesianism is an oblique hint at multiplier effects. [As I explained last week](#):

A [multiplier effect](#) records the amount by which the gross domestic product, the [national income](#) of a country, increases based upon an increase in government spending.

So, if you increase government spending by 1% and you increase gross domestic product by 1% as a result, you basically have a fiscal multiplier of one. 1% increase for 1% increase.

If you have a 1% increase in government spending, but you only get a 0.8% increase in GDP as a consequence, the fiscal multiplier is less than one. It's actually 0.8.

And if you spend 1% extra and you get a 2% increase in GDP, you've got a net positive effect of that spend and a multiplier of two.

It's welcome that the government has finally recognised this. The only problem is that defence spending has terrible multipliers: they are often less than one. This, then, is not the basis for an economic policy.

Third, admitting awareness of multiplier effects then leaves the government very exposed. The NHS has the best multiplier effects. Education is good. So are benefit payments. But the government is choosing not to support them. In other words, the politics of this announcement are dire for Labour.

It would appear that Labour are incapable of getting almost anything right. Getting an announcement on defence spending right should be added to the list of things they are incapable of doing without shooting themselves in the foot (metaphorically, of course; they would miss if they tried to do it in practice).