

The state of right wing thinking on the economy

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It's important to be reminded what right-wing thinking about Britain really is every now and again. The reason is that in recent decades, where right-wing think tanks have pointed, is where policy has subsequently gone. So, a new paper from Policy Exchange entitled '[Beyond our Means](#)', which has the sole purpose of suggesting that the UK state is too big and must be shrunk as a result, whatever the human cost is is worth looking at.

The authors of the report claim that the UK faces a twin fiscal crisis that has been created by what they claim to be government debt fast approaching 100% of GDP and rising interest costs. That, of course, debt is not 100% of GDP because around 25% of all government debt is still owned by the Bank of England, is a point the authors fail to note.

They also ignore the fact that easy options to cut interest costs (ending quantitative tightening, cutting interest in reserves, and just cutting base rates) are available. Why would they want to waste their supposedly good story on a narrative based on facts, after all?

So, they claim that reducing public spending is the only credible route to lowering both debt and taxes, although why that is a necessary goal is not clearly explained.

They then suggest how this goal can be achieved, with this long list of cuts:

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State Pensions: Freeze for three years. Raise the retirement age to 70 by 2040. Replace the triple lock with earnings or inflation linkage only.

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Means-Test Pensioner Benefits: Restrict free passes/prescriptions to those on Pension Credit.

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Welfare: Freeze working-age benefits for 3 years; tighten eligibility, especially around disability.

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NHS: Introduce a £20 GP charge; end national pay bargaining; charge for “luxury” hospital accommodation; move toward an insurance-based model long term.

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Civil Service: 25% cut in administrative costs and staff; restructure and merge arm’s-length bodies.

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Public Sector Pensions: Move from defined benefit to defined contribution schemes (10% employer contribution); recycle one-third of savings into staff pay.

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Green Subsidies: Scrap Great British Energy, EV and boiler subsidies, and public sector decarbonisation schemes.

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International Development: Cut overseas aid to 0.1% of GDP.

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Free School Meals: End universal infant entitlement; target low-income families only.

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Post-18 Education: Cut university places by 30%; reinvest half savings in FE/apprenticeships.

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Childcare: Replace “free” childcare with flexible vouchers; deregulate and reduce Ofsted oversight.

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SEND: Restrict EHCPs to special schools; move to a budget-led funding model.

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Asylum: Half the current £6bn annual cost through deterrence and efficiency.

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Housing Benefit: Tighten eligibility; reduce Local Housing Allowance; expand housebuilding.

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Barnett Consequentials: Apply savings formula to devolved administrations.

Note what is not mentioned:

* **New taxes** on the wealthy.

* **Reductions** in inequality.

* Moves to **reduce tax abuse**.

* **Funding for HMRC** to collect tax, for example, from the 40% of small companies that do not now pay the corporation tax that they owe.

* **The multiplier effect** of these proposals.

The last is particularly important when it is noted that the report suggests:

By 2030, total savings would be redistributed:

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50% to deficit reduction

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25% to defence, policing, courts, and prisons

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25% to tax cuts

To contextualise this, first of all, the aim of this whole piece of work is to reduce spending by:

* The poorest

* The disabled

* Pensioners

* Those on low pay in the state sector

* Students and those who work in the communities that host them

* Those who rely most on state support

Most of these people have the highest multiplier effect from their earnings. It follows that the proposed cuts in their income and the increase in costs - such as those for healthcare, where what is proposed will take the form of deeply regressive taxation - will have massive negative multiplier effects, reducing growth and national income by more than the amounts supposedly saved.

Then note that the supposed savings to the state will be saved by giving tax cuts to the wealthy, who will simply increase their idle wealth, and by cutting deficits, which necessarily reduces private well-being whilst also reducing demand in the economy, further reducing prospects for growth.

This report was clearly written in that case by people with:

- * No understanding of macroeconomics
- * A visceral hatred of children, young people, those with disabilities, those with neurodivergence, the elderly, the sick and the homeless.
- * Those who they think come from outside the UK.
- * A total lack of awareness of climate change and its consequences.
- * A love for law and order, and enforcing it on those who might object to their plans.

As a recipe for chaos, disorder, disruption, economic decline, and a failing private sector due to a lack of demand from those who are now its customers, this takes some beating. But that is what Policy Exchange, usually one of the less extreme of the right-wing think tanks, is now proposing. It is, in short, a recipe for economic madness, all of it proposed because:

- * They hate the state.
- * They think shrinking it will make the private sector bigger, when there is no sign that it has any real desire to grow, let alone any ideas as to how to.
- * They loathe 'ordinary people'.
- * They want to privilege a few.
- * They think those few can more than make up for the economic losses arising to the many, without ever having to worry about the consequences for distribution of well-being, spending power, saving and investment within the state, or the massive impacts of the economic lags that will suppress demand that they build into their ideas.

I could believe a sixth-form Conservative society at a public school could have come up with something as crude as this. That a supposedly serious think tank has is frankly quite scary. That a former director of the Office for Budget Responsibility and Institute for Fiscal Studies wrote the foreword is more worrying still, revealing how rotten the

state of economic thinking is in both those places.

And this is probably the best of right-wing thinking right now, and almost half the people in the UK indicate in recent polls that they might support either Reform or the Tories, both of whom might subscribe to this. We are in deep trouble.