

Does Burnham understand economics?

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Andy Burnham has positioned himself as a future Prime Minister and delivered what was billed as a serious economic speech. It was not. He promised more council housing, cheaper utilities, lower transport costs, greater devolution, more investment, and a full industrial strategy. Then he committed to keeping Rachel Reeves' fiscal rules, proposed no new tax powers, and made GDP growth the centrepiece of his entire programme, without appearing to notice that cheaper housing, cheaper energy, and cheaper transport all reduce GDP, because GDP rises when prices rise and falls when they fall. That is not a minor inconsistency. It is a fundamental failure to understand the metric he has chosen as his measure of success.

The Joseph Rowntree Foundation estimates that around 14 million people in the UK currently live in poverty. Burnham acknowledged this reality and built his entire pitch around improving lives for ordinary people across the North and Midlands. But he cannot do that while accepting fiscal rules that prevent investment, refusing to raise taxes, and targeting a GDP figure that goes up when people's bills go up. The arithmetic does not work, the logic does not hold, and the speech answered none of the questions a serious alternative economic programme must answer.

The fact is that growth is the wrong target. Wellbeing, full employment, and the elimination of poverty are the right ones, but Burnham is not there yet, and Britain cannot afford a Prime Minister-in-waiting who is still this confused about economics.

<https://www.youtube.com/watch?v=-MzOeonYfxY?si=r0j4oTZV-oqZRu5P>

This is the audio version:

https://www.podbean.com/player-v2/?i=gku63-1afe178-pb&from=pb6admin&share=1&download=1&rtl=0&fonts=Arial&skin=f6f6f6&font-color=auto&logo_link=episode_page&btn-skin=c73a3a

There is no Debate Ammunition for this video: I ran out of energy. Sorry.

This is the transcript:

So, Andy Burnham has spoken. Our Prime Minister-in-waiting has told us all that we need to know about the economy and what he intends to do about it. Or has he? That is my point.

Andy Burnham did ask some good questions.

He did make some good points.

He said Britain is far too centralised.

He said that Whitehall is blocking progress at local levels right across the UK as a whole.

And he says that local government needs far more power, but he made his argument about England alone and ignored Scotland, Wales and Northern Ireland, which is very odd for a man who wants to be Prime Minister of the UK as a whole.

And he said we need investment, housing and industrial strategy, and I've got nothing to object to in any of that.

But all that being said, I have some fundamental questions for Andy Burnham because this was not a speech that rose to the moment.

Burnham promised to transform Britain.

He promised more council housing.

He promised more devolution.

He promised more investment.

He promised more industrial strategy, but he also promised to keep today's fiscal rules.

In other words, all the constraints that Rachel Reeves has put in place will, apparently, continue.

And he's not going to take any new powers to apparently change the rules with regard to the operation of monetary policy by the Bank of England.

Nor did he say anything about changing taxation of any significance.

So, how is he going to hang all this together? Fiscal rules deliberately exist to limit what governments can spend, and yet Burnham wants the biggest programme of reform in decades, including a devolution of power from Whitehall to a new 'Number 10 in the North', which is apparently going to rewire Britain, whatever that means.

Well, where is the capacity for this spending within the existing fiscal rules?

Is he going to raise taxes?

Is he, in fact, going to cut instead?

Are the fiscal rules really going to change?

Is he thinking of a wealth tax or something like it?

We just don't know. This speech left more questions than answers. And he didn't even take questions about it.

Burnham, in the meantime, created an enormous paradox. Kept talking about growth. Or rather, he redefined it as 'good growth.' Good growth is that which improves well-being - I've got nothing against that, by the way; that's okay. I do want people's well-being to grow. I do want people to realise their potential, and I'm glad he used that word.

But what he didn't talk about was what 'good growth' really was, except that it didn't happen in London and the Southeast. Apparently, good growth is growth that happens everywhere else. But he still, in essence, kept growth at the centre of his economic agenda, and that deeply worries me.

Growth is the wrong target.

Growth should not be our measure of success.

GDP rises when prices rise.

GDP rises when rents rise.

GDP rises when energy bills rise.

None of those things makes us better off. GDP is not a measure of success.

But here's the paradox: Burnham wants cheaper housing.

He wants cheaper utilities.

He wants cheaper transport.

He wants lower living costs.

He wants success that could reduce GDP.

In other words, and at the same time, he is making GDP the epicentre of his goal.

None of this makes any sense at all. It shows that we have a new Prime Minister-in-waiting who quite simply does not understand economics. He believes he wants to increase well-being, but he does so using existing tools and measures, and the outcome is going to be a complete and utter mess. He needs to think again.

The real purpose of the economy, as I keep arguing, is not to deliver growth. Growth almost always provides benefit to those who already have much.

The problem we have in the UK, and I think Andy Burnham knows this, is that we have large numbers of people who are in need. Around 14 million people in the UK live in need, according to the Joseph Rowntree Foundation. They are the people he should be talking about. But the strategy he has put forward is one that will not really affect their well-being at all.

If the purpose of government is to help people realise their potential, and Burnham hinted that he agrees with me on this issue, then what is he talking about? Growth by itself cannot help people who do not have the means to participate in the economy in the way that they wish; that is the problem that we face, and that is the issue he did not talk about.

Burnham has put out a word salad, to be blunt, a word salad on economics. All the right buzzwords were there.

The fiscal rules are going to stay in place.

He's going to deliver growth.

He's going to devolve power.

He's going to build more things that people want.

He's going to reduce the cost of living.

Tick, tick, tick, tick, tick.

It looks as though somebody went down the line and said, yes, we've covered all the angles here.

But, and this is critical, although I do not think that a budget, or an outline of a proposal, which is what he put here, is necessarily one that has to balance in the sense

of money in has to equal money out - that's absolutely untrue, as we know - he did not explain what he will be doing, but did put impediments in the path to progress into his programme, including in the commitment to the fiscal rules.

As a start, this was pretty lousy.

He has to work out what he's really doing.

He has to understand economics, and he has to pick up on the difficult questions or else he's going to fail as Prime Minister.

At this moment, he's told me nothing I need to know about what Andy Burnham wants to do.

All I know is he's very confused, and that's not who I want in Downing Street. I don't want a person who's confused about economics there. I want a person who knows about economics there and knows what he's trying to achieve, and I'm sorry to say it, but on this basis, Andy Burnham does none of those things.

Poll

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