Funding the Future

Can Andy Burnham rebuild Britain if the OBR says no?

Published: July 13, 2026, 6:03 am

Can Andy Burnham really change Britain if he accepts the economic rules that the Office for Budget Responsibility (OBR) expects every government to follow?

In this video, I argue that this is the defining economic question facing the next Labour government. The issue is not Andy Burnham's leadership style, personality or political instincts. It is whether any government can rebuild Britain while accepting a fiscal framework built on assumptions created during the George Osborne era.

The OBR says Britain faces rising debt, higher spending pressures, increasing interest costs and the need for tighter public finances. But are those conclusions inevitable, or do they depend on economic assumptions that deserve to be challenged?

I explain why I believe the real constraints on the British economy are not government borrowing, but unused people, unused skills, unused knowledge and unused productive capacity.

I also explain why the cost of government debt matters far more than the amount of debt itself, and why government has considerably more control over those costs than is usually acknowledged.

Ultimately this is a debate about who governs Britain. Do elected politicians shape economic policy, or do fiscal rules become more important than democracy itself?

If Labour wants to rebuild Britain, it must first change the country's economic framework. But has it got the courage to do so?

https://www.youtube.com/watch?v=AX3B0uX2sCM?si=lXxOBX58zquQRUQ4

This is the audio version:

https://www.podbean.com/player-v2/?i=nujbq-1b0dba9-pb&from=pb6admin&share=1&download=1&rtl=0&fonts=Arial&skin=f6f6f6&font-color=auto&logo_link=episode_page&btn-skin=c73a3a

The Debate Ammunition for this video is available here.

This is the transcript:

Can Andy Burnham change Britain if he accepts the rules that the Office for Budget Responsibility want to impose upon him?

The Office for Budget Responsibility was created by George Osborne when he first became Chancellor of the Exchequer in 2010. Why did he do it? As a PR exercise, to say that his Conservative government was going to be more responsible than Labour was, in his opinion.

And he did it to create a body that was supposedly independent of government, that would constrain the activity of government, by saying what the government couldn't afford to do. That is what the Office for Budget Responsibility, or the OBR for short, was created to do, and it's still doing it.

It's issued its report for 2026, and it says that Labour cannot afford the plans that it's put in place. The bigger question, though, is much more important. Could any Prime Minister, whether they be Labour, Tory, Green, or anybody else, succeed with the rules that the Office for Budget Responsibility wants to impose upon our economy? That is what this video is about.

Let's be clear: Andy Burnham has strengths. We know he communicates well. We know he understands communities. We know he cares about public services. He has a record in Greater Manchester that deserves respect. But the question I'm asking is not about his strengths or his personality. The question I am asking is: can he stand up to the Office for Budget Responsibility, which is based in the UK Treasury and says, "I am going to make my own choices, and you are not going to restrict them"?

They are saying the UK has debt that is unsustainable.

They say it has an ageing population that is going to increase spending, inevitably, over the years to come, and something will have to give as a result.

They are saying that defence costs are going to rise, although they, like almost everybody else in politics, have no real idea why that is the case, and it's all about

Donald Trump demanding it and not about real need.

And they say that interest cost is now increasing after recent inflation, and therefore that cost too is going to rise.

And as a consequence, they say that fiscal tightening must begin soon, or the UK's debt will be unsustainable, in their opinion, after 2030.

What do they say is required? Less government spending. Higher taxes. Greater pressure on pensions, and probably the end of the pension triple lock. Pressure on the NHS to reduce its costs, and year-on-year austerity by any other name. This is the neoliberal playbook written out in plain print for all to see, and that's unsurprising.

George Osborne, who created this office, was a neoliberal. He was an arch-neoliberal. He came into office to shrink government, and he created the OBR to achieve that goal. Now his legacy is being imposed upon Labour, and Andy Burnham has a choice.

Does he accept the OBR's analysis? Would he keep Labour's fiscal rules, which were written to make it happy, or does he do something else? Does he cut spending? Does he cut pensions? Does he constrain the NHS, or does he challenge the assumptions? This is the biggest decision he will have to make when he comes into government.

Must government debt be reduced? That is the question he needs to ask. He could look to Japan for inspiration. Government debt in proportion to GDP there is well over 200%. It has yet to reach 100% in the UK. There is evidence that governments can run with very high levels of debt, and it doesn't matter. Life goes on.

But the Office for Budget Responsibility does not agree, on the basis of flawed analysis prepared in the early 20th century, which was shown to be false, but which still underpins all neoliberal thinking.

So, the question is: is debt really becoming unaffordable? And let's be clear, it's not the quantity of debt that matters when we talk about unaffordability; it's the cost of debt. The cost of the debt is the interest rate. And as I've explained time and time again on this channel, you can reduce the cost of the interest rate if you are the Prime Minister or the Chancellor.

You can stop paying interest on all central bank reserve account balances that are held with the Bank of England.

You can tell the Bank of England to cut the base interest rate. That's within the Chancellor's power.

You can do those things, and you would immediately cut the cost to government.

So, you could increase the debt by maybe 25%, but if at the same time you could cut the cost of borrowing - the interest rate that you pay by 25% or more, which is entirely plausible at this point in time - you could, in fact, afford to do so without breaching any of the constraints that the Office for Budget Responsibility are talking about.

And anyway, are these constraints real or is something else being ignored? Because, after all, these constraints are those of neoliberal economics. Neoliberal economics treats the government as if it is a household. Money is assumed to be scarce within that household, and markets are assumed to decide what is possible. Fiscal rules then become more important than people. The government serves the interests of the City and not the population. That is precisely what neoliberalism was designed to do.

But in Britain, the real constraints are different. We have people in this country who want to work, and aren't. We have skills, but we are not using them. We have knowledge, but not applying it. We have energy, and yet we are not turning it into productive use.

Money could organise those resources. It could create economic growth. It could deliver greater taxation revenues for the government, but not if the OBR's prescription is followed. And at the same time, the OBR presumes that the government does not create money. And yet, as a matter of fact, we know that all money is created by the government. How do we know? It's even printed on the bank notes.

The fact is, nobody but the government is permitted to create money in this country - okay, you'll now say that banks do, but they only do so under licence from the government - so the government actually creates money. It is never scarce for the government. It can always pay its debts. It can always fund its programmes. It can always extend its overdraft with the Bank of England.

So, what does Andy Burnham do?

Does he look at economic reality and say, we have unemployment and unused resources in the UK economy, and we should put them to use?

Does he accept the OBR's view of money, which is that it is scarce?

Or does he accept the reality of the situation which he's really managing, which means that money is not scarce for him at all?

So, to put that another way, does he live with the fantasy rules that the Office for Budget Responsibility has created, or does he live with reality? That is the choice that Andy Burnham has to make.

He has to decide: will he manage in accordance with rules which are entirely made up? The Office for Budget Responsibility version. Or will he look at how the economy really works: what I've just explained?

How will he rebuild Britain? That’s a question for him to answer, but I will tell you something for certain. He will not be able to rebuild Britain if he does so on the basis of a fantasy.

The real choice he has to make is, then, about economics, and not leadership. Labour is changing its leader, but it won’t change Britain unless it changes the economic framework within which the government works. Without that, nothing can change.

That is the challenge facing Andy Burnham. That is the challenge facing Labour. That is the challenge facing a new government. That is the challenge it has to accept. It has to face down the Office for Budget Responsibility. It has to face down the Treasury. It has to face down the sceptics within its own party. It has to deliver for the people of the country. That is what they expect, and nothing less will do if people are to re-engage with politics.

That’s what I think. What do you think? There’s a poll down below. Let us have your comments. Please share this video. Like it, if that’s what you do. And please, if you’re so inclined, give us a donation. They help us make more of these videos, and that’s what people seem to want.

Poll

[poll id="452"]