

Building the foundations for the Alternative Budget, 202...

Published: September 20, 2026, 7:10 am

Summary

I began a [discussion](#) yesterday about what this year's Budget should consider .

I stressed that security issues would be key, but that national security can no longer be understood primarily in military terms. War, disrupted energy and food supplies, climate change, financial instability, cyberattacks, and AI all threaten the systems that everyday life depends on.

This post develops that idea, suggesting that the UK therefore needs a National Resilience Standard that requires essential systems to withstand prolonged disruption. This might include holding strategic stocks, maintaining spare capacity, building alternative supply chains, strengthening domestic capability, and planning effectively for contingencies, while ensuring that people's essential needs are met at all times.

What conventional economics has dismissed as inefficient redundancy may now be essential insurance. Security means ensuring that food, energy, healthcare, communications, payments and government continue functioning when the world around us does not. This might need to be our Budget focus.

The national security priority

I took my concern [about the need for an alternative budget](#) to the one that I think John Healey might present this year on a long walk yesterday, just to give me time to reflect on the critical issues that we now face.

I had found it relatively easy to write a note framing the budget as the one required to deliver national security for this country. However, once I did, it

became much harder to work out what that might mean in practice, and what actions the government might need to take as a consequence.

I keep stating the threats as I see them, and they are not hard to perceive, but I will note them again, briefly, for the record. They are:

- * Trump and Netanyahu's war in the Gulf, for which there is no apparent end in sight.***
- * The war in Yemen, which is now threatening to block traffic through the Suez Canal, for which there is, again, little immediate prospect of there being an end in sight.***
- * The resulting near-total disruption to more than 20% of world oil and gas supplies, with massive implications for physical supplies of many commodities, impacting far beyond energy, which could cause major supply chain disruptions with consequent impacts on inflation.***
- * The potential for an AI-induced stock market crash amid all this, resulting in an immediate pension crisis, followed by banking, private equity, hedge fund, secondary banking, and then mainstream banking crises, as all of which might face liquidity or capital crises that threaten their viability.***
- * The risk that, in the middle of all of this, the threat from the use of AI to employment might continue to grow, because although AI companies might face financial crises with regard to their valuations, there is no reason to presume that they cannot continue to operate in their existing form given the scale of the funding currently available to them, which will be enough, in itself, to perpetuate this threat.***
- * Ongoing threats from climate change, rising temperatures, drought, El Niño, and the resulting threats to food supply, the physical and economic sustainability of many communities, and the sustainability of life itself here on Earth.***

You could undoubtedly add a few more issues to the mix, such as a demand for more defence spending, but I suggest these are more than sufficient as a basis for concern, to which, at present, no apparent response is known to be available.

What does national security mean?

The question, then, is what national security means in the face of these threats.

The first, and most obvious, point is that national security cannot now be defined primarily in military terms. Of course military security matters, but most of the threats that I have listed cannot be addressed by military force. No amount of military spending

can guarantee enough gas to heat UK homes if international supplies are disrupted, or that food will be available if harvests fail, shipping routes close, or supply chains break down. Nor can military spending keep the banking system functioning in the event of a financial crash, ensure that medicines remain available, keep the electricity system operating, or guarantee that the water industry has the chemicals it needs to make supplies safe.

In that case, we need a much broader understanding of what national security means. I suggest that national security means ensuring that the essential systems people in the UK need to live remain operational, whatever happens elsewhere in the world. Put another way, the question is no longer simply what threats we might have to fight. It is what we must be able to keep doing, whatever happens.

That change in emphasis is fundamental because it changes what we think national security policy is for. Energy has to come very high on the resulting list of priorities. We need to know electricity can keep being generated and distributed, homes can be heated, transport can keep operating, and essential industry can function even if international oil and gas supplies are seriously disrupted. That requires storage, spare capacity, diversity of supply, domestic generation, a resilient grid and plans for deciding which uses of energy should have priority if shortages occur.

Food is just as important. We need to know how much food the UK can produce, what we have to import, where those imports come from, and what happens if those supplies fail. We also need to know whether farming can continue if supplies of fertiliser, fuel, animal feed, machinery, spare parts or other essential inputs are disrupted. Climate change makes this question more urgent because it could disrupt several important food-producing regions or activities at the same time.

The same questions also apply to medicines and medical equipment. We need to know what is required to keep the NHS functioning, where those products are made, how much we hold in stock, how quickly shortages could arise and what alternatives would be available if normal supplies failed. The point is not that everything has to be made in the UK, because that would be impossible. The point is that we should know where the vulnerabilities are and have plans for dealing with them.

The same logic applies to everything else that is essential to the functioning of the country. Water treatment chemicals, transformers and other electricity network equipment, telecommunications equipment, computer chips, and critical minerals all have to be stockpiled in readiness for shortages, or duplicate supply lines have to be arranged, whilst transport infrastructure, ports, communications networks, data centres and cloud computing all have to be considered part of our national security infrastructure that must be defended, even if not from direct physical threat. So too do the cables and pipelines that connect us to the rest of the world, as do the payment systems that make it possible for people to buy food, businesses to pay wages and government to make payments.

Resilience requires redundancy

There is, however, another issue that follows from this. For decades, we have been told that efficiency requires businesses and governments to eliminate spare capacity. Stocks have been reduced, warehouses have disappeared, production has been concentrated, supply chains have grown longer, and just-in-time delivery has replaced holding reserve stock of essential supplies. Services have been outsourced, and manufacturing capacity has been moved overseas, all on the assumption that tomorrow will look sufficiently like today for these systems to continue to work. That assumption no longer looks safe.

In a world facing war, climate change, energy disruption, fragile supply chains, financial instability, cyberattack and rapid technological change, spare capacity is not necessarily waste. It can instead be essential insurance. Having several suppliers instead of one might appear inefficient to a business, until the sole supplier fails. Keeping stocks might appear inefficient until deliveries stop. Maintaining domestic manufacturing capacity might appear expensive until imports become unavailable, while spare electricity-generating capacity might appear unnecessary until another power source fails. Even properly funded local government, emergency services and public infrastructure might also appear costly until a crisis requires them.

Crucially, though, all of the assumptions I note are from a microeconomic perspective, and as is so often the case with macroeconomics, what makes sense at that level is the exact opposite of what does in microeconomics. It is an unfortunate fact that in a world where most macroeconomic thinking is built on the basis of microeconomic assumptions, this has not been appreciated, and if a single cause for the multitude of crises that we face were to be identified, this might be it. What we have called efficiency has, in other words, very often involved the elimination of the resilience that is an essential characteristic of a sustainable state, as well as good government and governance. If national security is our priority, that has to change.

The National Resilience Margin

I think we therefore need what might be called, in the jargon that appeals to politicians, a national resilience margin. For every system essential to life in this country, we should ask a straightforward question: how long could it continue to function if its normal sources of supply were seriously disrupted?

We need to know whether we could keep the electricity system functioning for three months, maintain food distribution, supply hospitals with the medicines they require, keep water treatment working, maintain telecommunications, ensure that agriculture could continue operating and preserve the payment systems on which almost every transaction now depends.

The same question has to be asked about digital systems. Could government continue

functioning if major commercial computer systems failed? Could essential services continue if international communications were disrupted? Could we maintain critical public services if access to particular foreign-owned cloud computing systems was lost? And could we withstand a major cyberattack designed not merely to steal information, but to disable the infrastructure on which everyday life depends?

I do not know the answers to those questions, and what worries me is that I am not sure that anyone in our government does either. Without that knowledge, I suspect our National Resilience Margin is way below what is required.

That is why I think we then need what again be called, in a way that suits the political narrative, a National Resilience Standard, and that work on this should start now, even if we are already in the last hour before it is needed. Every system essential to national life should be required to demonstrate that it can withstand a defined period of serious disruption. If it cannot, government should require action.

That might involve maintaining strategic stocks, creating alternative sources of supply, preserving domestic production capacity, building redundancy into networks, ensuring that critical skills remain available within the UK, or creating public fallback systems where dependence upon private suppliers creates unacceptable risks. It would also require regular stress testing to ensure the plans work in practice rather than simply existing on paper. Critically, if this requires immediate rationing so that reserves can be built, so be it; that is the price we may have to pay for our past negligence and our tendency to push systems beyond their sustainable limits.

Security requires preparation

This would require something else as well. We need to rediscover civil resilience. National security cannot simply be something delivered by the armed forces, intelligence services and central government. Local authorities, the NHS, police, fire services, utilities, transport operators, voluntary organisations, businesses and communities all have roles to play, and those roles need to be understood, planned and practised.

That means we should be running national exercises that test what happens if several things go wrong at once, because that is precisely the risk that we now face. An energy shortage might coincide with a cyberattack. Food supplies might be disrupted while financial markets are in crisis. Extreme weather might coincide with telecommunications failures. Any serious national security policy has to consider the possibility that these events will interact with each other, creating consequences that are much greater than those resulting from any one of them in isolation.

One further point needs to be noted. None of this means that the UK can, or should, seek complete self-sufficiency. We cannot produce everything that we need; nor would it make sense to try. National resilience must therefore also involve international

cooperation. We need secure relationships with countries on which we can rely for energy, food, medicines, technology, critical minerals and industrial supplies. We need, in effect, alliances of supply as well as military alliances, because both will be essential to our security. In building these relationships, we must set aside old assumptions about who our partners might be. All that matters now is the ability to deliver. The goal is not isolation. It is resilience.

The role of people

It would be easy to see the processes I have described as economic programmes to which other priorities should be sacrificed, but that would be a mistake. The whole purpose of national resilience is to support people in meeting their needs, and people must remain the priority of any such programme, or it will inevitably fail.

Resilience is meaningless unless it exists for everyone. In itself, it is therefore a programme about delivering greater equality. To ensure that this is the case, this priority must be continually highlighted as it was, for example, during World War II. Then policy was established not only to deliver military victory, but to ensure the greatest possible well-being of the people of the country whilst this goal was achieved, with the greatest sacrifice in pursuit of that objective being demanded from those with the greatest capacity to bear it. The same must be true this time.

A programme of resilience for a country that only protects some within it is not about resilience at all; it would reinforce inequality, and would necessarily fail as a consequence. Building resilience is a programme about the management of economic systems, including those that can deliver greater equality, and so well-being, across the country as a whole.

The essential foundations

These are the foundations for the Budget that we require at the time. They are radical, and essential if we are to survive all the risks that we face and thrive nonetheless.

I have set out the requirements of a necessary national security policy for the UK at this moment. That said, I make clear that national security should ensure this country can continue to function when the world around it does not function normally. It should ensure that people can be fed, homes can be heated, electricity continues to flow, hospitals can operate, communications continue, payments can be made, and government can still govern, and all the while, people have the chance to thrive. It must also ensure that we have the capacity to recover when shocks occur, because resilience is not just about surviving a crisis; it is about having the capacity to rebuild afterwards.

If we can do those things, we will have substantially increased our national security. If we cannot, no amount of conventional defence spending can make us secure.

That is the basis on which I think a national security Budget has to be built, and that is the kind of Budget I think we need.