

Martin Wolf: a threat to democracy in FT clothing

Published: September 14, 2026, 6:30 am

Martin Wolf has written in the [Financial Times](#) today about the difficult choices facing John Healey as he prepares for his October Budget. Wolf argues that the Chancellor needs to be bold. I agree, but unfortunately, what Wolf proposes is precisely the opposite of what is required.

Wolf says that "the long-term goal must be to reduce the debt ratio to far lower levels over time". From there, all the usual familiar arguments follow.

The fiscal position must be tightened. Taxes will have to rise, but only on those with average or lower incomes, of course. Spending must be cut. Above all, the Chancellor must convince what Wolf calls "the lenders on whom the country depends" that Britain is being managed by grown-ups.

I fundamentally disagree with this argument. The UK government does not depend upon financial markets to provide it with sterling. The government creates sterling when it spends. Taxation withdraws money from circulation, not least to control inflation, while bond issuance gives sterling holders an alternative savings mechanism.

Government debt is, as a result, also private wealth. Gilts are savings products held by pension funds, insurance companies, banks, overseas investors and others who want secure sterling-denominated assets. There is no reason why reducing their supply should be an objective of economic policy in itself.

Nor does the government have to accept current gilt yields as an unavoidable fact of economic life, although Wolf does, seemingly ignoring the policy decisions that have made them higher than those of other G7 countries. Those decisions could be changed. The Bank of England could stop quantitative tightening. The government could reconsider the full-funding rule. It could change the maturity profile of government debt, and it could expand the role of National Savings & Investments to provide capital for investment. All of these are political choices. Wolf ignores them all.

Instead, he presents financial markets as imposing an external discipline to which

democratic government must submit, and that is the fundamental problem with his argument. If the government responds to weak growth, inadequate investment, failing public services and external economic shocks by raising taxes on those with what might be called ordinary incomes and by cutting spending to satisfy financial markets, the likely consequence will be weaker demand, less investment, continuing economic stagnation and increasing dissatisfaction. The government might satisfy the bond market whilst making the country poorer. That is not responsible economic management. It is, in fact, the exact opposite.

There is, however, a much bigger issue here. Martin Wolf has often expressed his profound concern about the future of what he thinks to be western democracy. I share that concern, but there is a fundamental contradiction between that concern and the economic policies he advocates.

What Wolf is effectively demanding is a democracy constrained by financial markets. In his apparent opinion, governments may be elected, people may vote, and political parties may make promises, but when what people want conflicts with what financial markets supposedly require, the markets must win. Such a system might retain the appearance of democracy, but it denies much of its substance, and that is what we have now got.

People want decent healthcare, functioning schools, affordable homes, secure jobs, reasonable incomes, decent infrastructure and protection from climate change. They also want some hope that their children might enjoy better lives than they do. Instead, they are repeatedly told that these things cannot be provided because government must satisfy fiscal rules, reduce debt and reassure financial markets.

People are making it increasingly clear that this is not what they want. Across western democracies, dissatisfaction with established political parties and institutions is growing. That should surprise no one when those institutions appear incapable of responding to people's needs.

The danger should be obvious. When democratic governments repeatedly tell people that voting cannot deliver what they need because markets will not permit it, people will eventually, and inevitably, conclude that democracy does not work. At that point, they will look for politicians who promise to overturn the system altogether, and there is no guarantee that those politicians will have any commitment to democracy.

That is precisely the threat to western democracy that Martin Wolf says he fears. Yet the economic programme he proposes reinforces the conditions creating that threat. Making markets sovereign and democracy subordinate will not save democracy. It will instead destroy people's remaining faith in it.

In that case, however unintentionally, Martin Wolf risks becoming an architect of the very demise of democracy that he fears. He is, in effect, one of the biggest threats to

democracy that he desires, by offering what he thinks is sober opinion that actually undermines all he claims to support, while dressing that opinion up with all the status that an FT columnist enjoys.

If democracy is to survive, people have to believe that it can deliver outcomes that meet their needs rather than those demanded by financial markets. That is the choice John Healey really faces, and it is much more important than satisfying the bond market.