

For the sake of refusing to costlessly create the money...

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I thought that yesterday's announcement by Richie Sunak would be bad. I predicted that before he spoke. I also pointed out all the flaws in the scheme that I thought he might announce before he got up at the Dispatch Box.

All that surprised me in that case was that he managed to make it worse than anyone might have expected, and that he did not even pretend that this was a way of preserving many jobs.

At least in that respect he was right. My description of his proposal as an Unemployment Creation Scheme is, I think, much more accurate than his own description.

What Sunak did was something so typically British. He took a German idea and copied it, and got everything wrong in the process of doing so. The mistakes included:

- Making this a short term scheme when the German equivalent lasts for two years; a significant incentive to make staff redundant, when the German scheme does not do so;
- Making no provision for retraining;
- Including a short term definition of what is a viable job, when government restrictions guarantee that many jobs that have been viable for decades fail his chosen criteria.

What might have been a good idea turns into a disaster as a consequence. The reality is that employers with people on the scheme will be required to pay them at least 66% more per hour than they would pay equivalent full-time employees, and that differential only get worse when the fact that the employer has to pay the national insurance and pension contributions on the government's contribution to pay is taken into account. This is likely to increase the cost per hour by more than 80%. As a consequence the incentive to make many staff redundant and keep a much smaller number of full-time staff is enormous. The whole process completely backfires in its employment retention aim result.

Given that the incentive to make people redundant is now so strong I think we have to

presume that a great many people now on furlough will be facing redundancy over the next few weeks. In this context, when I say a great many I mean millions: nothing else seems plausible now.

In that case I think that we have to brace ourselves for the consequences of this happening. Many of these are completely predictable, almost entirely because of the meanness of universal credit. They will include:

- Rent defaults;
- Mortgage defaults;
- Car loan agreement defaults, including large numbers of car loan agreements;
- Personal bankruptcy;
- Homelessness and poverty;
- Increasing child poverty;
- Substantial increases in demand for public services, many being of an essential nature;
- Significant falls in economic demand across the economy;
- Large numbers of business failures;
- Rapid increase in corporate bad debt;
- The inability of landlords to meet their own loan obligations;
- Falling house prices;
- A banking crisis;
- Economic depression.

And all of this happens for one simple reason, which is that a majority of MPs on all sides of the House of Commons believe that we cannot afford to take on more national debt. For this reason they refuse to consider preserving jobs now as we transition to be the economy we want, with investment being provided now to speed that process of change. Instead they are, in effect, looking for cuts. And the consequence of those cuts is all too apparent, and is laid out in the list that I have made above.

It's the case then that this lack of understanding of modern monetary theory is going to see our economy trashed, and the lives and livelihoods of many laid to waste, with untold harm arising. For the sake of refusing to costlessly create the money required to keep our economy going it is going to be destroyed.

The price we are about to pay for being enslaved by the ideas of long dead economists is going to be very great indeed.

And yes, I will say 'I told you so' as it happens, but with no pleasure when I know that all of this is avoidable now.