

We have to face the possibility that our government is ...

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I have never made any pretence of my opinion that the post coronavirus recession in the UK is going to be ghastly. However, events of the last few days have forced me to reconsider that opinion. I now think that calamitous may be a better description. I want to keep this blog to manageable scale so let me set out the short form of my reasoning.

The UK was already forecast to run a deficit of £370 billion this year. The deficit for the following three years was forecast to exceed £100 billion each year by the Office for Budget Responsibility. These forecasts were made on the basis that we would get a favourable Brexit trade deal with the EU and other countries and that coronavirus would not return. We now know neither assumption holds true. The government has chosen to make a Brexit deal impossible. Its incompetence is aiding the return of Covid 19.

I admit that I always assumed that deficits would be bigger than the noted forecasts. That was because I am sure that there are many more disguised unemployed people still within furlough arrangements than official estimates suggest. Those official estimates imply that no more than 1 million people still furloughed will be made redundant when the scheme ends on 31 October. I still think that the figure will be much higher.

In addition, I have forecast a massive credit crunch that will emerge over the next few months that will result in many companies, their suppliers and their landlords all failing, with each in turn contributing to growing unemployment over coming months.

I still think that a likely unemployment estimate before the UK decided to break international law and so alienate all our major trading partners, would have exceeded five million people, and could easily have reached six million.

But now we will never know what might have happened in that, now seemingly favourable environment. That's partly because the UK government has now decided to trade in the future without any trade deals, because none of any significance will now be granted, and it is also because it is now very apparent that the feared return of coronavirus is happening. 'Eat out to help out' might have been one of the most ill

conceived government policies of all time. Both policies have very clear economic consequences. However whilst those are of significance, of at least as much importance is their political economic consequence.

With regard to economic forecasting the immediate consequences of these changes are easy to predict. The decision to go for no-deal (because that is what has really happened: everything else is mere cover for this) will devastate significant sections of UK agriculture and manufacturing. If data and financial services deals with the EU are also not done as a result (and there is now no reason to think that they will be) the consequences for services and the City are almost incalculable. And the devastation will be hard to recover from.

For example, milking herds in Northern Ireland are likely to go to slaughter in January as their milk cannot either be used or disposed of. Sheep farming will likely go the same way in the whole of the UK (although I admit there may be environmental benefits of that, but this was not the way to achieve them). And these are just simple examples of the destruction of the capital that supports livelihoods that this decision will give rise to.

Covid-19 outbreaks will massively amplify this destruction. I am not going to attempt to guess the scale of corporate insolvency that is likely if there is another lockdown without support this autumn. Exponential collapse is likely. And if there is a spillover into the City - and that is plausible - expect a full scale banking crisis.

But this is just the start. Unless there is active government intervention to prevent these events arising it takes little imagination to foresee the consequences.

The pound is already falling as a result of the decision to break international law. That is rational, and reasonable. It is also incapable of being addressed by any fiscal or monetary policy. This revaluation reflects a potentially permanent change in the terms of trade that will significantly increase the cost of UK imports even if tariffs are not applied whilst substantially increasing the cost of our exports, dramatically reducing demand for many of them as a result, with consequent further job losses in the UK.

All of this is likely to create significant inflation in the UK. And we need to appreciate that there is nothing, barring changing policy on trade with other nations, that can change that. Don't seek an answer in modern monetary theory or any other economics for this one: this inflation will be politically chosen, as will be the harm that flows from it, and not going can stop that.

The same can be said for the unemployment that will flow from an absence of trade deals. That too will have been deliberately chosen.

But more worrying is the possibility that even with our understanding of MMT there will be little that can be done about the resulting massive levels of unemployment unless trade policy is reversed and a command economy is put in place to put people to work

in a measure that will not even approximate to the job guarantee that MMT suggests but will, instead look more like a wartime scenario or that found in the communist economies no one lamented passing. This is because the scale of spending that this level of unemployment will demand will, unless matched by output, result in inflation.

Remember that MMT includes a job guarantee in its mix for a reason: the purpose is to ensure that there is economic activity to absorb necessary money creation during periods of unemployment. If we have unimaginable (until now) levels of unemployment in 2021 and no work programme then we could face total economic meltdown on a scale simply never seen in the UK before. MMT cannot prevent that: it says it will happen. Forget the 1930s: this could be very much worse. And I may be understating my case.

So the question has to be asked as to why the government might be choosing this foreseeable consequence of their actions? Are they really not just disaster capitalists, but something much more malicious? Are they seeking to promote disaster capitalism so that they can deliberately destroy the state to then put their own replacement to it in place?

Is this, in other words, a process of intended destruction to ensure that all the structures of society that we are used to are swept aside, aided and abetted by an easily recruited, hungry and angry army of politically extremist recruits who will sweep resistance before them?

My answer is that I think it is. My belief now is that the government wants massive economic failure in the UK because this is its route to the destruction that it thinks will preface the state Cummings imagines that we need to fulfil his fantasies. And right now it is all too easy for me to imagine that the meltdown I strongly suspect he desires will be easy to generate.

We have then to face the possibility that our government is planning economic destruction for its own political ends - which are the demise of the state as we know it. And I say that because I cannot find another possible plausible explanation for their actions right now.

If you weren't worried, trust me, you should be. This could be very nasty.