

Austerity is a sado-masochistic ritual for a powerful e...

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Yesterday's papers were full of reports that Rishi Sunak's spending review, which will take place next Wednesday, will be framed by the worst ever public spending data, with the anticipated deficit for this year amounting to maybe £400 billion. This far exceeds the previous largest deficit of just over £150 billion in a year as a result of the 2008/09 global financial crisis.

Today we have reports that the consequence is that Sunak is planning public sector pay constraint to constrain the incomes of essential key workers to save £1 billion a year.

There can be little doubt that both stories are based on Treasury placed briefings. That is one reason why I ignored yesterday's claims. They were not news. But pay constraint is.

Let's ignore, for a moment, the mindset that suggests that constricting the income of all who work for you to save 0.25% of you projected deficit at a time when morale is already low is a sound management policy likely to encourage greater commitment and increased productivity.

Let's ignore too the fact that many of those will be asked to suffer this constraint have been subject to similar measures for the past decade.

And let's also ignore the fact that the austerity project of which they were a part has failed to deliver one any of its promises. Debt was not constrained: it grew. Deficits were cut, but not because of spending constraints, but because of rising tax revenues. Millions were forced nearer or into poverty. Local authority services were undermined at cost to the well-being of a great many. Private debts skyrocketed as efforts to constraint public debt were prioritised. Children went hungry.

Instead let's simply look at the facts.

The fact is that when a deficit of £400 billion has been created, at least in part, by reckless, uncontrolled and even corrupt spending the public sympathy for pay constraint on those civil servants who might be capable of delivering public services and

procurement better than any the cowboys the government has engaged will be decidedly limited. What people want right now is decent, controlled, honest public service and not the wanton, cronyistic waste of this government.

The fact is that people also understand that public services have already been cut to the bone. They know the NHS is stretched to and beyond its limits. But they also can see that in education, the judicial system, in care services and so many others sectors. They know that penalising those trying to deliver those services is not going to work.

And what they also know, although most could not explain why, is that what is called borrowing has not crashed the economy. Instinctively, although again most could not explain why, they know that quantitative easing (QE) has a part to play in this.

What is more, they know that there is as yet no sign of inflation as a result and that the prospect of mass unemployment - which is their real fear - is going to constrain that risk for some time to come. Of course the release of lockdown may bring a temporary spending boom again, and Brexit will increase the inflation rate on some products, quite significantly. But they do not fear something most have never known, which is runaway inflation.

Instead they fear that there is no future for them to worry about. That there are, in other words, no jobs if they lose the one they have. They fear that their children will never get the chances that they think they deserve. They worry that they cannot rely on a government intent on cutting to provide support if they need it. They worry that the wealth divides in society will grow - or that those friends of politicians who can get public procurement contracts will take all the winnings and that everyone else - them included - will be left with little or nothing.

The 'animal spirits' are muted in other words. The appetite for risk has gone. Those who can will save. Those who can't will live in fear.

And into all this the Chancellor injects the message 'we're broke' and 'we can't afford to pay people a fair wage'. How does anyone think that's going to help?

Least of all, how is that going to help when it is not true?

The country is not broke. All that has happened is that £400 billion of new money has been created, costlessly, to keep the economy going. Most of that now sits in the accounts that the UK's banks and building societies maintain with the Bank of England earning 0.1% interest. That's not being broke at all. That simply assists the solvency of these institutions, which are not at the risk that they were in the last crisis as a consequence.

And there could be plenty more such balances if need be. It only takes a few keystrokes on a computer to create them, but what they mean is that the money required to keep

the economy moving still exists at a time when private sector demand cannot make that happen.

And none of that money need be repaid. Indeed, it cannot be repaid, because it is impossible to repay money without using money. The repayment of this money cannot happen at the will of those who now have it as a consequence. Only government, as the monopoly creator of this money, can cancel it. That is their sole right. And why would they wish to do that if austerity is the consequence?

The answer should be obvious. They will do that because they want austerity. The dogma that still pervades so much UK political thinking - that the government is a burden and that its activities must be curtailed to allow the free spirit of the markets the chance to fly - pervades, still.

The room for markets to fly does, of course, exist right now. There is any amount of necessary spare capacity in the economy. And yet those sprits will not create value, because they have no idea how to, most especially when they know that in the last year the government has destroyed large amounts of financial capital. That may have been necessary, but it is also true. The desire to see more capital destroyed by Covid does not exist.

In which case the premise of the desire for austerity is false. The government is constraining nothing by its actions right now. All it is doing is enabling. That is its job. That is what it has to do. And that is what Sunak is clearly indicating that he will not do.

Why do we have to suffer this poverty of thinking?

Why do we have to suffer the false narratives that support it?

Why do we need to be punished yet again for what is fundamentally incorrect economics?

Because a few wish it to still be thought that their wealth is the result of their innate ability that proves them better than all others and that those others must only have a chance if they too can prove that, despite all odds, they are worthy of the riches that prove them part of an elite, and not just cronies of those in power.

The imposition of austerity is, then, a sado-masochistic ritual imposed by an elite to suggest that it is their ability that has afforded them the power to impose this to motivate others to emulate their supposed achievements and so, as a consequence, this is for the good of the populace as a whole, or at least that small part who wish to join the elite, which is the only goal they think worth having.

Austerity is not just bad economics. It is the consequence of a corrupted psychology that seeks to impose economic pain for its own sake to satisfy the fantasies of a few.

That we so very clearly do not need austerity, or the fantasies of these few, should be apparent.

Preventing austerity is, unfortunately, harder. The narratives of those few who are in power are powerfully supported. We need to defeat their arguments.

That's why I will keep on writing.