Funding the Future

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I have posted this thread on Twitter this morning:

Why does Johnson wants to take on the nurses? Is this his Union fight; a version of Thatcher's with the miners? Is the Battle of the Hospitals to be his Battle of Orgreave? And why? Thatcher wanted to break the unions. Does Johnson want to break the #NHS? A thread…

Even someone with the insensitivity of the average minister in this government must have realised that a 1% pay offer to the NHS would, after the last year, be treated as contemptuous, not just by the nurses themselves, but by many in the population at large as well.

We didn't clap for nothing. We have seen the exhausted faces. Few of us can really appreciate the trauma of going to work knowing we will see people die in greater numbers than we ever expected during that day. Nor can we imagine the feelings of helplessness that must induce.

I know the NHS is our religion. And there is this 'nurses are angels' thing. But some myths are based on facts. And I want to add in all the others as well, from the porters who make the NHS move, to the consultants, to the cleaners, GPs, and receptionists. They all make the NHS.

The last year's been about keeping the NHS open. Lockdowns saved lives. But they were really about keeping the number dying to a level the NHS could, just about, manage. All the sacrifice was to ensure that we could support those we lost, and those who helped them as they died.

Was that worth it? I think so. Few of us want to think about death. In our society it is a taboo. But Covid made us face it. Unexpected, early, unjust, heartbreaking deaths became commonplace, but not normal. And everything done was to give those dying the support they needed.

On the way, and due to incredible care, some brave decision making and simple determination it's also a fact that many who went to intensive care units also came out alive. Many, maybe most, are scarred. But they got another chance. And that's a cause for celebration.

The cost has been high. Hundreds of thousand of jobs lost. Countless cost to mental health. Failed businesses. Lives disorganised. Many hopes dashed. But, lives were saved. And, as far as was possible (and I know the constraints) those who died were respected, and cared for.

At the most fundamental level what is important within our society was questioned. And what mattered was one of last rites of passage: the preservation of life was enormously important, but so too was supporting those on their final journey. They had to die as well as possible.

I am not pretending that was always achieved. I know that it was not always possible. The care hone scandal showed that the government really did not understand this need at first. They should be held to account for that.

But if anything, this failure to protect some people, and the reaction to it, supports my narrative. We were angry about the indifference shown to those in care homes, and rightly so. Deep down, we still believe in the final rite of passage. Dying as well as we can matters to us.

It matters so much in fact that we were willing to throw our economy into chaos. We were willing to lockdown. We were willing to accept the consequences. The shock to Dominic Cummings, very early on in this crisis, was that we cared about our grannies. He could hardly believe it.

There were those, Cummings and Johnson included at the outset, who believed Covid should be let rip. It should run through the population, do its worst, and leave behind the immune survivors. They eventually coalesced around something called the Great Barrington Declaration.

This was raw, market fundamentalist, survival of the fittest thinking. The natural winners should make it (no doubt motivated by a touch of eugenic thinking on who those winners might be). The rest were dispensable. More than that, they weren't worth the cost of saving.

Cummings and Johnson got this wrong. The cost of that was high. Their indifference to taking action early, because of their belief that simply letting the virus have its day was the right thing to do, has cost tens of thousands of people their lives in the UK.

But the fact was that in the end they knew people would not accept this. The indignity of letting people die in an NHS that was totally overwhelmed was something that they eventually realised would not be tolerated by people in the UK. We were willing to pay the price, and did.

I know that price has been very real. But, and I am back on economics now, in one regard there has been a shocking realisation. And that is that this price was not nearly as high as we were led to believe. Although we were told money was in short supply, it transpired it wasn't.

In the last year the government has had to spend around £400bn it did not have (the final cost is not known yet). And despite everything that had been said about taxpayer's money being in short supply, the money to settle the bills was available.

It was always going to be. There was never a doubt about that. And the government has always known the truth on this issue, even if there have been persistent lies about it. The reality is that the Bank of England has always been able to create money, on government demand.

This is simple to do. The government asks to borrow a billion from the Bank of England. The Bank agrees to lend it, which is pretty unsurprising given it's owned by the government, and simply records the loan in its books, and that's all it takes to create the money.

There is no printing press. No notes and coin are involved. Nor is any taxpayer. Least of all is any so-called 'taxpayer's money'. The government tells its own bank to lend it money, without ever agreeing a repayment date or interest rate, and it exists. Money, from thin air.

There always was a magic money tree. All the denials by all the politicians from all the parties who ever queued up to assure us that we had to 'live within our means' (which it transpired meant the money the commercial banks were willing to lend us) were talking nonsense.

We weren't constrained by the commercial banks. Or the money markets. Or the willingness of foreigners to lend to us. Nor did the government need to collect tax due before it spent. What a few of us knew, and most economists denied, was that the government creates its own money.

And it has. In the last year it's created more than £400 billion of new money. Costlessly. Without borrowing from anyone but itself. And it has injected that new money into the economy. It had to.

The Bank of England had to do this because private banks weren't creating new money, which is the only other way the money that keeps our economy going is made. And because many people were saving and paying down debt private bank created money was in short supply.

That's because saving and paying down debt takes money out of the economy. That's because all money is a promise to pay. So when a debt is repaid the money disappears.

And when saving happen the money saved is not, by definition, spent and our incomes are other people’s spending.

So, many people reacted to Covid in ways that were rational, but meant there was too little money in the economy. So, the government had to make good the shortfall, and it did, thankfully. And we don’t need to worry about that.

Government created money is literally what makes the world go round. Once upon a time it was injected into the economy by increasing the national debt, but this time the demand was so big it was effectively spent directly. There is no real new debt as a result.

It’s true that as a result of this money injection that the commercial banks now seem to have £400 or so billion more on deposit account with the Bank of England. But that means they are much less likely to go bust. That is a good thing.

And it’s also true this new money does eventually end up as part of the savings of the already wealthy, because it pushes up asset prices (hence house price increases and a buoyant stock market despite Covid) and so taxes on the wealthy do need to increase to control that trend.

But is there any risk of inflation in normal prices as a result of this new money being created? I don’t think so. There’s a reason. It is that there are millions unemployed and underemployed in the UK right now. And that means there is no upward price pressure from wages.

So, back to nurses and their pay claims, where all this started. In my opinion the dispute to come on this issue is much more significant than the government has appreciated.

The government thinks there is no upward pressure in wages in the market right now. As a result their simple, dogmatic reaction is ‘why do we have to pay in that case?’ To summarise this thinking, it’s that of the person who thinks markets always get things right.

But markets don’t always get things right. The old adage that an accountant knows the price of everything and the value of nothing is based on a truth (and I am a chartered accountant). Markets can get values very wrong.

I think markets have got the value of nurses, and come to that, all in the NHS and care workers and all in education, very wrong right now. I’d go so far as to say that we are at a pivotal point in the development of society at this moment.

For forty years we have lived in what might be called the neoliberal era. The term is not as important as what it implies. And that belief is that markets know best. As importantly, the logic says that governments definitely know second best.

The power of this logic has been seen throughout our society, and in our politics. What we have developed are a breed of politicians who when they see a problem then think that whatever they, in government, might be able to do to solve it the market could do better.

So, they outsourced track and trace. They brought in consultants to manage Covid. And they believed that people with literally no experience in PPE could somehow deliver better product at lower price than experts on the issue, working in government.

They were wrong, of course. Track and trace and PPE are all disaster stories, to join so many other outsourcing catastrophes. The massive overpayments were just part of the story. The waste is another. Markets fail, badly, when managed in ignorance.

But, the government does not believe this. They swear these are success stories. And they regret the fact that limitations in the NHS - created by a decade of austerity from 2010 onwards - have forced them to close the economy down, all because people care about their grannies.

And, they think nurses are not in the market, so they know second best what their worth is. In that case they can be given what they get because only markets know the true price of anything, and value does not matter.

Except it does. Value is why we shut down the economy. We valued people: those struggling for life, and those losing it. Value is what shaped the last year. Value justifies what we did. And the government still does not get that, because they don’t put a price on value.

And nurses are valuable. We have proven that. The worth is established. All that isn’t is the price, which is something very different. And that conflict of market price versus value to society is the core of the dispute that I think is going to happen now.

The nurses are rightly going to ask to be valued. I think others should too. And they now know that the money to pay them is available. That’s beyond dispute. What we face is a choice about the future of life in thus country as we know it. All based on a 1% pay offer.

The decision to be made is about more than the nurses, important as they are. It is about who and what we value. Do we value essential public services? Or do we value the fripperies that some in society can afford because they pay less tax?

Do we value the claims of financial markets more than we value the right of government to decide how money is created for the benefit of us all?

Are we willing to tax the rich (who benefit by far the most from government deficits because the money injected into the economy ends up on their bank accounts at the end of the day) so we say have the services we need?

Are we going to accept tough decisions for the sake of the common good, common values, common wellbeing?

This is the most massive question, and yet if the nurses pursue their pay claim - and I think that they should - then these are the questions that will actually be asked of us.

And surely we know the answers now? If everyone has enough to live in (and that's a massive 'if' we have not addressed as yet) then what we know now are a number of quite fundamental things.

The first is that we can't value a hug from a loved one. But we know how much we long for them.

And we can't estimate just how important friends are. But we do know we miss them, badly.

Dammit, we can't value a smile, and most of them are hidden now. Thank goodness they are reflected in our eyes, if we really mean them.

You get my point, I hope. There is no price for these things. But they are valuable.

As has as much dignity and care as possible for the dying been immensely valuable.

As was the sacrifice of those who had to deliver that dignity and care when no one else could.

The fight to come - for fight I think there will be - is about what is important. Is the claim that 'there is no money' (when there is) or that 'the debt must be repaid' (when none has been incurred, as the data shows) more important than caring?

I know the answer to that question. Deep down I suspect you do too. Deep down you might share my view of those who can't even understand that this is a question that needs answering, and who are willing to lie to deny it exists.

This, then, is a moment for political awakening. Not party politics, I stress. I don't much bother with them. But the real politics that determines the overall direction of our society.

From 1945 to 1979 the UK worked to recover and rebuild from war. From 1980 to date we have let markets decide how we live, and have deferred our interest to the interests of those who pursue money, wealth and profit as if these matter most. And now? What are we to do?

I do not want to go back to 1945. We have learned too much. We have moved too far. That's not where we need to be. And anyway, that was a world that did not respect the equality that markets have not stopped us embracing of late. So this time is different.

But what do we want? That’s to be answered. But the message that I am getting loud and clear now is that we want what is valuable, and that is something way beyond what markets deliver.

We want a straightforward, honest, clean, accountable state that will act openly and transparently in the public interest. We are a long way from that.

We want a state that is willing to invest in and protect our futures. That is not just about the NHS, of course. It is about free education. It is about cradle to grave care. It is about climate change and what we know must happen.

And it is about economic honesty. Economics has been used, quite deliberately, and I have to say with the willing consent of far too many economists, to bring us to the point where a government is apparently unable to value nurses.

Economics has deliberately created the myth that ‘there is no money’.

And the economics that we have has been built on the idea that it is worth leaving people unemployed to keep inflation low, largely in the interests of preserving the wealth of the wealthiest.

This economics offends me. It is wrong, at every level. And there are alternatives that explain how the economy really works, starting from the core fact that the government can create all the money needed to create the society we want.

But, we have to choose to do that. The nurse’s pay claim is about making that choice. Precisely because it is I expect the government to oppose it, vigorously. And then they will say that if they must pay then the NHS must be privatised. I am sure that will follow.

This then is about the very essence of what our society is about. Are we to put value above price? People before profit? Society over private wealth? Community over markets? The smile of a friend over the heartlessness of the financier?

I know my answer. I know this pay fight, and the fight for the NHS that will follow, might be pivotal. This is about the very core of what it is to live in society. That is what I want. You need to do so too if we are to recognise what is of value in the future.

This is an issue in which everyone will have to take a side. But there can only be one winner if we are to have any chance of a decent future.