

# The government still has to decide who to prioritise: i...

Published: January 15, 2026, 9:53 pm

---

*I wrote [what follows below in May 2020](#). The coronavirus was then developing – but the reality of lockdown, social distancing and much else was still unknown to us, although it was apparent that they were coming.*

*The focus of my commentary at that time – which came to 4,000 words in all – was to suggest that the government would have to make a decision on whether it was to be jobs and work that were to survive the crisis or the financial system, underpinned by over-valued stock markets and property prices, that was to do so. My suggestion, which is clear in what follows, was that it had to be jobs and work that should be prioritised. Thankfully, for a period that was the case: the furlough scheme was the clearest indication of that.*

*However, it would seem as if we are now in a different era. It was almost bizarre to hear Kwasi Kwarteng say recently that the UK economy is currently transitioning from one equilibrium, based on high immigration and low wages, to another based on low immigration and high wages as if he, first of all, thinks that the concept of equilibrium actually exists, and secondly that this is the only transition that we are facing.*

*The reality is that we are facing a transition much more profound than this. A financial edifice based upon the exploitation of natural resources is coming to an end. It is no longer possible that we can pay a return to the owners of the world's natural resources, whether they be raw materials or the land on which the properties in which we live and work are located, or those banks who create the money that many must borrow to facilitate their access to these resources, and simultaneously meet the costs that will arise as we undertake the only transition that really matters now, which is to a sustainable economy.*

*That there are enormous pressures on households at this point of time is becoming very clear. Fuel prices are increasing, largely because of mismanagement. Supply chains are being disrupted, largely because of political incompetence, but will now have an inflationary consequence, even if it is temporary. Tax increases at this moment are malevolent, but happening. There is talk of stagflation, although I think it unlikely as*

*there is insufficient coordination in current workforces to demand compensation for consumer price inflation.*

*What that, however, suggests is that there will be other forthcoming pressures if, as seems likely, the cost to consumers of some items increases as the transition to sustainability progresses. In that case the trade-off between jobs, work and personal incomes as opposed to the interests of rentiers and the financial system is still one that has to be decided upon by any politician, but which almost all are ducking at present, or not even foreseeing as a decision that they will have to take. In that case, the commentary that I made, reproduced below, in May 2020 seems to be as relevant now, so I share it again as the basis of discussion at this point in time given all that we have learned since I first wrote it.*

### **Looking forward**

Let me be a little more forward looking. There will be a time to restore value after this crisis and the shockwaves it creates are dealt with.

The problem that this crisis will have eventually highlighted is the fact that we have focused our attention on what has, in effect, been the creation of balance sheet wealth during the course of the last 40 years. This has not been generated from work, or from the investment of resources in the creation of real value. It has instead been generated by encouraging the flow of ever-increasing sums of money for what has been called investment (but which has actually been saving) towards a limited range of financial and property assets whose availability has been shamelessly restricted in supply, so guaranteeing almost perpetual increases in value. That sham, for that is what it has been, has now been shattered. The genie cannot be put back in the bottle. And nor can anyone now seriously believe that value can be created in this way, ever again.

We have, then, to understand that value creation does not come from financialisation, or balance sheet manipulation of the type we have got used to. It does, instead, come from work, which produces value as a consequence of the inherent worth of the activities undertaken. And, if (as most societies think desirable) one generation is to look after its predecessors when they reach old age then what I have long described as the fundamental pension contract must be respected. This contract, which is implicit within society, and not legal, is that one generation (the older one) will through its own efforts create capital assets and infrastructure in both the state and private sectors which the following younger generation can use in the course of their work. In exchange for their subsequent use of these assets for their own benefit that succeeding younger generation will, in effect, meet the income needs of the older generation when they are in retirement. Unless this fundamental compact that underpins all pensions is honoured any pension system will fail.

This fundamental pension contract does then also respect that value comes, not from financialisation, but from the creation of value through work which is not transferred

between generations through the transfer of ownership of savings products, but is instead transferred through the creation of real added value resulting from actual investment activity.

We can rebuild society. It can be sustainable if we respect the constraints that our planet puts upon us. We can transfer value within it. We can sustain populations. But we can only do these things if we simultaneously recognise that there is no magic way to do so: financialisation as a source of value creation was, and always will be, a myth. It is work, and work alone, that generates value, and even then it can only do so if we respect the constraints that nature imposes upon us.

The crisis that coronavirus has created will be fundamental, and could be existential, quite literally. But it need not be the latter if we take action now. What it does require is that we accept that it is not a few working in financial markets that create value in our society, letting them claim that they are the masters of the universe. That is not true. Instead what we have already learned from the coronavirus crisis is that it is care that is the most valuable commodity that we can create, whilst friendship and community are the things that we value most. Each requires effort and so too does all value creation. Nothing can shortcut this, but we've been sold the myth that there was a fast-track, and that has proved to be untrue.

To survive our government now have to make a choice. They can seek to preserve the myth. They can pretend that the asset values that the myth created are still real and seeks to preserve them. Alternatively, they can face reality. They can give up the pretence that there are assets of worth left within very large parts of the financial system. They can take the necessary steps to deal with the consequences. And they can, as a result, seek to preserve jobs and the businesses that help create them whilst building an entirely new basis for banking and pension provision.

Alternatively, they can crash what remains of the economy that provides us with work in a vain attempt to preserve the interests of the rentiers who have dominated our economy for decades. That attempt would, however, be in vain: there is now nothing left to save.

The only difference between the two routes is that one preserves some value, and the other preserves none at all. Whatever we do we face the most staggeringly difficult economic decisions, but some at least have good outcomes, and others have none.

What will our government do? Who knows.....