

## Government does not come worse than this

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*This column by me was in [The Sheffield Star](#) yesterday:*

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There are some dates that go down in economic history. April 1 this year might be one of them. That is because this is the day when millions of families across the UK began to move into food and energy poverty as a consequence of the decisions made by the UK government.

I suspect that I do not need to explain that this was the day when fuel prices increased by about £700 for most households. It was also the day that National Insurance charges went up and the day when water charges rose. Food prices are already increasing. On top of that, interest rates are going up so that some people with mortgages will see that cost increase as well. If that is not enough, general inflation has now reached around 8% per annum, with the chance that it might go even higher later this year because it is thought that household energy costs might rise by up to another £1,000 a year in October when the next price review takes place.

I am old enough to remember the last cost of living crisis of this sort. It was in the 1970s, and I was a student at the time, but speaking purely professionally I can say with confidence that things were very different back then. Not only were the causes of the inflation different from those we are suffering now, but strong trade unions protected the wages of many whilst we had governments that were committed to tackling the problems that inflation caused. Now unions are rare outside the public sector and the government is creating much of the problem that we are facing.

I am aware that is a contentious claim, so let me justify it. First, some government policies have contributed to the crisis that we face. Like it or not, Brexit is one of those. It has made it harder for the UK to trade, as international statistics show, and that has a consequent cost which is reflected in UK inflation. That's not a political comment: it is a statement of fact.

Second, whilst overall the government did a reasonable job of managing the economic impact of COVID, they failed to anticipate the difficulties that reopening the economy would create which some (me included) wrote about endlessly before it happened. The warning that reopening the economy would be harder than closing it was ignored and no apparent attempt to manage the problems that have arisen, especially as a result of shortages of gas supply, was made. It is those shortages due to the end of Covid restrictions that have given rise to the current price rise, which have nothing to do with war in Ukraine.

The government's mismanagement of its relationships with Russia, which has been widely reported, did however mean that it failed to anticipate that crisis as well. It is shortages created by war that will give rise to the energy price increases in October.

On top of that, even when it knew that the current price increases were on the way it still planned the National Insurance increases and cut Universal Credit whilst encouraging the Bank of England to increase interest rates. It adopted all these measures because it claims that it is facing a debt crisis, with the national debt now needing to be repaid as a consequence of the costs of Covid.

These claims are entirely unjustified. The £400 billion cost of Covid was not paid for with either taxation or borrowing. Money was instead created for this purpose by the Bank of England through what is called the quantitative easing process, and there is absolutely no compulsion at all upon the government to repay this. That is because if this debt is due to anyone it is to the Bank of England, and that is owned by the government and so in turn by us, and I can hear no one clamouring to have that money paid back.

Despite that, for reasons best known to themselves the government has decided that it is more important to repay this debt than to worry about millions of people going into poverty in the UK. I think that decision is wrong. I actually think it is cruel.

What is more, the government's failure to do anything more to address this issue, from increasing the value of Universal Credit, to providing additional tax cuts, to reducing the Bank of England interest rate to reduce the cost of mortgages, to simply cutting the rate of VAT so that the cost of things that we buy is reduced, all of which would reduce inflation and so the pressure on household budgets, is also wrong in my opinion. Some or all of these were possible and affordable, and yet none was done.

In that case, as I suggested at the beginning, this is a cost-of-living crisis that will impose hunger, cold, misery, debt and the potential loss of people's homes on an untold number of people in Sheffield and beyond as a result of economic decision making that is wholly unjustifiable, and completely unnecessary.

Government does not come worse than this. Remember the date this began. Never forget it. And please don't forgive those doing this.