

In my opinion the government is talking a lot of nonsen...

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I was scheduled to do a ten-minute session on BBC national radio this morning, but what seems to be a tacit agreement by broadcasters to have a by-election purdah has apparently disrupted the plan, so it may not happen until next week now. The discussion was to be on why I thought the government was wrong about inflation and public sector workers should have a pay settlement now. These were my speaking notes, prepared in advance but highly unlikely to have all got a mention:

In my opinion the government is talking a lot of nonsense about inflation

In the summer of 2021 no one was really expecting serious inflation but some of us had been talking about the problems to come from the reopening from Covid

- * *I warned of the problems of reopening*
- * *And that everything might be disorganized as that happened, with real economic risks arising*
- * *Which is what happened, although almost no one else predicted it*
- * *And the government did nothing to plan for or mitigate this foreseeable risk*
- * *As a result, they did not stop companies profiteering from it*
- * *And they did not realise that they could and should have changed the way energy was priced, and did nothing about it*
- * *Just as they did nothing to tackle the issues arising from Brexit - which seriously added to all these issues*
- * *The offer they did make to tackle rising fuel prices was bizarre - including enforced loans that were rightly mocked*

Then we got war, sanctions, an enhanced fuel crisis and the real risk of food price increases

- * And the government did not cut taxes on fuel or energy. It could have done. Inflation might bring it an extra £30 billion or more in revenue this year
- * And it botched its refund scheme, because the real aim of that is not to help people to reward energy companies by making sure they get paid
- * Nor has it led to a demand for international coordination of response to these issues - which is what is required
- * It actually did almost nothing

Except that it let the Bank of England increase interest rates

- * A policy designed to hit those suffering a cost-of-living crisis even harder
- * And which will leave banks and the wealthy a lot better off
- * Banks could gain more than £20 billion a year in extra payments from the government as a result of interest rate rises - much more than pay rises for 5.5 million employees would cost
- * It's as if money flooding upwards is the answer to our inflationary problems in the government's opinion

In response, they have demanded that people on average and lower pay do not ask for pay rises

- * But inflation is now 9%
- * For those on low pay it is higher
- * And average pay rises are 4%
- * In the state sector they're 2%
- * That's probably going to be an 8% cut
- * On pay before tax that's for a person on average equivalent to a pay a cut of maybe £3,000
- * After tax it will be a cut of well over £2,000
- * And the government has no clue why people are angry

They're angry because

- * The government is lying about why we have inflation - it has nothing to do with

wages

- * *Because the government is going to take more in tax this year - most from people who're suffering the most and they will not acknowledge this*
- * *They're angry because they're living in the edge*
- * *And because some of them know they will topple over it*
- * *People could lose their homes, their families, and their whole well-being because of this*
- * *And the government does not care*

But worse:

- * *People know the government can afford this. The extra taxes it will collect as a result of inflation may be double the cost of settling decent pay claims*
- * *And they know if those pay claims are not met the public services - already under stress - might collapse as people have to move to find work elsewhere*
- * *And this matters to everyone who works in the public sector*

What I also know is that if the government gets its way and working people bear the burden of this crisis which they have not in any way created then we're going into deep recession:

- * *Pro-Bank of England and government economists are already saying it will cost a million or more jobs to stop inflation, and maybe many more*
- * *But that's because they think inflation can only be tackled by pushing people into despair and businesses into bankruptcy*
- * *Actually, as they head us for recession, quite deliberately, I think the situation could be much worse than they forecast*
- * *They're toppling us into something we have not seen for a lifetime, maybe, in the form of many millions unemployed. When you set out to crush the economy and the people in it, as they're doing, that is what can happen*
- * *And that is not unnecessary - it can only be described as class warfare on those who have done nothing to create this crisis*

So, what should we do?

- * *Fair pay rises now of maybe 4 or 5% - plus inflation compensation bonuses of another 4% or more to be paid for a year until we know how things settle down. This inflation*

might go if the world stops panic buying fuel to inflate the profits of oil companies. We have to allow for that uncertainty - but with the commitment being made to consolidate these bonuses into pay if inflation continues

- * Cuts in tax on fuel and energy to reduce the actual rate of inflation*
- * Return to very low interest rates so people can afford to stay in their homes and businesses can survive*
- * A package of new spending funded by QE - as Covid spending was - to keep the economy going as it heads into a recessionary crisis*
- * And an end to the lies about what's causing inflation*
- * Plus frank admission that the government has got this very, very wrong*
- * And that it can do a lot to put it right e.g, by ending pointless fights with the EU.*

What if the government ignores that advice?

- * We're heading for very real economic trouble*
- * And it will be entirely by choice*
- * We do not need a recession - but it looks like the government and Bank of England want one - and that, plus Brexit, is a recipe for a very British disaster*