

Funding the Future

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I posted this Twitter thread this morning. The plan to which it refers might be one of the more important things I have written:

I have suggested that no plan to address the current economic crisis that I have seen is good enough. In that case, I think I need to offer my own alternative plan to address this crisis. This is it. It's radical. It could work. I think it's essential. A thread....

First of all, let me make clear that my whole plan is 30 or so pages of A4, and even I don't think that can be turned into a Twitter thread. *But you can read the whole thing here. It's the most comprehensive plan to tackle this crisis that I know of.*

Surviving 2023

How to manage the
coming economic crisis



Richard Murphy
Finance for the Future

The crisis that we are facing is being caused by inflation. This started as a flurry after Covid reopening caused supply chain disruptions, but it is Putin's war and resulting gas price hikes by profiteering energy companies that are making this such a problem.

The problem is that inflation might reach 15%. Worse, for households on low incomes domestic price hikes might mean these households paying 24% or more of their after-tax income in energy costs. Staggeringly, all but the top 20% of households could be in fuel poverty.

Clearly, this issue needs to be addressed. But this is not the only problem. The Bank of England is currently seeking to ruin the economy by imposing interest rate rises that cannot work. This is going to deliver recession in the UK. The impact will be widespread.

In particular, schools, hospitals and care homes are all going to be unable to pay their energy bills this winter, creating massive new crises. And hundreds of thousands of companies are going to fail too, with millions unemployed. This is the bigger issue we must face.

In my plan I seek to tackle all these issues. I do not pretend that the issue is just about a household cost of living crisis, because it is not. Unless the big issues of public services and a failing economy are also addressed helping households will still leave us in trouble.

Taking households first though, the plan offers a range of necessary solutions. The big idea is to ensure that no household should spend more on energy as a proportion of after tax income than the wealthiest households in the country would if energy costs reached £4,200 a year.

The plan is that no household will spend more than 7% of their post-tax income on energy. This suggests variable rates of relief are needed, from £2,600 a year for the lowest income households, with relief continuing all the way through to above average income households.

Most households will need more than £2,000 of relief to achieve this goal of no fuel poverty in the UK.

I suggest how to provide this relief. Everyone on a pension or benefits should get it, automatically. Everyone else would need to make a simple application. The payment would go to their energy company to prevent fraud.

I estimate that the cost of this would be £44 billion a year, and I think it would work. It could also be easily adjusted if energy prices fall, which is important.

But that is not enough. I also make proposals to put prepaid meters on lowest tariffs, always. I would also scrap standing charges, which are akin to a poll tax, and I would introduce progressive energy tariffs so that high consuming households pay more for

their energy.

Ofgem would also need radical reform. One reason our energy prices are so high in the UK is that it maximises energy prices to deliver guaranteed profit for energy companies. It does not protect consumers. It protects profits.

This can and should change. I suggest how. Whether there is a worthwhile energy market left for consumer facing energy companies to partake in after that is a very good question. I doubt there will be.

But this is still not enough. If state services are to be protected and staff are to get fair pay rises, we need an emergency budget. I suggest that protecting public services will cost £80 billion in a year. It is unavoidable.

There may also need to be help for pressurised companies. I suggest a package linked to the number of employee jobs at risk. If the subsidy was £2,000 a job supporting smaller business might cost £20 billion this year.

Charities might also need help, and many are now dependent on them.

All in, this package might cost £144 billion. In the short-term deficit funding might cover this. To allay fears that this will be a burden on taxpayers I suggest a new Bank of England funding arrangement to provide this money, almost costlessly.

If this level of support is provided we should recover quickly from this crisis, which is where the real payback for that spend comes from. Preventing a recession is a price well worth paying, as we appreciated in 2008 and 2020. There will, however, remain longer term issues.

I suggest necessary new taxes that we need if we are to have the state we need. Most target wealth, which is heavily undertaxed in the UK. Other measures target tax abuse and windfall taxes also have a role, but on banks as well as energy companies, where they're hard to deliver.

And finally, we need the long-term reform that only a Green New Deal can deliver. We have no choice but transform our economy now to face the reality of climate change.

How to pay for this Green New Deal? It is not hard. UK savers love tax reliefs. Tax reliefs on pensions and ISAs have to be changed. If they were I estimate that £100 billion could be found from UK savers to fund the Green New Deal each year.

We are a wealthy country and it is UK wealth that must be foundation that provides the funding for the transition to becoming the state we need to be. When the country has £12 trillion of wealth funding the required money will not be hard.

The plan I propose is radical, realistic in the face of the crisis we have got, and

necessary if the economy, households and public services are to survive intact.

The plan focuses on inequality and seeks to address it by eliminating fuel poverty as well as by taxing fairly.

But the plan also seeks to keep essential public services going, and people in jobs this winter as well. I am baffled as to why no one else is talking about these issues.

Finally, the plan addresses the long term, and finding for the transition to energy efficiency that we need. This funding can be delivered out of better utilisation of the UK's wealth. Tax incentives will drive the change.

From start to finish this is a plan for the crisis we are in. And I fear that unless something like this happens we are in the very deepest trouble. [Please read on.](#)