

Austerity is something we simply can't afford

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I have [already mentioned](#) writing articles elsewhere in the last day or so. This one was a joint effort between Danny Blanchflower and myself [in The Mirror today](#):

DAILY MIRROR WEDNESDAY 26/01/2022
VOICE OF THE
DAILY Mirror
Dodge the doom loop
WHEN even the boss of the Confederation of British Industry warns Rishi Sunak against an austerity 'doom loop' of tax rises and public spending cuts, he either needs the advice or is doomed himself.
The latest Tory Prime Minister floated on the country without a general election is a wealthy fiscal conservative prepared to balance the books on the backs of the poorest.
As Chancellor he matched a crucial £20-a-week Universal Credit payment from six million households – a cold-hearted move that cuts a chill of fear about what may be ahead.
His enormous wealth will not be such an issue if he looks after the poor and struggling low and middle-income families.
But sitting pretty while short-changing the less fortunate would be an enormous mistake he would come to regret.
TLC for NHS
LENGTHENING waits for cancer treatments are the result of an ailing NHS turching backwards due in large part to a lack of proper funding.
The Government, which allocates spending to Wales and Scotland as well as holding direct responsibility for care in England, cannot be allowed to forever scream "Covid" when queues overall in the NHS continue to break records long after virus restrictions ended.
Our precious NHS is literally a life-and-death service. Early detection and treatment of potential killers such as cancer are crucial if the odds of beating such deadly threats are to be shifted in our favour.
Health matters, and reviving the NHS requires TLC and an urgent injection of money – money that is worth spending.
Great gaffes
HOUSTON, we have a problem when many of the most memorable misquoted lines from films are catchier than the words that are actually spoken on screen.
Mirror, mirror, on the wall, who are the finest wordsmiths of them all – scriptwriters or film fans? We've gotta need a bigger quote...
THE DOCTOR WILL SEE YOU NOW.
Well, it's no job, you see. I move the lecturers in Downing Street. I just can't go on...
CUT IT OUT Hunt 'bit of a twat'?

Dear Rishi Sunak & Jeremy Hunt,
We listened as the Prime Minister yesterday warned of "difficult decisions to come".
We listened in disbelief to the Chancellor saying recently that "efficiency savings" might be required from every government department over coming months.
We know you mean cuts in the essential services on which we all rely including the NHS. We believe these are unnecessary.
We both predicted Liz Truss would wreck the economy before she became Prime Minister.
Our fear now is that the British people will inevitably pay the price for this – and we don't think that is necessary.
Yes, Mr Truss has left the country in a mess. Inflation is high but probably near its peak. It should fall next year.
Despite that, interest rates are rising and will probably do so into 2023, when forecasts suggest mortgage rates could exceed 6%, costing households maybe £200 extra a month.
Energy prices will not be in place for many next winter. As a result, millions of households will be unable to pay bills if nothing happens to address this crisis.
None of this is a reason to shift the cost of clearing up the mess Mr Truss created to households that can't afford it. You are wrong to do that and it's not necessary. Our plan would be very different.
"The best off - by which we mean the very people Truss wanted to favour - must pay more tax"
1 We would cover whatever the remaining cost of the energy price cap might be by using more quantitative easing. That's the process of government money creation that paid for Covid – and must pay for this crisis too. Doing that will immediately reduce the pressure on interest rates because less will have to be borrowed. If £10 billion of QE was offered only two weeks ago to save pension funds, then the same amount can be offered now to save households from high energy bills.
2 QE is one way to raise funds. Another is to borrow direct from the public, by issuing financial markets. If National Savings & Investments offered a flexible savings account at a competitive interest rate and this was available in an ISA, we think many tens of billions might be raised to pay for most government investment programmes that will leave the economy afloat at lower cost than bond issues.
3 We must then have proper windfall taxes on both energy companies and banks, just like
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CHALLENGE For PM Sunak
An open letter to the new PM
From Professors DANNY BLANCHFLOWER and RICHARD MURPHY
every other European country. The case for energy companies is obvious: they are profiting from our need to be warm. But banks are coming in too in the next year, they might be paid up to £200bn of interest by the Government because of interest rate rises. When pensioners and benefits need protection, that's utterly unacceptable. Most of that must be clawed back by windfall taxes. There's £20bn or more available here.
4 The best off – by which we mean the very people Truss wanted to favour – must pay more tax. That's what happens in wartime and crises, and we now have a war-induced inflation crisis, so that is what they should expect. And it's not just income tax that must increase for them: capital gains tax must, as well as national insurance on high earnings. Some £25bn or more may be available here.
5 We agree with Jeremy Hunt on one thing: subsidising the cost of energy for those who can afford to pay has to stop. The universal energy subsidy cannot be repeated next year.
But what would we do with the well over £100bn we have just found for the government to use? First, we'll end the threat of cuts. These simply aren't possible
anyway unless the Government is planning to scrap the armed forces or stop children under 12 going to school. There is literally no slack available in the public services now. We use these examples to show how absurd the Government's demand is.
What is more, we'll encourage inflation-matching pay rises in the public sector, because unless people have enough to spend the economy will collapse and unemployment will rise. Given that inflation always passes over time anyway there is no reason not to do this – except mass-unemployment. In the UK, pension benefits are set to rise 8.7% next year.
We would also challenge the Bank of England's policy of increasing interest rates, which cannot in any way stop inflation caused by increases in worldwide gas and food prices.
Mr Hunt says he will not interfere with the Bank's decisions on interest rates. We say he has a duty to do so, because they will be so destructive for UK households.
It's our belief that stopping rate increases now is essential: we cannot afford the millions who

"We must have windfall taxes on energy companies and banks just like every other European country"
might be homeless if that does not happen. If there is a small price in terms of inflation (which we doubt), so be it. What is more important? Low inflation or roofs over heads? In any case, the Monetary Policy Committee has been asleep at the wheel and needs a kick in the pants.
After that, we'll challenge Mr Hunt's choice of economic advisers: they're all bankers, all wealthy and all London-based, reflecting one opinion – which is that austerity works. They are the ones who will benefit from the lifting of the cap on business bonuses. We don't need that type of thinking now. We need the best creative minds who know about poverty and inequality and can work out how to save the country from misery.
The ones Mr Hunt has chosen will continue to working on how to save the Tories' election chances, which is not the nation's priority.
Our message is clear: austerity MUST NOT happen. The economy can survive if you stand up for ordinary people right now and take on the bankers and their thinking.
Yes, it will take courage. But we look forward to hearing you right do this – because we need it very badly right now.
Yours in hope,
Professor Danny Blanchflower, academic and economics expert, and **Professor Richard Murphy,** political economist and chartered accountant