

## The state we're in

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I gave a talk to a combined meeting of Oxford for Europe and Cambridge for Europe last night entitled 'The State We're In'. These were my speaking notes. As usual, I did not follow them precisely, but in half an hour I covered the ground they referred to and then fielded questions for another 50 minutes:

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## The state we are in

### We are in crisis

- \* Brexit
- \* Austerity
- \* Mismanagement of Covid
- \* The impact of war

### The result

- \* Crushed GDP
- \* Falling living standards
- \* Growing inequality
- \* Inflation (for now)
- \* The risk of recession
- \* Massive risk of a personal and business debt crisis
- \* And so a banking crisis

## The required response

- \* Increased government spending to support the economy
- \* A cut in taxes for most people
- \* A reduction in interest rates - or holding them near zero in our case
- \* That is what a responsible government acting in the interests of its population would have done to keep the economy going

## We got

- \* Tax increases for almost everyone
- \* Real interest rate rises that will be crippling for business and millions of households
- \* Austerity that is fueling the crisis in our public services and denying people the income they need

## This would not have been inflationary

- \* Our inflation came from two external shocks
- \* Covid supply chains (now solved)
- \* War
- \* And the relative price increases that fuelled inflation are now going - raw material prices have already fallen to pre-war levels
- \* Neither interest rate increases or any pay restraint had any impact on this

## But this policy is economically crippling

- \* Frame these comments on the basis used by Huw Pill
- \* The profits of small businesses - most of them highly geared with debt - will be crushed
- \* Removing fuel support will exacerbate that
- \* Businesses are going to fail en masse
- \* And households will be thousands a year worse off - £2,000 on average it is said but those with serious debt by much more

## It is also intensely socially destructive

- \* Economic, job, social, housing, childhood and other insecurities are all rising
- \* So is stress as a result
- \* Of course we have a physical and mental health crisis
- \* And things are only going get worse

## So the question is, why has the government declared economic civil war on the country?

- \* Our debt is wholly manageable
- \* The stories about its increasing cost are largely lies - with the cash due on average in 18n years' time
- \* The claims about inflation are lies - it is bound to fall
- \* The claims that we are short of labour is down to Brexit and so instantly soluble
- \* The idea that we are overtaxed is because we insist on taxing the wrong people and the wrong things
- \* The idea that we cannot pay our way is absurd
- \* We cannot go bust
- \* And all the money we need is as readily available now as it was in 2008 and 2020 - at the click of a few keys on a computer
- \* Which will be no more inflation are now than it was then i.e. not at all

## What is this all about then?

- \* Economic ignorance?
- \* Fear of the right-wing tabloids that have us Brexit?
- \* The same dire economic thinning that said Brexit would be a success?
- \* The desire of the Treasury and the Bank of England to restore the return to capital in society at cost to labour - the 'Treasury View of the Right-Ordering of Society' as it is called?
- \* Gross incompetence
- \* Or just the household analogy

## The household analogy

- \* The idea that governments are like households

- \* They must cut their cloth to suit available resources
- \* They must save the pennies
- \* They must pay the debt

## When the government

- \* Is not like a household - it has its own bank for a start
- \* It's the job of the government to put available resources to best use using all the resources available to it
- \* The government has the job of creating money in a recession when falls in borrowing mean that commercial banks are not doing so
- \* And government debt is the private saving that always increases in recession because people look for a safe haven

## In summary we are in a state

- \* Because of economic policy that is based on myths, lies, economic circumstances that ended with the gold standard, and total ignorance

## How to get out of it

- \* Educate politicians
- \* And journalists
- \* And people
- \* None of whom want to learn

## Alternatively

- \* Watch the country sink
- \* Those are the options