

# Funding the Future

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I [posted this thread](#) on Twitter this morning:

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We face the biggest group of strikes in recent history today. That is not surprising. A belligerent and out-of-touch government is deliberately trying to crush the living standards of public sector workers when paying up makes total sense. A thread.....

The government says there is no money to pay public sector employees. That is nonsense. Of course there is money available. The government creates our money supply. It can create all the money required to pay people. They are lying when they say there is no money available.

The government says paying people will create 'inflationary expectations' and more pay demands but the only thing that will do that is not paying now. People who settle for less than inflation will of course be back for more pay in the future. Paying in full now will prevent that.

The government says it's unfair to taxpayers to pay now. But the simple fact is if prices rise by 10% and pay rises by 10% then on average profits will rise by 10% and so taxes will rise by 10%. That's not rocket science, but it means inflation-matching pay rises fund themselves.

If, alternatively, prices rise by 10% and wages by 5% then profits rise disproportionately and as they are taxed much less than work government revenues fall and so pay increases are not funded by tax, but the wealthy get a lot wealthier.

There are three consequences of that failure to pay in full. First, the wealthy save their extra money, and there is little or no economic stimulus to the economy as a result, which there would be if a pay rise was given instead.

Second, that means we get into a recessionary spiral because people cannot spend as much in real terms and savings rise, which means money is taken out of use in the economy. The result is, again, lower tax, and so downward pressure on wages (again)

and all government spending.

Third, people will come back for pay rises in the future in that case when inflation would otherwise have been eliminated because they will want to restore the value of their wages, but the government will have made it harder to pay up then by effectively cutting tax revenues.

In other words, not paying inflation-matching public sector pay rises right now is the surest way to a) tip us into recession b) harm public sector services c) force people out of employment in them d) reduce growth prospects e) reduce tax revenues f) increase inequality.

And, I stress again, the money to pay these rises now can be created instantly, and that the money in question will be recovered out of additional taxes in due course if that is done.

All that it takes for the government to agree to this is that it understand six things. The first is that the inflation we are suffering now was not created in the UK. We do not, as a result, need to fight it as if it was created by activity in the UK economy.

That, secondly, means we don't have to assume there is an inflationary wage spiral in existence which the government has to crush when that is not the case and there is instead a one-off price shock which people quite reasonably want protection from.

Third, that also means the government should stop its macho 'we're fighting inflation' stance because as a matter of fact it isn't doing that. Inflation is going away this year because international prices are stabilising. It should stop pretending otherwise.

Fourth, it should in that case also stop the deeply damaging steps it is taking to supposedly tackle inflation like destroying public services and imposing ruinous interest rate rises that will create recession but do nothing to stop inflation, at all.

Fifth, it should instead make the pay deals demanded now, but with the caveat that when inflation disappears pay bargaining returns to a more normal basis.

Sixth, it appreciates that its job is to a) do this b) explain this c) protect the public services d) reassure everyone that this is simply an isolated price shock we have to get through fairly and it will be gone in a year (as it could be).

Most important though there could be added e) there is nothing economically threatening in this. The government is trying to play a role as defender of the economy in all this, hyping the idea that only brave Jeremy Hunt can save us from perpetual inflation. That's nonsense.

This inflation is a singular reaction to a war. That is it. All that this inflation requires is good management, including ensuring people get the pay rises they need to manage

its consequences. That is what a responsible government would do. But ours is not responsible.

Instead, ours want to a) crush wages and b) increase profits for large companies whilst c) destroying public services so that d) they can be privatised so e) they and their mates can profit from this whilst f) we all pay for it.

And there is also g) they want to massively boost bank profits by totally unnecessarily increasing interest rates so that h) they can get jobs after government with those banks who will be grateful that i) inequality has risen.

In other words, instead of offering the glaringly obviously necessary pay rises that are required in the public sector, which will pay for themselves, this government is using Putin's war as an excuse to launch its own war.

Its war is on a) the public sector b) the people who work in it and c) other working people, all of whose are to be fleeced to increase the wealth of a few. This is class warfare, disguised in false anti-inflationary rhetoric.

No wonder we are the only economy heading for a recession. Other governments are managing the fallout of war. We're seeing that war used as an excuse for an economic war on the people and institutions of this country.

So of course today's strikes are justified. And the public support for them is also right. They are the counterattack against a government that is trying to crush the people of this country, wholly unnecessarily.

And what is deeply worrying is that Labour seems to want to sit on the sidelines of this, just as it did under Corbyn on Brexit, and just as disastrously.

One day we might get good government in this country. Right now we are being offered government by those seeking confrontation for their own gain who are officially politically opposed by those too timid to point this out. What a mess.

But those on strike have worked out what is going on. They know pay rises are needed now, and can be justified. So good luck to them. They need it. But we all need them to succeed.