

Paying the doctors would not only solve an NHS pay disp...

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The government is as adamant as ever this morning that it cannot afford to address the NHS doctor's pay dispute.

They are offering 2% when inflation has been 10%, and junior doctors have seen their pay fall by more than 25% on average over a decade. There is, I suspect, no one but health secretary Steve Barclay (and maybe his shadow, Wes Streeting) who think that is a sensible offer, but they insist it is all that can be afforded. What is more, they claim inflation will result if they concede.

Inflation cannot result. Presuming the eventual deal is no more than 10% (and I am being an optimist when suggesting that) there will be no wage spiral. What is more, the NHS does not charge for its services: there can be no price impact as a consequence. In that case, most of the government's argument falls away.

But so too does that on affordability. A [2013 paper looked at this issue](#) in the journal Globalization and Health. This is US based. I suspect the findings very readily transfer to the UK. The question asked was whether in the post-2008 downturn extra spending on health might increase overall economic wellbeing. The short answer was that it could. This is the abstract:

Reeves et al. *Globalization and Health* 2013, **9**:43
<http://www.globalizationandhealth.com/content/9/1/43>



RESEARCH

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Does investment in the health sector promote or inhibit economic growth?

Aaron Reeves^{1*}, Sanjay Basu^{2,3}, Martin McKee³, Christopher Meissner⁴ and David Stuckler^{1,3}

Abstract

Background: Is existing provision of health services in Europe affordable during the recession or could cuts damage economic growth? This debate centres on whether government spending has positive or negative effects on economic growth. In this study, we evaluate the economic effects of alternative types of government spending by estimating "fiscal multipliers" (the return on investment for each \$1 dollar of government spending).

Methods: Using cross-national fixed effects models covering 25 EU countries from 1995 to 2010, we quantified fiscal multipliers both before and during the recession that began in 2008.

Results: We found that the multiplier for total government spending was 1.61 (95% CI: 1.37 to 1.86), but there was marked heterogeneity across types of spending. The fiscal multipliers ranged from -9.8 for defence (95% CI: -16.7 to -3.0) to 4.3 for health (95% CI: 2.5 to 6.1). These differences appear to be explained by varying degrees of absorption of government spending into the domestic economy. Defence was linked to significantly greater trade deficits ($\beta = -7.58$, $p=0.017$), whereas health and education had no effect on trade deficits ($p_{\text{education}}=0.62$; $p_{\text{health}}=0.33$).

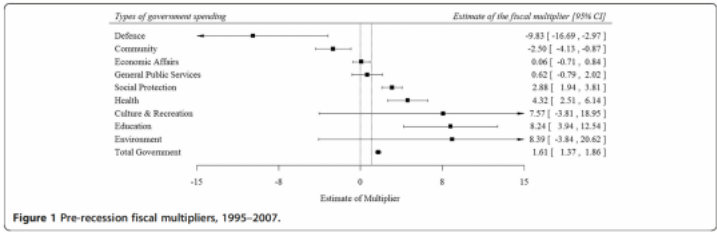
Conclusion: Our findings indicate that government spending on health may have short-term effects that make recovery more likely.

Keywords: Health spending, Government spending, Economic growth

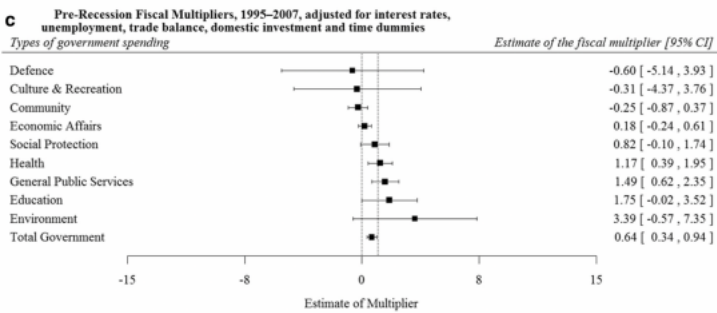
The research focused on the fiscal multiplier effects of medical spending. As the authors neatly summarised the multiplier:

The fiscal multiplier is an estimate of the effect of government spending on economic growth. A multiplier greater than 1 corresponds to a positive growth stimulus (returning more than \$1 for each dollar invested), whereas a multiplier less than one reflects a net loss from spending.

To summarise the findings, over a range of scenarios the authors found that this was always the case. Using unadjusted data they came up with these multipliers pre-2007:



Adjusting for a range of variables they came up with lower estimates:



The disparities are big: the paper explains them, reasonably. But the point is that in a stable environment healthcare spending pays for itself. In a recession, it is likely to yield significant positive returns. That is not true of all government spending, with defence always coming out worst.

The question is, why in that case is the government denying medics the pay rises they so obviously deserve and which society requires to be paid? Is it stupidity, spite, or some darker motive?