

There is economic warfare in the air

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I posted this thread on Twitter this morning:

We learned a lot about the policy of the government and the Bank of England when it came to inflation yesterday. Above all, we learned that they really want to frighten people into accepting lower standards of living. Economic warfare on the country has begun. A thread....

Yesterday's inflation data shattered the myth that the government and Bank of England are in control of the economy. The reality is very different.

First of all, what is glaringly obvious is that the government has lost faith in the Bank. Even cabinet ministers were throwing out pretty clear criticism of the Bank by last night. Behind the scenes, the fury is apparent.

The government thinks the Bank did too little, too late, and has lost control. What they're now demanding is action. And the reason why is simple to spot. Inflation in the UK is now the worst of any developed country.

The Bank had no choice but say nothing yesterday. It gets its chance to comment today. Almost certainly it will increase interest rates again, hoping forlornly that the policy that has failed it since late 2021 will somehow, against all the odds, work this time.

It won't because, as I [explained in a Twitter thread](#) yesterday, the Bank has not only got its diagnosis of inflation wrong, because interest rate rises will never stop inflation of the sort we have, but interest rate rises are now themselves fuelling inflation.

Second, it is apparent that the government has no more clue how to tackle inflation than the Bank, which it says it is backing the Bank as a result.

The government has no plan B for inflation.

Nor has it got any plan to help those hit hardest by interest rate rises.

Third, what the government can't say is that it cannot have such a plan, because the plan is that people should suffer.

We now know this is true. Treasury economic adviser Karen Ward, who was once at the Bank of England and who now works for JP Morgan in London, let this out of the bag on the Today programme on BBC Radio 4 yesterday.

What she said was that to beat inflation the Bank of England has to force the UK into recession. More than that though, she said the Bank has to create fear. That fear should, she insisted, be palpable to the point that people are frightened to ask for pay rises.

Only when people are weakened to the point that they will give up trying to maintain their real incomes will we get rid of inflation, she said. And by the end of yesterday it seemed that economists were queueing up to tell the media that they agreed with her.

Fourth, what this means is that those economists were not only demanding that the government do nothing to help those who might suffer, but that rates must also go up again, and again, and again, until recession is deeply embedded in the economy.

And remember, fifthly, that these are also the type of economist that believes in austerity and says that if there is a recession then we cannot afford healthcare and a great deal else, so that with much regret people must die - as Osborne explained to the Covid inquiry this week.

These people are not, then, just demanding financial misery. They know that they are demanding total misery, imposed at enormous human cost on people who have the misfortune to not be like them in having very well-paid, secure jobs.

The result is that what I heard yesterday were calls by establishment economists for what amounts to economic warfare on the people of this country, which war the establishment will only win when people are crushed into submission by fear.

I wish I could dress up what I heard in another way, but I cannot. I was shocked, appalled and frightened as to the consequences in equal measure. Class warfare has never been more blatantly declared in my lifetime than it was yesterday.

And none of this is necessary. What we're witnessing are supposedly intelligent people who have achieved for themselves personal financial security who are now terrified that everything they think they know, based on the economic textbooks they used at university, is wrong.

Markets don't work in the way they were taught, because what they were taught was wrong.

Inflation is not created by wage - price spirals, although they were told it was.

No one ever mentioned that raising interest rates might, in itself, push up inflation because no one had even thought that possible, and so had never mentioned it, but that is what I ask now saying.

The possibility that the rich might behave differently to the rest of the population because of the impact of inequality was never mentioned to them - and so they cannot see that the messages they're getting from their rich friends are not typical of society at large.

And the possibility that people on immensely tight budgets might have borrowings so large that collectively they can threaten the well-being of banks was never mentioned, because only those well enough to have some slack in their budgets could afford to borrow, they were told.

Meanwhile, their economics did not include the possibility of dissent. People were meant to accept that the powers that be were always right and so would be obeyed.

And what is now apparent is that none of this is true. They wish it was, because believing in these things did, they think, make the economy work the way that they wanted. And now they're terrified that none of this might be true.

But rather than accept that economics, and so the whole of economic policy, might need to be rethought to address the failings that are now apparent, they are instead declaring that their failed economics will work if only we do some more of it.

By which they mean, they claim that all that is wrong with their economics is that rate rises have not gone far enough and people have not hurt enough as yet, and so the punishment must go on until we get a recession, because that will teach people to obey.

That sure as heck seems like class warfare to me.

But it is also more than that. It is also about a war of ideas. It is about these people defending neoliberalism and their belief that markets are supreme.

It is also about the failure of the neoliberal view that only the wealthy matter.

And it is about the end of the idea that so many economists hold dear that government should steer clear of the economy (hence the idea of independent central banks) and let those who know about neoliberal economics get on with things.

In amongst the wreckage of people's lives, homes, futures, businesses and so much more we will, when all this is over, find the charred wreckage of neoliberalism and some academic economists and think tankers still yelling 'if only we'd raised rates a bit more'.

We could reject that neoliberalism and the class warfare inherent in it now.

We could stop the reckless interest rate rises that cannot and will not ever stop inflation.

We could end the fear that is tormenting people - as I heard so vividly on Radio 5 this morning when I was on live with Nicky Campbell.

We could save jobs, businesses, homes and children's security.

We could even save lives.

We could do all that by cutting interest rates.

All that it would take for that to happen would be for people in power to understand that this inflation has not been caused by excess demand, but is caused by non-wage price pressure, and that the increase in the price of money is a big part of that pressure.

We don't need class warfare at all, then. We just need a belief that if only we put more pounds in people's pockets, preferably with less carbon attached to them than ever before, then we can save the economy, and inflation will naturally fade away.

But I fear I will not be listened to. The forces of economic warfare on the people of this country by the powers that be are assembling. And I am not sure what can stop them now. ENDS