

Austerity cannot help us now

Published: April 12, 2026, 6:05 am

We are living through a wartime economic crisis. And our government is choosing not to act. Not because it can't. Because it won't. The claim that the UK cannot afford to respond decisively to this crisis is a fiction; a deliberate political choice dressed up as fiscal responsibility. The UK government issues its own currency. It cannot run out of money in the same way that a household or a business can. The real constraint is not financial. It is political will. And right now, Rachel Reeves and the EU are choosing austerity at precisely the moment history tells us governments must spend.

Lord Keynes made this argument during the Second World War. The challenge of wartime mobilisation is not finding the money; it is allocating real resources effectively. That means rationing. It means windfall taxes on the energy companies profiting from this crisis. It means intervening to stabilise prices and guarantee every household affordable access to energy. It means accelerating the transition away from fossil fuel dependence so this can never happen again. None of this requires the government to find money it doesn't have. It requires the government to choose to act.

Instead, what we are getting is tightly constrained, temporary, means-tested interventions, or austerity by design. The consequences are entirely predictable. There will be rising energy and food costs for households; closures of smaller businesses that cannot absorb the shock; and deepening inequality as energy companies and large corporations profit from the chaos. And for the poorest, there will most definitely be suffering that could have been prevented.

The crisis driving all of this was created by Donald Trump's actions against Iran. The economic fallout from rising prices to supply chain disruption, the risk of famine, and the risk of refugee flows was entirely foreseeable. The question was never whether governments could respond. It was whether they would choose to.

Rachel Reeves is making the wrong choice. This video explains why and what the right choice looks like.

<https://www.youtube.com/watch?v=36sSE2SuA0Q?si=4P96Gu7oIjhoLmY6>

This is the audio version:

https://www.podbean.com/player-v2/?i=8n6b2-1a96318-pb&from=pb6admin&share=1&download=1&rtl=0&font=Arial&skin=f6f6f6&font-color=auto&logo_link=episode_page&btn-skin=c73a3a

This is the transcript:

We are living in a wartime situation. I want to talk about that, because it's a crisis that we are facing. We are facing a crisis created by Donald Trump. He didn't need to go to war on Iran; he did. As a consequence, we are facing economic meltdown. Energy prices are rising. We are seeing the consequences elsewhere. Food prices are rising. We know there's a risk of famine this year in some parts of the world already because fertilisers aren't moving. We are seeing the risk of refugees trying to flow out of Middle Eastern countries. We are looking at a situation where everything we know might still change.

Donald Trump is unreliable enough to deliver that outcome, and in the face of this, what worries me above all else is that governments like that in the UK and in Europe are urging that there should be no support supplied to people in their countries because they think they're going to face a fiscal crisis as a consequence. They believe they're going to run out of money if they help people who are going to bear the cost of this war. That is wrong in theory. It's dangerous in practice, it reveals how policy is being deliberately constrained by economic theory, and we have to challenge that idea.

The claim is that fiscal policy is constraining currency-issuing governments. They cannot, it is said, get the money they need to deliver the programmes and support that they require, but we all know that this is nonsense. Governments cannot run out of money issued in their own currencies.

In the UK we have our own currency.

In several European states, the members issue their own currencies. This is true, for example, in Sweden and in Denmark.

In other European states where the Euro is in use, the local central bank issues the euros in question. The EU does not exist to stop countries issuing the currencies that

they need for use in their own nation-states.

The real constraint that we face then is not a shortage of money. Money can be created to deal with the crisis we are facing. What we are facing is a crisis that is represented by a shortage of resources and by a risk of inflation. We are not facing a crisis created by a shortage of money. Claims of limited fiscal space are, therefore, in that case, representative of deliberate political choice by neoliberal politicians who do not want to run deficits for purely ideological reasons in the UK and across Europe. This is a threat to our well-being.

History shows that governments must spend when survival is at stake. This happened during the Second World War. We knew it had to happen then. It did. The UK mobilised resources to achieve its outcome in that war. It did so by reducing consumer spending. I've already made a video on this. Lord Keynes explained that real resources like money were not the issue that would stop us winning the war. He argued that the allocation of resources was the key issue.

We had to cut consumer spending at that time.

We had to increase taxation to achieve that goal at that time.

So, we rationed key resources, and we increased taxes on the wealthy. Why? Because they were the people who consumed the most.

Governments had to let finance follow function when they were threatened, as they were then and as we are now; that is what is required.

In that case, the EU is proposing the opposite of crisis mobilisation. Governments are being told to limit their support to what fiscal rules allow. That's what Rachel Reeves is also doing in the UK, and it is being said that any support to be supplied must be temporary, targeted, and tightly constrained. The result is that people are expected to absorb the shock of this crisis instead of the states that are able to do so. This is a deliberate withdrawal of government responsibility at the very time when people need protection and freedom from fear.

The distributional impact of this proposed inaction is predictable. Households will bear higher costs and reduced living standards. The poorest will suffer most in proportional terms: this is a straightforward statement of fact that we know to be true. And workers will face wage restraint or job losses, as businesses reach the edge of their limit. And energy companies will meanwhile continue to extract excess profits.

Some people will coin it in, and the government will sit by and watch all this happen and say "That's what markets deliver, of course." The language that they are using is about delivering neoliberal stability and control, rather than about meeting economic necessity.

Terms like 'caution' and 'coordination' are being used to limit debate. 'Fiscal rules' are being used to exclude large-scale interventions, which are required. The role of the state is being deliberately narrowed as a consequence. This reflects the pure neoliberal policy framework, but even the European Commission and Rachel Reeves know that this is all contradictory.

They know that windfall taxes are a possibility.

They know that subsidies may be required.

They know that there is risk, including that of inflation, and they know that if they subsidise things like fuel, they could constrain that inflation risk, yet they still insist that action must remain limited.

The likely outcome is that the EU plan replicated here in the UK by Rachel Reeves will deliver austerity by design. Limited intervention will fail to control inflation effectively because prices will not be cut as a consequence of not cutting things like fuel duty, and economic instability will increase rather than decline as a result.

Social and political tensions will rise as a consequence. This repeats well-known policy failure patterns of the past. We know what happens. The impact of these failures is obvious. Inequality will increase. Low-income households will face greater pressure. Smaller businesses with tighter margins will be forced to close. They won't be able to afford the fuel they need to keep their businesses operating. Larger firms will pass on costs; we'll get inflation as a result. And wealth and power will become ever more concentrated.

There is a fundamental moral failure in this policy stance. Governments exist to protect their populations in crisis. That is what they must do. Choosing not to act is a deliberate political decision in that case, and that decision abandons those most in need of support, and it represents a failure of the basic duty of the state.

What governments should be doing is to act decisively, but intelligently, in response. They must guarantee affordable access to essential energy to those in need, including core businesses. They should intervene to stabilise energy prices where they can, by, for example, cutting fuel duties. They must impose rationing where that is necessary to control demand, eliminating unnecessary consumption in the process at a time of crisis, and windfall taxes should redistribute excess crisis profits, and wealth and income from it should be taxed more to rebalance the state funds being injected into the economy to create fiscal balance at this moment.

Meanwhile, investment in the energy transition must be accelerated.

That's a plan. That's what we need to do. The fiction of fiscal constraint must be abandoned. Governments do not need to find money before acting in this situation.

They must decide what is necessary and mobilise the resources required to meet the need that exists. The real issue here is political will and not financial capacity.

Rachel Reeves has made a choice, and the EU has made a choice. Both have made the wrong one. They are planning to do nothing when they should be planning a change. They should be acting like a state should, and that is to deliver what people need. This crisis requires an active government response and not the passive one that both the EU and Rachel Reeves are planning.

That's what I think. But what do you think? There's a poll down below. Let us have your comments as well. Like this video, if that's what you do. Please share it. That helps us. Please subscribe to our channel. That also helps us; YouTube does notice, and if you think that these videos are of value, if you'd like to help us by making a donation, that will be very much appreciated.

Poll

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