

## Why we need rationing, now

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The UK is in a war economy, and most people don't realise it yet. The Middle East conflict has already cut global oil supplies by around 20% and gas supplies by roughly 30%. With approximately half of all UK food imported, and global fertiliser supplies under severe pressure, the shortages hitting our shelves and energy bills are only the beginning.

Markets cannot solve this. When supply collapses, markets ration by income and those with money survive; those without do not. That is not a policy choice. That is a failure of government. The energy crisis and emerging food shortages demand an active UK state response.

Drawing on Lord Keynes's approach at the start of World War II, and John Kenneth Galbraith's wartime work in the United States, this video argues that the only credible response to this supply chain crisis is a combination of government-led rationing and a serious redesign of the tax system.

That means rationing oil, aviation fuel, heating oil, and food.

It means equalising capital gains and income tax rates, extending national insurance to investment incomes, and adding VAT to financial services.

It means government intervention in the economy at a scale not seen since the 1940s.

The alternative is leaving resource allocation to the market, which will transfer wealth upward, destroy social cohesion, and risk public unrest. That is not how to manage a war economy. That is a policy choice to let the poor bear the cost of a crisis they did not create.

<https://www.youtube.com/watch?v=aqjmWZA6GsU?si=ROKvw4uhmw4LmgaA>

This is the audio version:

[https://www.podbean.com/player-v2/?i=2x4uu-1a8967c-pb&from=pb6admin&share=1&download=1&rtl=0&font=Arial&skin=f6f6f6&font-color=auto&logo\\_link=episode\\_page&btn-skin=c73a3a](https://www.podbean.com/player-v2/?i=2x4uu-1a8967c-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:

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We are living in a war economy. That's not a future possibility. It is our present existence.

The Middle East conflict is already creating supply disruptions in the UK.

We're seeing oil prices rise.

We are seeing the price of jet fuel rise, and therefore of flights rise.

We are seeing shortages now becoming visible across multiple sectors of the economy, and that systemic risk is going to increase.

The government cannot leave the management of this problem to markets. That's the point of this video.

We know this is true. Lord Keynes, the greatest economist of the 20th century, pointed this out at the beginning of World War II. Writing in the UK and suggesting how we might manage the victory over Germany, and the economic resources required to achieve that goal, his core point was that consumption must therefore be deliberately limited; otherwise, markets allocate resources by price and income, and the result is injustice, instability, and political risk.

His answer was rationing plus taxation changes to control demand, and my suggestion now is that we need to be thinking in exactly the same way. He was right. We don't need to rewrite the lesson. We need to simply learn from it and implement the necessary changes.

War does sometimes divert resources into military priorities. That could be the consequence of this war in due course because our governments may decide to divert resources into new defence spending. But the current shock is not because of that. Our current shock is because of physical collapse in supply chains resulting from the war that is being conducted by the USA and Israel against Iran.

We know that oil supplies are going to be down around 20% as a result, and gas supplies worldwide are going to be down around 30%. Those two facts in themselves will create constraints on productive capacity, but that is not the whole story.

Fertiliser shortages are going to hit agricultural output right across the world. This is going to have an impact within the UK economy, and outside it, and both matter because roughly half of all the UK's food supply is imported. We will be seeing shortages from the UK's fields. We will be seeing shortages and price increases on the goods that we import. The fact is that this does create a real risk of food shortages, and potentially famine in some parts of the world, and in the UK, most certainly of significant price increases when it comes to food.

There are other areas where there are problems as well. There are helium shortages as a result of the shortage of liquid natural gas, which is being produced in the Gulf. Because of that, the NHS is not going to get the supplies it needs to operate MRI machines, and that helium is also used in the production of chips for use in technology and AI, and all of those areas are going to suffer constraints. And given that chips are now in almost every consumer product we buy, the knock-on effect of this is going to be enormous.

There will be fewer goods and services available for sale overall as a result. But, and this is the key point, demand will not automatically fall as a consequence. There will be a gap that opens between supply and demand, and that gap must be managed somehow. The issue is how we allocate resources when this mismatch exists, and the secondary issue is that the government cannot deny that this problem is going to arise.

Prices will rise when supply is constrained. This is a matter of fact. Let's not bother to argue about it. We can see this happening with regard to petrol and diesel prices already. We can see it with regard to energy prices elsewhere. We can see it with regard to home heating oil. The fact is, prices are going up, and access is going to those who can pay at present because the government is not taking any steps to reallocate supply to those who have real need.

The consequence is that those without sufficient income are going to be excluded from markets over a wide range of goods and services fairly shortly, and firms are going to exploit scarcity to increase their profits. This is rationing by income and not by need. It is what markets create, but it's a poor outcome for society itself.

And at the same time, we have a problem with regard to wealth. The wealthy will be able to maintain their access to scarce goods, whilst low-income households will lose out on essentials first. Inflation is going to destroy savings, whatever savings low-income households have, and borrowing costs are going to rise just to survive as a result.

The consequence is obvious. Wealth transfers are going to increase during this crisis,

and so too is inequality, which is going to become much more visible as a result. That is going to create an obvious consequence. Public anger is going to intensify rapidly, and social cohesion is going to weaken as a consequence, with the risk of unrest rising.

Governments might lose legitimacy in this situation. They have to act, and the answer is rationing. Rationing is required. We need to be planning it now. We need to allocate resources on the basis of need and not of income. This is what happened in World War II. It is how society remained cohesive in the face of a common enemy. It ensured minimum access for everyone, and it prevented extreme inequality in consumption. It maintained social stability, but it required planning before the crisis deepened.

Our problem is, we may not get that planning. That's what worries me.

My answer is that oil must now be rationed across all sectors of the economy. Aviation fuel must be used sparingly because we know it is going to be in immensely short supply. Holidays are going to be lost as a result, and we'll have to live with that and the anger it gives rise to. Whilst road fuel use must be controlled and prioritised, social trips are going to be the lowest priority, as a matter of fact. Getting to work, getting to school, getting to hospital appointments, all those things will matter. A basic allocation of fuel for these purposes will be essential. At the same time, heating oil must be managed to protect households, and industry must be allocated the supplies it needs by priority to ensure that the economy continues to function and people remain in work.

At the same time, food rationing plans are now essential. These might be radical. There might be a restriction, for example, on the amount of takeaway food that is sold. Why? Because it often involves a high degree of waste. Supermarkets will also be instructed to cut down the amount of waste that they have, and to reconsider issues like shelf lives to ensure that food which is still safe to eat is actually put into the supply chain. 30% of all food in the UK is at present wasted.

We must also look heavily at why we are so import dependent with regard to food and the exposure that this creates, and plan for a future where we should be better able to manage food for ourselves. This requires a rethink of how we use land in the UK in a very different way. Golf courses might be at risk; they should be fields, for example. Those fertiliser shortages that we are going to face are going to reduce domestic output, and we need to change our priorities as a result.

Whilst helium must be prioritised for NHS and other key uses within the economy to make sure that medical services continue in a way that does not threaten life.

We do therefore need strategic allocation of resources right across the economy.

Why does this matter? It matters because we need to keep our economy working, and without planning, that's not possible.

Again, this is a lesson from World War II. In the UK, the person who taught the lesson was Lord Keynes. In the USA, it was John Kenneth Galbraith, the second most important economist of the 20th century, in my opinion. He was put in charge of all production inside the US economy by the wartime administration in the USA. What did he do? He ensured that production was planned to meet need.

As a consequence, short-time working could be avoided now to the greatest degree possible, and the risk of firms collapsing could also be avoided if they are provided with support when supply chains make it hard for them to survive otherwise. This is something that we must do. We did it in the UK during COVID. We must do it now when we face a bigger crisis, because that is what I think we are about to have.

The government has the job of stabilising employment in the UK. Its fundamental role is to protect people from harm, and for most people, the risk of losing their job is the biggest harm that they can face. So the government must preserve the capacity of the UK economy. They must do so for the present and for the sake of the recovery to come.

In that case, another risk must be avoided. Rationing cannot by itself solve inequality. Scarcity will increase the rate of return to wealth during the course of the crisis to come. Asset holders will benefit from rising prices. Income inequality will feed into consumption inequality, and financial stress will be concentrated on the poorest. Redistribution must, therefore, accompany rationing. It's not enough to ration goods. We must, at the same time, be looking at a serious redesign of our tax system. This was, again, part of what Lord Keynes talked about with regard to the management of the wartime economy during the 1940s.

What he said was that taxation was needed to suppress excess consumption and who had the most excess consumption? Those who had most to spend, of course; they were the wealthy. So, tax must target those with the capacity to spend most of all.

We need, at this moment, to increase the tax on income and gains from wealth; there is no way of avoiding that outcome. I discussed this in the Tax and Wealth Report. There will be a link to it down below.

We should be equalising capital gains and income tax rates.

We should be adding VAT on financial services,.

And we should be charging the equivalent of national insurance on investment incomes henceforth.

The reason why is that major point: we must target the capacity of those with excess income to spend more because, unless we do, the capacity to reallocate resources to those in need will not be available. Tax is being used here as an instrument to create justice.

The crisis we are facing is already unfolding. The Keynesian tools I've described remain directly relevant to its management.

The government must now lead allocation decisions. It's showing no sign of willingness to do so, but unless it does, delay will guarantee inequality and instability within the UK economy. Immediate, decisive intervention is now required.

That's my opinion. What's yours? Please look at the poll below. Please leave your comments; we do look at them. Please like this video, please share it, and please talk about the issues that I'm talking about here because they are vital to our survival during the crisis we are now facing and don't doubt it, we are facing a crisis.

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Poll

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