

## Ignorance of money helps bankers and politicians escape

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[Debtontation](#) →<sup>a</sup> [Blog Archive](#) →<sup>a</sup> [Ignorance of money helps bankers and politicians escape.](#)

Ann Pettifor (a Green New Deal colleague) says (rightly) that:

*most assume that credit = savings, and that only by mobilising savings or surpluses (generated by production of one sort or another) is it possible for banks or financial institutions to lend money to finance economic activity. In other words, that money (deposits/savings/credit) exists only as the result of economic activity; and those deposits/savings/credit then create economic activity.*

On the contrary: it is bank money/credit *that creates* economic activity - and only then are deposits, surpluses and savings generated. And not the other way around.

Precisely.

And this is why we can spend our way out of recession. Indeed it is why we must spend our way out of recession. Any other option costs more, increase debt, and causes more hardship.

Why is that so hard for people to understand? Keynes did - and he called it a paradox that what works for individuals is completely unsuitable for states - and yet the mindset of the grocer prevails in government.