

Ann Pettifor's right: there is a magical money tree

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Last week Ann Pettifor complained that the tax gap agenda I have promoted has become too dominant in left wing thinking. She has a point, not that I am apologising for giving at least some on the left a long needed narrative. But tax is not the only way to address the deficit or to raise funding for the new economy we need. As [she has said in the Huffington Post](#):

George Osborne, the British Chancellor, has publicly disagreed with his prime minister on a fundamental issue of monetary policy - in an official Treasury report.

The prime minister recently argued that "There's no magic money tree to fund" what he called "this ever more wishful borrowing and spending".

But his Chancellor, George Osborne, disagrees.

The disagreement is aired in one of the documents tabled by the Chancellor on budget day. It's titled: "[Review of the Monetary Policy Framework](#)." - and is tucked away in the bundle of documents issued last Wednesday.

In paragraph 3.34, the Treasury makes plain that the monetary authorities could finance increased government spending on infrastructure "through the creation of money".

Taxpayers, the Treasury makes clear, are not the only source of finance for governments - as neoliberal economists would have us believe.

There *is* a money tree, and it's called the Bank of England.

Precisely, and a point I of course recognised in the [Green Quantitative Easing](#) idea.

Or as Ann points out:

Here is how the Chancellor explains Bank of England financing of public investment in his Review of the Monetary Policy Framework:

"central banks could go beyond the range of unconventional instruments deployed ... in advanced economies since the 2008-09 financial crisis. For example, it is theoretically possible for monetary authorities to finance fiscal deficits through the creation of money. In theory, this could allow governments to increase spending or reduce taxation without raising corresponding financing from the private sector."

Quite so.

And is there an inflation risk? No, not at all. Not unless the policy continues when we have full employment. And right now we have plenty of time to prepare for that. Which means now is the time to put the Bank of England to work.