

Is there any such thing as taxpayer's money?

Published: January 13, 2026, 1:25 am

As the [Independent has reported](#):

David Cameron has invoked Margaret Thatcher's economic doctrine in an election-time push to shore up the Tory core vote.

Speaking in Bristol on Monday Mr Cameron claimed there was "no such thing as public money" — a claim made by Ms Thatcher at the 1983 Conservative Party conference.

"We know that there is no such thing as public money — there is only taxpayers' money," Mr Cameron said — repeating the late prime minister word-for-word.

David Cameron is straightforwardly wrong. You can see why [Paul Krugman could say yesterday](#):

Britain's economic performance since the financial crisis struck has been startlingly bad.

If Cameron can get basic facts on money wrong then of course he can run the economy startlingly badly.

And he does not have to go far to find that not all money is taxpayer's money. Take this [House of Commons Library note](#) on quantitative easing as a start point:

Central banks have the ability to 'create' money. This happens electronically rather than through the physical printing of extra bank notes.

To explain that let's turn to the [Bank of England, who say](#):

In the modern economy, most money takes the form of bank deposits. But how those bank deposits are created is often misunderstood: the principal way is through commercial banks making loans. Whenever a bank makes a loan, it simultaneously creates a matching deposit in the borrower's bank account, thereby creating new

money.

The reality of how money is created today differs from the description found in some economics textbooks:

- Rather than banks receiving deposits when households save and then lending them out, bank lending creates deposits.

- In normal times, the central bank does not fix the amount of money in circulation, nor is central bank money 'multiplied up' into more loans and deposits.

Although commercial banks create money through lending, they cannot do so freely without limit. Banks are limited in how much they can lend if they are to remain profitable in a competitive banking system. Prudential regulation also acts as a constraint on banks' activities in order to maintain the resilience of the financial system. And the households and companies who receive the money created by new lending may take actions that affect the stock of money - they could quickly 'destroy' money by using it to repay their existing debt, for instance.

Monetary policy acts as the ultimate limit on money creation. The Bank of England aims to make sure the amount of money creation in the economy is consistent with low and stable inflation. In normal times, the Bank of England implements monetary policy by setting the interest rate on central bank reserves. This then influences a range of interest rates in the economy, including those on bank loans.

In exceptional circumstances, when interest rates are at their effective lower bound, money creation and spending in the economy may still be too low to be consistent with the central bank's monetary policy objectives. One possible response is to undertake a series of asset purchases, or 'quantitative easing' (QE). QE is intended to boost the amount of money in the economy directly by purchasing assets, mainly from non-bank financial companies.

So where is the taxpayer in all that?

What's clear is that most money is made by commercial banks - and when it is deposited with them it actually is their property (that's how you can lose it if a bank goes bust). So those banks do not hold taxpayer's money as such, and taxpayers do anyway, as is noted above, actually have a habit of destroying money by repaying loans (yes, that is technically correct: loan repayment cancels money).

Precisely because this system does not always work the government can create money too - using quantitative easing. £375 billion of it, right now, in the UK. That's definitely not taxpayer's money. That is government created money.

And do a though experiment for a moment - look at a bank note. Is it actually yours? Or does it belong to the Bank of England whose promise to pay is what gives it the value

you are relying on to give it value? I'd suggest the latter. So that's not taxpayer's money either. You have a claim on that money, but the note is not yours.

In fact, taxpayers merely use money made by other people. And when it comes down to it the 'other people' in the equation comes down, in practice, to the 'other person'. That 'other person' is the government, because as the Bank of England note, regulation restricts how much money banks can create, so they effectively undertake this activity under licence from the Bank of England.

In that case at the end of the day all money is government money - and it is ultimately the right to control a currency that defines a truly independent government - which is precisely why the Eurozone countries are not.

So is David Cameron right to claim there is no such thing as government money and that there is only taxpayer money? He isn't: in fact he got it about as far wrong as it is possible to get it.

And as for the funds the government spends, the idea that this money belongs to taxpayers is absurd. Three examples suffice. First, the law says it belongs to the government. That's why you have to pay your tax. Second, that law is created in exactly the same way as all other law on property rights i.e. through the workings of legislation, which means that the government's claim on this property that it owns is absolute, and not as agent. And third, if it's your money do you really think an election is about providing a specific mandate on how every penny is spent? If so, you're very wrong.

So, the reality is that there is no such thing as taxpayer money, although taxpayers do, very definitely do have good and valid claims on some of the money made by other people, but not all of it. And the government's money is emphatically just that i.e. it's own, and no one else's.

Thatcher was wrong.

Cameron was wrong.

And both failed, completely, to understand what they were talking about.

Unless, of course, they wished to spread a convenient lie that let an elite claim control of funds that rightly belong to government.