

Funding the Future

Article URL

Published: January 12, 2026, 7:56 pm

The government announced yesterday that they are willing to take a stake of 25% in Tata Steel and make loans of hundreds of millions of pounds. Almost inevitably Radio 4 was discussing this use of 'taxpayers money' by 5pm.

So let's be clear, this argument that RA payer's money us being used is nonsense. The money that the UK government will use for this purpose will be raised via bonds. We can be sure of that: the UK government is running a deficit. Any extra spending will be bond funded and will not be paid for by taxpayers.

What is more taxpayers will never repay those bonds: the national debt has net increased for more than 320 years and despite George Osborne's claim that he will run a surplus, and so repay bonds, by 2020 [there is not a hope of that happening](#).

And even bonds need not be involved: the Bank of England, or a related National Investment Bank (which I have long argued for) could simply loan this money to the new operation and the Bank of England could create the necessary funding out of thin air, [just as all other bank loans are always created in this way](#).

In fact even the interest on the loans will not be a cost if the new Tata can't afford to pay it: since we will run a deficit for the foreseeable future then that will also be covered by borrowing - and people have always queued to lend the government money.

In other words the Tata investment is in fact not a cost, it is an exercise to liberate potential in the economy by creating new credit. That does not mean I am saying we should be indifferent to the costs and benefits of funding the Tata steel operations into the future: doing so by way of credit creation only makes sense if this is the best way to liberate the capacity the UK economy. There are choices to be made about how credit is used.

But, I stress, this credit is not created at cost to taxpayers and it's about time the nonsense that suggests it is comes to an end.

Radio 4, please note.