

The macroeconomic challenge of the twenty first century...

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I gave this speech on macroeconomics at a conference of the Arab British Chamber of Commerce at Lancaster House this morning:

Thank you for inviting me here today.

I am old enough to say with confidence that my life has been fundamentally shaped by the petro-dollar.

As a political economist, social campaigner, tax activist, one time entrepreneur and chartered accountant I know that what economists call the rents earned from oil extraction helped shape the current economy of the UK and that of many other countries represented here today.

I have to tell you three things as a consequence.

The first is that those economic rents and the dollars they gave rise to are drying up.

That's because, secondly, many of the world's oil reserves will now have to stay in the ground if human life is to continue here on earth.

Third, then, this means that the biggest redesign of economics in our history has to begin now.

That's the bad news.

The good news is that we can do this.

But to do so we have to embrace three new key ideas.

The first one is that the economic rents from oil have not been a costless source of wealth.

But second I can tell you that in every sovereign state there is a costless capacity that

can liberate the ability of people to create the wealth which we are all capable of generating.

These understandings are based on a third vital point. This is that we now know that saving — which is what happened to most petro-dollars - is not the basis of wealth or investment. In 2014 the Bank of England admitted this. What they said then was that, in fact, that there can be no savings without lending. That's because saving can only happen without major economic distortions arising if credit lending, which creates the cash to be deposited, happens first.

It is this understanding that is fundamental to the new economies we must build.

States with their own sovereign money have the capacity to create credit in a way that no one else can and that credit is the key to this century in the way that oil was to the last.

But they must use that credit wisely.

Around the world people are angry with elites.

They are angry that they have been excluded from the benefits of two or three generations of economic rents, including those from oil.

They know that their prospects have been harmed as a result.

They know they are struggling to achieve their own aspirations and that the prospects of their children look worse.

And yet what is needed to let them liberate their skills, enjoy the facilities they need, and let all our economies thrive in ways we have never known before is readily available to each and every government of every state represented here today.

I repeat, it is credit.

That is government created money.

It looks like this (waves £20 note).

It has to be used in accordance with a plan.

For the sake of a strong economy.

To create an industrial strategy.

To benefit people.

To supply the education, infrastructure, housing, skills and employment they need

And its cost must be kept as low as possible: our current low interest rates are essential into the future.

And to prevent inflation the money created must be recovered from the economy by either effective and fair taxation or by our now proven ability to turn credit into cash itself through the selective and controlled use of what I have called green and some call people's quantitative easing.

But my message is remarkably simple.

Petrodollars created the architecture of the economies of the world that are now creaking at potential massive cost to us all.

Now wise management of the fiscally created dollars, euros, pounds, yen and more can provide the alternative, costless but ultimately liberating source of the lubricant for our future economies.

As a result we no longer need to burn the planet to liberate the potential in all people.

The fiscal dollar can instead build the foundations for prosperity and social harmony that we all crave.

What that means is that I can say today that the future is not in a well.

The future is in well-being.

And the money to buy it is ours to have.

But we have to understand, manage and control that possibility better than we ever did the Petrodollar.

That is the economic challenge of the twenty first century.