

Funding the Future

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I am not usually inclined to engage with UKIP, but this morning Paul Nuttall, its leader [has an article in the FT](#) in which he says, amongst other things:

In 2017, Ukip will continue to push for the Australian style points-based immigration system that the British public overwhelmingly wants. We will further define Ukip as the party of law and order, with zero tolerance on crime. We will argue for a meaningful reduction to the bloated, indefensible foreign aid budget, and we will argue for a better deal for veterans.

It was almost exactly a year ago to the day that [I wrote about Simon Danczuk's quite similar and seemingly economically illiterate comments](#) on the foreign aid budget on this blog. It seems I have to do so again.

What Nuttall is suggesting is that we have a choice of either doing overseas development aid or looking after veterans, or something else. What this implies is one of two things. He either thinks that we are living in an economy where we are either at our full economic capacity and, therefore, to do more requires something else be stopped. Alternatively, he thinks there is a finite amount of money in the UK and that nothing can be done to change that meaning that we can either spend it on veterans, or on overseas development, but both are not possible.

Nuttall is completely wrong in all aspects of this analysis. Glaringly obviously this is an economy that is not operating at full capacity. We still have large numbers of people who are unemployed. We have 5 million people who are self-employed, many of whom would much rather have an employment paying at the proper rate for regular hours. And, we know that there are millions of people who are working part-time who would like to work full-time. In that case to suggest that in any way we are working at our full economic capacity is absurd: it is very obvious that we do have the resources to assist veterans, and we can at the same time fund overseas aid, much of which aid comes in the form of goods made in and exported from this country which as a result creates employment here in the UK.

So let's look at the money issue instead. Nuttall is presuming that there is, somehow, a shortage of money available to the government. When the UK has its own currency to

suggest that there is a shortage of money is absurd as suggesting that there are a shortage of miles, or a shortage of kilograms. We can have as much money as we need to do a job: we proved that with a £375 billion quantitative easing programme from 2009 to 2012 and a further £60 billion programme of QE that is now underway. What is more, at present there is no persistent or long-term inflationary risk from creating that money until full employment is reached, and as I've just noted, there is no chance we will reach that point some time to come. But, even if we did create inflation at that point, firstly that is our goal: the Bank of England's Monetary Policy Committee has been tasked with creating 2% inflation year, and has been failing to do so for some time. Secondly, it is entirely possible to take inflationary pressure out of the economy by increasing taxes. In other words, any risk that does exist is minuscule, to some extent desirable, and anyway totally manageable. So, for Nuttall to suggest that because of a constraint on the amount of money that is available in the economy we cannot afford to do both support for veterans and overseas aid is completely incorrect. It is factually wrong. It promotes a myth, originally attributed to Liam Byrne that a government can run out of money. That was a joke, even if it was a very bad joke. Nuttall should know that. He clearly does not.

But as a result, based on total misinformation and ignorance, he blames the development budget for hardship in this country. That is, I suggest, a deliberate attempt to create tension that is, in my opinion, callous.

Nuttall needs to do three things. First he needs to learn some economics. Second, he needs to shut up until he has. Third, he needs to apologise when he realises how wrong he is. I do not expect any to happen. What is likely instead is that he will continue to deliberately blame the overseas aid budget for a lack of services in the UK when that is simply code for despising those in other countries with which he does not wish us as a country to be associated. And that has to be named as the xenophobic policy it is, because economics cannot justify it.