

There is a magic money tree, so why did politicians lie...

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One of the most common claims of recent years is that 'there is no magic money tree'. David Cameron did it:

<https://www.youtube.com/watch?v=Q2UowqXI2A0>

He claimed to tell a plain truth that there was no magic money tree. He said those who thought there was put at risk the whole future of the economy.

But David Cameron lied about this. [As the Telegraph has said:](#)

The well repeated line that “there is no such thing as a magic money tree” is heard almost everywhere. Even Prime Minister [David Cameron has uttered this phrase.](#)

But it’s completely untrue. If the will exists, the central bank can issue unlimited amounts of currency.

And they have been doing that. [Since 2009 money has been produced in large quantities:](#)

QE is money printing by another name. And as that chart shows, there's been more than £6 trillion of it in about eight years. That is, however you look at it, a pretty amazingly productive magic money tree.

And we did not get inflation as a result.

Nor did we get mass unemployment.

Or rocketing interest rates.

All the predictions as to what would go wrong were themselves wrong.

But, because by choice, in the UK and EU at least, the benefit was targeted at the finance sector and those who use its services the most, who are already wealthy, what we did get was three things. They were asset price inflation, speculation and increased inequality.

No one can say that was not predictable. [I was talking about it in 2010](#). That means the outcome was a choice. Whatever the words used, if a policy is persisted with when an outcome is highly predictable the consequence can be presumed to be the one intended. In this case, asset price inflation, increased speculative trading to boost the balance sheets of banks and increased inequality were then the policy goals, and they were achieved.

So why the continuing lie about the magic money tree? There is only one possible explanation. That is that its use to fund investment to meet real need, like housing, or to boost productivity by investing in infrastructure and so promote earnings growth, or to boost our green future and so provide hope, would mean that its use for funding asset price bubbles, speculation and growing inequality would have to be curtailed: I would agree that there are limits to the use that can be made of the magic money tree. But limits require choices. And the wrong ones are being made.

And the opposition parties in the UK are going along with this. So Labour does not call the current government QE programme out for what it is. And Wales, Scotland and Northern Ireland are not demanding that their share of QE funds be used to provide them with a local infrastructure investment fund. That would have been £5 billion for Scotland this year. Only the Greens call for [Green Infrastructure Quantitative Easing](#).

I wish I knew why so many politicians fail on this issue. Because they do, time and again.