

Fiscal money: one for the wonks

Published: January 13, 2026, 2:43 pm

Social Europe had an [article by Yanis Varoufakis](#) yesterday on what he calls 'fiscal money'. This, he argues, would be government rather than central bank created money. The idea is far from straightforward on first reading, but that's true of most ideas about money.

The theme is, however, important. First he is saying a shortage of government debt is crippling existing money supply issues because, as he rightly argues, government debt is now effectively money.

Second, he is saying that this is destroying any real notion of central bank independence because what they are supposedly controlling - the money supply - is no longer within their effective control.

This, thirdly, means that he thinks (as I do) that the whole question of central bank independence is now de facto in doubt: if they are not independent of bond creation and debt policy then they are not as a matter of fact independent.

But (and here's the twist) he argues that removing central bank independence may not be possible for political reasons. In that case his suggestion is that it is better to just let it wither and instead take back the whole issue of money creation for the government itself.

To this point I get his logic. Whether he is then right to argue that this new money should be issued for advance payment of tax is where, as yet, I am not convinced of his argument, not least because of the extraordinary discount rates he suggests should apply for reasons I cannot fathom as yet. I welcome his explicit linkage between money creation and tax payment. But thereafter I am going to have to muse on this. There seem to be so many simpler solutions than the one he is suggesting that I cannot see the merit in his proposal. But he's a clever guy: maybe I have missed the point, or just need another coffee as yet.

Comments welcome.

