

John Redwood admits it: there never was a reason for au...

Published: January 13, 2026, 3:21 am

I think this is worth reading:

I have not been worried about the state deficit for sometime, ever since Mr Brown found out that the UK state can literally print money to pay its bills. Mr Osborne, originally a critic of this in opposition, then discovered its charms in office as well. It turned out to have no adverse consequences on shop price inflation, though of course it caused massive price inflation in government bonds, because it was accompanied by severe pressure against bank lending to the private sector to avoid an inflationary blow off. I always adjust the outstanding debt by the £435 bn the state has bought up, as this is in no sense a debt we owe. So our government borrowing level (excluding future state pensions which some here worry about and which have always been pay as you go out of taxation) is modest by world standards at around 65% of GDP, and at current interest rates is affordable.

Most of the state debt we owe to each other anyway. The government owes it to taxpayers who own the debt in their pension funds and insurance policies. The state can always raise enough money to pay the domestic bills backed by the huge powers to tax, and as we have just seen when credit expansion and inflation are low it can also use liquidity created by the monetary authorities.

To many who read this blog that will be unsurprising stuff. Except, that is, for the fact that it comes from far-right Tory MP John Redwood, who [put it in his blog yesterday](#). He follows it with some usual xenophobic comments on the EU and aid, meaning the man is not reformed in any way, but what he has done is let an enormous cat out of the bag.

He has admitted there is no need for a government to balance its books.

He has admitted QE cancels debt.

He has then admitted the whole 'passing debt to the next generation' phobia is wrong.

And he has admitted as a result that there was no reason for austerity, the imposition of which served no economic purpose.

As a result he has, in two paragraphs, shredded the whole economic rationale on which he has been elected to Parliament.

And in so doing he has driven coach and horses through all those who still say that austerity must continue, because what he has done is make clear that if this is economically unnecessary then it can only be driven by incompetence, or a hatred of government, or class warfare, or all three.

He is right on this. Deficits do not matter if there is less than full employment. And governments can cancel debt, at will. Debt, in fact, only exists as a favour to financial markets, who desperately need it but have no hold over government as a result.

What does matter is that people like him do not want to use this knowledge for the good of people in this country and elsewhere.

It is time others did.