

# There are three ways to deliver funding of Â£20 bill...

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Papers are filled with talk of the Theresa May's NHS Brexit dividend this morning.

Thankfully, it appears that no one buys the story. Not one serious media outlet believes there is a Brexit dividend. The UK will still be paying the EU after Brexit. And because Brexit will shrink the economy there will be less tax paid.

So, Theresa May is lying.

And then most in the media come to the question 'how are we going to pay for it?'

I took part in a broadcast on this last evening on LBC Radio. The presenter very clearly did not believe me when I said that we did not have to.

I patiently explained that there are three ways in which government spending impacts the economy. First, I said that the government could simply create the money in question. I pointed out that over the last decade the government has created £435 billion to, in effect, bail out our banks. That is more than £40 billion of new money a year and there has been no inflation as a result: any inflation we have had is because of changes in oil prices or because we have left the EU. I did, therefore, argue that we could as a consequence create new money for the benefit of the NHS as well.

Alternatively, we can let more people save with the government. That, after all, is all that government bond issues are: they are the creation of new savings accounts managed by the government for people who want to save with it. And, as I explained, as more and more people come to retirement age, more and more of them want more and more government debt to underpin their pension payments and as a consequence the demand for government savings accounts is growing exponentially. So, I argue, why not let them have what they want, especially when it has the benefit of having almost no net interest cost and providing funding for the NHS at the same time?

Third, I suggested that we could tax to recover the spending that the government had promised to make on the NHS. But, I argued, this would be a particularly bad idea because right now the economy is quite vulnerable because of Brexit, and we are

suffering lower growth than most countries in the EU, and in the USA. Raising tax will only exacerbate this: it will take money out of the economy when what the economy needs is a cash injection. So, I argued, this was the worst option available and it will create alternative hardships that can only increase demand for the NHS.

I could tell that the presenter was not convinced. His whole preamble had been about 'having to pay for the NHS'. Although I had very clearly explained how we could do that all that he wanted to hear was what additional taxes would be levied and on who.

It's pretty depressing that the state of national comprehension of the issues involved with funding our government are so low, but we have to face the reality that education on this issue is going to be a long haul. And the biggest obstacle to overcome? As the presenter put it to me "If it is as easy as you suggest why aren't the government doing this?"

I offered three explanations. First, it may be that the government does not understand. Second, he had to understand that the government wants to shrink the size of the state and therefore do not want to use the capacity that the government has to create money to increase public services. And third, he also had to understand that the government does want to privatise the NHS, whatever they say, and as a result they do not want people to believe that it could be free at the point of delivery without penalty. Imposing a tax would be deliberate to make people feel that privatisation could be a better option.

Again, the presenter sounded incredulous. Political reality and LBC Radio do not always mix.