

The debt delusion

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I have been reading Prof John Weeks' book '[The Debt Delusion](#)'. I should say, upfront, that I know John, and enjoy his company: he is a fellow member of the [Progressive Economy Forum](#). The book would be worth reading without that association.

In essence, John uses the book to tackle six myths, which he identifies as:

- 1) We must live within our means;
- 2) Governments should balance their books;
- 3) We should tighten our belts to achieve this objective;
- 4) Government debt should be avoided by reducing expenditure and not raising taxes;
- 5) Government debt should be avoided by reducing expenditure and not raising taxes;
- 6) In combination, these mean that there is no alternative to austerity.

Readers of this blog will be familiar with such claims and that I, like John, have no time for them. For this reason I recommend the book. But I also do so because it is intensely readable. This is an economics book that uses the odd graph and table, but most certainly not formulas. Instead John uses an easy narrative flow to make his argument.

I take this example to prove my point. When dealing with the first myth, which is in many ways the most economically dangerous John opens his chapter saying:

Perhaps the most difficult of all the austerity myths to pin down is the injunction that "we must live within our means". The message deeply embodied in this phrase has little relationship to the words. Rather, it serves as the apparently definitive answer to the question "Can our government spend more?" We can imagine a politician speaking at a meeting of constituents, and a concerned citizen asked, "Why is it necessary to reduce spending on school meals?" And the elected representative answers, "The overall government budget is in deficit and we must live within our means."

If the constituent retorted with "Why must we live within our means?" the assembled group might break into laughter, because every sensible person knows "we must live within our means." If the constituent instead went to the heart of the matter and ask "What do you mean by 'means'?" the politician, if a patient person, might say, "I mean that the government obtains its money from taxation and we cannot spend money that we do not have." That would probably induce affirmative nods from the audience.

What are our "means" water or who determines them? What does "live within" convey? A dictionary provides no enlightenment. Equally vacuous is the closely related phrase, often applied to household budgets, that "families struggle to make ends meet." These cliches serve as emotional entreaties rather than practical guidelines, like "emojis" at the end of an email.

Starting in this way John gives himself the chance to explain that the constraints that we face are not financial. "Our means" very clearly is not defined by the relationship between government expenditure and taxation. If the term has any relevance at all, then it definitely refers to the capacity of an economy to meet the real needs of those who live within it. The finance follows.

For those looking for an explanation of this fact I recommend John's book.