

Funding the Future

The Daily Telegraph now admits there is a 'magic money ...

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As [Peter May noted on the Progressive Pulse blog](#) yesterday:

Even the [Daily Telegraph has now admitted there is a Magic Money Tree](#). The assistant editor (no less) starts:

Conservative Party politicians have spent much of the past decade deriding the “magic money tree” spending plans of the Labour opposition.

and continues,

... a whacking great oak of a magic money tree has been discovered growing in the back garden all along; it's called the [Bank of England](#). Without it, the country could not have mounted the humungous fiscal response to the pandemic we've seen. Unable to raise the money needed in debt markets, the Government would have had no choice but to let the disease do its worst.

He goes on to bemoan that,

The whole world has been economically hit hard by the Covid-19 pandemic, so international tax competition no longer provides quite the same deterrent to the imposition of wealth taxes as it used to.

The article concludes that either some form of wealth tax will appear or that inflation will be allowed to drift up so that it gradually devalues savings.

There are some staggering ideas in those selected quotes, not least the revelation that the threat of international tax competition was knowingly a ruse to support low taxation of wealth.

I also think it worth noting another comment as well though, which is this, to which Peter alludes:

For a long time now, inflation has been regarded as the overriding economic enemy, to

be contained at almost any cost. But in an age of explosive public debt, it may come to be seen as more of an ally. Wealth taxes and capital levies are one way of attempting to restore public balance sheets. One wealthy acquaintance of mine says he is already fully braced for a 20pc plus confiscation.

A less politically difficult way of achieving the same thing, however, is the use of “financial repression”; by holding interest rates consistently below the rate of inflation, public debt is eroded over time at the expense of private sector creditors, who see their assets devalued accordingly. It's still wealth confiscation, but by stealth over time.

The economic lockdowns may just about be affordable, assuming they are lifted early enough, but that doesn't mean they are going to be cost free. Even magic money trees come at a price.

Thankfully at cost to wealth.