

Mythbuster : The government has to balance its budget

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Myth

The government has to balance its budget.

Replies

Reply 1

A government has to deliver full employment at a living wage in a sustainable economy where all other essential services are also provided. If balancing the books means you give up one or more of those, which would it be, and why?

Reply 2

Running a deficit is about saying a government is building a better tomorrow. A deficit is a vote of confidence by the government in its vision of a better future for a country.

Reply 3

A government without a deficit is a government that's run out of ideas. Get rid of it.

Reply 4

If you want the government to invest without borrowing, how are you going to do that? And why?

Reply 5

A government doesn't have to run a deficit to invest in our future, but no one's found a better way to do it.

Reply 6

Sure we can balance the government's books. People can also be unemployed, starve,

go without education and perish as a result of climate choice. Tell me which one you want.

Reply 7

Running a deficit is the surest way known to humankind to deliver full employment. If you want unemployment, please tell me why?

The explanation

The government has only got four economic tasks.

It has to make sure anyone who wants a job can have one.

It has to make sure they can live on the wage that they earn, and help if they cannot.

It has to make sure that the jobs people have don't harm our long term survival.

It has to make sure it can deliver all the support that's required to deliver these objectives, from education and healthcare, to security, justice and defence, onwards.

And that's it. There's nothing that says it has to balance its books when achieving those goals.

Anyone who says otherwise has to explain which of these objectives they'll give up to balance the books.

And they'll have to explain why they want to do that.

And why that's a good thing to do.

Because there is no virtue in the government balancing its books. There are three reasons for that.

First, a balanced budget is only the right sized budget if it delivers on the four economic tasks that the government has. If it does not it's the wrong budget, even if it is balanced.

Second, government spending is the only real and sustainable way that we have to inject new money into the economy. And if there isn't full employment; or if people can't afford to live on their wages; and if we need to invest to go green; or if we need to supply other essential services; then in each of those cases, spending more, meaning that the government runs what's called a budget deficit, means that the government has created the new money that's needed that to deliver on its goals. Choosing a balanced budget as an alternative to delivering on its promises would suggest we'd got a pretty poor government in that case.

And third, balancing the books is all about now. It's a technical exercise in book-keeping that's about making sure everything is neat and tidy at this moment and hang the consequences for tomorrow. But tomorrow matters. And investing in the future is what we need to do. And all that running a government deficit means is that there is investment taking place to create value for today, tomorrow and time to come. A government that will invest has to borrow. If you want a government that has a vision, a plan, and a hope for better things for everyone you want to know it's willing to put money behind it. Running a deficit is about saying a government is building a better tomorrow. Isn't that what we want?

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