

Funding the Future

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I have just put out [the following Twitter thread](#) to address some of the nonsense being said about inflation risk today, and other comments that show incomprehension about money. And yes, I know some MMT quibbles could be raised - but this is seeking to reach a wider audience with ideas they will not be familiar with:

The usual ridiculous claims about inflation risk are whirling around the media because the government is borrowing more, and some of that is being paid for with quantitative easing (QE). So it's time for an explanation 1/

First, gov't debt in the UK right now is low: net of QE it may be just 57% of GDP right now, which is insignificant in the grand scheme of things. 2/

Second, despite £575bn of QE in the last decade the government and Bank of England has dismally failed to deliver inflation that we require. That suggests we might need more QE to create inflation and not less, and inflation is no bad thing. 3/

Third, government debt is made up of three things. They are notes and coins; National Savings including Premium Bonds, and gilts, which are, in effect, National Savings for banks, pension funds and companies. Can anyone give a good reason why we should get rid of all of them, including our money? 4/

Fourth, if big savers what to save with the government because they do not trust commercial banks (which is what is happening) should we force them to take the risk of losing their money in commercial banks? If so, why, especially when smaller savers are protected? 5/

Fifth, shouldn't we instead see this move to save with the government as a vote of confidence in the government's ability to provide economic security and instead worry about why commercial banks are not as safe, and do something about that? 6/

Sixth, government has never repaid the national debt, or ever really tried to do so since it began in 1694. Why should we plan to do so now? What's the reason for changing a policy now that's worked for more than 325 years? 7/

Seventh, if the national debt is going up it's because the private sector is failing, and

not that the gov't is. If we demand that the debt be repaid who are we repaying it to? Wouldn't we just bailing out the private owners of wealth? Why should we do that? 8/

Eighth, if 'repaying the debt' would really be about giving private owners of wealth back the money they're lost in preference to providing jobs for people who'll need them and tackling the climate crisis which we should be doing, what's the justification? 9/

Ninth, weren't those in the private sector who've lost as a result of this crisis aware that they were taking risk when investing in private business? When was it that the state gave them an undertaking to underwrite their losses, which repaying the debt would represent? 10/

Tenth, anyone who claims we cannot repay ignores the fact that the government can buy back its own debt any time it likes: it has had the Bank of England create £575bn of new money via QE to do this over the last decade and none of that has to be repaid because the gov't owns the BoE 11/

Eleventh, it's vital the Bank of England does do this money creation. Right now, government loans apart there's almost no new money going into the economy and given that all the money we use is created by borrowing if the Bank of England was not creating new money right now no one would be 12/

Twelfth, in that case without the injection of new government-created money that is happening right now into the economy it would literally grind to a halt. Would anyone prefer that to this new money creation which will be used to clear a large part of this so-called debt? 13/

Thirteenth, or would people prefer that we kept as much as possible of the economy going right now, knowing that the only cost of doing so is the Bank of England technically eventually being owed quite a lot by the government, which it never need repay? 14/

Fourteenth, and if in doubt about this, think how hard you'd find it to repay your borrowings if you owed them to yourself, which is what will happen with much of the new so-called government debt that's going to be created by this recession, but which will be owned by the BoE 15/

Fifteenth, so let's not panic. The amazing thing about modern money is it can be made on demand by the Bank of England to keep our economy going, to clear government debt and to create the cash we need to keep finance going all at the same time 16/

Sixteenth, so there's nothing to worry about - because if the worst comes to the very worst all this debt will just be owed by the government to itself - and that's just fine because what's left over after that is something you really like - new money that makes your world possible 17/

And because that new money simply replaces that which would normally be created by commercial bank lending which isn't happening right now there is no chance it will deliver inflation. Instead it just keeps is going. Thank goodness for gov't and its ability to create new money in that case, I say End/