

Funding the Future

Spend and tax, not tax and spend

Published: January 13, 2026, 12:35 am

Old beliefs	New understanding
Most money is created by private banks in the 'real economy'	All money is created by the government or by banks under licence from it
Money is created in the private sector	Money creation is a state monopoly activity
The state is dependent on money it can tax or borrow from within the private sector	The state makes all the money it needs to pay for the goods and services it wants from the economy
The government taxes and spends	The government spends and then taxes
Tax pays for public services	Tax does not pay for anything but it does control inflation that government spending would create if there was no tax
The social and fiscal policy implications of tax are secondary to revenue raising	Tax is all about social and fiscal policy - shaping the economy and society
Government is beholden to financial markets	Markets are beholden to government for the money they need