

Funding the Future

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I posted this [thread on Twitter](#) this morning. The argument is pretty important in the context of current economic debate:



Richard Murphy @RichardJMurphy · 12m

Replying to @RichardJMurphy

I am getting bored of the question 'What taxes should be raised to pay for coronavirus?' This thread explains why.

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Richard Murphy @RichardJMurphy · 12m

First, the question makes no sense. That's because coronavirus is already paid for. It's being paid for by money creation, albeit imperfectly via QE. And it's being paid for by more people saving more with the government. Because that's what gov't borrowing really represents.

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Richard Murphy @RichardJMurphy · 12m

In that case what that means is that the 'How is this going to be paid for?' debate has to really be about something else altogether. And it is. It's actually about two other quite different questions.

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Richard Murphy @RichardJMurphy · 12m

One of those other questions is 'How are we going to reverse QE?' It's an interesting question, because there are two obvious responses. One is, why would you want to do that? After all, what is wrong with the government creating money? That's its job, after all

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Richard Murphy @RichardJMurphy · 12m

And, most especially what's wrong with the government creating money when it is apparent that the private sector is not going to do so but for government intervention, meaning we'd have a liquidity crisis without this QE?

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Richard Murphy @RichardJMurphy · 13m

If anyone can safely say when there will be no liquidity crisis created by reversing QE then this question as to 'How are we going to reverse QE?' can be safely asked. As yet we have never found such occasion to date. And I can't see it happening in the future right now.

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Richard Murphy @RichardJMurphy · 13m

So on to the other question, which is 'How are we going to force people to save elsewhere?' This is a bizarre question. Firstly that's because it is the role of government to provide people with a safe place to save in a crisis. Why try to prevent people having that safety?

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Richard Murphy @RichardJMurphy · 13m

Second, despite paying people no net interest they still want to save with the government, so no price now payable seems likely to reduce the demand for government savings products, which is what government bonds are.

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