

# Funding the Future

Governments borrow. That's a fact. What MMT makes clear.

Published: January 13, 2026, 3:30 am

I wrote this tweet this morning:

 **Richard Murphy**  
@RichardJMurphy

If you could borrow £40,000 at an interest cost of £40 a year to put a teacher to work, well you would, wouldn't you? Especially if they paid more than £9,000 in PAYE each year. And that is possible. So never, ever accept that we need austerity come 2021, whatever Sunak says.

7:19 AM · Dec 11, 2020 · Twitter for iPad

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It's been property popular. I suspect it will get many more likes as yet.

I got this in reply from the Gower Initiative for Modern Money Studies:

 **Sara Holland #MMT**  
@sarahollando552  
Replying to @RichardJMurphy

Firms and households borrow, not HM Treasury, it's our currency issuer.  
[#scaremongering](#)



A Short Comment on the UK Government's Fiscal Policy in the Curre...  
By Phil Armstrong, University of Southampton Solent and York College. The UK government's significant fiscal expansion - in line ...  
[gimms.org.uk](https://gimms.org.uk)

8:08 AM · Dec 11, 2020 · Twitter for iPhone

3 Likes

It has to be said that I am aware that GIMMS do not much like me. I was an adviser when it started but I criticised Bill Mitchell, for good reason. Now they say I am not an MMT economist and advise anyone who will listen not to read this blog as I do not promote MMT. MMT needs friends like that.

I replied saying this:



**Richard Murphy** @RichardJMurphy · 1h

As a matter of fact our government borrows. It need not to. MMT rightly makes that clear. But it does so, and by choice. What is more, government debt has a role to play in the economy. Those who promote MMT need to acknowledge that the world is not just one theory.

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In response Dirk Ehnts, a German professor who teaches MMT sad:



**Dirk Ehnts** @DEhnts · 1h

Richard, your government does not „borrow“ at all. It spends through the BoE, creating new reserves in the process. Selling gilts (not „borrowing“!) is an optional feature and does not „finance“ the government. It allows banks to exchange reserves for gilts, that's all.

To which I replied in an exchange that went as follows:



**Richard Murphy** @RichardJMurphy · 1h

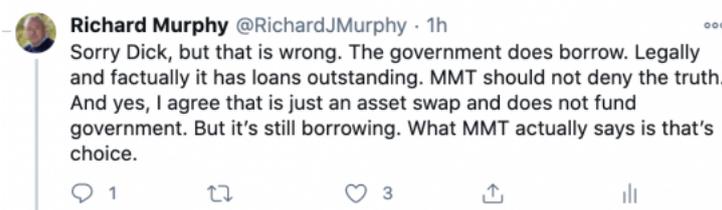
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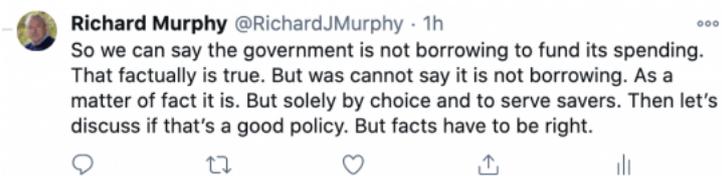
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**Richard Murphy** @RichardJMurphy · 1h

Sorry Dick, but that is wrong. The government does borrow. Legally and factually it has loans outstanding. MMT should not deny the truth. And yes, I agree that is just an asset swap and does not fund government. But it's still borrowing. What MMT actually says is that's choice.

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**Richard Murphy** @RichardJMurphy · 1h

So we can say the government is not borrowing to fund its spending. That factually is true. But was cannot say it is not borrowing. As a matter of fact it is. But solely by choice and to serve savers. Then let's discuss if that's a good policy. But facts have to be right.



**Richard Murphy** @RichardJMurphy · 1h

The choice to borrow then becomes a policy option that it has to justify for other reasons. This, surely, is the power of MMT - it makes clear where the decions and what the options are. Understanding borrowing is not necessary is massively powerful. And a revelation.

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**Richard Murphy** @RichardJMurphy · 1h

But let's not then make the illogical step of saying the government is not

I did, subsequently, apologise for calling Dirk Dick, which was autocorrect in play.

So let's deal with the real issues here.

First calling something an asset swap does not stop it being a loan. All loans involve asset swaps. In fact, all transactions involve asset swaps. We just so happen to call putting money into a bond on which interest is paid with a maturity date normally being noted a loan. That can't be changed by saying it is an asset swap.

Nor can it be claimed, as Dirk did, that because central bank reserves are used then this cannot be a loan. Central bank reserves are simply means of settlement (call them money if you like, which is what they actually are: the Bank of England said so in 2014). So there is nothing special about that, except to imply that the government has special power when demanding that payment be made this way which indicates its special role in such relationships.

Having addressed these points there is nothing left to the argument. In summary the claim made is that a loan is subscribed for in cash. That is it. That does not mean it is not a loan.

So I go to my main point. This is that MMT cannot say governments do not borrow. As a matter of legal fact they do. As a matter of economic fact they do as well. The asset swap that MMT describes borrowing to be (swapping non-interest-bearing money for interest-bearing gilts) is an act of borrowing, by definition. It does not fund spending, of course. But it is borrowing, nonetheless. So to say that governments do not borrow and that only the private sector does is factually wrong.

What, instead, modern monetary theory actually says is that governments need not borrow. Any government with its own currency and central bank can create all the money it needs to fund its activities without borrowing. Of course, it needs to tax to control inflation. That's a fact. And it says borrowing is not a necessity. In fact, it is an activity entirely undertaken by government choice. As MMT makes clear, a government can always borrow from its own central bank, with no net interest cost if it so wishes instead of paying interest, assuming the conditions that I note apply.

What I would say is that it is in creating this understanding that MMT is important. MMT makes clear that choices are available when very few understand that options exist. That is what good theory does. It does not change reality. It helps us understand reality better. And that's massively important. It offers choice when previously it was thought there was none. In the process it also permits criticism about choices made. It allows those of us not in power to more ably critique those who are in power. And that matters, enormously.

But it's a straightforward mistake to move from the insights MMT provides to saying it prescribes anything. For example, despite knowing that governments do not need to

borrow I still suggest that they should. But now I know it is a choice. And I know that I am choosing to say the government should play a very special role as borrower of last resort. That's because I think it important that it fulfil that role. I also think that interest rates should be kept very low so that it does so at minimum cost. But that does not mean I am contravening what MMT says. I am consciously suggesting a policy that is wholly MMT consistent that is chosen as an option, and not a necessity. And I think that awareness is what is critical.

If anyone wants to throw me out of the MMT community for saying that an obsession with the form of transactions is inappropriate when what is important about MMT is the policy substance of what it makes us think possible, so be it. I can live with that. But right now I am quite happy to say that GIMMS and Dirk Ehnts and both straightforwardly wrong, and making claims like this do not help MMT at all when it actually has so much to offer.

In fairness, the GIMMS response was:



With respect to GIMMS there are so many errors in that it's hard to know where to start.

The investment is the spend. But all spending is a debit in accounting terms and has to have credit, and GIMMS appears to be suggesting single entry. That makes no sense, at all.

And sure The Treasury is the UK public purse. But nothing I said suggested that the bloated financial sector and corporate welfare need gain. I said the government borrows. Most of that is from foreign governments and pension funds and life assurances companies right now. Maybe GIMMS does not want them to save in gilts. That's fine. That's a choice. But it is not what MMT says.

MMT is not a left wing campaigning tool. It is about economic theory. And that requires that facts be stated properly. I did that. Governments borrow. Now let's discuss why and whether that is wise. But let's not have MMT deny reality because that does not help it, at all.