

Funding the Future

UK law has already enacted modern monetary theory, and..

Published: January 13, 2026, 12:23 am

I saw this tweet today by the Gower Initiative for Modern Money Studies:

<https://twitter.com/GowerInitiative/status/1341328643507810304>

I have pursued the Act that they refer to, [which is this](#):

The screenshot shows the UK Legislation website (legislation.gov.uk) for the Exchequer and Audit Departments Act 1866, Section 13. The page includes a search bar, navigation links, and a table of contents. The main content area displays the text of Section 13, which relates to the payment out of the Consolidated Fund for standing services. A timeline of changes to the legislation is shown, with a notable update in 2000. The text of Section 13 is displayed below the timeline.

Exchequer and Audit Departments Act 1866
UK Public General Acts • 1866 c. 39 (Regnal. 29_and_30_Vict) • Section 13

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What Version
• Latest available (Revised)
• Original (As enacted)

Advanced Features
• Show Geographical Extent (e.g. England, Wales, Scotland and Northern Ireland)
• Show Timeline of Changes

Opening Options
More Resources

Changes over time for: Section 13

01/02/1991 | 01/04/2001

Changes to legislation: There are currently no known outstanding effects for the Exchequer and Audit Departments Act 1866, Section 13.

[F1 13 Payment out of Consolidated Fund: standing services.

(1) This section applies in respect of services which are, under an Act, payable out of the Consolidated Fund.

(2) The Comptroller and Auditor General shall, on receipt of a requisition from the Treasury, grant the Treasury a credit on the Exchequer account at the Bank of England (or on its growing balance).

(3) Where a credit has been granted under subsection (2) issues shall be made to principal accountants from time to time on orders given to the Bank by the Treasury.

(4) An order under subsection (3) shall specify the service to which it relates.

(5) The Bank shall send to the Comptroller and Auditor General a daily account of all issues made from the Exchequer account in pursuance of this section.]

Textual Amendments
F1 S. 13 substituted (1.4.2001) by 2000 c. 20, s. 25, Sch. 1 para. 5; S.I. 2000/3245, art. 3 (with art. 5)

Modifications etc. (not altering text)
C1 S. 13 amended (1.4.2001) by 2000 c. 20, s. 2(1)(g); S.I. 2000/3245, art. 3 (with art. 5)

I am aware that is small print, but the text of this 1866 Act [was updated in 2000](#) and says this:

The following shall be substituted for section 13 (payments out of Consolidated Fund for services charged on it)—

"13 Payment out of Consolidated Fund: standing services.

- (1) This section applies in respect of services which are, under an Act, payable out of the Consolidated Fund.
- (2) The Comptroller and Auditor General shall, on receipt of a requisition from the Treasury, grant the Treasury a credit on the Exchequer account at the Bank of England (or on its growing balance).
- (3) Where a credit has been granted under subsection (2) issues shall be made to principal accountants from time to time on orders given to the Bank by the Treasury.
- (4) An order under subsection (3) shall specify the service to which it relates.
- (5) The Bank shall send to the Comptroller and Auditor General a daily account of all issues made from the Exchequer account in pursuance of this section."

Note subpart 2 in particular:

The Comptroller and Auditor General shall, on receipt of a requisition from the Treasury, grant the Treasury a credit on the Exchequer account at the Bank of England (or on its growing balance).

So, in other words, whenever the Treasury demands funds from the Bank of England it can have them, even if that increases its liability owing to the Bank. Which is exactly what MMT says, of course.

Subpart 3 confirms this:

Where a credit has been granted under subsection (2) issues shall be made to principal accountants from time to time on orders given to the Bank by the Treasury.

The language remains that of 1866: the accountant referred to is the person responsible for the use of the funds. But that is not the key point: the issue is that the Treasury demand and as is noted, the Bank jumps.

Again, this is exactly as MMT says.

And as is also clear, whilst the 1866 Act says that all government revenues shall be paid into this account, nothing says there must be a balance held on it to permit this payment instruction to be enacted: it can happen, come what may, even if the overdrawn balance on it is growing. So an overdraft is legislated for here, and authorised by law, come what may.

So, UK law has already enacted MMT.

Well spotted by Neil Wilson.