

Funding the Future

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There are days when the most appropriate type of blog post are those that are full of policy ideas, and detail. There have been quite a number of those of late. That reflects much of what is going on in my work life at present.

But there are other days when the best thing to do appears to be to stand back and think. This post is of the second type. It is a reaction to the comments received on my suggestion that we should have dedicated bond products to tackle the economic problems that we have in our society, and the problems that they are creating, but it is also something more than that.

Breathe deeply and it is readily apparent that not all is well in our society.

100,000 Covid deaths tell us that. When so many were very obviously unnecessary, as evidenced by the fact that other countries have not suffered our death rate, something is quite literally terribly wrong.

Brexit tells us that too, because it is very obvious now that the problems it has created for a great many businesses whose access to overseas markets is now restricted or lost for good will have a serious consequence for the UK market.

That Northern Ireland is no longer what can really be described as a full member of the UK is astonishing, even if largely ignored.

Headlines now make it clear that the run down to Scottish independence is happening. It's now 'when' and not 'if' as far as the English press is concerned. The battle for independence is almost certainly already won.

The IMF now says that the world's economies can no longer survive without the support of governments, and if the effort is made to make them do so then the whole edifice of the financial markets might collapse.

Trump has gone. That populism can be beaten has been proven, but one victory does not suggest that the war is won as yet.

The 'anti-woke' backlashes are vicious, real and indicative of prevalent fascist thinking.

Climate change is ongoing and ignored by many.

Young people have decidedly uncertain futures. What many might do is very unclear.

We have a government that by universal consent is the most incompetent in anyone's living memory. But the Opposition is not much better. Outside Scotland it seems that competent people are not being attracted into politics.

And underneath all those symptoms there are real people, many of whom are stressed to limits that they did not know existed by the problems that living with Covid have created. For some that is the quite reasonable fear of the disease. For others it is lost work, and income. For many it is home schooling. Many business owners fear losing their companies, and with it their livelihoods and those of the people that they employ. Others fear losing their homes as debt accumulates. Loneliness is a real issue.

A year ago none of this had really begun. Covid was a threat, albeit one that government should have taken much more seriously than it did. Now it has transformed life in a way almost unimaginable. What does that mean? And what, as importantly, might it mean when and if this ever ends?

Perhaps the most important thing to say is that whatever now happens in tackling this disease Covid has now indisputably changed things for good. Societies around the world cannot experience all this and then say 'let's go back to where we were.' Not only is that not possible because too much has changed, it is not desirable.

That is because where we were was unsustainable. That is true literally in terms of the environment. But it was also true in terms of the economy, where 2008 had exposed all the failings within the system that we had. But, crucially nothing had yet been done to address them. And it is true within society, where inequality has been tolerated for too long, and has been fuelled for political gain at enormous cost to us all.

It may not seem possible to address all this in one blog post and yet in a way there is. That is achieved by asking what were the assumptions that got us to where we are, and to then ask what we have learned, after which we can then ask what assumptions should drive us forward from here towards something that should work better.

So what were the assumptions? This list may not be complete. This is not an exercise that has been given many weeks of preparation. It's been very largely prepared on this morning's breakfast table. But I would suggest that they are that:

- Nature is ours to exploit at will;
- Those who can command the resources of nature can charge their fellow humans for them even if the person commanding them secures those resources for nothing;
- That those who did use the command of resources to back their creation of money were entitled to charge other for the use of that money, and that this hierarchy of monetary power is still justified in the era when relationship between money and natural resources has been broken;

- The resulting hierarchies of power are ethically justified;
- The market expression of those hierarchies of power remains valid;
- Markets are as a consequence of greater significance than governments in the hierarchy of power;
- Government exists to service the needs of markets, meeting their demands for the environment in which they can function but without being expected or required to unduly challenge the consequences of that trade;
- Markets are efficient if they profit maximise on behalf of the owners of wealth;
- The resulting market allocation of disproportionate wealth to those who are already wealthy is justified as a result;
- The maintenance of financial wealth through the control of inflation is the primary economic goal of government;
- The relationship between inflation and employment is such that high employment rates result in high inflation. Unemployment is the accepted price of controlling inflation as a consequence;
- That inflation management has been delivered through interest rate policy is without economic distributional consequence even though it is apparent that, overall, those with wealth gain from the policy and those in debt and with limited wealth pay the price for it;
- Inequality is a price worth paying for the achievement of economic goals. If some groups in society happen to be overly represented amongst the winners and losers that is an acceptable outcome.

I am entirely sure I have missed very real issues. Equally I hope I have written sufficiently openly to embrace very many aspects of this issue within the words I have used. That was my aim.

What have we learned? I suggest this, taking Covid and other factors into account:

- Nature is not ours to abuse;
- We are just a part of the global ecosystem;
- If we ignore nature, it can bite back;
- There are no free gifts from nature; nature is there to be preserved, come what may;
- Charging for that which is costless to us, whether that be nature or the money that is created out of nothing, is a mechanism for reinforcing social hierarchies of power, but is not a reflection of fair economic reward;
- Businesses are very largely dependent upon government to ensure their survival;
- Modern banking only exists because of government guarantees that it will meet its liabilities as they fall due;
- Hierarchies of power based on the command of natural resources and the ability to manage money are, then, perpetuated solely at the whim of the state;
- Those who have power based on these hierarchies have tried to capture the state to perpetuate their power;
- In the meantime global warning continues;
- For a great many the real quality of life continues to decline;
- The stress within government between those there merely to perpetuate the power of those outside government and the demand that those with the ability to exercise the power that government really has do so is becoming apparent;
- People now appreciate that government can create money at will. It is not a scarce resource, after all;
- If the ability to create money can be used to save banks and business it can also be used to save jobs and the planet;
- There is no inflation despite money creation: the myth that this would happen has been shattered;
- The myth that high employment creates high inflation has been shattered at the same time;
- People have had enough of living in fear, and most especially the fear of things that they now know government could, if it so chose, allay;
- The desire for change has arrived.

Again, I am quite sure that this list might be refined. My suggestion of it is that it is

sufficient for now, whatever its weaknesses and omissions, to let me move towards what my conclusions might be.

So, what should we assume to be the basic building blocks of a post-Covid world? I suggest these things, knowing once more that they will, be incomplete and in need of revision from the moment I publish them:

- Nature is ours to enjoy, and work with, but not to exploit;
 - The enjoyment of nature is a common right, and not one for which charge should be made by those who have appropriated that legal entitlement for themselves;
 - The idea that land might be owned has ceased to be useful; we are at best only ever its stewards, tasked with perpetuating its wellbeing;
 - It is the role of government to oversee this stewardship and to secure that it takes place;
 - The ability to create money has now passed entirely to government, and it alone has the right to do so now;
 - The control of banking and finance, whose activities are now almost entirely dependent upon the guarantees of government, does not, in that case, create entitlement to special privilege within the economy or society at large;
 - The ability to create money must be used in the interests of all in society, and not just financiers;
 - The maintenance of low interest rates is a social good, but not one that should be delivered at cost to society within itself;
 - The power to create money must, in that case, be directed towards social advantage, as must the use of money for the gain of society at large be encouraged by direct government action;
 - The goal of money creation should in that case be to deliver:
- Sustainability;
 - Full employment;
 - Living wages;
 - Greater equality;
 - A social safety net for all.

- The ultimate goal of government is to deliver freedom from fear;
- The freedom from fear delivers opportunity for all without constraining their freedom to choose within the boundaries created by society, to be interpreted to permit personal expressions to the greatest degree that is consistent with those constraints;
- Markets have a very real role to play in this process: they can and do create the opportunity for people to work as they wish to produce products that society wants. But they are inherently flawed by their ability to unduly concentrate economic power and the command of resources in the hands of a few, which have not always restrained themselves in the exercise of that power. Markets need regulation as a result, and fair taxation, to ensure that they and the participants within them work in partnership with government and society to meet the aims of us all, rather than to exist in opposition to those goals by focussing upon the extraction of value for the advantage of a few.

There are, of course, many assumptions implicit within those I note.

But the greatest of all the objectives is in many ways that the ultimate goal of government is to deliver freedom from fear. This is what I think our government has very clearly failed to do, compounding the errors of so many governments that went before it. And it is that freedom, excerpted within the constraints of our planet and the understanding that we now have of our economy and the money that powers it, that it is now our duty to deliver.

I think we can do that, and all that goes with it. But we cannot do so without recognising that there are now very profound ideological boundaries within our society, which may be encapsulated in this thinking. How to address them is part of the issue that I raise. And yet we have to achieve that goal because as I see it this is the way out of this mess rather than its perpetuation. And that is a prize worth having.