

## Some people never seem to learn that a lack of money is...

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Liam Byrne MP - the former Labour Chief Secretary to the Treasury who in 2010 wrote a note to his successor saying that the UK had run out of money - seems not to have learned the lesson that he was wrong. This morning he tweeted this:

<https://twitter.com/liambyrnemp/status/1406892964975087617?s=21>

In the article to [which he refers](#) he says:

*It is the Treasury's job to make sure the nation lives within its means.*

And time and again Byrne says, with seeming pride, that he told colleagues at the time that there was no money left.

Except that was not true of course. There is always money. The government can create as much of it as it wishes. The constraint is whether there is something useful to do with it.

And this is what Byrne reveals in making his error, and that almost all who have worked in the Treasury also reveal. They think the Treasury's job is to ensure that the economy exists within that they call its means. But what they ignore is the fact that they are sitting in the biggest single national income generator that there is. Government expenditure is not a cost to the economy: it is an input into the economy that increases the national income. But the Treasury ignores that. It assumes that the private sector creates all wealth and the government dissipates it.

It is as if health, education, the justice system, good government and good governance, environmental care, addressing externalities and defence add no value. Nor come to that do transport, or agricultural policy, let alone social infrastructure. The Treasury would treat them also as burdens that constrain.

And that is wrong. Government adds value. It generates worth. It is not a matter for the Treasury to say what can be afforded within the limits of a private sector so obviously bereft of ideas most of the time. It is the job of the Treasury to look at what needs to be

done and to fund it - including by money creation when appropriate.

And that is what Liam Byrne got wrong in 2010, when this was known.

It is what so many, including the Labour front bench, still get wrong now.

I look forward to the day when the left understands macroeconomics and realise it is not the same as microeconomics.

It will be good when the Treasury does likewise.

But it is for the left to take the lead here. I long for when that might happen and they finally realise money is not a constraint in the macroeconomy.