

Funding the Future

Article URL

Published: January 12, 2026, 5:43 pm

The IFS has opined on the options available to the Chancellor in the Spending Review that was to be announced this week, but which will not be because he is isolating as a result of a Covid contact with Sajid Javid.

There [are two headlines](#). First, they think Sunak is planning spending cuts of £17 billion.

Second, the IFS thinks there is little room for the Chancellor to spend any more if (and this is the key bit) he wishes to achieve a balanced budget.

Why do we need a balanced budget more than we need education, healthcare, social care, justice services, environmental protection, new social housing, transport infrastructure reform and so much else? I doubt that anyone who proposes a balanced budget can explain that. But because it is assumed that a balanced budget must be the goal all those things that we need - as well as the vital support that so many in the UK are dependent upon to just let them have the most basic of standards of living - are to be denied to us.

The debt paranoia is killing us. There is a whole chapter in my book '[Money for nothing and my tweets for free](#)' on this issue. But let me reiterate how absurd this claim is.

The logic of the balanced budget fetishists is that government debt is akin to any other debt, and must be repaid. The problem for them is severalfold.

First, government debt has not been repaid since the 1690s, when the national debt began, and quite extraordinarily, given all that the debt fetishists say on the issue, the country has not gone bust since then.

Second, government debt is unlike any other debt, because the government actually makes the money that the debt is comprised of. An example is seen in the case of quantitative easing (QE). This creates what is called government debt that is said to be owing on the central bank reserve accounts that the UK's clearing banks hold with the Bank of England. The clearing banks, entirely appropriately, call these balances cash deposits, because that is what they are. They are not debt. What what is more, those banks did not deposit this money with the Bank of England as that description might imply. The Bank of England instead created money and forced it into the banking

system, and these accounts are the residue of that process. The accounts in question can only be unwound by cancelling the money created, which proves that this is not debt like any other balance. And what is more, it also shows that this debt actually exists because the government chose to create it, and the Banks did not. So how is that debt, when what it very obviously actually is is money itself? And why is interest due on it in any case, when the clearing banks did not earn it? None of the normal logic of debt applies to what is called government debt. It's just that the debt fetishists do not realise that.

Third, people, from pension funds, to banks, to insurance companies, to foreign governments, to normal savers, want to own and hold government debt. Right now, they are buying it like fury and the price is rising. There is no reason for the government to think there is any shortage of buyers for its debt, as there never has been.

And, fourth, without this debt the economy would simply cease to go round. This debt creates the money we use: if, as the IFS and government want, the government was to cease to create the new money the economy needs as it grows, at least in financial terms, how is it to function? It's a question that debt fetishists can't answer.

And fifth, how is this debt to be repaid, which is the only obvious direction of travel for those who obsess on this issue? That is only possible by taking money out of circulation, and again denying the economy the money it needs to function. Why do that?

And last, why repay what people so obviously want to own? This money (because it is not debt) is not a burden on society. The fact is that the fortunate (they're called the children of the wealthy) inherit this debt, but for them it is an asset. And it is a burden to literally no one. Not a single grandchild, despite all the stories you have been told, will ever need to repay this debt. If you are in doubt, just read Jane Austen novels, where the wealthy prospective sons-in-law all had their wealth defined around the value of government bonds that they owned. The wealthy do not want this debt repaid: they want to own it.

So, the balanced budget narrative is false, within itself, and inconsistent with Tory policy: they do not go out of their way to deny the wealthy what they want.

So what is this all about? It is simply about shrinking the state. This is the aim. The plan is to deny to people the services that they need, claiming that because tax cannot fund it and debt must be constrained it cannot be afforded even though it is very apparent that the resources to provide all that we really desire do exist within the UK economy, but we are simply being denied the chance to organise that economy in the way that ensures that real need is met.

The IFS plays along with this 'we can't afford it, and anyway we must shrink the state' narrative. It is, therefore, part of the problem. But so too is Labour, who buy this

nonsense just as much.

The economic illiteracy of our politicians is crippling this country. And I have no idea when that might change.