

Funding the Future

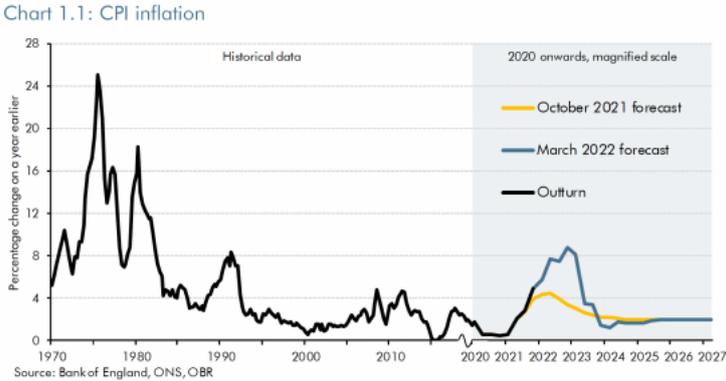
Creating £50 billion of new money to prevent poverty w...

Published: January 13, 2026, 9:27 pm

I [have suggested](#) that if the government was to create £50 billion of new money in the next year then the worst of the poverty crisis that we are facing could be averted. In response it has been suggested to me that the cost of interest as a result of doing so might not be affordable. This, I very strongly suggest, is not true, as data shows.

First, it is important to note that I am using Office for Budget Responsibility data: the argument I am making is based on official data.

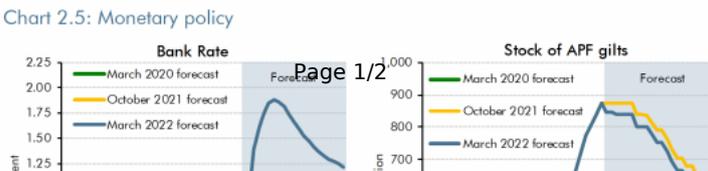
Second, this is the OBR inflation forecast issued last month:



Note that from 2024 the official forecast for inflation is that it will be approximately two per cent per annum. I am accepting this forecast on this occasion.

Third, this is the data from the OBR on two further issues. Note first the left hand chart, which shows the forecast official interest rate. Note that this is never forecast to reach two per cent, after which it is then forecast to fall to 1.25% by 2027.

Fourth, note the chart on the right. This shows the forecast value of the government's own bonds that it acquired under the QE programme that it will own over the next few years.



The forecast is that almost £300 billion of these debts will be resold to the financial markets between now and 2027. No rational reason for doing so is available, but this net sale is forecast nonetheless.

However the key point is that the interest rate on these bonds owned by the government is not the rate due on them when issued but is instead the interest rate paid entirely voluntarily on the balances held by the commercial banks with the Bank of England that were created as a result of repurchasing these bonds. The voluntarily paid interest is settled at the official Bank of England base rate.

Now note that if the inflation rate is compared with the forecast official interest rate over the next five or so years at all times the inflation rate is higher than the interest rate. In other words, allowing for inflation the real cost of this borrowing will almost certainly be negative over the next few years.

Three consequences follow. First, creating this debt has no cost at present, meaning there is literally no reason to repay it. Second, repaying the debt makes no sense right now as it will increase the cost of servicing it, almost certainly. Third, putting this together, there is no actual cost to creating this money in real terms.

Tackling the poverty that we are now facing by creating the money to do so is then an option available at no net cost to the government. Why would it not want to do that? Again, I wish I knew why it does not.