

Funding the Future

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I [posted this thread to Twitter](#) this morning:

The NHS is under funded. As I [demonstrated in a report published](#) at the weekend, it's not just a bit underfunded. It is short by maybe £30 billion a year. That is not small change. I have shown how it could be found, but the questions this raises are significant. A thread....

It is being said by many that the NHS cannot survive as it is and that a new funding model must be found. That may be an excuse for charging and privatisation for some. It may be incomprehension by others. But it may be more appropriate to stand back first and appraise the facts.

The NHS worked in 2010. It did not in 1997. It does not again in 2023. There is a pattern there. It suggests that politics matters when it comes to this issue.

As importantly, the NHS did not work in 1997 due to chronic underfunding. With restored funding it worked again by 2010. Since then spend on it as a percentage of GDP has stagnated, and so too has GDP. Real spending per head in the NHS has fallen too far and crisis has resulted.

There are two lessons in that. One is that funding matters, a lot. The other is that the right measure of funding has to be chosen. Total amounts spent tell us nothing when population is growing, GDP is not and medical demand is rising. Spend per person is what matters.

What also matters is whether there is a relationship between NHS spending and GDP. Most commentary is incredibly conventional, and wrong, on this issue. The assumption is that accountants selling tax abuse in the private sector boost GDP and that this is what pays for the NHS.

The perverse logic within society is that without the massive range of harms the market provides and which we are persuaded to consume, from foods that are bad to us, to

credit we don't need to pay for things only adverts persuade us we want, we can't have the NHS.

That's because, again entirely bizarrely, it is assumed that only the private sector creates value in society and the value it creates is then absorbed by costly luxuries like healthcare (and education, and so on).

The claim is that even if something like being fit is essential to deliver well-being, and is vital to let us work to best ability, the organisation that underpins its creation adds no value to society. Just because we don't pay the NHS it is assumed that it is worthless.

The same goes for other public services. As a result those who think like this decided not to spend on these services. They reckoned them a waste of money, an opinion they formed partly because many of those decision makers choose to pay for such services when they don't need to.

I am, of course, referring to the habit of those with more money than they need to meet basic needs to spend on private healthcare and education. That they do is very largely to virtue signal that they can afford to do so: this spending is what is called conspicuous consumption.

Importantly, private healthcare is not inherently better than state care excepting one thing, which is that more is spent per head in the provision of health services in the private sector than is spent by the state, and has already been noted, spend per head matters.

But, the fact that spending more per person on private provision of these services results in the claim that they are superior lets those who propose charging for state services unsubtly hint that state services might be better if only they too were paid for.

There is, of course, no evidence to support that. Those who propose charging for health and education also usually suggest there should be tax relief on any such spending as it is suggested that this private spending relieves the state of its obligation to spend.

That tax relief would, however, then signal that the state should spend less proportionately on such matters as the tax relief would have a cost in terms of reduced revenue. The chance that charging for NHS services would actually really increase NHS funding is very small indeed.

And without increased money the NHS is not going to improve. In fact it will get worse as more and more staff give up the uneven struggle with it and look to work elsewhere. The market in these sense is sending the signal that we have got the value of the NHS wrong.

So we need to spend more. I will not [repeat my earlier arguments on where this money might come from](#). It's easily available in a variety of ways, explained in this link. Anyone

who says there is no money is wrong.

But there is more to this than money. That's because money in itself is worthless. What it does, however, provide is the power to redirect resources to where they are required. And the message failing public services are sending out is that they need resources.

The resources they need are primarily well trained and appropriately paid people. But they also need support facilities too. Some of those people and skills are going unused in our society right now. That will be true of the required support too. But not of all of them.

The same will be true of teachers. We know many trained medics of all sorts and many trained teachers are now doing other jobs because working in the public sector just became too overwhelmingly difficult for them.

And what we know is that these people are not doing what they wanted, and trained, to do. They chose to train as one thing, and were forced into doing something else. That something else may be useful. But is it as useful as supplying healthcare and education? I doubt it.

So what we need to do is reallocate the resources in society from what is less important, which these people are now doing and to which these people have been lured, back to the state sector where they could add more value, I think for themselves, but also for society.

I also suggest that they could add more value for the economy too. I would suggest that why we have had such poor GDP growth in the UK is precisely because we have not been spending enough on our state sector services, and have been wasting resources in the private sector.

Not only do states services contribute directly to GDP (which no one listening to a right wing politician would ever believe, because they imply that they are costs and not income) but they add more value than the alternative jobs people who used to work in these sectors now do.

By reallocating resources from the state sector to the private sector we have chosen low added value for the UK, rather than the high added value the state supplies. Trained people who are not using their training because it's impossible for them to do so cannot add full value.

And remember two things. The first is that we have no wealth without health. The second it we cannot earn if we do not learn. We have forgotten both facts. And we have not invested in either by making sure talented people deliver both.

So, we have to reallocate not just money to the NHS and education and other services too, but the real resources that they need to help them deliver care and education. And

this is why borrowing is not the ultimate way to pay for these activities.

Tax is also essential to reduce private sector spending capacity so we can increase state spending capacity. Tax is never really ever about revenue raising when it comes to government (see my free ebook 'Money for nothing and my tweets for free' as an explanation of that).

Tax is instead the tool the the state can use to reallocate resources within society to achieve the best outcomes for it by directing them to the places where they are most needed by society. And that is what the higher taxes that I have proposed to fund the NHS would do.

They would take resources away from subsidising the savings of the wealthiest, which in turn support the excesses of the City of London, which really do not meet need in society, and instead direct those resources to healthcare, which meets a common need of everyone instead.

In other words, higher taxes have to be chosen to be part of a programme of increased state spending to make sure that resources are freed up in society to meet need by redirecting those resources to where they are needed. Tax is not, then, just a mechanism to raise money.

Then, and only then, if we think in this integrated way which ignores the silly economics that presumes the state is like a household and which instead treats it as the powerful enabler of wellbeing for all, might we get the society and the services we need.

To summarise. We need to reallocate resources to the NHS and other state services. We need to do so because need is unmet, wellbeing is being crushed, people are being employed doing the wrong things, and the economy is failing as a sure sign of all that.

The money to do this is readily available: as quantitative easing has proved, governments can always create money when required. But on this occasion we need to reallocate resources in society from wasteful to productive uses as well.

Only tax can be used by government as a tool to redirect resources from where they are wasted to where they are needed. Using tax, government has the power to correct market failings of the sort we have seen for more than a decade now.

And if this is done we will have a better, wealthier, more educated, prosperous, happy and sustainable society. And, I stress, GDP would grow again.

Or we could charge for the NHS, and continue our ever downward spiral of decline as we seek to exclude many in from society from what they need if they are to survive. We can decide, but there's only one right choice. Getting our economics right really matters.