

# There's got to be a better economic song to sing

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*I posted this thread on Twitter this morning:*

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There is a way out of the economic mess the UK is in. It only requires two things. The first is knowledge. The second is an admission of past mistakes. That's it, in a nutshell. A thread.....

Everyone but government ministers admit that we are in a mess, and they're just lying. It is, in that case, a universal truth worth acknowledging that we are in need of a solution to our problems.

It is also true, as Einstein once noted, that doing the same failed thing over and over again and hoping for a different outcome next time, as our politicians seem to be doing, is the closest thing to a working definition of insanity as we're likely to get.

In that case, let's presume that any likely answer to our economic woes is going to require us to do something different to what we've been going to date.

This will be a shock to Conservative politicians. They think that the imposition of austerity with the sole aim of shrinking the size of the state is their sole reason for being in office. They believe that will help the private sector flourish. It clearly has not.

The trouble we have is that so successful have the Tories been at promoting this failed belief that the Labour Party now believes it. They too now think it their job to shrink the state because they believe that the private sector is too small to support the public services we need.

The choice at the next election will, in that case, be a little more or a little less austerity, but it will be a choice of austerity, come what may. And there is no doubt that austerity has got us into the mess we're in.

Education, health care, social care, the justice system, defence, housing, and many more public services are failing. As a result, they fail us. What is more, they fail the private sector economy.

The assumption by Labour and the Tories is that we can only have the state sector that we need because we have a private sector economy. The belief is that the taxes paid by the private sector keep the state sector going.

The suggestion that the state is too big and so is unaffordable flows from this belief. But suppose that belief is wrong? Suppose that instead of us having a state sector because we have a private sector the truth is that the relationship is the other way around.

Suppose, in other words, that the only reason that we can have a flourishing private sector is because we have a state sector. That would make complete sense.

For example, the private sector needs contract law to work. The state provides that.

It also requires that there be a currency - which is what all the money used in private sector exchanges is. Only the state can supply that, as the failure of any cryptocurrency to fulfil this function proves.

And the private sector also needs regulation. Honest traders need that to ensure that dishonest traders do not undermine and even destroy markets by supplying fake, stolen, unsafe and unfairly copied products. The state provides that.

In that case, the basic functioning of a market system is wholly dependent on the state. The only reason that you can risk going out for a coffee is because the state makes it safe for you to buy that coffee, confident it should not harm you. And that's a really simple product.

But the state does a lot more than that.

The state provides the basic training every employer needs their staff to have.

The state also ensured that those employees would turn up to work fit and well, although that's not quite so certain now, which is why there are fewer people in the workforce at present.

The state also let people take the enormous risk of working for just one employer who might fail at any time. The social safety net we used to provide existed to make that possible. It's not so good anymore.

And the state took the basic pension obligation off employers.

In addition, by providing social care, childcare, education services and much more, the state ensured people could go to work whilst their loved ones were kept safe and well.

In that case, I would suggest that the state is fundamental to making the private sector work. In fact, without the state, much of the private sector could not work.

So we need to learn a number of things. One is that we are not dependent on the private sector if we are to have state services. Those services add value in their own right, and the private sector could not exist without them.

Nor is the private sector drained by the need to pay taxes in exchange for which they get no benefit. There is no one who could make profit in the UK without the existence of the state, so paying taxes is a necessary quid pro quo for that opportunity the state supplies.

And because the state pays for itself by the Bank of England creating the money to cover its costs every day, day in and day out, not only is the state not a burden on the private sector but is instead a bonus it cannot do without.

And tax is not even a payment for the state. Instead, taxes are the necessary cost of controlling inflation which would otherwise arise because most of what the state supplies is delivered free of charge, paid for by money creation.

Understand all that, and now it is apparent that the private sector is pretty heavily dependent on the state, and not vice versa, contrary to what just about every politician says.

Or is it? Could it actually be that the answer is something else altogether? Could that answer be that the state needs the private sector - because there are very obviously some things that the state cannot do - whilst the private sector needs the state for exactly the reverse reason?

In other words, might it be that to have a truly functioning modern economy we should not idolise one part of the economy and condemn the other? The question is not, in other words, which is more important - the state or private sector - but is it that both are fundamental?

Listen to almost any debate on politics or economics and that suggestion will usually be absent. But, I suggest, it is the universal truth that we're missing. By adopting dogmatic positions, most of which are now anti-state and pro-private sector, we're killing the economy.

If we just understood that the private sector needs a state sector big enough to deliver stability, security, health, education, a social safety net and more, then we would make a big step forward because right now it is glaringly obvious that their absence is crippling the country.

What is more, if we realised that enough tax has to be paid to compensate for the supply of almost all these services free of charge, we'd make another big advance.

If we also understood that this need to pay this tax arises not because those paying the tax necessarily use those services, but because the foundations of their wealth are dependent upon them, then we might also make a further advance.

But, of course, some myths would here to be slain along the way. One would be the myth of the self-made person, because they do not exist.

Another would be the idea that anyone can opt out of the state by 'going private' because the reality is the private sector is wholly dependent on the state.

And we would also have to understand that the state really does pay for itself by creating and spending into use all the money that we use day in and day out, because that is a fact.

This would then also require that we understand that it is tax and not interest rates that really can and do control inflation - which would most definitely upset the Bank of England.

In other words, many of the stories we tell ourselves would need to change. But given that the stories that we currently tell about the economy - like taxes are too high, we have to shrink the state, and interest rates must go ever higher - are definitely wrong, wouldn't that be a good thing?

But, as I have already noted, that might require the admission that we were wrong to believe that the old stories we told about the economy wrote right when they clearly were not.

So, we have a decision to make. Do we change the economic narrative - and create a new explanation as to how it works along the lines I've just suggested?

Or do we continue with what Einstein called the insanity of keeping on doing the same things over and over again and finding that we fail yet again?

I suggest we start again. I think we need a new and better song to sing. (Watch Educating Rita if you want to know where I get that line from.) And it's time we started now.

It's not hard. It simply requires that we say:

- The state is great
- ~~- So is the private sector~~
- ~~- They badly need each other~~
- ~~- We need both~~
- And if one fails, so does the other

Austerity has brought our state to its knees. That is why our country no longer works. Unless we put it back on its feet again nothing can work now. But by doing that we'd also give the private sector a massive boost.

There is an enormous win:win to be had in the UK. But it can only start when we abandon austerity and rebuild our state, because our prosperity is based on it.