

## Glossary entry: taxpayers' money

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*I was asked if I might write a glossary entry on taxpayers' money yesterday. [This is my proposed entry](#). Comments are welcome:*

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There is no such thing as taxpayers' money when the term is used to describe the funds expended by a central government of the type found in the UK.

The UK government is the monopoly producer of sterling. It is government-created money that it spends, and we use.

That money is created for it by the Bank of England whenever the government spends.

The part of that spending not taxed back to ensure that it is cancelled and so taken out of use in the interests of controlling inflation - the so-called national debt - is the government-created money left in circulation that keeps our economy functioning. We cannot do without it. And we could not pay our taxes unless this money existed. It is government money that underpins our economy.

The idea implicit in the term 'taxpayers' money', which is that the government somehow spends money that we entrust to its care, is wrong. Not only is all government spending funded with newly created base money created on its behalf by the Bank of England every time that it spends, but any money paid by us to the government in exchange for tax debts owing is no more our money once that debt has been settled than is any other money that we might use settle a debt our money after we have made that payment.

For example, if a person makes a payment to a retailer for items that they have bought, the money used to make settlement of their resulting debt to the retailer is no longer theirs, and they have no right to direct how that retailer might then use those funds. To suggest otherwise would be ludicrous. It is just as ludicrous to suggest that money we pay to the government is something to which we have a continuing entitlement as if it

were still our own, even if now in the possession of someone else.

Likewise, except to the extent that democracy permits, we have no right to instruct the government on how it might spend its money. The claim, popular amongst politicians, that they spend taxpayers' money is not just technically wrong in that case - because all taxes in an economy like that of the UK are paid to cancel money previously created by the central bank on the government's behalf - but also deeply politically misleading. The control of the government's money is their responsibility, and they should admit that fact and take responsibility for it, which few politicians seem willing to do.