

If only politicians understood double entry

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I have [published this video this morning](#). In it, I argue that every politician should understand double entry. If they did, then they might work out the consequences of their actions and the ridiculousness of many of the claims that they make about government spending.

<https://youtu.be/rgu6X9uGrIw?si=I3s62SPrLwHrN102>

The audio version is here:

https://www.podbean.com/player-v2/?i=4yrm5-1637682-pb&from=pb6admin&share=1&download=1&rtl=0&fonts=Arial&skin=c73a3a&font-color=&logo_link=episode_page&btn-skin=654771

The transcript is:

Double entry is the most incredibly powerful language that I know is available to explain economics.

Double entry is usually associated with the art of bookkeeping and that art is dying because it's largely being taken over by computers. People say that in the future AI will entirely eliminate it as a human skill and that would be a terrible thing to happen because this double entry bookkeeping is based on a very simple premise.

That premise is that every action has a reaction.

Now, science tells us that.

Physics is built on that idea.

And so is accounting.

You cannot, for example, spend money in a business or as a person without there being a consequence. Yes, you've got less money, but you did get something in exchange. You either bought something, or you owe somebody less than you did beforehand.

There is a reaction as a consequence of the first action.

And that's true throughout the business world. Nothing happens without there being two sides to every event.

This is an understanding that our politicians do not, however, seem to share. For example, they talk about public spending - government spending - as if it's pouring money into a black hole from which nothing will ever emerge.

That's obviously wrong. There is a quality to public spending that is important to appraise, because the spend is on something, and some things are quite simply more beneficial than others in terms of the impact that they have on the economy.

Spending money subsidising the pensions of the already wealthy does very little for the economy as a whole.

Spending money on relieving child poverty would have a massive impact upon the lives of a million children, and their parents or carers.

Spending money to improve education very obviously has a long-term benefit in terms of the outcomes that those children will deliver for us all in the future.

Spending money on health care gets people back to work.

And social care does the same thing because it frees the logjams in hospitals.

Understanding that the quality of public spending and what it is on, and that it's never wasted in the sense that there is never no recipient - which the idea of the black hole of public spending which politicians put forward implies - but is instead something that can stimulate economic activity of benefit within the economy - then if only our politicians understood that we would have a better quality of economic and political debate in this country.

But because they don't understand double entry, they don't understand the very building block on which business is built, and they don't understand the consequences of their own actions. They don't discuss, in a meaningful way, what they're actually going to be responsible for.

I genuinely believe every politician should be taught double entry. I actually think a lot of people should understand double entry as if it's a form of basic literacy about the way in which the world operates. Because if they did, you'd always have to think, I'm doing this, who am I impacting, and is that a useful outcome? And then the world would be a better place.

It's odd to suggest that something so basic could have such a big impact, but I genuinely believe it could.