

Funding the Future

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I published this video this morning. In it, I argue that while politicians might talk endlessly about black holes in government funding, in reality, there can never be any such thing. All that actually exists are choices about how the government might fund its spending—some of which options those same politicians are refusing to consider, at a cost to us all.

<https://youtu.be/Cop8qDHTU1Q?si=YQ4-UIsWVPwNHfTi>

The audio version is:

https://www.podbean.com/player-v2/?i=88adg-163c99d-pb&from=pb6admin&share=1&download=1&rtl=0&fonts=Arial&skin=1b1b1b&font-color=&logo_link=episode_page&btn-skin=c73a3a

This is the transcript:

There is no black hole in government funding.

I know that our politicians like to claim that there is.

I know that they are obsessed with trying to avoid it.

I know that they claim they are presenting 'fully-costed' manifestos at the forthcoming general election.

And all of that is utterly unnecessary.

Why? Because there can never be a black hole in our government's finances.

Let's be clear how our government is funded. There are only three options available.

One is taxation, and we know about that.

The second one is borrowing, and they are obsessed about eliminating that, but for no good reason, because there are hordes of people queuing up who would like to save their money with the government, if only they had the opportunity to do so, but the government doesn't want to welcome their cash.

And thirdly, there is government money creation.

What is government money creation? Well, we used to call it turning on the printing presses, but that's an absurd analogy now because turning on the printing presses is almost irrelevant when the usage of cash is falling in the economy. So, what this really means is that the government creates more electronic money, as it did in 2008 to bail us out after the global financial crisis, and as it did in 2020 to bail us out during the course of the COVID crisis when they created, between those two events, something like £900 billion pounds of new government created money.

So, all of those three options are available, but for reasons of their very own, and utterly unnecessarily, the government has decided that government expenditure must be balanced by taxation and they are as a result, ignoring the opportunities that borrowing and money creation provide.

Now I'm not an advocate of money creation for its own sake. It is a reserve tool, but we should never forget that it's available to us, whenever we need it.

But borrowing? No, borrowing is really powerful. Borrowing is what we all do if we ever want to buy, well, very often a car or a house or other major items.

Why wouldn't the government want to do that?

But more than that, why wouldn't it sometimes want to borrow to stimulate the whole of the economy by taking less tax back than it injects into the economy by way of cash? Because that's what delivers growth. So why wouldn't it do that?

I don't know. It's acting against your economic well-being by having this obsession with balancing the books and claiming that otherwise there's a black hole in government funding.

That's nonsense. It's untrue. What other words can I use to express how badly I disagree with those politicians who claim this?

There is no black hole.

There are just choices to be made about the right thing to do at the right time.

And when we have, as we do in the UK at present, serious under-employment of people

in our economy, people who could therefore be put to - it's a rather crude way of putting it, but - better use at better pay to produce better outcomes for us all, then of course there is the opportunity for the government to spend to create an increase in well-being, not just for those people, but all of us, by running a deficit.

And that could be funded by borrowing, or if necessary, by money creation, and we'd all be better off. And there would be no inflation as a result because we would be using unused resources that are available in our economy at present and putting them to use for mutual well-being.

That's why there's no black hole.

There's only opportunity, and our politicians aren't reaching out to grab it.