

# Funding the Future

Article URL

Published: January 12, 2026, 7:23 pm

---

I published a new video this evening. This is part of an experiment, as it seems that both YouTube and TikTok viewers prefer videos produced at this time of day.

In this video, I argue that politicians keep claiming that the government must run its affairs just like a household, but absolutely nothing could be further from the truth or more harmful for our economy.

<https://www.youtube.com/watch?v=KV4VRdSxtXQ>

The audio version is available here:

[https://www.podbean.com/player-v2/?i=xbxgj-168fc8a-pb&from=pb6admin&share=1&download=1&rtl=0&fonts=Arial&skin=8bbb4e&font-color=&logo\\_link=episode\\_page&btn-skin=ff6d00](https://www.podbean.com/player-v2/?i=xbxgj-168fc8a-pb&from=pb6admin&share=1&download=1&rtl=0&fonts=Arial&skin=8bbb4e&font-color=&logo_link=episode_page&btn-skin=ff6d00)

The transcript is:

---

The government is nothing like a household.

Someone should be telling Rachel Reeves that because she goes around talking about economics as if the government's books were like those of her mother when she used to sit at her kitchen table checking the bank statement to see what she had spent her cash on.

Now I'm not saying the government should not check what it spent its cash on, but there is no similarity between the financial position of the government and that of the Reeves' household in which Rachel was brought up. Why? Well, because the government is fundamentally different, in economic terms, from a household.

And there's a very good reason for that. A household will never be able to create its own money, which somebody will accept. You can try if you like. You can write out IOUs to whoever you want, promising to pay £5, £10, £10,000, if you wish, sometime in the future. But I bet you won't be able to pass them off in the local Tesco's.

No, but the government can do that. The government is perfectly able to create money at will because it has the Bank of England. And the government is able to say that the money it creates at the Bank of England is legal tender - in other words, the only form of exchange which is legally acceptable in fulfilment of contracts in this country.

What is more, the government can say you must pay taxes and you must pay them using its legal tender. So, the government is in a totally different position from any household because it can quite literally create the money that it needs to spend. And what is more, it can force those people it spends it with to pay it back to it.

So, the government is nothing like a household precisely because it has this legal power to create money and to tax.

Now let's also talk about other reasons why the government is different from a household. A household can externalize its costs. For example, in a household where there are three children and costs are getting tight and one of those children is able to be pushed out of the door and be told to go on their own way, the householder could do that.

The household can say to their children, "Leave now. Make your own way. We don't want you here anymore. We can't afford to support you." And if it does, it's externalised its costs. It's passed the burden of maintaining that child onto the child itself. And that's a possibility that the household has.

But if the government decides to make people unemployed, for example, they still exist. They're still there. In fact, the government's now got to maintain them, when previously they were in employment, and it didn't have to maintain them, and the people contributed instead.

So, the government isn't able to push its costs off its income statement, because, in fact, trying to do so, trying to make resources unemployed, or trying to push them beyond its own boundaries still means those people will always be there. So, the government has to think differently from a household, because a household can cut its costs, or externalise its costs, and make a saving. But if the government also tries to save costs by doing austerity, what it then does is fail to create the money which becomes somebody else's income. And so, it cuts the national income by trying to save its own costs. So, it fails to deliver its objective of trying to balance its books by doing what a household could do.

Households and governments are, then, quite different, therefore. Households don't

have their own banks. Households can externalize their costs, households can cut their costs and make a saving, and in broad terms, the government can't do any of those things.

So, and in broad terms, the government is in the opposite position in every case. It has its own bank, it can't externalize its costs, and if it cuts its spending to try to balance its books, it cuts its income at the same time. So, governments have to think in a fundamentally different way to households.

So, if a politician says, and they very often do, that the government is like a household and has to exercise the same caution, they're talking utter nonsense to you.

What they're revealing is that they don't understand how government finances work and that's pretty worrying if they want to be in charge of them, as Rachel Reeves is.

They also reveal that they have never thought about the difference between a household and the government. And that's also worrying because their economic education should have reached that stage.

Or, alternatively what they're revealing is their ignorance.

Whatever it is, they're misleading you.

And that's deeply worrying.