

Where do neoliberal economists think money comes from?

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I heard an interview with Rupert Harrison on [the World at One on BBC Radio 4](#) yesterday which really made my heart sink.

For those who are not aware of [who Rupert Harrison is](#), he acted as senior advisor to George Osborne from 2006 to 2015, having various job titles, including in the Treasury for five years as a consequence, and he also stood for the Tories in the last election, but thankfully did not make it to the House of Commons. He does, however, seem to think himself well versed in economics ideas when, in fact, he is completely unaware of the nonsense he is talking.

How do I know this? That is because his suggestion was that if Rachel Reeves were to change the UK's fiscal rules so that she might borrow another £10 billion or so a year this would be disastrous.

His explanation for this claim was that if the funding in question were, for example, to be invested in infrastructure, such as a bridge, then if a crisis of the sort that we had in 2020, when Covid hit, were to happen the bridge in question could not be turned into liquid assets and as a consequence, the country would not have the funds available to it to pay for that new crisis. Investment should not, therefore take place.

I had to say that even his interviewer sounded mildly bemused at this suggestion. It does make me wonder how people like Harrison (who I should add was head boy at Eton and who has a PhD in economics, and is now a senior adviser to Blackrock, the biggest investment manager in the world) think money is created.

Do they ever ask themselves where it comes from?

Do they, in addition, think about what it is?

And, even if they conclude that it is all created within the private sector of the economy (as I suspect they do), do they ever then wonder how it is the private banking sector operates, under what license, and how they, too, end up with funds under their management?

Or do they never get anything like this far and they, instead, simply have an unquestioning, naive, and totally false belief that it is businesses that 'make money' and that we are totally dependent upon their profit making ability as a consequence for our money supply?

But, in that case, do they never wonder why none of our notes, at least in England and Wales, have the names of private companies printed upon, which you would expect if money was created by these private companies? Why do they also think that we give the job of regulating the money supply to the Bank of England if they have no role in creating the money in question?

What also do people like this think happened in 2020, or in 2009, come to that? Where do they think that the money to deal with the Covid crisis and 2008 financial crises come from, and why do they think that it might be impossible to repeat that process now if, as would be the case once again, the private banking system would be quite unable to meet the demand for money within the economy if such crises occurred again?

Does he really think that the government did not create new money out of thin air on both occasions? And how did he not know that it did so after five years at the Treasury from 2010 to 2015?

And why does he think it could not do so again?

Alternatively, is it actually the case that he is so desperate to undermine the role of the government in our economy that he is claiming that the government must metaphorically, or even actually – given how hard it is to work out what he is saying – now stuff money down the back of a sofa to provide for the proverbial rainy day?

I would like to credit Rupert Harrison with some intelligence. If so, I can only presume that he is peddling a conspiracy theory of this sort with the intention of restricting the role of the government in the economy so that we as a country are deprived of the resources that we need to survive. That conspiracy might be sinister, but at least I could credit him with some intelligence for creating it.

The alternative is that so crass are his comments, and so inexplicable is his lack of understanding of the economy, money and the role of government in both issues, that he is, to provide the kindest possible interpretation, economically illiterate when it comes to money. And, yes, I do know he has an economics PhD.

The UK government can never run out of money. It can always make more if it requires it in the case of an emergency, or on any other occasion if it so wishes, if it thinks it macroeconomically prudent to do so.

To pretend, as a consequence, that what Rupert Harrison said makes any sense is quite

literally impossible.

And nor could it ever be the case that the UK government would be forced to sell infrastructure to pay for the next equivalent of the Covid crisis, whenever it might come. It would, instead, simply create the money that was necessary to get through that crisis, and that would be the end of the matter.

So, are the comments made by Rupert Harrison macroeconomically and politically malevolent to prevent this country enjoying the investment it needs and can afford, or is he simply unaware of how money really works? That is the question.