

Funding the Future

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Everyone but the national government of a country can run out of money. They can't because they make the stuff. So, in that case, why are our politicians obsessed with running out of money when they should instead be obsessed with unemployment and services that are not good enough?

<https://youtu.be/ZtFLX-2kaVc?si=OLJQW3nazElkGUBT>

The audio version of this video is here:

https://www.podbean.com/player-v2/?i=wen9i-16f117c-pb&from=pb6admin&share=1&download=1&rtl=0&fonts=Arial&skin=f6f6f6&font-color=&logo_link=episode_page&btn-skin=c73a3a

The transcript is:

There can never be a shortage of money. It is quite impossible for our government to ever run out of this stuff, which is what many of us think money is. But of course, it isn't really, because most of our money is electronic.

But the simple fact is that, as I've just shown you, money can be represented by £20 notes. And indeed, all money could, in theory, be represented by £20 notes if we really wanted it to be. And the answer to the question of could we run out of it is, obviously, no, because the government could always chuck another sheet of paper into the machine, or polymer into the machine, as it now is, and produce a few more. In other words, the government can never run out of money.

All the debate that we have about the fact that the government has a black hole and all the debate that we have about that there is a shortage of money to fund government activity; all of that discussion is nonsense because the government makes all the

money that we have, and as I've explained on this video series time and again, every time the government comes to make a payment, the Bank of England creates the new money that is required for the government to spend by extending an overdraft to the government, and new money is made as a result.

So, to claim that we can run out of money is nonsense. But there is a real constraint in our economy. And that is something quite different. It is absolutely true that we can run out of things to buy. And that is what we should be worrying about when it comes to economic management. Because if there are too many of these £20 notes chasing too few things, then there is a real problem because the consequence is inflation.

Now, that's why, in modern monetary theory, of which I am an exponent, the focus on inflation management is entirely about balancing out this equation between things to buy and money available to be spent. But things to buy comes first, and the government should spend until there are no things left to buy.

Now, at that point, we have, of course, maximized the opportunity within the economy.

We will have created full employment.

We will have used resources to best effect.

We will be living, as the saying goes, our best life. Not something I normally say, but on this occasion I think it's appropriate. Because that should be the economic goal of our government.

Let's put everything to use.

Let's have people at work.

Let's give them the best pay that they can be paid for what they're doing, and then we will end up with a happy society.

But instead, we don't do that.

We don't try to put people to work.

We don't try to use resources to best effect, taking into consideration climate change, of course.

Instead, we obsess about money. And the consequence is that we put up with unemployment, because we say, "Oh, we need some unemployed because that will keep the value of money under control."

That's what the Bank of England think, by the way. They believe the unemployed people of the country are there to provide the buffer against inflation. It's as if they are

economic cannon fodder, to be left on the sidelines, out of work, abandoned, forlorn, hopeless, unaware of where their next hope will come from because Andrew Bailey and the Bank of England need someone to pick up the slack in the economy to ensure that they don't make mistakes with regard to their inflation control.

It's a pretty sickening process. It's not what the government should be doing.

The government should instead be aiming for full employment and it should be telling the Bank of England that its job is to deliver full employment. And if it can't, then it's up to the government to create the jobs in question.

The jobs in question could be doing all sorts of things. We all know that there is a backlog of maintenance of things to do in our society, many of which could be done by people with relatively low skill, who could be put to work in the short term, to ensure that we get some benefit in exchange for employing them. Because it is better to employ someone than to pay to sit doing nothing. Isn't that glaringly obvious?

It would also be better to pay them a basic income to not work than to pay them the absolute minimum possible on benefits to have no chance whatsoever. Because then, if they were paid a basic income, they would at least be spending into the economy and keeping other people in employment.

But we've got the worst possible world. Because the Bank of England is so obsessed about not producing this stuff - £20 notes - but trying to preserve its value, it forgets that value is determined by what we have and not by the existence of a quantity of money, which is in itself meaningless unless there is something to spend it on.

The something to spend it on is what matters in our economy, but we have ended up with economics which is obsessed about money. And there is, and never will be, a shortage of these £20 notes. We can always create more of them.

But the art of economic management is in making sure that the resources we have available to us, people, physical resources, the renewable resources that we can enjoy, all of those are used to best effect. That's what economics is really about, and money is merely a sideshow. But our politicians and our economists have forgotten that, and we're all paying a heavy price for it.