

The IMF is worried about a low-growth future when that?..

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The IMF says it is worried about the world having a low-growth, high-debt future when, in reality, we need low growth to manage climate change and high levels of government money creation to fund the services that will be the basis of future prosperity. They've got their whole logic wrong.

https://www.youtube.com/watch?v=P7B2LiInpxo?si=otgQd_5LoDueBli5

This is the audio version:

https://www.podbean.com/player-v2/?i=qqj5m-1725df7-pb&from=pb6admin&share=1&download=1&rtl=0&fonts=Arial&skin=f6f6f6&font-color=&logo_link=episode_page&btn-skin=c73a3a

This is the transcript:

The managing director of the International Monetary Fund said recently that we face a low growth, high debt future. and that she is really worried about that.

I'm not sure I share her concern. I think she really doesn't understand the way that the world is going to inevitably change. Let me explain.

We cannot keep growing on this finite planet. As a matter of fact, it is impossible for us to keep growing in the way that we have been because there aren't sufficient resources to let us do so. Let's face that reality.

That doesn't mean to say that there isn't more that we can do for each other.

It doesn't mean to say that we're all going to collapse into some form of old-style subsistence farming economy.

It doesn't mean to say that we're not going to recognize the way that we live now in the future, because I think there will be large elements of the way that we live now which will exist in the future.

But I am saying we can't keep growing in the way that we are now, which is utterly dependent upon the greater consumption of material goods, because that is technically not possible, because we know it is going to lead to basically the collapse of the environment in which we live, in a way that might even make human life unsustainable.

So why is the managing director of the IMF so worried about low growth when in fact, low growth is the route to our survival? I genuinely don't know.

I'm also worried about why she thinks that high debt is a problem. Because the debt that she is talking about is not private debt - although she should most definitely be worried about the scale of that, because it is much more worrying than anything to do with government debt. No, the debt she is talking about is that government debt. And she is concerned that that apparently is still growing. And again, I am not.

This also requires explanation. Why am I not worried about government debt growing? Because government debt, as the IMF and others like to call it, is our money supply. This money supply is being created because the government needs to do more things in an economy that is not going to grow in the way we used to in the past.

Instead of consuming more material items, we are going to do more for each other. We are going to care more. We're going to educate more. We are going to entertain more. All of those things consume relatively small amounts of carbon. They are, therefore, sustainable.

And all of those things are provided best by government because they are for communal benefit and everybody needs to have access. But what that means is in proportion to each other the government sector is going to grow in relation to the private sector over time to come.

Now, that means two things. First of all, the amount of tax that is going to be paid is going to go up because that is the necessary corollary of the government spending more money into the economy, which is going to be necessary if we are going to substitute these communal style services that will contribute to our well-being for those material things that are destroying our well being.

So, we will pay more tax, but we will also almost invariably have more debt as the IMF calls it, because our money supply will need to grow because the government will need

to literally be fueling the increase in the output. of economic activity that we actually need to continue to recognize that we have economic lives worth living.

And that debt is not, in fact, debt because it is the money supply. And it can't be debt because the only way it can be repaid is by creating more money, which would then be redeposited with the government, which means that it's technically not repayable unless the government wishes to make that payment, which it doesn't.

And this money is therefore, as I've said before, and I will no doubt say again, actually what we would call in accounting terms equity.

Now, debt on a balance sheet. is a credit balance. And so is equity on a balance sheet, a credit balance. And you will find that is true on every commercial set of accounts you look at, because if a company has, for example, borrowed from a bank, the liability owing back to that bank is shown as a debt. It's a credit, even though it's called a debt. This is confusing. That's the way accountancy works.

But also on that balance sheet, you will see something called shareholder's funds. Now that is share capital, plus it is the retained reserves of the entity. And what I'm arguing is that the money that the government creates to put into circulation within the economy behaves in accounting and economic terms like that share capital plus retained profits do in a commercial organisation.

We as a community have invested into our economy to provide productive resources to produce well-being.

So why is the IMF worried about increasing the equity, which is the foundation for our future prosperity, when that foundation cannot be further growth because further growth is going to harm the cause of tackling climate change? I wish I knew.

But what the managing director of the IMF said when she said she was concerned about low growth and high debt was quite straightforwardly wrong. That is our future. That is the basis on which we can be prosperous. That is what we have to achieve if we are going to manage climate change. And that is what we desire if we are going to have well-being from now on.

But what we have to do is recognise that this debt is not due to anyone. It is simply money that the government has created, which may or may not be matched by funds which people have deposited with the government, but that doesn't matter. It's still equity. And that equity is the basis of our future well-being.