

Funding the Future

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I think it's time to admit to something. I am finding quite a lot of things about blogging and posting videos quite hard at present.

It so happens that both of my approaches to social media are attracting record views at present. Many people appear to be very interested in what I have to say, whether in writing or on YouTube, and I am grateful. Please don't get me wrong.

Please don't also get me wrong about why I am grateful. I write and make videos to try, in whatever way I can, to explain why I think we can make things better for most people in the world when most of politics has left most people behind, with politicians on the far-right being guilty of this most of all. Without that purpose, I would go off and write detective fiction. The world is not giving me that luxury. We are living through a coup. How to manage the consequences of that is what is demanding my attention right now.

In that case, some of the comments made here, but more especially on YouTube, appear to me to reveal the complete lack of ability to understand the political realities of life associated with the followers of what I describe as the 'isms' (capitalism, socialism, liberalism, etc.). These are the tribes who think that their own chosen ideology is the answer to every known problem when no ideology that has ever existed has ever done that.

I would include some of the followers of modern monetary theory in that category of subscribing to an 'ism' that they blindly and even ignorantly follow. Call it modern mentalism, and that is obviously the case.

I have, for example, noted comments on YouTube that are particularly critical of my latest video on how we might pay for defence. Their accusation is that because I suggest that we need to increase tax on the wealthy if we are to significantly increase defence expenditure, it would appear that I have forgotten everything that I have ever written about modern monetary theory and the purpose of taxation. In response, I feel like being very blunt. I think it is appropriate to say that those who are criticising me clearly have not the slightest understanding of what I have ever been saying or what modern monetary theory suggests as I understand it, or as I think, for example, Stephanie Kelton understands it.

Let me be very clear about what MMT says. Its suggestions are that:

- * All money is created by central governments.
- * Money is spent into existence by a central government. Ultimately, there is no other source of money.
- * Although private banks are allowed, under license, to create money, they can only do so because of that license from the central government that is a money creating authority, and can only create the money that is deemed to be legal tender by the authority in question.
- * Money is, then, a central government construct.

The problem is that there have always been those who claim themselves to be modern monetary theorists who stop at this point. For reasons that are totally baffling, because modern monetary theory has never said this, they think that there is, as a consequence, some form of free lunch that means a government can spend as much as it wishes without any consequence arising.

Let me be blunt. If you think that, you are absolutely fundamentally wrong. Consequences always arise as a result of a government spending, and to presume that they do not is, and let me be blunt again, absurd. Doing so is as equally ridiculous as the apparent presumption that these people make that those consequences do not require the exercise of judgement to determine the appropriate resulting required courses of action.

Why anybody should think that MMT means that fiscal decision-making is no longer required completely baffles me. If anyone who is a proponent of MMT suggests that is the case, they do not understand it, and on occasions I do wonder whether some of its founders do fall into that category and are guilty of creating this complete misunderstanding. Again, I stress, Stephanie Kelton is not in that group.

The reality is that fiscal management, which considers the consequence of money creation by a government to fund its expenditure, necessarily requires consideration of:

- * Reclaiming the money in question to prevent inflation arising, usually through the medium of taxation, but also possibly through the issuance of bonds, which also take money out of circulation.
- * Tackling inequality, if that is the consequence of the accumulation of monetary balances or other forms of wealth in the hands of a few as a result of the creation of a monetary economy.
- * The necessary levels of taxation required to restrict private-sector economic activity within an economy so that the resources that the government wishes to buy are available to it at a price that does not induce inflation.
- * Managing the consequences of that restriction on private sector activity so that industrial, social, economic and political goals are achieved, all of which is a delicate balancing out.

These issues embrace all the reasons for tax that I have always outlined. Nothing that I have said with regard to the funding of defence expenditure contradicts any of these

ideas.

That said, I admit that I cannot, when presenting a video that I hope will reach a significant audience, do so in the way that some would seem to desire, i.e., by detailing every microscopic step in my economic logic, with full references being supplied on every occasion, which some seem to think necessary to justify every possible conclusion that I reach. When creating a video I could, of course, if I so wished, make it decidedly technical. I am more than capable of doing so, and one of my current expectations is that I might launch another video channel to do precisely that as soon as I come to terms with what retirement from employment really means. But if I am to persuade an audience of the folly of neoliberal thinking, I do not have that luxury. People would never follow such an argument. To presume they would is as absurd as some of the other thinking that my critics display.

My objective in [making that video about how we fund defence expenditure](#) was to explain that if we are to have a significant increase in expenditure, as appears to be likely (and just to contextualise this, I did reference Keynes and his treatise on 'How to Pay for the War', which referred to such a substantial increase) then whether or not we are at full employment (and the powers that be would be suggest that we are relatively close to it right now) then the actual question of significance at present is how do we actually free up resources within the private sector to make them available for use by the public sector to deliver that necessarily increased level of defence activity? As MMT makes clear, there is only one way to do this, and that is by imposing a tax to make sure the private sector consumption is reduced to create the capacity for public sector consumption. There is no other alternative. and as MMT also makes clear, this is one of its major contributions to thinking: it makes clear that tax does not actually fund expenditure, but it does instead create the capacity for a government to undertake the actions it desires. This is the significance of the MMT mindset, which my critics appear to completely misunderstand. MMT explains that when there are actual physical constraints in place because of being at all near full employment, which constraints appear to deny the possibility of increasing government expenditure, then tax has a role by reducing consumption at the same time as government spending takes place because otherwise there is quite literally nothing for it to spend upon.

Is this about angels on pinheads? Quite clearly, it is not. This is about establishing the necessary thought processes that are required to ensure that the government can fulfil plans. I suggest that there is nothing in neoliberal thinking that permits this approach, or even suggests what tools the government might have to achieve the goal that I have outlined. MMT provides it. Nonetheless, MMT critics of what I have suggested claim I have got this wrong. I have three suggestions to make.

First, my critics should learn what MMT is trying to do.

Second, they should understand that MMT is nothing without taxation. Quite literally, it can make no sense unless tax is included in its equation.

Third, MMT is not just about money. I know it is hopelessly named, and this is another consequence of Bill Mitchell's serious error in giving it the name that it suffers from, but it is actually about macroeconomics management, and what I've outlined in this post is precisely about that point.

Unless you get these three things, you don't get MMT.

But let me suggest one other thing. If you really think I need to spell detail of this sort out every time I speak on a video, I suggest you don't watch the videos because I live in the real world of political economy, where I know that what I'm trying to address in this video and others is the massive imbalance of power enjoyed by the wealthy, whose argument is that they should be exempt from any responsibility for funding the state by forgoing their consumption (which is the fundamental point the video in question) , and this is totally wrong. Of course, they must forgo their consumption because those with lesser means cannot give up their consumption to grant that capacity to the state because they have nothing they can give out without suffering serious consequences.

My critics seem to have no understanding that there is a relationship between money, taxation, and the real world. I quite literally suggest they get real. Unless MMT is about the relationship between those three things, it is nothing at all, and the version that many like to put forward in social media is, as a consequence, not just a horrible distraction for those of us who actually understand MMT, but does it a considerable disservice. Their version is fundamentally misguided and wrong, and that is why I am frustrated by those who like to criticise me when they seem to have absolutely no understanding of what I am saying because, as I repeat, nothing I put in that video was inconsistent with MMT because it was all about the use of money and taxation to relocate real resources in the world and that is actually what economics is about.

Now, to my final point. There is a fascist coup going on in the world. Arguing about the purity of my arguments seems to be a little irrelevant right now, although in practice they remain consistent. Might we stop playing 'isms' and face the threat that might all too easily end all discussion altogether sometime soon? Isn't that the real issue of the moment? I suggest it is.