

Funding the Future

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There is always money for defence spending.

As Europe has discovered, mention security and money can be found. €800bn was in the EU [at a summit in Brussels yesterday](#).

Global [bond markets](#) might have been jolted by Germany's newfound ability to borrow.

Other countries are supposedly facing bigger bond funding costs.

The poorest in Europe, and the environment, will supposedly be made to pay for it. But when it comes to armaments, money is always available.

But, of course, money is also always available for other purposes as well, including the relief of poverty and the protection of our future by managing climate change. There is just no political will to deliver those things. As modern monetary theory rightly says, once a parliament has created a budget for an item of spending, it is not a question of how or from where the money will be found - it has been willed into existence by the legal instruction from a legislature to its central bank that the payment be made. There is literally no more to it than that.

There can, of course, be discussion as to the consequences of that diversion of resources to arms manufacture and armed forces enlargement, but what reaction is required depends on circumstances.

If the economy is not at full employment (and few are) then money creation can happen without compensating activity like taxation being required: the new money creation simply takes up slack in the economy and puts it to use. There is nothing more to note.

Assuming full employment exists (and it is rare) then tax is required, not to fund the new activity because it has already been funded by new money creation and it cannot be funded twice, but to instead reorganise the economy to free up resources currently used for consumption that must be foregone to ensure capacity for the new defence related activity is created. And since the only people with consumption that can be foregone on the scale required are those with high incomes and wealth, they must pick up the tab; nothing else works.

The rules of this game are really that simple.

If only we could have elected politicians who understood this, and who also understood that the same logic applies to poverty alleviation and climate change programmes. Then the world really would be a better place. Right now, we're a long way from that.