

The problem of the unknown knowns

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Donald Rumsfeld got his famous quote on knowns wrong: he ignored the unknown knowns, and they are a huge issue in modern politics.

<https://www.youtube.com/watch?v=FZGyluRmbIM?si=SSEoxykJksJvZc0Z>

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This is the transcript:

We've got a problem with politics. I call it the problem of the unknown knowns, and we need to talk about it.

Most people know of the famous comment made by Donald Rumsfeld, who twice served as US Secretary of State for Defence. He said there are known knowns. These are the things we know that we know. And he was right.

He also then said, there are known unknowns. By that, he was referring to the things that we know we don't know. And of course, again, he was right.

But after that, he added, then there are also unknown unknowns. These are the things

we don't know we don't know. And again, and I have to give him credit for this, he was right. That's why people have remembered what he said.

But, Donald Rumsfeld got something wrong. What he forgot to mention is that there are unknown knowns, and I'm going to suggest to you that unknown knowns are the great unacknowledged problem in much of modern policymaking.

Unknown knowns are the things that we know, but that we either forget to bring into our thought processes or, more dangerously still, as far as I'm concerned, they are the things that we know and choose to ignore for the sake of reaching the conclusions we desire.

So let me be candid. These things that we claim are unknown, or mislaid, or forgotten, or deliberately overlooked, does it matter? They matter because my point is that by making a claim that defies what we really know to be the truth, we promote what might at best be called a misleading proposition. You could call it a lie if you wish, but that might be going a bit far in some cases. My point is, whatever it is, someone is deliberately ignoring information that they should know to make a claim that is, well, misleading at best.

What does that mean? My suggestion is quite simply that there is systemic suppression of the truth to support the hierarchies of power that exist in the UK and around the world.

The unknown knowns are the things that they lie about to keep themselves in the positions of power that they have? And when I talk about 'them', I'm talking about companies; I'm talking about politicians; I'm talking about some people who are high in administrations and civil servants: all these people who deny the truth to maintain the positions of power that they have.

Some examples will help. And let me start with one that is claimed often, and which is blatantly untrue. The claim that has been made by politician, after politician after politician is that there is no such thing as a magic money tree. The trouble is, that is completely wrong. There is a magic money tree in every country like the UK, and the USA and Denmark, because it has its own central bank which issues its own sovereign currency, which is acceptable on the world stage. And this is true of any country where that is the case.

A central bank in any such country creates money out of thin air. If a government tells it to spend, it does, simply by marking up the government's overdraft, and as a consequence, the government is able to spend whether or not it has any money in the bank. In fact, precisely because it has no money in the bank, it can spend because that puts money into circulation to ensure that it can do what it wants.

Now, my point is very straightforward. Every single central bank admits this. There is no

central bank of any consequence now that denies it.

The Bank of England agrees with this.

The Federal Reserve agrees with this.

The Central Bank of Canada agrees with this, and in Australia.

And the European Central Bank has effectively admitted it, and so have many others.

They all know that they can create money out of thin air.

As a consequence, there is no way in which the politicians that they serve cannot know this.

They do know that they can create money, and they know it because, glaringly obviously, they've done that.

The whole quantitative easing process was all about it, and yet they still claim there is only taxpayers' money, when in fact that's a blatant piece of misinformation because there is only central bank money.

They deny the truth. They promote an unknown known, which is that there is no magic money tree, when the reality is that they know full well, that the magic money tree exists.

Let's have another example. This one is that the Bank of England is independent, a claim often made by politicians in the UK, but which is also made in other countries as well. And the simple fact is, the Bank of England is not independent of the government. It's a complete fabrication to claim that is the case.

The Bank of England was made 'independent' in 1998 using something called The Bank of England Act 1998, and in that act, the power was given to any Chancellor of the Exchequer to overrule the actions of the Bank of England if they thought they were contrary to the best interests of the UK as a whole. As a result, the Bank of England never does anything that the government doesn't want for the simple and straightforward reason that it knows that if it does, it will be overruled, and therefore it will always check everything that it does with the government before it does it. That is obvious, and they are of course, also owned by the government so they know to whom they're responsible.

What is more, the facts support the fact that the Bank of England is not independent. We know that quantitative easing was done between 2009 and 2021, £895 billion worth of it, and every single penny of that was done with the direct authority of the UK Treasury. And all the gains and losses made by the Bank of England as a result were underwritten by the UK Treasury.

In other words, the government, the Treasury, and the Bank of England have financial affairs that are completely interwoven. To pretend, as a consequence, that the Bank of England is independent is just a falsehood. That fact is known by everybody who is involved, and yet they play this game that somehow or other, the Bank of England is independent.

The Chancellor says it.

The Governor of the Bank says it.

The monetary policy committee at the Bank of England pretends that it makes its decisions in isolation from the government, and all of them are promoting an unknown known. They know what they're saying is wrong, but they're pretending it isn't. They are putting forward something that is wrong, and they know it's wrong, and that's designed to deceive us.

Let's have a last example, and this is the claim that the government has to balance its books.

There is nothing in economics that requires this.

There is no economic organisation in the world that demands it.

For example, when the UK was a member of the European Union, we were allowed a 3% deficit per annum, and that is still the case for members of the European Union, and that would be entirely acceptable to organisations like the International Monetary Fund and the World Bank. In fact, many of those organisations, and in particular, those international organisations, would now encourage governments to run deficits precisely because they know that the world's economies need to do so.

They also know that the money supply that is created by government deficits is essential to ensuring that there is sufficient liquidity inside governments, and inside jurisdictions, and inside economies, to make sure that they can function. So in fact, they actually all know, and I mean by all, the politicians, the bankers and those who comment, that we need to run deficits.

And yet our politicians claim otherwise. They promote an unknown known, a claim that we shouldn't run a deficit, when in fact they know darn well we should.

What do we call that falsehood? I would call it a lie.

You call it what you wish.

But the fact is that this fits into this other category that Donald Rumsfeld missed out of his analysis.

We know that those who are making this claim are saying things that are not true.

They know they are saying things that they know are not true.

But despite that, they swear that they're right, and these things are not known knowns or known unknowns, let alone unknown unknowns. What they are putting forward are unknown knowns: the things of which they have complete knowledge, but which they deny the truth about. And that I suggest to you is entirely deliberate. These people are putting forward falsehoods so that they can maintain narratives that keep them in power, but which deny us the truth about the mechanisms that they're using to manage the country, which, in most cases, are not in our best interests.

Too often, these unknown knowns are literally the things that we need to know because they would expose the lies that our politicians tell and make it clear that there are better ways to manage our economy, and so much else, but we are not being told about them.