

Funding the Future

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A number of stories suggest a common thread this morning.

Elon Musk has walked away from Trump and the US government, having very obviously failed. And [now he's turned on Trump](#) (as I predicted he would, a while ago) and his 'Big Beautiful Bill', calling it an abomination.

Admittedly, it seems he has done so because of a debt obsession: he either thinks the USA cannot afford the cost of the tax cuts Trump is planning, or he thinks the spending cuts do not go far enough, despite his failed efforts, but either way, he and Trump are no longer in the same space.

Why is that? It's because running government is complicated. As he has admitted, it is much more complicated than he thought it would be. The result is that there is considerably more nuance required in political decision-making than Musk had appreciated. The simple criteria used by business (will it make money, do the bosses like it, and does it make them feel good?) are wholly inadequate when it comes to politics.

KKR appear to have learned the same lesson over the last few days. They put in a proposal to buy Thames Water late last week, and yesterday they withdrew it. [The FT notes](#):

One person close to KKR said that it had not been able to thrash out a deal given the complexity of the situation and the “multiple stakeholders” involved.

I decode that as a suggestion that this was just all too complicated to get their heads around. I might be wrong, but that's how it reads to me.

Meanwhile, Sir John Cunliffe [set out his interim report](#) from his so-called Water Commission, which was allowed to consider every option for water, except the only one that is viable, which is nationalisation. The goal he was asked to secure was a simple solution, not involving government. But, the simple fact is that when water is fundamental to human life, it has to be a matter in which government is involved.

If the task of a government is protecting its population (and Keir Starmer seems to think

it is, if only by being willing to fire missiles against unnamed enemies) and water is literally fundamental to human life, to pretend that the government has no role in its supply is absurd.

So, why is there this pretence that the government should have no role? That's because the reality is that supplying water is complicated, and politicians really do not want to have to do things that are complicated. If things are complicated, they want to walk away from them, as KKR have done.

As KKR have noted, there are multiple stakeholders who have to be kept happy when it comes to water, and that is hard.

This should not be news to anyone, but apparently it is to all involved, including our politicians, who, like their private sector counterparts, think there must be simple solutions to all problems, because that is what the (relatively) simple models of economists imply to be the case.

But those models are wrong.

They are built on the basis of assumptions that deny that most stakeholders exist.

They make a presumption that 'all other things are equal', or unchanged (the 'ceterus paribus' assumption believed by economists) by any decision being considered, so that they might reduce the number of variables that have to be considered when modelling such processes. That makes the maths manageable. However, it also means that economists assume away the reactions of stakeholders to decisions taken by business and politicians, which then suggests the decision-making processes that they are engaged in are much simpler than they actually are.

Those without the power to think for themselves, or who have only lived in worlds where executive power has let them pretend that such assumptions might hold true, are conned by economists into thinking these approaches are valid. They, as a result, think that the economists who have no real world experience who create these models are describing how the world really is, when nothing they say even vaguely approximates to the requirements of real world decision making, most especially when it comes to government, where there will always be considerable numbers of stakeholders in play at any time.

By the time those who secured political power based on these naive beliefs about decision making learn how wrong they have been, which is usually after some time in political office, they have almost invariably done so much political harm that it is too late for their careers to recover, and for them to do any good, even if they were capable of doing so.

Musk has trashed his reputation for good.

Reeves is over.

Starmer will fall with her, probably in the next year.

Almost every neoliberal who has claimed they can simplify government falls into the same trap.

Government is complicated.

Meeting needs is complicated.

Reconciling conflicting aims is complicated.

Most of the time, businesses just pretend these issues do not exist. That's why so many of them fail.

That's why business is nothing like as difficult as government. When it is, it can just walk away, moving on to the next thing.

Governments cannot do that. When the world realises that, then we might get better government. We might get better government decision-making, because we will realise it is nothing like business decision-making. And then we might move on.

Until then, we're stuck with people who have not the slightest idea what they're doing, or how to do it. No wonder we're in a mess.