

Money as a quantum phenomenon

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I took time to think yesterday, as I said I would.

The idea I came up with is this:

Money is like light. Sometimes it behaves like a particle, sometimes like a wave. It depends on how you look at it.

That might sound like an odd thing to say, and yet it is, I think, a much more accurate description of what money really is than anything you will find in a conventional economics textbook.

That needs some explanation. Whether thinking about a note in your wallet or a number in your bank account, what you are contemplating is not, as such, really “money.” That note or bank balance exists as potential, but it has not yet taken on the form in which it might be used. Unless you spend it, or use it to pay tax, or to clear a debt, or to save or invest it proactively, nothing has yet happened. Only when you act with it does the potential of the monetary-denominated balance that you own become real. That’s why money is so much like a quantum particle: unmeasured, it exists as a possibility. The moment of use collapses that possibility into reality.

And it doesn’t stop there. A great deal of money exists only as a promise.

A government bond is a promise to pay.

A tax bill is an obligation to settle.

Debts inherently contain the promise that they will be repaid.

Until those things are acted upon, they are just potential, hanging in the air. When the payment is made, the promise collapses into an outcome. The abstract becomes the concrete. Economists who pretend that money is just a pile of stuff sitting somewhere entirely miss this duality.

This is why I am beginning to think that money might be best understood as having quantum-like properties. It is not fixed, solid and certain. It is dynamic. It flickers between states depending on how we look at it, how we use it, and how we measure it.

To explain this, consider the different states of money. It is simultaneously a debit and a credit; an asset and a liability, or a revenue and a cost. It is a particle (a pound, or even a penny, which cannot then be subdivided further) and a flow (as it becomes when in a great many of its uses). It is a measure, and simultaneously the medium. It exists, and then it does not.

And that has an extraordinary implication: there is nothing natural or inevitable about treating money as scarce.

Governments can always create the money they alone issue.

Scarcity is imposed by politics, not reality.

It comes from fiscal rules, from austerity, and from the neoliberal story that the government must behave like a household. But that story is obviously false when seen from this perspective.

In fact, seen from this perspective, money is not absolute at all, but exists only as potential. That then demands something that most politicians will find very uncomfortable when it comes to economic management, because it will demand that they know what they wish to use money for, rather than to claim that their purpose is to deny money's use. A positive is required, not a negative, and we have a generation of politicians who have never embraced the idea that positive thinking is a part of their role.

Seen in this way, everything looks different. Deficits are not signs of failure but the mechanism through which government spending becomes private income.

Tax is not a way of “funding” spending but of rebalancing what has already been created.

And the point of money is not to balance some mythical budget, but to shape the society we want to live in.

The truth is that mainstream economics treats money as if it were certain, solid, and scarce. It isn't. Like quantum physics, it is strange, dual, and contextual. Once we accept that, we can stop pretending economics is about housekeeping and start using money for what it really is: a tool to change the world.