

# Funding the Future

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The UK doesn't just have one economy: it has three. They are the real economy, the sustainable economy, and the monetary economy. However, the government is fixated on the wrong one. In this video, I explain why the real economy matters more than the monetary economy, why sustainability needs to get a look in, and why Rachel Reeves seems to have no clue about almost any of this, at cost to us all.

<https://www.youtube.com/watch?v=OnewHXTy8ak&si=EqCtXgjemeGjBmdN>

The [audio version is here](#).

This is the transcript:

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There are, in my opinion, at least three economies that the UK government should be worried about.

In my opinion, they're getting it all wrong because they aren't managing one of them correctly. And in this video, I want to explain what the three types of economy that we have are, why each of them is important, why the government is managing the wrong one, and what the consequences are.

The first economy that the government should be looking at is what I would call the 'real economy'.

The real economy is the one in which the real transactions, which underpin the world in which we live, take place. This includes all the activity that is paid for in the country, and all the unpaid work as well, and that last point is particularly important.

The real economy is not just about paid work. It includes all voluntary work, all care work, all self-help, and even DIY.

And what is more, it includes things like the learning undertaken by students for which they're not paid, but which nonetheless creates human capital.

The real economy is the one in which the foundations of life and well-being are really to be found. This is the actual world, and that's the one which matters.

There's a subset, however, of the real economy which we should also be taking into account now. And that's the 'sustainable economy'. Just as in the case of the real economy, this includes all the transactions that would take place within the economy, but in this situation, transactions are only undertaken if we can be sure that, at the end of any period, there's as much left over for generations to come as there was at the beginning of the period. In other words, the economy is sustainable.

Now we should be thinking about this because the UK government is committed to net zero by 2050 to ensure that this planet can continue with human life on it. I've no doubt that the planet can continue, by the way. But can it continue with human life? That's a question that a lot of people are asking. If we managed the sustainable economy, we would be future-proofing our actual transactions so that we would ensure that our children would have a fair chance.

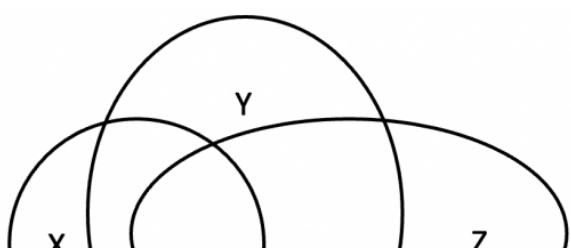
And then there's the third economy that we need to consider, and that's the 'monetary economy'. This, of course, is the one in which everything is counted in terms of money. It is the world of accountancy. It is the world of big business. It is the world of government, but it misses vast amounts of activity that is undertaken in the real economy.

Much of the work undertaken by women in the household - and it is still mainly women undertaking that work in the household - or the work of the elderly in volunteering, or in looking after children for their own children, so, looking after grandchildren, in other words, or of students, as I've already mentioned, or even DIY and cooking and everything else; all of that is ignored by the monetary economy.

But more than that, the monetary economy is not just about creating well-being. The monetary economy adds everything up, whether it's good or bad. So things like pollution and the consequences of environmental disasters add to the value of GDP, which is measured in money, even though they're clearly negative for us because they have to be paid for, but not to actually provide any net gain, because they cause harm.

But despite that, this monetary economy, which doesn't reflect well-being, is our government's obsession.

Now, have a look at this chart, and you can see on here that I've put the three economies I've been talking about.



The circle on the left with 'X' in it is the sustainable economy. There's a reason why I've shown it as a circle, because the sustainable economy would be in balance with itself. In other words, there be no distortion because we're not using resources which are not available for us because they're required by future generations.

The real economy has 'Y' written in it, and it is distorted because we are using excess material resources right now to increase our well-being, but as a consequence, we're denying resources to people in the future, and we are creating climate change.

Because some things that are happening now would be different if we had a sustainable economy, I have not shown the sustainable economy as a subset of the real economy because we'd actually be doing things differently. So, quite deliberately, the sustainable economy is shown as not having a complete overlap, but actually it sticks out to the left, and that's because some things will be undertaken in that economy, which aren't done at present. They might well improve our well-being in my opinion, but the point is the world will be different, and nobody can pretend otherwise if that was the case.

And then we have the third area shown on there, and that's marked 'Z', and that is the monetary economy. It is a subset of the real economy, and that's clear, but it also includes transactions which do not get reflected in the real economy.

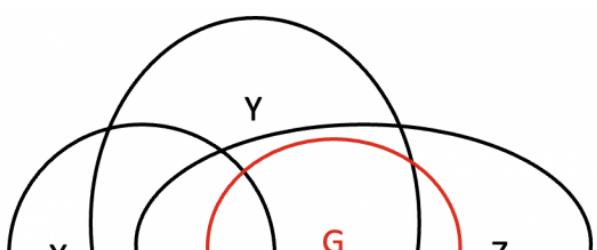
There are vast numbers of payments that take place that don't actually add real value to us, but which are redistributions of wealth within the economy in which we live.

So, for example, rents don't actually create value. They just transfer the wealth of those who are at work to the owners of property. But there's no new land as a result. And in most cases, there are no new buildings either.

And that's true of other things like interest. Interest doesn't add real value to the economy, although we pay vast quantities of it. What it does do is transfer wealth from those who work, and by and large, who borrow, to those who have wealth and who receive that interest. And there are plenty of other examples like that.

But the point is the monetary economy sticks out well to the right of the real economy because there are all these transactions that take place and which have to be managed, but which create no real value for us whatsoever.

In fact, my suggestion is that the real economy is shrunk in size by the amount by which the monetary economy sticks out in that area to the right of the real economy, because all the resources dedicated to these transactions, which add no real value, shrink the possibility of what we can actually undertake in the real world. But this diagram shows the three economies that can exist and which the government should be thinking about.



But when we look at the actions of people like Rachel Reeves and all her predecessors over recent years, we can have this alternative diagram. And the red area on here is the monetary spending of the government, and you'll see it is, of course, a subset of the total monetary spending within the monetary economy, because not everything is done by the government, and it is, therefore, obvious that this must be a subset.

But the particular point is that if that's the only part of the economy that is managed actively by the government, with the rest of the monetary economy having a sort of stick waved at it every now and again by the Bank of England via its interest rate policy, Rachel Reeves is doing nothing to manage the real economy at all. Nor is she doing anything very much to manage most of the monetary economy as a consequence of what she's up to. She just has this incredibly narrow focus of trying to manage the government's books. She's not managing any economy at all. She's just a glorified bookkeeper.

And there are massive consequences of this.

The government should, at the very least, be managing the real economy and not the monetary economy, and ideally, it should be managing the sustainable economy and trying to push things in that direction. But as it is, it's not even managing the monetary economy. It is just managing its books.

The result is the government neglects unpaid and care work and assumes it will go on without any intervention on its part, but places no value on it, which leaves large numbers of people undervalued and resentful inside our economy. It's ignoring planetary limits, and it has a narrow focus on deficits resulting in austerity, which shrinks the size of the real economy, causing deep social harm.

We have three economies, but the government can't even decide to manage the monetary economy, let alone the real economy. Instead, it simply focuses on managing its own books. And as for sustainability, that's an afterthought as far as it is now concerned.

It's time for us to understand that there are three economies within the economy as a whole, which we can look at.

It's time for us to demand change.

It's time for us to demand a government that focuses on what matters.

It's time for us to say, focus at the very least on the real economy and balance that.

And it's time for us to say, and while you're doing it, have a thought for sustainability, because our future matters.

What do you think?

We believe that this representation is fair.

We believe that the real economy is much more important than the monetary economy.

We believe that people matter more than bankers.

We believe that sustainability for our children matters more than depleting the planet now.

But what's your opinion? There's a poll down below. It's linked. Let us know your opinion.

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## **Poll**

**[poll id="190"]**

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## **Taking further action**

If you want to write a letter to your MP on the issues raised in this blog post, there is a ChatGPT prompt to assist you in doing so, with full instructions, [here](#).

**One word of warning, though: please ensure you have the correct MP. ChatGPT can get it wrong.**

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## **Comments**

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