

## Why “spend before tax” is the key to unlocking a fu...

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In a post [I published here yesterday](#), I explained that in a country like the UK, which issues its own currency, has an effective tax system, a functioning legal system, and with that currency being acceptable for international trade, government spending always comes before tax.

That is not just a technical insight into how public finance works. It is, in my opinion, a political game-changer. A commentator then challenged me on that and asked how this might assist younger people in particular. I will define those as being under 35, or perhaps under 30. Then my focus is on how this understanding might let us tackle the structural crises that are shaping the lives of people of that age, so that people of my age do not leave them a politics of permanent scarcity, as could happen unless we change our economic narratives.

If we think “tax comes before spending”, that story is necessarily one of limits. That narrative suggests that we can only achieve better housing, jobs, education, or climate action if the money can be “found” through higher taxes, borrowing (which they choose to forbid to eliminate that choice), or cuts in government services elsewhere. The result is a politics of managed decline, where almost nothing ever changes.

If, on the other hand, we understand “spending comes first”, the story changes. The question is no longer “can we afford it?” but is, instead, “do we have the resources, skills, and technology to do it?” If the answer is yes, then, as John Maynard Keynes once noted, whatever it is we want can be done. The government can create the money, direct the work, and use taxation afterwards to keep the economy balanced, and that opens the door to a completely different policy agenda for younger people for all the reasons I note below.

### **Removing the “there is no money” excuse**

The most corrosive political message in the UK over the past fifteen years has been that “there is no money left”. It is the line used to justify cuts to public services, freezes in pay, and neglect of infrastructure.

Once we accept that spending comes first, this argument collapses. This correct narrative makes clear that the state is not dependent on tax revenues to act. It is dependent on the capacity of the economy to deliver what is needed. If there are unemployed or underemployed people, unused capacity or idle resources in the economy - whether in the state or private sector - the government can put them to work.

For younger people, this means public investment is always possible if the political will exists, whether that is in housing, jobs, climate action, or education. The barren landscape they now face can be transformed.

## **Full employment and skills guarantees**

In particular, understanding spending-first economics means the government can guarantee work, training, or education for everyone who wants it.

For those under 30, that could mean:

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Funded apprenticeships linked to the industries of the future and the continuing needs we know we will have.

\*

Guaranteed graduate placements in public service or climate projects for those who need them.

\*

Paid vocational retraining for those in insecure or low-paid work so that the economy can enjoy the benefits of people's improved skills, which must become the core of the supposed productivity agenda, which has, in the current government's hands, appeared to be all about eliminating people from the workplace rather than about empowering people within it.

In other words, rather than leaving young people to compete for a shrinking pool of "opportunities", the state could instead create those opportunities directly, without waiting to "raise the money" first.

## **Housing as a political choice**

Britain's housing crisis is not the result of empty Treasury coffers. It is the consequence of decades of political choices: restricting social housing, treating homes as speculative assets, and refusing to plan for need.

Spending-first economics makes it clear that large-scale investment in social and affordable housing is always possible. The only real limits are the supply of land, skilled labour, and materials — all of which can be planned for, which should then become the focus of government attention. The dependency on private sector house building alone would end: the state could instead begin to drive this sector again, as it did for forty or more years from 1945 onwards.

For younger people, that should mean that secure, affordable rents and the chance to own a home cease to be a pipe dream.

## **Universal, affordable childcare**

Childcare in the UK is currently among the most expensive in the OECD. This cost locks many young parents, and especially women, out of the workforce, limits career progression, and deepens inequality. With a spending-first approach, universal, affordable childcare is entirely possible. The government can hire and train carers, build facilities, and fund provision directly. The benefits, including higher employment, greater gender equality, and better early-years outcomes, would repay the investment many times over, as is seen in the many countries where this cost is capped for this reason.

## **Education at all levels**

Investment in education is not a “cost” in the spending-first framework. It is a choice to develop human capacity. That means:

- \* Properly funding school education and reimagining its role so that all children and young people can achieve their potential, when its current focus is on producing compliant workers for jobs that very largely no longer exist.

\*

Restoring university maintenance grants to eliminate inequality in this area.

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Reversing cuts to further education colleges.

\*

Funding lifelong learning so skills can be updated throughout a career.

If we can afford to waste young people’s potential as we do now, we can certainly afford to develop it.

## **Student debt relief**

If the government can create the money it spends, then the argument that student debt must be carried for decades to avoid “costing the taxpayer” is false. That debt is a political choice, not a financial necessity. Student debt has always been a game of government financial engineering from which private sector financiers ultimately gained, and has never been about funding education, which has always, and as a matter of fact, been paid for up-front by the government, without exception.

Correctly understanding government financing and the role of both tax and debt within it enables consideration of either cancelling or radically reducing student debt, which would free up income for housing, family formation, consumer spending (which is key to continuing economic viability) and even pension provision, all of which stimulate the broader economy. Considering how to reduce this debt within a proper understanding of government financing is, then, an investment in future productivity and social stability, not a drain on public resources.

### **Climate action without delay**

Younger generations will live with the effects of climate breakdown for decades, and most certainly long after I am gone. It is a prospect that now haunts me, and continually reminds me of the failure of my generation when I knew this might happen when I was myself a teenager. A “tax first” mindset delays action until the “money can be found”. By then, it may well be too late.

A spending-first approach allows immediate investment in:

\*  
Renewable energy infrastructure.

\*  
Home insulation and retrofitting.

\*  
Low-carbon transport systems.

\* Flood defences.

Taxation can then be used to prevent inflation and to steer behaviour towards sustainable choices.

### **Tax for fairness, not funding**

If tax does not exist to “fund” spending, it can be used to shape society. This is tax as an ‘economic steering wheel’ as I described it in the post to which I linked at the top of this one. This then means that tax can:

- \* Reducing extreme wealth and income inequality.
- \* Discouraging harmful economic activity.
- \* Supporting redistribution between regions and communities.

For younger people, that means a fairer distribution of power and resources so that opportunity is not locked up by those who already have it.

### **The political choice ahead**

If we accept the household analogy, younger people face a lifetime of economic scarcity, under-investment, and deferred promises.

If, instead, we understand that as a matter of fact, spending comes before tax, we open the political space to demand secure homes, good jobs, free education, affordable childcare, and a liveable planet now, and not in some imagined future when the books “balance”.

The truth is that the future younger people inherit will be decided less by the constraints of economics than by the limits of political imagination. That is why understanding “spend before tax” is not an abstract macroeconomic debate. It is the foundation for a politics that can actually deliver for the next generation.

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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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