

# Government spending = your income

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Every action has a reaction. That's true in life – and in economics. Every pound the government spends becomes someone's income, which creates tax, confidence and prosperity. Yet politicians and journalists still talk about spending as if it's waste. In this video, I explain why that's wrong – and why we need to ask the right question: what possibilities does government spending create?

[https://www.youtube.com/watch?v=tDOiRh15Wj0?si=fkrzupNZ\\_cNGm62p](https://www.youtube.com/watch?v=tDOiRh15Wj0?si=fkrzupNZ_cNGm62p)

This is the audio version:

[https://www.podbean.com/player-v2/?i=bmdvw-196d12e-pb&from=pb6admin&share=1&download=1&rtl=0&fonts=Arial&skin=f6f6f6&font-color=auto&logo\\_link=episode\\_page&btn-skin=c73a3a](https://www.podbean.com/player-v2/?i=bmdvw-196d12e-pb&from=pb6admin&share=1&download=1&rtl=0&fonts=Arial&skin=f6f6f6&font-color=auto&logo_link=episode_page&btn-skin=c73a3a)

This is the transcript:

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Every action has a reaction.

It's something that I know as an accountant. If you're an accountant, you know that every single entry in a ledger requires two entries, not one, because there is nothing that happens in life that doesn't have two consequences.

But I said this to someone recently. He was a philosopher, and he looked at me, and it was as if a light bulb had gone on in his brain. He said, "That's true, isn't it? Every

action does have a reaction."

And he thought about it, and he said, "But what that means is that every time the government spends, somebody gets it, don't they?"

I said, "Yes. That's obvious. That's true." But it hadn't occurred to him.

And I then pointed out that every time the government spends, it is, in fact, someone's income.

And politicians don't get this either. He didn't. They don't.

The world's media never challenge a politician who implies that government spending is a waste. The right question for them to ask is not, "Well, why did you do it then?" but "So what was the reaction to that spend?"

The fact is that the myth that public spending is a waste of money has to be challenged. Politicians talk about it as if this is the way in which government spending goes into the economy, as if there's a black hole into which they pour money somehow or other, although why they would want to do that, I never understand.

But the truth is, and I think deep down they know this, in economics, nothing vanishes without consequence.

Every debit in an accounting system has a credit.

One person's spending is always another person's income.

That income always leads to tax.

That tax shapes future possibilities, policy and stability.

And the reality is that spending generates income, generates tax, generates confidence. Confidence results in more willingness to spend. Spending can fuel investment, because people feel like it's worthwhile putting money into projects that might give them future income as a consequence, and therefore investment creates future prosperity

And all of those things follow because an action creates a reaction, and a reaction creates a whole chain of events, which can be to our good.

The consequence is also clear in other areas.

Prosperity is not just about GDP. Yes, we can measure GDP, a bit inadequately. But there are many things that we know aren't reflected in GDP, but are the reactions to what government spending and other spending creates.

There's equality. There's dignity. There's care. There's security.

All of these create potential.

And the reason why they create potential is because if people feel equal, respected, cared for and safe, then they will take the risk to enrich society.

Every pound they then spend recirculates into the economy. And once that money starts to circulate, we create new after-tax income for somebody else who spends it and who creates new after-tax income for somebody else, and on, and on.

So confidence, plus spending, creates this flow of resilience through the economy, and this is the exact opposite of waste.

Calling spending wasteful therefore undermines society. It creates a two-tiered economy. It implies that carers and pensioners are drains on society. That the armed forces don't add any value, although a lot of people would argue that they do. And builders working for the public sector are drains on our well-being.

And yet, all of those things create value every day, not least by the spending that they're able to undertake as a consequence of government spending in the first place, but also because of the well-being that they enjoy as a consequence.

So there's never a question to ask about "Is this spending wasteful?". The question to ask is "What possibilities did that spending create?" That's the real question we need to ask about the government and its spending, because otherwise, we've got every framing of what the government does wrong.

The government isn't a negative force within society. It's a positive force within society. And it could, if it understands its role properly, always consider how it can release human potential for the good. What confidence and stability can it deliver?

So in that case, reactions are not just financial. The psychological impacts of government spending matter just as much. And those reactions are political because they shape democracy.

Government spending always creates a reaction - economic, social, and emotional. We could add environmental, but that's probably not in the course of this video. To ignore all those things is bad economics, and it's worse politics.

We need leaders who understand this.

We need journalists who understand this.

We need you to understand this, and you to ask the question "Well, what was the consequence of that spending?" and what did they do with it? And it's that action by the

recipient which determines whether the government spent wisely or not.

So, understand every action has a reaction. Government spending creates possibility.

Let's stop treating it as waste, and let's start asking, what do we want our reactions to be?

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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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