

MMT v fascism

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Ignorance about money is set to become an even more important feature of UK politics, it would seem. [As the FT has reported](#):

A former Tory minister and top bank executive have contributed to a Reform UK affiliated think-tank report that claims the UK is heading for a debt crisis.

Former Conservative cabinet minister Sir John Redwood and Mark Dowding, chief investment officer at RBC BlueBay Asset Management, are two of the contributors to a report by the Centre for a Better Britain, according to people familiar with the matter.

And, as they note:

The first report since the launch of the CFABB in September, outlines what the UK government should do if markets lose confidence in its ability to service the national debt.

This is now a Farage theme. His talk is of IMF bailouts and a forthcoming loss of confidence in the pound, all based on a claim he is making about the supposed rapid deterioration in the UK's ability to service its international debt obligations.

As a matter of fact, everything that this think tank and Farage will be saying is wrong. The UK's international debt obligations are denominated in sterling. Sterling is, and can ultimately only be, created by the Bank of England. Therefore, there is precisely no chance whatsoever that the UK will not be able to meet its international debt obligations: the UK can always pay what it owes because it alone has the means to create the money to make settlement of them, and those signing up to buy that debt did so precisely because they knew that. That is the security they bought, and the security upon which the value of their savings depends, but which knowledge appears to have passed Farage by.

Is, then, anything about to change? Is it possible, for example, that the Bank of England might refuse to pay what is legally due by the government? No, of course it isn't: it legally has to pay what is due.

Is there instead going to be a crash in the value of the pound, meaning we are all going to be walking around with wheelbarrows of worthless notes because the pound has ceased to be of value, banking has collapsed, and hyperinflation has broken out? It is impossible to say that this could not happen. It is equally possible to say that the probability is smaller than that of my going to Mars by Christmas.

So what is happening? That's much easier to explain. Farage is playing on people's ignorance of the nature of money, of how it is created, of the role of the national debt in that process, and of the means by which debt interests obligations are settled, to create an environment in which panic can be induced to further his political claims. As acts of irresponsibility go, that takes some beating, but when was responsibility part of Farage's stock-in-trade?

And what we should note is that all of this is possible because people really do not know how money is created, what the UK national debt really is, or why it is not a threat in any way. In other words, this is happening precisely because the narratives that I have been talking about here for so long are not understood (and are denied by other politicians), meaning that Farage can seize the opportunity to abuse the resulting ignorance to undermine the economic credibility of the UK.

What does this mean? I suggest that this requires me to talk even more about modern money theory, because knowledge of it is now the way to beat fascism. And that matters.