

“We can afford whatever we can do”

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John Maynard Keynes said, “We can afford whatever we can do.” Few sentences in economics are more radical. In this video, I explain what he really meant — and why it matters more now than ever.

A currency-issuing government cannot run out of its own money. The true constraints on public action are people, skills, energy and materials — not a Treasury balance sheet. That means the key question is not “What can we afford?” but “What should we choose to do?”

This is the heart of democracy. Markets chase profit, not the public good. Only the state can set society’s goals, mobilise idle resources, and tax to free capacity for essential work. Keynes used these tools to direct the British war economies. We can use them now for housing, care, education, climate transition and energy security.

This video explains why politics – not markets – must lead, and why tax and spending are tools of direction, not constraints. Keynes gives us a moral economics. It’s time we used it.

<https://www.youtube.com/watch?v=8LyKv8veLCc?si=QLpavQmSvsWWCsTS>

This is the audio version:

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This is the transcript:

As regular viewers of this channel will know, I am a great fan of John Maynard Keynes, the greatest, in my opinion, economist of the 20th century. And one of the things that he said was that " We can afford whatever we can do," and that is one of the most radical sentences in economics. It overturns the myth of government affordability, but it also implies a duty. The state must decide what we should do, and that's important because it's only politics and not markets that can set society's goals. And that also is in itself a really radical idea in a world where we are told that markets rule.

Let's stand back for a moment and understand what Keynes really meant. He understood that a currency-issuing state is never short of its own money. He wrote that line in the middle of the Second World War, and we were a currency-issuing state at that time. A government can always buy what is for sale in its own currency is the consequence of that idea that the government can never run out of money.

The limit is not money. It can do whatever the real capacity of the economy lets it deliver, but it can't go beyond that. So the real limit on what is possible in our world is not money, but the availability of people and skills - and that's vital - and materials. If those exist, money can be used to mobilise them.

But the question then becomes to what purpose? And this is fundamental to the role of the state, and it's almost being forgotten by modern politicians. The market does not define the public good; the market chases profit and not social need. So the state's job is to identify what society requires, and then it must use its monetary power to make it happen. That is what Keynes meant by saying, "We can afford whatever we can do."

Care, housing, education, energy, security, the climate transition, all of these are collective priorities, but they're never going to be market outcomes. Left to itself, the market underinvests in all of them. So if we want these things, and I suggest that we do, because without them, we cannot live in a good, stable society in which everyone can prosper, then the government must lead investment, direction of the economy, and the coordination of the skills that are required to make these things happen. And this I stress, is not interference, as those on the right wing of politics would say, it's democracy in action, and democracy does, in my opinion, have significantly more power than markets, which are oriented to those with the maximum number of pounds, yen, euros, dollars, or whatever else.

The state can make things possible by spending the money it creates into use. It can direct idle resources into purpose for work, and it can determine what work that should be by allocating resources to particular tasks, and if necessary, freeing those resources by taxing their current use so that they become available for use for what the state determines. I stress this point, tax does in part exist to actually prevent private sector activity so that resources like labour and materials are available to deliver social activities for the common good.

In that case, tax doesn't fund spending; it frees capacity for new priorities, and that is a

fundamental job of the state. That's how we move labour and materials to where they're needed to meet the public purpose. And it has to do that because, as I've noted before, the real constraints are people, energy, skills, and materials, and not the Treasury's bank balance.

So, so long as we work within those real constraints, spending does not create inflation, but it does redirect money to where it can deliver the best outcomes for everyone, and that's why state planning and taxation fit together. The right will hate me saying that because they'll say, "That's the definition of the control of the state by socialists," and I say, "I don't care, this is what democracy does, democracy only exists to make decisions about what the state does. If you don't believe that, that's what the state is for, then you don't believe in democracy either."

Of course, the state exists to make decisions about how we fulfil the public purpose; it is pointless without those decisions being made. So the fact is that the state has to make

decisions by balancing ambition with capacity, and that's a crucial role that it has to undertake, and which does require very particular skills, which I'm afraid to say quite a lot of our politicians have forgotten. And they've forgotten it because of the myth of market discipline.

Neoliberals pretend that only markets allocate resources efficiently, and too many of our politicians have believed them. And they're wrong to do so because markets ignore social value and ecological cost. The state, by contrast, can set moral priorities, including around those issues of social value and ecological cost. It can demand that capital serve life and not the reverse. And Keynes knew this was the heart of a civilised economics, and Keynes knew a great deal about this because he directed most of the economic war effort in both the First World War and the Second World War in the UK, achieving the command of resources to deliver victory in both cases.

Taxation was used as a means of redirecting society's limited resources by Keynes, in particular, and he highlighted this in his 1941 book, *How to Pay for the War*. It can release labour and capital from low-value uses and direct them towards high-value uses.

So, for example, in 1941, he made clear that energy was not available to people who wanted to drive their private cars. It had to be used solely for the war effort, and he used tax and regulations to achieve that goal.

He also used tax to curb the excesses of wealth and inequality at that moment because he realised that everybody had to think that they were in that war together, just as we have to always believe that we live in society together. There is no real difference. And as a result, he created space for public goods and sustainable investment as it was seen at the time. And of course, we would have different priorities now, but we still

need public goods and sustainable investment, and the state can still do that. That's how fiscal power reshapes the economy.

So this still matters; saying we can afford whatever we can do is not about creating blank checks, as some people would claim. It's actually about responsibility, and it's about most particularly the government deciding what matters and acting on it.

And that is what people are now demanding of government and are not getting. They're fed up with cowardly governments that are unable to make decisions. They

want to see leadership, and all I'm saying is, let's have some of it.

The type of politics I'm talking about puts purpose before price; it restores politics to economics, and Keynes gave us a moral economics as a result of understanding that. He knew the state must decide what we should do, and he knew the state can always afford to do it if the resources exist.

And it can decide what the state and market should also do best to deliver these goals. In other words, the decision is the balance between the two is not something which is on the basis of the market can do whatever it wants and the state can pick up the rest. We have to decide the optimal outcome. And again, that is a role for government.

Tax and spending are tools of direction, and they are not limitations. The real choice is whether we govern money or let money govern us, and Keynes gave us the answer. We are in control, and we must decide what is done for the benefit of you or me and everyone else who might ever watch this video.

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