

Funding the Future

Article URL

Published: January 12, 2026, 6:49 pm

Most people think that economics is about money, that government spending is constrained by tax, and that public services must always come second to “balancing the books”.

All of that is wrong.

In this video, I explain why money is not scarce, why governments create it, and why treating money as the central economic constraint has led to unemployment, inequality, wasted lives and environmental damage.

Economics is not about money.

It is about people, resources, care, and planetary limits.

When we put money first, we get injustice.

When we put people first, economics starts to make sense again.

So the real question is simple:

Do we want money in charge – or justice?

https://www.youtube.com/watch?v=ZL8SMv2VyY?si=F_TIAeuDBKcUA1Gb

This is the audio version:

https://www.podbean.com/player-v2/?i=hzhwa-19f2012-pb&from=pb6admin&share=1&download=1&rtl=0&font=Arial&skin=f6f6f6&font-color=auto&logo_link=episode_page&btn-skin=c73a3a

This is the transcript:

Economics is not just about money, and it's a point that has to be made because so many people think that it is, and that belief on their part matters because it shapes everything about the way in which our economy is managed as a consequence, and that is wrong. That error and what would replace it is what this video is about.

The widespread belief is that economics is about money and that government money is scarce, and that dominates the whole narrative about how the economy should be managed.

In turn, that belief that government money is scarce is based upon the idea that the government must manage the cash it has carefully on our part because we provide the money to the government, but that's wrong.

We don't provide the government with the money it spends; it creates it by issuing instructions to the Bank of England to make payment on its behalf and marking up its overdraft as a result, and this is a plain, straightforward matter of fact, enshrined in UK law.

There is, in fact, no such thing as taxpayers' money that the government has to manage on our behalf, because we don't even pay for anything with the taxes that we return to the government out of the money that it has spent on our behalf. The money that we return to the government is simply cancelled, destroyed, forgotten, obliterated. Once we pay our tax debt, that money ceases to exist. So the whole narrative that is explained about government and why economics is about a scarcity of money is itself also completely wrong, and this is massively destructive.

What goes with this belief that the government is short of money is a parallel belief that that shortage constrains everything that the government can do. Everything like job creation and healthcare and social care, and managing climate change, and education and defence, all those things that people want are treated as secondary because it is claimed that the government hasn't got the money to deal with these things. That's because balancing the books is all that matters in economics, according to most commentators now and according to our politicians.

But balancing the books is not all that matters. Let's just use an example. There is over 5% unemployment in the UK right now, but the government is refusing to act to address this fundamental problem. One in twenty people in the UK who want work do not have it because the government say they can't afford to stimulate the economy to provide the jobs that these people want. Meanwhile, the Bank of England is prioritising inflation control with high interest rates, which reduces employment opportunities at the same time, meaning that, apparently, inflation - a money issue - matters much

more than unemployment.

The human cost of all this is barely mentioned; the financial cost is. Every priority is therefore wrong, but people are hearing the message, as a result, that unemployment is acceptable, and skills can be wasted, and lives can be put on hold and all because the books must balance and inflation matters.

I find this offensive. People come to the conclusion, as a result of these messages, that the economy is all about money, and money is the limit, and nothing else really matters except financial rules, but this is the mistake because the economy is not just about money.

In fact, it is very decidedly secondary. The economy is all about people. You, me, everyone we know and everyone they know, all of us together. When you add up everybody they know, and on and on, we are talking about the world as a whole. The economy is how we manage this planet, at the end of the day, albeit it's normally managed by country. What the economy is really all about is how we organise ourselves to meet human need using available resources for collective well-being. It's as simple as that.

And what are those resources that we have available to us? Well, they are people again, you and me, and our skills and our time, and our knowledge and the fact that we care. Those are the resources that we have, coupled with the real limits that exist within planetary boundaries and the risk of environmental damage, coupled with the human constraint, that we may not have some of the skills that we desire to be able to achieve everything that we want.

But money can't wish away these constraints, and that's key because money is not the focus of the economy; money is just a tool within the economy. It facilitates decisions, but it does not determine purpose, and yet most of economics seems to pretend that it does. So at the core of our economics, we have a fundamental fallacy that money is the be-all and end-all, when it isn't.

And that is the wrong story as a result, because the government can and does create money, as a matter of fact. In fact, one of the ways in which we can define the existence of a state is its ability to create a legal tender for use within its jurisdiction, and that it can defend the value of that legal tender by charging tax in it, which taxes are paid.

So money is not the constraint. It is, in fact, issued for public purpose, but if not enough of it is issued, which is the point that I am making, then public purpose is failed. The choice to constrain action, which is what is happening inside the economy because money is made the purpose rather than the tool, is that our ability to deliver what is good for our economy is being constrained by government voluntarily.

Now, I'm not saying that this does not mean that money shouldn't be managed; of course, it should be managed. If we try to spend money on things that don't exist, then we will get inflation, and that's not good news, and I accept that. But there's another corollary: if we spend too little money, which is what we are doing now, we get wasted lives; those one in twenty people in the UK economy at this moment who are not working when they could, if only the government was willing to spend more. We count the risk of inflation; we don't count the wasted lives, and I personally think that's well, immoral to be blunt, because lives matter to me very strongly and, in fact, of course, they matter to everyone. The fear of unemployment is much bigger in the population as a whole than it is of inflation; plenty of surveys prove that. So we need to find the right balances and the right priorities and make sure that we put emphasis on people, not money.

What we should be doing is addressing our current failures, and they are that we underuse labour and we overuse nature. We accept inequality and call it sound economics, and we allow obscene monetary inequality as a consequence, with power concentrated at the top as a result, and insecurity for most people, whilst there is permanent exclusion from society, for some, because they never will have access to the money that they need to participate.

We could raise the question, why do we accept this? Is it ignorance? Is it fear? Is it habit or is it power on the part of those who have money to ensure that their situation remains as it is now, and that they will always be secure, even if the rest of us are heading for gross insecurity?

Who benefits from this story anyway? It is, of course, those with excess resources; those with power, in other words, and those who command wealth and those who fear redistribution. Those who already have too much are, in other words, the only beneficiaries of the story that we currently have. No one else gains at all.

So the story that we have about how the economy is managed is one that is designed to ensure that the inequality that exists within it is perpetuated. That inequality does matter because it's toxic, whether it's within countries, and we do see that in the UK within regions, for example, or whether it's between countries, as we know exists because, of course, there are many countries in the world much poorer than the UK, although we have some pretty desperate poverty here now. And of course, we also have inequality across generations because those to come might well have to clear up the climate mess that we've created, and that is a matter of great concern to me as well.

Do we even care? That's the question. And why can I ask that question and believe that there may be no answer? That's because for 250 years, economics has been constructed to serve power. It has legitimised accumulation by a few at cost to the many, and it has ignored care whilst discounting the future by simply pretending it doesn't exist or it doesn't matter, and that there will be no consequences of current

behaviour on future possibilities when we now know that's not true.

Our economics is blown apart as a consequence, and the truth is that we have to face that and the facts.

The facts are that money is not scarce. We could therefore organise our economy in a different way.

We could put needs first and not last, which is what the current system does, and outcomes would change as a result. We would have a different ordering of priorities, but can we change how we think? Can we stop worshipping money as if it is the real economic objective of life, when in reality it is not and should not be? Can economics serve everyone, and can we persuade the economic commentators to agree and talk about the failings in the current system, which means that people do not get what they need by choice of those in charge?

That's important because we need to change the direction of travel. If we do, economics becomes about well-being. The state has to accept responsibility, and that responsibility must mean that it should challenge inequality, and the consequence will be that our democracy would become meaningful again, when right now it's being hollowed out.

In summary, I'm not saying money is not important; of course, money is important. It is a fundamental tool to make these goals happen, but I am not, therefore, saying money is the most important thing; I am simply saying we must put it in perspective.

We are the most important thing, and our planet is the vital constraint on what we can achieve. Putting money first has made us forget both those things. We don't even care about people, let alone the planet, and so we need to change our priorities.

The right ordering is putting people and their needs first, putting the planet second, putting competent economic management of money and other such things third, and then, maybe, meeting wants, if there are resources available to achieve that goal for those who have some resources left over to make claim upon them.

These are the conditions for justice, and the question that we have to ask is, do we want money to be in charge, or do we want justice? That's the choice we have to make. That's the choice that will define our economics of the future.

What do you want? There's a poll down below.

Poll

[poll id="276"]

Tickets are now on sale for the **Funding the Future live event in Cambridge** on 28 February. **[Tickets and details are available here.](#)**

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