

Funding the Future

Article URL

Published: January 12, 2026, 4:51 pm

Why is the left still terrified of the state's power to create money?

In this video, I set out a straightforward truth, which is that modern governments create money every single day. That is the foundation of public authority in the UK and every other country with its own currency. The government spends money into existence — and then uses taxation, not to fund that spending, but to manage inflation, redistribute wealth, and steer the economy.

And yet much of the political left denies this reality. From Labour's fiscal rules to tax justice organisations and NGOs obsessed with "fully funded" pledges, left-leaning politicians cling to the false belief that the state must:

*
Tax before it spends

*
Borrow from the markets to "afford" investment

*
Balance budgets like a household

These ideas are myths — inherited from neoliberal economics and reinforced by the power of the City of London. And they severely restrict what democratic politics can achieve.

When the left refuses to use the state's power to create money, the consequences are enormous. It means:

*
Unemployment becomes a choice

*
Austerity becomes a choice

*
Poverty becomes a choice

*

Failing public services become a choice

*

Climate breakdown by inaction becomes a choice

Because the truth is: money isn't scarce. Political courage is.

In that case, what this video explains is why the left fears being held responsible for the results of power, and why that fear must end. If democracy already has the tools to transform society, why aren't we using them?

https://www.youtube.com/watch?v=7O_3wR87yvo?si=w1wL8n6oI8C3UF1F

This is the audio version:

https://www.podbean.com/player-v2/?i=st34q-19dac1d-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:

Why is it that the left are so scared of the power of the state to create money?

There are days when I genuinely wonder what most of the left-wing in politics think the state is for. You would think that they would want to claim the power of the state for themselves to deliver what it is that they say they want, which is a better lived experience for the working people of the country in which they're fighting their political cause, and yet almost all of them deny that the state has the power to create the money that is required to achieve that goal. There is no indication on their part that they understand that the tool that they require to transform our society exists and is already available to them, and is simply the power of the state to create money at will and on its own command.

Why is it then that the left is so terrified of doing this? And we need to talk about that because this is really important for the future of politics, not just in the UK, where I'm making this video, but in other countries as well.

The power of the state to create money is the whole basis of the authority of modern governments.

Some people claim that the power of government is based upon its ability to defend a territory from attack. But let's be honest, attacks on territory don't happen very often, thankfully, these days.

Other people claim that the power of the state is dependent upon its ability to impose tax and then imprison people if they don't comply, and to some degree, I would agree with that. But nobody needs to tax unless the government has already created the money that is in use in the economy, which is being governed, and then demand that payment be made in that currency for the tax that is owing, which they deliberately put in place to cancel the money that they have already created.

Therefore, the whole power of the state, in a practical sense, and in the way in which lived experience now reveals it, comes down to the fact that a modern government has the power to both declare a currency to be legal tender in their jurisdiction and to enforce that fact by forcing it into circulation, by requiring that tax be paid in it, always recognising that they must create the money in question before anybody can use it, let alone pay tax in it.

If the government does have this power to create money, it follows that it can fund health, education, care, the energy transition, infrastructure, and anything else that is necessary to deliver the well-being of people in the country in question if it so wishes, and if it wishes to use that power in association with taxation to mobilise the necessary resources to do so.

In other words, the whole foundation of democratic economic choice is based upon this ability of the state to create money, in association with its ability to impose tax to recover the money in question from the economy to prevent inflation, but also, for example, to redistribute income and wealth.

The left denies this; they seemingly want to deny themselves access to the most powerful tool that is available to them to deliver their social goals, and in the process, they appear to want to deny democracy itself.

They actually sign up to all the prescriptions of the right.

They claim that the government must tax before it spends.

They claim that the government must borrow from the City of London or whatever the equivalent institution is in other countries, before they can actually balance their budgets, which they think to be fundamental because they don't understand that money is a government creation and not something that the private sector creates and lends back to the government.

They cling to these myths, all of which are designed to constrain democracy in the state, and as a consequence, they actually undermine every single one of their own arguments about the power of the state to deliver on behalf of people.

So why do they do that? I'd suggest a number of reasons.

One is that they have quite simply internalised neoliberal thought. Most younger people, and most of the people who I hear talking about these things are younger, have been to universities and studied their subjects like politics, philosophy, and economics, and all of those teach pure neoliberalism these days. In other words, they say, "A government must live within its means. Markets decide what is possible, and public purpose must bend to private confidence. We must", in other words, "bow down to the power of the City."

And that is as much the left's worldview now as it is that of the economic right, as far as I can see. After all, what else explains Rachel Reeves and why she spends so much of her time trying to create and comply with fiscal rules that are utterly meaningless, and full funding rules, which are constraining everything that her government can do, totally unnecessarily?

But the same issue also exists for the further left, and they, in a sense, are constrained by my second reason for the left constraining themselves with regard to the power to create money, which is that they wish to reduce all their politics to class struggle.

They say power is all that matters.

They reject arguments about money.

They reject arguments about technocratic, as they describe them solutions to problems because they simply want to undertake class struggle.

The irony is that by refusing to understand money, they grant power to finance and take no steps to challenge it. It could not be more absurd than that.

There's a third reason why the left will not subscribe to the idea that the state makes money, and that is that scarcity suits their politics. They want to look like heroes, and if there is scarcity, they can claim themselves to be heroes for defending what little there is available to those who are on limited means.

If there were abundance, their heroic role would disappear. They wouldn't appear to be saviours; they would appear to be decision makers.

They would not appear to be heroes; they would just be competent administrators, and that doesn't suit their personal agendas.

If the government can always afford to meet needs, and technically, in a government

that recognises that it can create money, that is always possible if the right decisions on the allocation of resources to those in need are taken, then they must actually always deliver.

The idea that there is an obligation to deliver if they understand that the money to deliver is available really terrifies most politicians on the left, and there's a good reason for that. This would require that they would have to decide. It would demand that they do act, and they would have to say what they will do, and what their priorities are. They would, in other words, have to make up their minds, and for the left, that appears to be something that is amazingly difficult. They like the idea of being heroes and undertaking the brave struggle, but actually talking about what they're going to achieve, that's not on their agendas.

Instead, reason four, for their failure to embrace the idea that the state can create all the money that it needs, is critical. These people are petrified.

They're petrified of being mocked by everyone from the Treasury through to the media, and the NGOs that they work for, for not being credible, by claiming that the money that is available to deliver the policies that they talk about is actually within the capability of the state to create. They would rather manage decline respectably than actually advocate a truth that is in existence, but which requires them to disrupt the thinking of other people and to force themselves out of their comfort zones.

They fear responsibility more than failure. They wish to look credible, and they don't believe that it's credible to claim that the government can create money even though it does every day, day in and day out.

What all of these reasons reveal is one common thread, and that is fear.

The left is frightened of responsibility.

It's fearful of using power.

It's afraid of being held accountable for real change.

And they don't want to recognise, as a result, that the ability of the government to create money at will makes their excuses impossible.

The reality is that if the government can create money when it spends, then unemployment is a choice.

Austerity is a choice.

Poverty is a choice.

Failing public services are a choice.

Climate breakdown by inaction is a choice.

This is the reality, but the left would choose instead to treat the state as a household with a flag.

They think it must beg from markets.

It must prioritise private wealth over public well-being.

And it must deliver balanced budgets even if lives are broken as a result.

The left chooses to become the administrator of scarcity as a consequence, and that is capitulation dressed up as prudence.

What would change if the left actually came to terms with the reality that the state can and always does create money? My answer is just about everything.

It would be possible to invest in the energy transition at scale.

It would be possible to provide care, whether that be social care or medical care.

We could provide for people who need mental health support.

We could educate people to their full potential.

We could guarantee full employment by design.

We could direct the economy to meet need, and not feed rentiers.

We could, in other words, build a state that cares, and that's a fact. Money is not scarce after all. The only thing that is scarce are real resources. Things like people skills, energy, technology, and materials; they are scarce, and that's why decisions have to be made. And that's what modern monetary theory, or just modern money, if you wish to call it that, makes clear.

What it makes clear is that decisions have to be made about what money will be spent on, and who will be taxed to create the social outcomes that a government wants on behalf of the society that it represents.

The role of a government is to steward resources wisely whilst managing inflation, the tool for which is taxation.

What MMT asks of the left, then, is nothing new. All it's asking it to do is not be frightened of what actually exists.

The left fantasise about change and not real-world delivery, and that's what MMT asks it to change.

It says the left should simply acknowledge the reality of the world we actually live in because the tools that we need to constrain capitalism, to keep finance in its box, and to deliver well-being for people, all exist, if only we accept the reality that the government is already in charge of money creation and then taxation, and these are always going to be the tools that are available to it to determine how resources are allocated within society.

Democracy already has the power to deliver what the left wants.

It is the process of deciding how to use that power that is critical.

So it is time that the left stopped denying state power. It's time that they used it, because the greatest constraint we face is not money, it is fear.

The left needs to stop being frightened of the City, of finance, of technocracy, and of the real power that money creation delivers. They actually need to stand up and embrace this power because if they did, then they would be able to transform society on behalf of the people that they claim they want to represent, but right now are miserably failing.

I am willing to take that risk to stand up to those who say I'm talking nonsense because I know I'm not.

I am willing to say to the left, "Get on with this job of addressing the problems that we know we have."

I am willing to demand real change.

I just wish most of the left would come along with me because if they did, we could have a better tomorrow.

Poll

[poll id="265"]

Comments

When commenting, please take note of this blog's comment policy, [which is available here](#). **Contravening this policy will result in comments being deleted before or after initial publication at the editor's sole discretion and without explanation being required or offered.**