

Keen's Law

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Steve Keen [wrote this on Substack](#) yesterday:

YouTube popped a video into my feed of Niall Ferguson (the author of [The Ascent of Money: a financial history of the world](#)) being interviewed on the [TRIGGERnometry](#) show. He was asked the inevitable question about governments “living beyond their means”, and gave the standard answer that governments which spent more than they collected in taxation are on the road to ruin.

This argument is wrong, but it's believed by people who, in another guise, are experts on money. Ferguson is an expert on the history of money; I prefer the work of Graeber, Martin and Gleeson-White, but his work on this front is scholarly. And yet he is entirely wrong about government finances, as were his interlocutors on the show, because they are all ignorant of the double-entry bookkeeping by which money is created.

Ferguson quipped that he had invented “Ferguson's Law” recently: “any great power that spends more on interest payments than on defence won't be great for much longer”. That led me to invent “Keen's Law”: that “virtually everyone who claims to be an expert on money doesn't understand double-entry bookkeeping”. The only exceptions—and I'm only being partially tongue-in-cheek here—are myself and [Richard Murphy](#).

I was amused.

But Steve is also right: unless you get double-entry, you cannot understand money or the economy. It really is that straightforward.

The rest of Steve's Substack explores the double entry that shows Ferguson is wrong. Some will find it hard work, I admit. It is worth the effort.

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