Funding the Future

The UK will not be going to the IMF for a bailout

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It is, in many ways, a quiet news morning, given that I am not willing to repeat myself too often, and much of the news agenda is playing on repeat today.

However, this stood out to me on Twitter when I was posting this morning's video:

The Telegraph is claiming that as the UK heads for a supposed £3 trillion of so-called national debt, an IMF bailout is imminent.

This, of course, is total nonsense. The UK only has debt denominated in sterling, and can always create the sterling that is required to make settlement, and therefore there is no chance at all of the UK requiring a bailout from anyone, let alone the IMF.

In addition, since the UK has substantial foreign currency reserves, it is not at risk in any other sense either.

So what is the Telegraph doing with this story? It is, of course, scaremongering, as is the usual habit of far-right media. And what is its aim? It is to suggest that the scale of UK government spending on those things that the Telegraph seems to find thoroughly undesirable, like help for those in need, should be scaled back whilst, simultaneously, defence spending should be increased. Unless, apparently, we do as it demands, we will go bust, although this is a technical impossibility.

We are living in a world of gross misinformation, prejudice, and barely disguised agendas of hate, and that is as true of economics as it is of any other part of life. The Telegraph both hates what government can do, while simultaneously demanding that it deliver what the Telegraph expects. The hypocrisy implicit in the Telegraph's paranoia should be clear for all to see.

And what we should be pointing out is that:

* The UK cannot default, because it can always pay its debts, as it creates the only means available to let that happen.

* The debts in question do not fund government spending, because government spending is funded by the Bank of England.

* The debts in question are fundamental to the operation of British pension funds, life assurance companies, and UK banks, none of whom can survive without them, so why is the Telegraph so adamant that they must be repaid?

* If we reduce UK government debt, that will require increased levels of private debt to replace the gilts in question, and when private debt is very much more vulnerable to default, why does the Telegraph want that?

* Why doesn't the Telegraph understand how government funding works after all the years it has been in operation?

* Why is the Telegraph intent on supplying misinformation?

It is the case that a great deal of what supposedly passes for news in much of the right-wing media is, these days, nothing but a pile of nonsense, but that is most especially true when it comes to economic commentary in the Daily Telegraph.