Funding the Future

Debate Ammunition: John Healey's Four Wrong Assumptions

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THE RICHARD J MURPHY YOUTUBE CHANNEL

DEBATE AMMUNITION

John Healey's Four Wrong Assumptions

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Topic

John Healey's first speech as Chancellor of the Exchequer revealed his four foundational assumptions, all of them wrong, about what a Chancellor of the Exchequer’s job is.

He conflated fiscal control with economic competence, mistook restraint for stability, revived a century-old doctrine to claim that shrinking government makes room for growth, and supposed that defence spending can be calibrated to GDP.

Each assumption needs to be challenged, because together they guarantee the same failures Britain has endured under every Chancellor since 2010, at least.

The video to which this Debate Ammunition relates is available here.

The Core Argument

A Chancellor's first duty is to, at a minimum, to deliver real outcomes for the government he or she serves, including full employment, sustainable living standards, reliable infrastructure and a managed green transition, not to balance the books. Treating fiscal control as the priority confuses an instrument tool with the goa of economic policy.

The Treasury View that Healey expounded, which suggest that government spending crowds out private investment was only ever true under the gold standard, which Britain left in 1931, and the world abandoned in 1971. A currency-issuing government creates money when it spends, and the Bank of England has confirmed this since 2014.

What is more, real security is not a function of GDP. Energy independence, education, health services, infrastructure and scientific capacity create the resilient society that defence protects. Sizing weapons budgets to a percentage of national income is an arbitrary ratio, not a strategy.

Every Chancellor since George Osborne has operated inside the same Treasury framework that Healey now says he will use and failed. Repeating those assumptions, as he explicitly did, is the definition of the mistake, not a route to stability.

Key Statistics

Statistic	Figure
Year Britain left the gold standard, ending the basis of the Treasury View	1931
Year the US broke the dollar-gold link, completing the end of gold-standard constraints worldwide	1971
Year Bank of England confirmed that banks create money when they lend and government creates money when it spends	2014

The Argument Structure

Step 1 — Fiscal control is a tool, not a goal:

John Healey opened by declaring fiscal control to be his first priority. But a Chancellor is not an accountant. The purpose of fiscal policy is to deliver outcomes: full employment, rising living standards, rebuilt public services, affordable homes and a managed transition away from fossil fuels. None of these appeared on Healey's list. He has confused the map with the territory, and a Chancellor who prioritises the tool over the outcome has already failed before he has begun.

Step 2 — Fiscal restraint does not create stability:

Healey's second claim was that fiscal restraint delivers stability. But the crises of recent decades were not caused by government borrowing. The 2008 financial crisis arose from excess private debt. The energy shock came from geopolitical disruption. Brexit was a political choice. The pandemic was a biological event. None of these were fiscal in origin, and none would have been prevented by a smaller deficit. Stability requires resilience across the whole economy and society, not a particular balance sheet target.

Step 3 — The crowding-out story died with the gold standard:

Healey's third claim, that fiscal credibility creates growth, rests on the Treasury View: the idea that government and business compete for the same fixed pool of money, so government must shrink to let business expand. That doctrine was coherent under the gold standard, when the money supply was genuinely constrained. It has been false since 1931. A currency-issuing government creates money when it spends, just as commercial banks do when they lend. There is no competition. Government spending crowds investment in by creating the customers that give businesses a reason to invest.

Step 4 — Growth does not produce security, security enables growth:

Healey's fourth claim was that growth creates national security. But threats are not calibrated to GDP. A recession does not make Britain safer by implying we need a smaller defence budget. Strategy must determine the right level of defence spending, not an arithmetic ratio. More fundamentally, real security requires energy independence, good infrastructure, educated people, strong public services and scientific capacity. These are not the products of growth; they are its foundations. Healey has the direction of causation exactly backwards.

Their Argument → Your Rebuttal

They Say

Your Response

Governments must live within their means just like households. Without fiscal discipline, you get a debt spiral and a collapse in confidence.

A currency-issuing government is not a household. A household cannot create the currency in which its debts are denominated; the UK government can and does. The Bank of England creates the money the moment government spends.

The discipline that matters is not an accounting ratio but the real economy: spend up to the point where labour, skills and capacity are fully employed, and stop there, because that is where inflation risk begins.

The debt-spiral story has been the dominant argument in British politics since 2010, and under it the economy has produced stagnant wages, decayed public services and rising inequality. The constraint was real, but it was self-imposed, not economically necessary.

If governments just print money to fund spending, you get Weimar-style inflation. Fiscal rules exist to prevent that.

Spending creates inflation when it bids for resources that are already fully employed. It does not create inflation when it employs people and skills that are sitting idle.

The UK is not operating at full capacity. There are unused workers, neglected infrastructure and unmet social need. Spending to meet that need is not inflationary, it is stabilising.

Nobody is saying a government should create money without limit. The relevant question is always whether real resources exist to deliver what is being bought. That is a much more precise and honest constraint than a fiscal rule written in the Treasury to satisfy bond traders.

Bond markets will punish any government that abandons fiscal rules, and rising yields will cost taxpayers more in debt interest.

A government that issues its own currency and whose central bank can set the interest rate it pays on its own debt is not at the mercy of bond markets in the way a household or a corporation is.

More importantly, the premise conflates two entirely different things: market sentiment and economic reality. The question that matters is whether the real resources of people, skills and capacity exist to do the work, not whether City traders approve of the announcement.

Healy's predecessors accepted bond-market discipline as an iron law. None of them produced the growth or the stability they promised.

Healey is new to the job and may update his views. Is it fair to condemn him on one speech?

Healey has ser4ved in the Treasury before. The assumptions in his speech were not casual or off-the-cuff. They were presented as the foundational principles of his chancellorship:

fiscal control first,

restraint creating stability,

fiscal credibility creating growth, and

growth creating security.

Those four propositions are the same Treasury orthodoxy that George Osborne, Philip Hammond, Rishi Sunak and Rachel Reeves all accepted. All of them failed on their own terms.

Repeating ideas that have consistently failed is not a fresh start. It is a statement of intent to produce the same results.

The One-Liners

“A Chancellor who treats balancing the books as his first duty has confused an economic tool with the purpose of government.”

“The Treasury View died in 1931. Healey has arrived in 2026 to reanimate the corpse.”

“Security is not a product of growth. It is the foundation on which growth becomes possible.”

“Every Chancellor since Osborne used these ideas. Every one of them failed. Repetition is not a strategy.”

Questions to Ask

Why were full employment, living standards, climate, housing absent from Healey’s speech?

If fiscal restraint creates stability, which of the crises since 2008 was caused by excessive government borrowing rather than private debt, geopolitics, or pandemic?

The Bank of England confirmed in 2014 that government creates money when it spends. If there is no competition for a fixed pool of money, what exactly is being crowded out?

If growth creates security, does a recession automatically make Britain less secure, and does that mean defence budgets should fall in a downturn?

Further Reading

Post

Date

What it covers

[John Healey: a man to perpetuate the status quo]

20 Jul 2026

Profiles Healey's economic worldview, confirming he accepts established Treasury frameworks including fiscal rules and financial market constraints.

[Burnham will fail unless he breaks the economic rules]

20 Jul 2026

Argues that the same fiscal rules Healey embraces prevent the investment Britain needs, and that accepting them guarantees failure.

[What is fiscal policy?]

19 Jul 2026

Sets out the real purpose of fiscal policy as delivering full employment and public well-being, not controlling a balance sheet.

[Debate Ammunition: Fiscal policy]

19 Jul 2026

Explains how government spending creates money and taxation withdraws it, directly refuting the premise behind Healey's fiscal credibility argument.

[What's wrong with 'The Treasury View'?]

16 Jul 2026

Traces the Treasury View from the 1920s gold standard to the present day, explaining why it has been economically unjustified for nearly a century.

[Economic questions: the Abba Lerner question]

15 Mar 2026

Contrasts functional finance with sound finance, asking why fiscal policy is judged by arbitrary deficit rules rather than by whether it actually achieves full employment and price stability.