

Funding the Future

The fiscal headroom nonsense is being rolled out.

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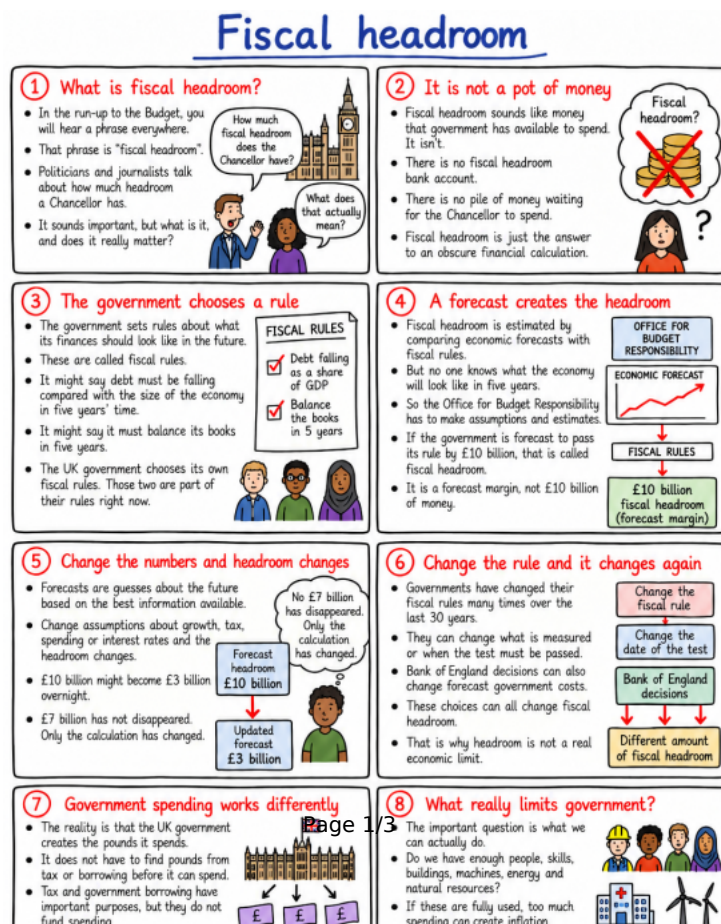
The FT said in an email this morning, [linked to this article](#):

The Iran war has blown a near-£12bn hole in Britain's public finances, according to FT estimates, forcing chancellor John Healey to lean on Budget tax rises and spending cuts to fund efforts to ease the cost of living.

Higher borrowing costs and rising inflation have probably cut the UK chancellor's fiscal room for manoeuvre from the £23.6bn forecast by the Office for Budget Responsibility in March to about £12bn, according to the estimates.

The reduction in headroom means Healey could be forced to announce painful tax increases and spending cuts in the Autumn Budget to retain the confidence of the bond markets and pay for measures to ease the cost of living for households.

This is total nonsense. This infographic explains that:



What the FT is faithfully reporting is, then, total drivel. Fiscal headroom is a work of fiction used to enforce austerity to create austerity:

AUSTERITY

1 The big lie

We were told:

- Britain had "run out of money"
- Debt was too high
- Deficits had to end
- Cuts were unavoidable

↓

None of these claims were true.



2 What austerity really is

Austerity ≠ economics
Austerity = a political choice

↓

Government deliberately spends less than society needs
Not because it cannot spend.
Because it chooses not to.



3 The false story

The claim:

Deficit
↓
Debt
↓
Bankruptcy
↓
Cut spending



Hidden assumption:
Government = household
Wrong.
A currency-issuing government is not a household.

4 How government actually works

Government authorises spending
↓
Bank of England makes payment
↓
New money enters the economy
↓
Tax happens later
↓
Some money withdrawn




Government **cannot** run out of pounds.

So...
Lack of money is **never** the reason for austerity.

5 What should happen in a downturn

Private spending falls
↓
Demand falls
↓
Jobs disappear
↓
Government should **increase** spending

To support:

- employment
- incomes
- businesses
- investment
- public services

Government spending stabilises the economy.



6 What austerity actually did

Public investment reduced
↓
Local government weakened
↓
Public services cut
↓
Living standards damaged
↓
Growth slowed
↓
Productivity weakened
↓
Society became less resilient




7 The real cost

Austerity did **not** save money.
It transferred costs into:

- poorer health
- worse education
- housing shortages
- failing infrastructure
- inequality
- insecurity
- lower future growth

Cuts today → Greater costs tomorrow.



Side note

Debt was **never** the problem.
The real question is always:
Are the people, skills and resources available?

If yes,
Government can fund their use.



Contrast

Austerity says:
"We cannot afford it."

↓

Reality says:
"We chose not to do it."

AUSTERITY

REALITY

Remember

Money is **not** scarce.
Real resources are.
The purpose of government spending is to organise those resources for public benefit.




CENTRAL IDEA

Austerity is **not** an economic necessity. It is a **political decision** to leave available **people and resources** unused, damaging society today while **reducing prosperity** tomorrow.



funding the future | Richard Murphy's Funding the Future blog on economics, public finance and the monetary system. <https://www.taxresearch.org.uk/Blog/>

I think that one needs updating!

All of this happens within the context of fiscal rules:

Fiscal rules

1. What are fiscal rules?

Fiscal rules are promises politicians make to themselves. They usually set limits on:

- borrowing
- government debt
- public spending

↓

They are political commitments.
They are not economic necessities.



2. Why have fiscal rules?

Supporters claim fiscal rules:

- create confidence
- reassure financial markets
- prevent "overspending"
- show governments are responsible

↓

They present these rules as objective economics.
They are not.



3. The hidden assumption

Every fiscal rule begins with one assumption:
Government must first obtain money before it can spend.

↓

That treats government like a household.

Funding the Future rejects this assumption.
A currency-issuing government creates the money it spends.



4. Why the rules are political

Fiscal rules do not arise from economics. They express political priorities. They decide in advance:

- how large the state may become
- how much investment is permitted
- what services can be afforded

↓

Politics is disguised as



5. What happens when the rules bite?

If fiscal rules become the priority, government may refuse to spend even when society needs it.

↓

The result can be:

- austerity
- underinvestment
- weaker public services
- poorer infrastructure
- avoidable unemployment

↓

The rule becomes more



6. The false measure of success

Fiscal rules judge governments by:

- the deficit
- debt ratios
- borrowing targets

↓

They do not ask:

- Are people housed?
- Is the NHS working?
- Are schools improving?
- Is the economy becoming more productive?

↓

Accounting targets replace



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That's another one that looks like it needs revisiting. But the message is clear: we are being told utter nonsense, and the FT happily reproduces it.

Why is the question to ask? Why all of this? What is this mechanism of control all for?

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AI use

I wrote this infographic. I used AI to create the final image.