

There is no such thing as the nation's credit card

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My old friend, Larry Elliott, is in [The Guardian](#) today saying:

To make a real difference, [Burnham and Healey] need to tackle head-on the nostrums of the past four decades. Otherwise they will be for ever in thrall to them.

Top of the list is the idea that the UK government is no different from a household. That means it should match its spending to its income as closely as possible, borrowing prudently and within tightly defined limits. Otherwise it will ["max out the nation's credit card"](#) and risk spiralling into unsustainable debt.

This analogy has the benefit of sounding like a statement of the obvious to many voters, but is actually entirely false. There is no such thing as the nation's credit card, and a country that prints its own currency can never "max out" or face bankruptcy in the way an individual can.

The notion that the government is living well beyond its means is convenient for those on the political right who have an aversion to public spending. The reality is that, as John Maynard Keynes [once said](#): "Anything we can actually do we can afford." It was that mentality that allowed the Attlee government to create the welfare state when debt was running at more than [250% of national income](#) – more than double today's level.

As he concludes:

All credit to Burnham. His analysis of what has gone wrong has clearly rattled his political enemies. Even so, he risks becoming the nearly man of British politics: the prime minister who asked the right questions but failed to come up with the right answers.

Larry is right.

And he does read this blog.

We are on the same hymn sheet.