Funding the Future

What would you do if money was not a constraint?

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The psychologist Alfred Adler was famous for asking his patients a question:

What would you do if you were cured?

His purpose was to encourage people to imagine what their lives might look like if the problems that they believed were holding them back no longer existed.

He was not denying that those problems were real. Nor was he suggesting that overcoming them would necessarily be easy. Instead, he was asking people to think beyond the constraints that they had come to accept as inevitable.

This approach, with which I have been familiar for some time, came up recently in conversation with my wife, Jacqueline, as we discussed issues someone we know faces. But it then made Jacqueline ask what my equivalent question might be. She suggested it was:

What would you do if money was not a constraint?

I think this might be the most important question we can ask about the economy, politics, and the society in which we live, whether we are thinking about micro- or macroeconomics.

The question we never ask

Almost every political debate in the UK begins with an assumption that money is scarce.

We are told that we cannot afford the NHS that we need.

We cannot afford decent social care.

We cannot afford to build the houses that people require.

We cannot afford to tackle climate change at the pace that is necessary.

We cannot afford to eliminate child poverty.

And we cannot afford the public services, infrastructure and investment that would make this country a better place in which to live.

The assumption behind all these claims is that money is the constraint that prevents us from doing what we know needs to be done.

But what if that assumption is wrong?

What if the real constraints on what we can achieve are not financial at all?

What if the constraints are instead the availability of people, skills, technology, materials, energy and the natural resources that we need to achieve our goals?

And what if we recognised that money is something fundamentally different from those resources?

Money is a claim on resources. It is not a resource in itself.

That distinction changes almost everything.

Money is not the constraint

A government such as that of the UK, which issues its own currency, cannot run out of the money that it creates.

That does not mean that it can spend without limit.

It cannot.

If the government tries to spend more than the economy has the capacity to deliver, inflation can result.

If it uses resources in ways that are environmentally destructive, there will be consequences.

And if it fails to ensure that the resources required to deliver its policies are available, those policies will fail.

These are real constraints.

But they are not the same as a shortage of money.

The government can create the money required to mobilise resources that are available

for use. Taxation, meanwhile, helps create the economic space in which that spending can take place by withdrawing purchasing power from the economy. It also redistributes income and wealth, tackles inequality and helps shape economic behaviour.

The purpose of economic management should therefore be to ensure that we use our resources to meet society's needs within the limits imposed by the environment.

That is very different from the conventional political obsession with balancing the government’s books.

What would we do differently?

Suppose we started every political discussion with my question:

What would we do if money was not a constraint?

Would we tolerate millions of people waiting for NHS treatment?

Would we accept children growing up in poverty?

Would we leave people without adequate housing?

Would we allow schools to deteriorate?

Would we fail to invest in the transition to a sustainable economy?

Would we accept that elderly and disabled people cannot obtain the care that they need?

I doubt that we would.

Instead, we would ask what needs to be done.

We would then ask what resources are required to do it.

We would establish whether those resources are available.

And where they are not available, we would ask how we might create the capacity that we need.

That might require education, training, investment, planning, changes in taxation, regulation or the reallocation of resources from activities that serve little useful social purpose.

None of those things is necessarily easy.

But at least we would be addressing the real problems rather than pretending that the absence of money prevents us from even trying.

The politics of constraint

This is where my question becomes political.

If a government says that it cannot afford to do something, it is usually seeking to close down a debate.

It is presenting a political choice as though it were an unavoidable economic fact.

That matters.

If we accept that money is the constraint, we also accept that many of the things we would like to achieve are impossible.

We stop asking what might be done.

We lower our expectations.

We become accustomed to failure.

And, eventually, we begin to believe that the society we have is the only one that we can afford.

That is a profoundly dangerous way to think.

It destroys political imagination.

It excuses poor government.

And it protects the interests of those who benefit from the existing distribution of income, wealth and power.

The claim that there is no money is not politically neutral. It has consequences, and those consequences are very often favourable to those who already have the most.

The need for courage

This brings me back to Alfred Adler.

His question was not simply about imagining a different future. It was also about discovering what might be stopping someone from pursuing that future.

My question serves a similar purpose. If money were not the constraint, what would stop us from creating the society that we want?

The answer might be that we lack the necessary resources.

It might be that we need to develop new skills or technologies.

It might be that there are genuine environmental limits that we must respect.

But it might also be that we lack the political will to change.

It might be that we are unwilling to challenge powerful vested interests.

It might be that we have become so accustomed to the assumptions of neoliberal economics that we cannot imagine an alternative.

Or it might simply be that we lack courage.

That is why I have increasingly argued for the creation of what I call The Courageous State.

A Courageous State would not pretend that every problem can be solved by spending money.

It would recognise that government has a responsibility to identify the needs of society, understand the resources available to meet them, and organise those resources to deliver the best possible outcomes.

It would also recognise that the purpose of government is not to balance its books.

Its purpose is to enable people to live fulfilling lives in a sustainable society.

That requires political choices.

It requires planning.

It requires accountability.

And, above all, it requires the willingness to imagine that things could be different.

The question that changes everything

I now think that the question “What would you do if money was not a constraint?” lies at the heart of almost everything I have tried to say about economics over the years.

It challenges the way we think about money.

It challenges the way we think about taxation.

It challenges the way we think about government debt.

It challenges the way we think about public services.

And it challenges the idea that the economy exists to serve financial markets rather than the people who live and work within it.

But, most importantly, it challenges us to distinguish between what we genuinely cannot do and what we simply choose not to do.

That distinction is fundamental.

There are things that we cannot do because the resources do not exist.

There are things that we should not do because they would cause unacceptable harm.

But there are also many things that we could do, and should do, which we refuse to contemplate because we have persuaded ourselves that there is no money.

That is the constraint I want to challenge.

So, I will end with the question with which I began.

What would you do if money was not a constraint?

And, having answered that question, perhaps there is another that we should ask.

What is really stopping us?

Answer that, and we unlock the process of change.

My thanks go to Jacqueline for her contribution to the development of this post.