



The Gower Initiative for Modern Money Studies

What is ‘the economy’? We are usually told that it is all about ‘debt’ and ‘deficit’ and how the country has to ‘live within its means’ and ‘pay down its credit card’.

It is time for the public to have a better understanding to replace the clichés about the government ‘having no money of its own’. In a sovereign currency nation like the UK with its own central bank it is, in fact, the sole currency issuer. Its spending is not limited by its ability to tax.

The truth can be summarised in two ‘laws’ of public finance.

- 1) A government with its own currency (e.g. sterling), its own central bank (e.g. Bank of England), floating exchange rate, and no foreign currency debt, faces no financial budget constraint at all.
- 2) Such a government faces real and ecological constraints. As a society, we cannot run out of pounds, but we can run out of – or misuse – people, skills, technology, infrastructure, natural and ecological resources. There are limits, but the limits are ‘real’ and not financial. Governments should therefore focus their policies on human and ecological resources not the deficit.

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