

Fundamentally rethinking the way that we save

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The [FT has reported](#) that:

The UK government has withdrawn some of its most popular retail savings bonds, saying the [record-breaking rally](#) in debt markets this year has made it impossible to continue offering the products to the public.

National Savings & Investments, the state-backed savings provider, said on Monday that its one- and three-year Guaranteed Growth Bonds and Guaranteed Income Bonds, which it recently described as “extremely popular”, were no longer on general sale. It blamed “exceptionally low gilt yields” for the move, saying it was cheaper for the government to raise money in wholesale markets than through individual investors.

I think that this is a serious mistake, for three reasons.

The first is that I cannot see why the public should be denied the security of depositing with the most secure agency possible, which is the government. This is a form of discrimination against depositors who want that security.

Second, this suggests that government borrowing is purely a financial issue. That is a deeply mistaken idea. It is not. Just like tax is a reflection of the relationship between a government and society so too can saving a reflection of that relationship.

And third? There is no doubt that many savers think that the market is failing them. I do not think that the government withdrawing from it can help that feeling that government really does not care about the party of the community that can and does save. This is a big political mistake for any party to jump on.

For me it goes much deeper though. Whenever I talk about the Green New Deal and its funding, as I have [on the blog recently](#) but also did in [Scotland last week](#), I suggest that one of the ways it could be funded is for the government to promote savings arrangements to ensure that the additional investment funding requires is raised by encouraging the reorganisation of the way people save in our society.

As I point out, time and again, most saving in the way we now do it is a risky and economically pointless activity. Money is lent by people to organisations they can only trust because the government guarantees their ability to repay, and those organisations use those deposits as cheap capital (at best) when really it's the job of financial to provide that capital. And little or none of this capital is in any case used for any productive purpose within society when at best it backs bank lending, most of which is used to fuel house price increases or financial speculation.

The alternative is to ensure savings are actually used to fund real investment, which is possible (and I do understand MMT). As I have argued, if savings were directed via pension funds and through ISA accounts into Green New Deal related investments then those funds would be available to invest in the transformation of our society needs if it is to survive. Those Green New Deal investments might include government gilts, but are more likely to be dedicated to the purpose. So, it could be green gilts. But better still they would be issued by a National Green Investment Bank to fund the Green New Deal, either directly or by making loans to those businesses that will actually supply much of this activity on the ground. In addition, I think that there could, and should, be housing bonds to fund new net-zero carbon social housing. And I see no reason why we should not have transport bonds and energy bonds as well, and I also happen to think that all of these could come in regional forms so that people could direct their funding towards the area where they live, if they so wished

From the discussions that I have had these ideas appear to be very popular.

Maybe that is because I add another suggestion. In my opinion the minimum funding required for the Green New Deal is £50 billion a year. [I have shown that none of this need come from taxation if savings are properly reorganised using tax incentives](#). But in that case I think the least that we can do is pay a decent rate of interest. Right now that need be no more than 2%. If that was on offer at present the money would pour into these accounts: all the funding we need to transform society would be readily available, and at a cost of just £1 billion a year to fund £50 billion of investment.

The essential link between people, their savings, society and government would have been re-established at a tiny cost, with the benefit of providing the infrastructure that we need to ensure that our society can survive. But our government cannot see this. I regret that.

Rethinking savings should be a high priority for any new government. And it cannot be argued that this distorts the savings market: that has already been distorted by the government guarantee on deposits.