

Mythbuster: The UK national debt is heading for 100% of...

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Myth

The UK national debt is heading for 100% of GDP, which measures our total national income.

Reply

This is simply not true. The government chooses to use a measure of national debt that ignores the fact that more than 30% of the UK's national debt is now owned by the government itself. That is the result of what is called quantitative easing (QE), which is a technical term for the Bank of England buying back debt issued by the UK Treasury on the Treasury's own instruction, which the government can give because it owns the Bank of England.

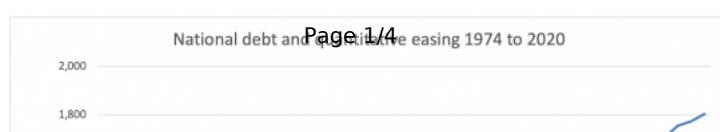
And, as the [Bank of England has now acknowledged](#), the chance that any of the debt that it has bought back from the financial markets will ever be resold back into those same financial markets is remote, in the extreme. None ever has been. In that case, for all practical purposes this debt has been cancelled. UK national debt should, then, be stated net of all quantitative easing because that debt does, in effect, no longer exist.

And, if evidence is needed, the government's own accounts reveal that this is how they account for their own debt owing.

In that case the claim that the UK's national debt is going to exceed 100% of GDP is simply wrong when it is expected that much of the UK government debt to be issued as a result of the coronavirus crisis is going to be bought by the Bank of England.

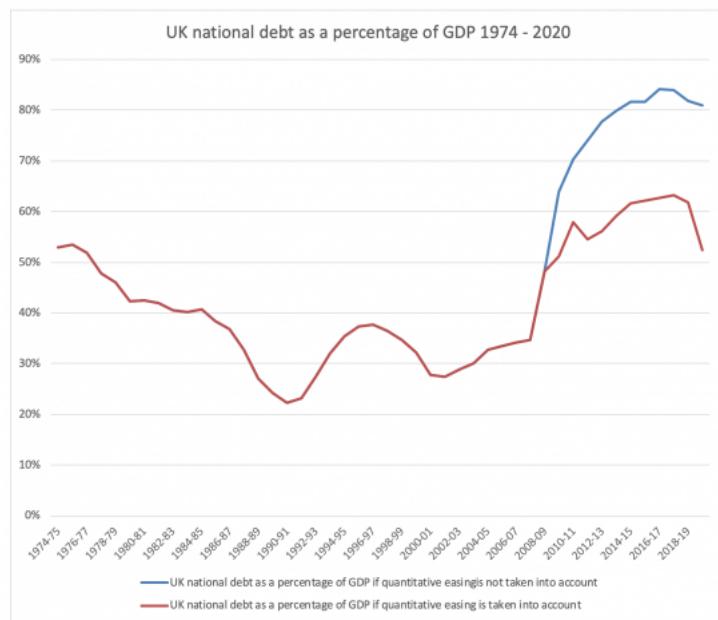
The evidence

The UK national debt has increased as follows since 1974, with the figures being stated in original prices, and with the data being stated gross i.e. before quantitative easing is taken into account, and net of QE, with the amount of QE issues also being noted by year, with that sum being allocated to the year in which the purchase was authorised:



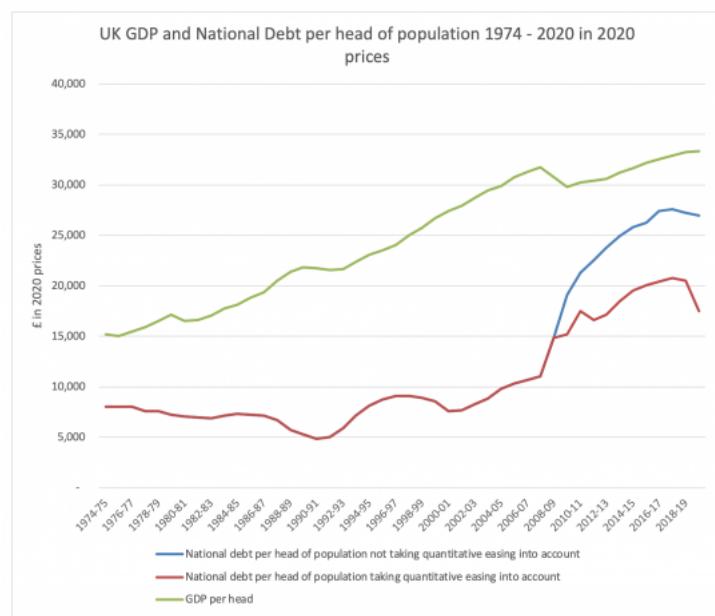
By March 2020 £635 billion of quantitative easing had been authorised by the UK Treasury and the Bank of England. As such the national debt was not £1,800 billion at that time, but was actually a third less, at just under £1,200 billion.

As a percentage of GDP this had the following effect:



As a consequence, UK national debt as the coronavirus crisis started was at historically low levels.

And per head of population, at current prices to ensure compatibility, the figures are as follows:



GDP per head has more than doubled since 1975 in real terms, albeit that by no means everyone will feel that.

Notionally national debt appears to have grown, but after quantitative easing it has not by 2020 in proportion to GDP. This might stay true throughout the coronavirus crisis if most government debt issued during this period is bought by the government, as many think might well be the case.

In that case it is simply not true that UK national debt is now heading to be 100% of GDP.

This fact is confirmed by what are called the UK government [Whole of Government Accounts](#). The most recently available are (rather surprisingly) those for the year to 31 March 2018. Note 20 to those account is as follows:

Note 20. Government borrowings

	2017-18 £bn	2016-17 £bn
Non-current:		
Gilts	1,071.8	1,013.5
Total non-current government borrowings	1,071.8	1,013.5
Current:		
National Savings and Investment products (NS&I)	156.7	146.9
Treasury bills	68.7	69.6
Gilts	50.2	59.0
Total current government borrowings	275.6	275.5
Total government borrowings	1,347.4	1,289.0

According to this note total UK government borrowing in March 2018 was £1,347 billion, and a year earlier was £1,289 billion.

The equivalent figures in the data used to prepare the charts noted above, based upon information from the Office for Budget Responsibility, were £1,317 billion and £1,266 billion.

The discrepancies are annoying, and almost certainly because the system of accounting used for the Whole of Government Accounting system differs slightly from that used by the Office for Budget Responsibility, but what is clear is that the two are similar, and both are net of quantitative easing. The Whole of Government Accounts make that clear.

The government does then recognise that its own borrowings do not include quantitative easing debt in its own accounts and as such it should not claim it owes sums that are not due in its statements on the national debt, and yet it persists in doing

so, meaning that all such announcements are wrong.

Notes re data sources: Most of the data used is based on that available from the [Office for Budget Responsibility](#). Quantitative easing data comes from the Bank of England. Population data is from the [Office for National Statistics](#).

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