

Who owns the national debt, and does it matter any more...

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It's often said that the UK is in hock. The national debt is, according to some, going to cripple us. I have [already made a video explaining why this is nonsense](#). We need our national debt.

But implicit in this suggestion that the national debt could cripple us is another idea, which is that there must be some 'dark powers' who own at least a part of the national debt to hold us all to ransom and deny any government the power to do what it wants, whatever an electorate wants. That's why it's worth knowing who owns the national debt, which is what this video is about.

<https://youtu.be/XRC-hnuvguc>

There's an important point that flows from knowing who owns the national debt. There were three reasons why we thought the national debt mattered that are no longer relevant.

The first was that the government owned almost none of the national debt. Now it does, and QE suggests it can buy almost any amount of it any time it likes, neutering any challenge that markets can make on this issue.

Second, the exchange rate was, like the national debt, used in the past as an indicator of economic virility and so was heavily defended, right up to the time of Black Wednesday in 1992. That, however, is no longer true. That means the UK's reserves of foreign currency are no longer used to defend that rate, meaning that speculators have little to gain from challenging on that issue either now.

And third, although hedge funds and their clients (including pension funds) will seek to exploit any opportunity for profit the simple fact is that there are good reasons for most of those who own government bonds to do so. And in that case, any attack is now likely to be short-lived, and largely fruitless. As the March 2020 trading disruption showed, the government can now react to a threat remarkably quickly.

The idea that the government is now in hock to markets is, in that case, simply not

true: governments can now almost always outgun the markets and that means the threat from speculators is very largely over.