

# Funding the Future

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I had a look at the [FT's round-up of latest savings rates this morning](#). It's not something that I do that often. But the message on this occasion was loud and clear. It is that if you can make 0.5% on your cash savings you are very lucky indeed, and probably should not expect it to last.

My suggestion in that case is a simple one, given that there are record cash savings at present. And that is that people do not save for income any more. And what is more, the old arguments about liquidity preference and the time value for money all look rather meaningless.

To put it another way, the zero bound, as it is called, where interest rates equate to near enough nothing (or, in real terms, less) has changed behaviour in the microeconomy as much as it has in the macroeconomy.

My suggestion is that it is time to rethink the economics of saving. People don't change their plans as to when they wish to consume, or not, because of financial inducement. When it comes to saving they do not consume now because they simply do not want to, knowing that they would prefer to do so at another time. And they draw upon their savings because the time has come when they wish to do so, and not for anything to do with the financial return on offer.

We do, in other words, save for almost entirely non financial reasons. And when we do so security ranks very high in most of our priorities because the social goal for saving dominates all else. And our consciences may play a part if, and only if, we are persuaded to save when not wholly understanding why, which is almost entirely true with regard to pensions.

In all this I exclude from consideration the very wealthy, because they do not save in any meaningful sense. They put aside excess wealth knowing that they can always do what they want, which renders the idea of saving meaningless in any ordinary sense.

I also caution that saving and borrowing are not the flip side of each other. The psychology is almost entirely different.

But saving does matter. It does impact the economy . And I would suggest almost all economic theory on it is wrong, as is much financial advice. We save for specific reasons unrelated to return. This crisis is showing that. We really do need to remember it.