

The BBC should, in the interests of objective reporting...

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How wrong can the BBC be about money? It seems that the answer is 'Quite dramatically wrong'. I offer as evidence [an article on the BBC website](#) this morning with this headline:

How much money is the UK government borrowing, and does it matter?

The article begins by saying:

The government is spending more on public services than it raises in tax.

To bridge this gap it borrows money, but this is paid back - with interest.

It then continues, saying:

Why does the government borrow money?

The government gets most of its income from taxes. For example, workers pay income tax, everyone pays VAT on certain goods and companies pay tax on their profits.

It could, in theory, cover all of its spending from taxes, and in some years that happens.

But if it can't, it needs to either raise taxes, cut spending or borrow.

A discussion then follows on why higher taxes may not be a good idea. It is suggested as a default that borrowing must take place as a consequence. There are three assumptions made by the BBC that are wrong.

The first is that the government must balance its books with the private sector. That is not true. As a matter of fact it need not do so. It can, instead, ask the Bank of England to lend to it, which is exactly what the Bank of England did in effect do until 2006.

Second, it assumes that the government cannot create new money. But that is also not true. There is a discussion to be had about how it creates that new money, but let's for now, note that even the Bank of England admits it can create new money for the government. We know that it actually does so because the Bank of England did create new money for the government quite regularly between 2009 and 2021. They called the process that did this quantitative easing. However it is looked at, the Bank of England agree has agreed that this had the consequence of placing new money in what are called the central bank reserve accounts of commercial banks, which they hold with the Bank of England. That money creation increased the amount of what is called 'base money' in the UK economy. This directly funded government spending which, as a result, was not funded by bonds in issue to the public. Some £895 billion was involved. It is quite odd that the BBC almost entirely ignores this, except by noting that the Bank of England bought government bonds as a result, as if this was not an indirect funding exercise.

The third wrong assumption is that it can be argued that there is no such thing as government borrowing. If the government's cumulative deficits, which are the difference between its spending and its tax revenues, equal the supposed national debt, as they do, then all that 'debt' actually represents is the cumulative difference between total government expenditure and taxation revenue over time. In other words, it is the total value of money that the government has spent into the economy that it has yet to claim back by taxation, having decided to leave it in the economy instead. If that sum is anything it is the government-created money supply. Importantly, it is not lent back to the government. They do not need it after all, because as QE proved, they can create their own money. So instead, what they provide is a safe banking facility for those like banks, pension funds, life assurance companies and private savers (via NS&I) to despite those funds with the government. The so-called national debt is, then, just a government-backed banking arrangement.

So what else did the BBC say in this article this is wrong?

First, they suggested that most economists think that there is a danger to increasing the proportion of national debt to GDP. They did not mention that many economists do not agree, or that, in any case, the evidence for this claim has been discredited.

Second, what they did not say is that there might be a real danger in an increase in the ratio of private debt to GDP and that many economists think that this might be more serious than any increase in public debt.

Third, whilst it is true that some economists think that the cost of the national debt is too high, the BBC forgot to mention that this is entirely within the control of the

government. The government could, if they wished, issue an instruction to the Bank of England to reduce its base rate, which would in turn cut the interest rate on government bonds and, most particularly, on the interest paid on central bank reserve accounts. This concern is wholly artificial in that case.

Fourth, they did not mention the interest payment on central bank reserve accounts is entirely optional and the government does not need to pay it in part or in full, as some governments do not.

Fifth, the BBC suggested that national debt is repaid, but this is entirely notional. The reality is that in net terms, the national debt is very rarely repaid, and the Conservatives [have a particularly poor track record](#) in doing so, having repaid in net terms, just a few billion pounds since 1945. That is because whenever a government bond is due for repayment that repayment is not funded by taxation but is, instead, always funded by new bond issues. That means the suggestion that the national debt is repaid is simply not true. It has not been since 1694.

Sixth, they could have mentioned that when UK national debt was at one of its high points, representing more than 250% of GDP just after World War II, the government created the NHS, a fully inclusive state education system, the welfare state, and nationalised a wide range of key industries, all of which resulted in a period of substantial economic growth. They failed to do so.

Finally, most importantly, what they failed to mention was that the national debt is the UK's money supply. We need it. Without it, we are solely dependent upon commercial banks to create all our money and they are an exceptionally unreliable source of funding because they have an understandable habit of not lending during recessions. That would mean, if they were to be relied upon, that economic downturns would become significantly more severe.

There is another dimension to this money supply issue. What the BBC failed to mention was that if there is inflation of, say, 10% in a year then the money supply needs to expand by that amount to meet the resulting demand for new currency. Even if the supposed national debt is stated net of government bond repurchases by the Bank of England (which I suggest would be fair) this might imply that over the last year or two expansion of the national debt by in excess of £150 billion was a necessity, simply to keep the economy functioning, and yet the BBC does not mention this.

So what did BBC do? They published a narrative that is wholly supportive of an austerity agenda. The argument was that government is a bad thing that must be constrained, as is most taxation, meaning that government itself must be limited in scope. That is not indicative of balance at the BBC. It is, instead, indicative of bias, and that is deeply politically worrying.