

A thought on the national debt

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I posted this on Twitter not long ago:



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Government debt his made up of three things.

The first is government created money, or base money. This is in turn made up of two parts. One is notes and coins. The rest is the money held by the commercial banks with the Bank of England. So, if you have any government note you own a bit of the national debt.

Second, there are the cash based savings that members of the public hold with NS&I. Yes, owners of Premium Bonds really do just have a stake in the national debt.

Third, there are government bonds. In essence a bond is nothing more than a fixed term deposit account held with the government, usually by pension funds, life assurance companies, banks and others, all of whom are also looking for a safe place to save money - some of which may well be your money.

In other words, the national debt is made up of money and people's savings. That's it.

So why do politicians get so worked up about the fact that one of their jobs is to run a really successful, safe and vitally important banking system that for reasons that are utterly bizarre they appear intent on trying to close down?

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So, why are politicians so obsessed with closing down their own, highly successful, safe baking operation?