

UK politician's credit card con-trick on the people of ...

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I posted this thread on Twitter this morning:

Quite extraordinarily, leading politicians, including Kier Starmer and Rachel Reeves have in the last few days returned to talking about the country maxing out its credit card, just as David Cameron did in 2015. This is utterly absurd. A thread...

[This is a long thread. If it appears to stop part way through, push the button to 'see more replies' and the rest should appear.]

As a matter of fact, a country can't have a credit card. It's even questionable whether the UK has a national debt when what politicians describe as such is made up of all our notes and coins plus all the savings accounts that people have with the government.

Some of the savings accounts are literally with a bank, because that

is what NS&I, or National Savings & Investments, which is what it used to be called, really is. Around £230 billion of the so-called national debt is made up of deposits with this state-owned bank.

Premium bonds are also part of this so-called national debt. I am pretty sure that most people who have such things have no idea that by doing so they actually own a part of the so-called national debt, but according to our politicians, they do.

We would never describe deposits with a bank as a threat to its viability and something that they must urgently pay back or limit in amount. So, in that case, why on earth are we saying that about this national savings bank?

Most of the rest of this so-called debt is made up of bonds. Saving in bonds is commonplace because most banks and building societies issue them. They're pretty

easy to understand. You save a fixed sum, for a fixed period, at a fixed rate of interest. They're just savings accounts.

The only real difference between bank savings bonds and those issued by the government is that gov't bonds can be bought and sold during their life because they are traded on stock exchanges. But they're still savings accounts, just like those from banks and building societies.

And given that pension funds and life companies are the biggest owners of these government bonds we can be sure that they really are savings accounts - because our savings are what, after all, those companies exist to manage. So why do we call them debt?

That's only because we know that, like all savings accounts, the person depositing the money can at some time ask for it back. But we don't say banks are in debt because they also owe the money saved with them back to depositors. So why do we do that in the case of governments?

It literally makes no sense to do so. But then there is something else really weird to note about this so-called national debt. This is that about one-third of it, or roughly £750 billion right now, is owned by the government itself.

In other words, the government is saving money with itself, or it owes itself money, whichever way you want to look at it. In either case, who cares?

Saving with yourself is as economically meaningless as owing yourself money, so why do politicians pretend debt that the government owns exists when it really does not? The reality is that this debt (or these savings) is much less than what all our politicians claim.

Having said all that, let's get back to this maxed-out government credit card story and let me ask a simple question, which is, have you ever heard of anyone who saved in their credit card account? No, me neither.

In that case, and given that the government only provides savings accounts to people who want to save with it, it has nothing like a credit card. To suggest it has is utterly absurd.

But, let's for a moment assume that these politicians are right (I know, it's hard to imagine, but do so, just for a moment). Assuming that they are, who is it that they think issued this credit card?

I guess the only bank that could would be the Bank of England. But the government owns that. Imagine for a moment having your credit card issued by a bank you owned. Do you think they'd get very stroppy with you about how you managed it? I don't think so.

And do you really think they'd get tough on your credit limit in that case? I really do doubt that as well.

In other words, not only is there no credit card to worry about, nor is there any credit limit. And just to be clear, through the Bank of England the government can also set the interest rate it pays. If there was a credit card this one would be the best issued, ever.

The truth is that all this is absurd. There is no credit card. There is no credit limit on what our government can borrow. And, in reality, it's borrowing a lot less than most other equivalent countries in Europe are and they're generally doing a lot better than us.

So, what politicians are saying is total nonsense. They are telling you what might best be technically described as falsehoods. Other words are available and might be more appropriate.

That we have a debt problem is untrue. What we actually have are vast numbers of people who want to save thousands of billions of pounds with the government because they know it is the safest place to put their money.

What we also have is a track record lasting more than 300 years of the UK government always being able to repay sums deposited with it and without ever having any difficulty in doing so, not least because it can always create the money required to make that repayment whenever it wishes.

In fact, so good is the government at repaying deposits that most people in the UK would not save with a commercial bank unless they knew that the government was guaranteeing the first £85,000 of deposit that they saved with it.

They don't trust those commercial banks with their money unless the government guarantees the repayments owing by those banks. Saving with the government is that secure. It really is, ultimately, the only organisation most people ever trust with their money.

Let's also be clear that if the supposed cost of this national debt is currently high, that's because the Bank of England wholly unnecessarily increased interest rates in a completely inappropriate attempt to control inflation, which those interest rate hikes could never achieve.

Any politician who understands that fact should tell the Bank of England to cut those rates, which they can because they own it. It's just another myth backed up by nonsensical law that could be changed at any time that interest rates are set by the Bank and not by the Chancellor.

To put it another way, almost everything politicians say about the economy is made up of convenient myths that they create that have not a single element of truth within

them.

Why, then, are both the Labour Party and the Tories so obsessed with the national debt that does not really exist? It would seem that this is entirely because both parties are desperate to control the size of the state so that we do not get the public services that we need.

Your guess is as good as mine as to why they do not want us to have the healthcare, social care, education, social housing, justice system, defence, and other things that we all want, but they make up these stories about the national debt to make sure that we cannot have them.

Wise economists (and there are, unfortunately, far too few of them) actually know that the government can never be constrained by debt because the government creates the money that we use, so it can always pay its bills.

We are instead only constrained by the limits of what we can actually do as a nation. What I know is that as a nation we could have the health service, education, social care, and everything else that we need.

That cannot really be in doubt. After all, we did have those things for very many decades, without any problem. It's only when we made up debt-related myths after the 2008 financial crisis that suddenly none of those things seemed to be possible.

Those myths are being perpetuated by our leading politicians from all the leading parties (the Tories, Labour, the SNP, and LibDems), denying us, as a result, the chance to live in the country we want with the services that we need being supplied to everyone who requires them.

The maxed-out credit card myth and everything that goes with it is the real reason why this country is in the mess it is.

So the real question that Labour and others spreading these falsehoods have to answer is why are they so anxious to be in power when the only thing that they want to do when they get into office is to fail us all? I wish I knew the answer to that.