

Funding the Future

Article URL

Published: January 12, 2026, 5:55 pm

Earlier this week, I published a [proposed glossary entry](#) on the true nature of our so-called national debt. This won a lot of praise, but there have been improvements to make, so I have worked on it.

I have added a summary based on what was already in it.

I have also added a whole new section because it was put to me that defining what the national debt is is only part of the answer most people want when discussing this issue. What they also want to know is why those demanding that it be repaid are wrong.

The additional section reads as follows:

Rpaying the national debt

All the above having been noted, a number of refrains are commonly heard from politicians, including:

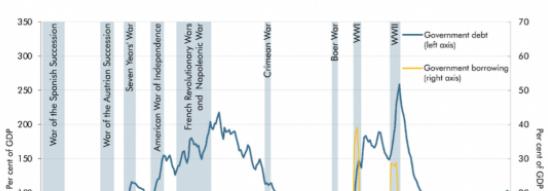
- * The national debt is too high.
- * National debt is squeezing out private investment, which is too low as a result.
- * We are leaving a burden of debt to our grandchildren.
- * The national debt is unaffordable.
- * Unless we get the cost of the national debt under control we cannot afford public services.

The implication of all of these is that we would all be better off if the national debt was repaid.

None of the claims that these politicians make are true. For example:

- * For very long periods of time, the ratio of UK national debt to National income was much higher than it is at present and calamity did not follow. In fact, NHS, much of our social housing, and the rebuilding after the Second World War all happened when national debt was at vastly higher levels than it is now:

Government borrowing and debt since 1700



Source

- * **There is no evidence that our national debt is in any way reducing the amount of investment in private business. Private business may not be investing enough in the UK, but that is because it cannot think of things to do with investment funds despite the fact that they were exceptionally cheap for more than a decade and has nothing to do with the size of the national debt.**
- * **The national debt has never been repaid, as is apparent from the above chart. Our grandchildren will not repay it, any more than we have repaid the national debt created by our own grandparents. In fact, lucky grandchildren will inherit part of the national debt because it is made up of private savings accounts that form a part of private wealth. Inheriting a part of your grandparent's savings is what many grandchildren might hope for.**
- * **The national debt is always affordable. The government can always choose to make it so in a country like the UK. If the interest rate is too high at any point in time then that is a measure of the fact that the Bank of England is setting inappropriate interest rates, and not that the national debt is too expensive.**
- * **There is nothing about our national debt that prevents the government supplying services to people who need them in the UK. That is partly because doing so will always pay for itself if there are resources available to supply those services because they are then put to use, creating income, and so taxes paid on that income and the spending (and so further income) that it then generates. That is also because there is no known cap on the level of national debt that we should limit ourselves to. Many European countries have debt to national income levels considerably higher than that in the UK, and Japan has a national debt to income level well over double that of the UK, and all those economies are functioning perfectly well. So can we even if we increase the national debt.**

Perhaps more importantly, repaying the national debt would be disastrous. It would mean that:

- * **The government would have to withdraw more than £1.6 trillion of money from use in the economy, which would most likely create an unprecedented financial crisis, deliver a recession, and leave businesses and households without the basic cash resources that they need to make payment to each other, not least because the banking payment system would be crippled without there being a national debt that delivers it with the money that it needs to function.**
- * **Almost all public services would collapse because their funding would have to be withdrawn for extended periods.**
- * **Most private pensions would collapse because they use the savings facilities that the national debt provides as the foundation for the payments that they make to the most pensioners.**
- * **The government would lose control of interest rates within the economy.**
- * **Because of the shortage of pounds available to make payments within the**

economy that repayment of the national debt would create it is likely that we would have to use foreign currencies to trade in the UK, creating massive uncertainty for the whole economy. This would also make it almost impossible to run an effective tax system.

*** Foreign governments and companies would have great difficulty holding sterling balances, and this would enormously harm trade in UK goods and services.**

Those demanding repayment of the national debt really ought to be very careful about what they wish for. Even partial repayment or limitations on the growth in that debt could produce some of the above outcomes.

The truth is that the national debt is fundamental to the success of our economy because it provides us with our national money supply, and we cannot survive without that. Those suggesting we can either limit this so-called debt, do without it, or repay it, must be treated with suspicion.

What they propose not only threatens the entire public sector of the UK, but also the economic viability of the country as a whole. It is for them to justify why they would wish to do that.

A PDF of the new version of the entry is available [here](#). Comments are still welcome.