

Funding the Future

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As the [Guardian noted](#) yesterday:

Investors have rushed to take part in an auction of UK government debt today, in a sign that the new government has not upset the bond vigilantes in the City.

An auction of a new bond today has attracted a joint record of bids from investors.

The debt sale attracted over £110bn of orders, which Bloomberg reports matches a record set in June and is the biggest-ever demand compared to the size of the sale.

The Debt Management Office will raise £8bn from the bond, or gilt, which matures in January 2040 and has a 4.375% coupon (the interest payment which bondholders receive).

This could calm concerns that investors could be spooked by the new Labour government, which has said it discovered a £22bn “black hole” in the public finances.

There are three obvious points to make.

First, the City is desperate to buy savings bonds.

Second, no one believes that the government is facing an impending financial crisis, whatever Labour says.

Third, there is, in that case, no excuse for austerity.

Might Labour like to stop talking nonsense in that case? And might it now permit the issue of the savings bonds it thinks are needed to fund the level of public spending this country requires? There is no excuse not to do so.

And whilst it's at it, if it told the Bank of England to stop quantitative tightening sales demand for bonds would rise even further. In that case, every excuse for austerity would disappear. So why won't it do that? Could it be that austerity is a Labour policy and not a choice?