

Premium Bonds will not crash the economy

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The national debt is nothing more than the savings of people with money to spare. It's not a threat to our well-being, it won't bring the economy down, and it doesn't need repayment. Our grandchildren (if we have them) are not threatened by it. That money just needs to be put to good use.

https://www.youtube.com/watch?v=AdGqcKBpgzQ?si=L5BJk_DNYnH8RAC0

This is the audio version:

https://www.podbean.com/player-v2/?i=du4vf-1709cff-pb&from=pb6admin&share=1&download=1&rtl=0&fonts=Arial&skin=c73a3a&font-color=&logo_link=episode_page&btn-skin=ff6d00

The transcript is:

All savings deposited with the UK government are part of the UK national debt.

I say that for good reason, and that's because most people do not understand that simple, straightforward statement of fact.

If we understand the national debt to be money owed by the government to people who deposit funds with it, and that is what, at present, we describe the national debt as, then things like Premium Bonds are part of the national debt because you can go and buy a Premium Bond, you can save with the government as a result, and as a

consequence, the amount of the National Debt goes up and, as a consequence, you, as the owner of a Premium Bond, become one of those people who is causing nightmares to right-wing politicians, journalists, commentators and others, all of whom are screaming that we must repay the National Debt because it is a burden upon our grandchildren.

You might plan to leave those Premium Bonds to your grandchildren in your will, and if you do, your grandchildren will thank you because they have very obviously got monetary value. They are a savings account that you may wish to pass on. But the point is that, apparently, they are a burden on your grandchildren.

It's a very interesting idea, isn't it, that they are burdened by you giving them a savings account?

Or is it that other children are burdened by the fact that they've got to repay your grandchildren the savings account that you held with the government?

Look, none of this does make any sense at all; let me be clear.

What I've just said is complete nonsense in the sense that you are not causing a problem by saving your money with the government.

If you, instead of saving your money with the government, went into Barclays or Lloyds or NatWest or Santander or whoever you might choose to bank with and placed your money on deposit with them, there would not be hordes of commentators and financial journalists saying, "Oh, the borrowings of these banks are out of control. We must ensure that they repay all their depositors or they're about to go bust." Not in the slightest would they say that. They would, in fact, celebrate the ability of those banks to attract deposits which supposedly strengthens their balance sheet because they have a hard core of depositor funds on which they can rely if anything ever goes wrong in the bank.

Yes, that is really true; "they can rely" because you are a creditor of the bank, ranking not far ahead of the shareholders if the bank was to go bust. You provide the bank with security.

Well, the deposit that you provide with the government is very similar. You save with it. You provide it with money. It increases the security of the government.

It does also provide you with a very safe return for your money because there is only one institution in the whole of the UK that cannot go bust. And that's the government, because it can always create some more money to repay you, whatever sum it owes you, whatever happens, and no bank can do that.

So, what is wrong with saving with the government? Nothing at all. In fact, my argument is that we should probably have more national savings in this country. Not

only of Premium Bonds, but National Savings and Investments accounts, and even more government bonds or gilts. Those, too, are just savings accounts. You don't buy many of those, I suspect. Less than 1 per cent of all government bonds and issues are owned by individuals, and most of those individuals will, almost inevitably, be quite wealthy because you have to be a pretty sophisticated investor to buy them in most cases.

Instead, the vast majority of the ones that are owned by people in the UK are owned by UK pension funds, banks, or life insurance companies. Why do they own them?

Because they are the bedrock of private pensions.

They are the bedrock of the insurance funds that companies need to maintain if they are in that industry to guarantee that they can make payment out when claims arise.

And they are the basis on which the banking system of the UK operates when it comes to overnight banking arrangements, which are too complex to discuss in detail here, but which are a necessary function of the whole banking arrangement and for which purpose gilts are needed.

They're also required by foreign governments who wish to hold sterling and foreign companies who wish to hold sterling. They don't want to hold that in the bank. Why? Because banks can go bust and the government can't. So they hold bonds instead.

But all of them are doing one thing. They are saving with the government.

That is what the national debt is. It's a savings account. And yet, we obsess about the fact that it's terrible.

We wouldn't with anyone else. Why did we do it with the government? Because, well, I don't know why. I said because, and then I ran out of steam because there is no explanation for this paranoia about the national debt.

Except, perhaps - and this is a big perhaps - we are paying too much interest on it at present. And that is undoubtedly true. The government is paying too much interest.

But everyone in the UK economy is paying too much interest at present because the Bank of England is keeping interest rates far too high for the sake of our economy.

We shouldn't be obsessing about the fact that interest rates are too high for the national debt's sake. We should be stressing that interest rates are too high for people who've got mortgages. We should be stressing that interest rates are too high for business, whether small or large. We should be stressing about the fact that far too much money is being diverted out of the productive economy and paying wages and everything else, or funding the growth that we want, to instead be used to pay interest on passive savings accounts. So yes, there is a problem with the cost of the national debt, but it's a much bigger problem than the cost of the national debt. It's the cost of

interest.

So, let's stop this paranoia about the national debt. Let's celebrate the fact that people want to save money with the government and encourage them to do so because it's a great place for them to save. Let's find constructive uses for that money, which is something I've long proposed.

That money should actually be used for positive engagement. For example, there should be savings accounts to encourage investment in schools, hospitals, the Green New Deal, transport, everything else that we need as communities, and this saved money could become the capital for that. But whatever we do, let's stop being silly about the national debt.

It's just our savings. It's private wealth. And the only thing we have to make sure about is that it's put to good use. And then we should celebrate the fact that the government can do that.