

The state of economic debate

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As readers of this blog will know, I don't really think there is such a thing as the UK national debt. What the government actually provides is an opportunity for those in the City of London, overseas governments and overseas investors to place funds on safe deposit with it, all denominated in sterling. The so-called national debt is, in this case, not a sign of weakness but of strength on the part of the government, just as the amount of deposits held is a sign of strength in a bank.

However, the City is stuck in the age of the gold standard and, without any apparent understanding on their part that all money is ultimately created by the government, thinks that the government is beholden to bid for the funds that they might wish to give it, which they think they might ration at any moment. As a result, they are of the impression that the size of the national debt really matters.

What few, even of those in that supposed centre of financial excellence, seem to realise is that there are quite a number of definitions of the UK national debt within the [data produced each month by the Office for National Statistics on this issue](#). Good luck with fathoming them all. You are looking at tables in the PSA8 range if you want to find all the relevant information. Doing so should keep you occupied for quite some time.

None of the measures in question are based on the recognition of the use of the debt, or that they might have created assets to justify any of the debt creation.

None is based on double entry-book keeping.

And rather vitally, there is no concept of capital in the government's accounting.

In fact, there isn't even a balance sheet.

There are just some numbers added up entirely inappropriately in various ways to come to a range of differing answers, none of which do, as a result, have any real meaning.

But as we know, there is now a heated debate about whether Rachel Reeves might shift her fiscal rule to use a definition long published called the PSND, or public sector net

debt, excluding public sector banks.

Ed Conway summarised this rather well on Sky yesterday, saying:

Might Reeves declare, at the budget or in the run-up, that it makes far more sense to focus on overall PSND from now on? Quite plausibly. And while in one respect it's a fiddle, in her defence it's a fiddle from one silly rule to an ever so slightly less silly rule.

Quite so. That's about it.

In summary, this is a debate between the economically illiterate on something equivalent to the number of angels capable of standing on a pinhead, the outcome of which discussion has no relationship to the real world because the data used is not really derived from it in any meaningful way.

And that is what passes for economic discussion in the UK right now.