

# The UK government can never go bust

<https://www.taxresearch.org.uk/Blog/2025/04/14/the-uk-government-can-never-go-bust/>

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The UK government cannot go bust because it is the only organisation with the ultimate authority required to create the money that's required to settle its debts. It really is time politicians understood that.

<https://www.youtube.com/watch?v=jVdu8d8b-1E?si=llkhOsv-D8UCGUd6>

This is the audio version:

[https://www.podbean.com/player-v2/?i=ythim-186fe0b-pb&from=pb6admin&share=1&download=1&rtl=0&fonts=Arial&skin=f6f6f6&font-color=&logo\\_link=episode\\_page&btn-skin=c73a3a](https://www.podbean.com/player-v2/?i=ythim-186fe0b-pb&from=pb6admin&share=1&download=1&rtl=0&fonts=Arial&skin=f6f6f6&font-color=&logo_link=episode_page&btn-skin=c73a3a)

This is the transcript:

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The UK government can never go bust.

You might have been told by economic commentators that we are in danger of doing so.

At some point in time, you might hear a rumour that there is a crisis with regard to the UK's national debt, and will we ever be able to repay it, and all of that talk is complete and utter nonsense.

I repeat my point; the UK government can never go bust.

There is one very simple and very straightforward reason for saying so. Unlike you and unlike me, the UK government can create money of its own.

We can't.

You can try setting up a printing press and producing pounds of your own creation, but I promise you, you might either end up inside a prison cell, or you will find that nobody wants to take them. In either case, your venture will fail.

But as far as the UK government is concerned, this is a completely legal activity which only they are allowed to undertake because they are the people who say that the UK pound is legal tender, and they are ultimately the only people who can create it.

And just in case you hear somebody now piping up somewhere saying, oh, but UK banks can also create pounds by their lending, that's only because they're licensed to do so by the UK Bank of England, which is, of course, owned by the UK government.

So, any UK bank that creates money, whether it has its name on it, which it will, of course, in Scotland and Northern Ireland, where the banks do actually issue the notes, or whether the money is created by the creation of a loan from a bank to a person who borrows from them, makes no difference. At the end of the day, those activities are only permitted because the Bank of England says they are.

In other words, the Bank of England completely and utterly controls the process of money creation in the UK, whether by itself as a consequence of its spending on behalf of the government money into the economy, or whether because it lets a UK bank lend money or even print notes for which it then requires a deposit from them of equal and opposite amount.

My point is this. Everything with regard to money is down to the government. Therefore, the government can't go bust because it creates the money in which every single payment that it owes is denominated. The UK government only borrows in pounds. It did for a very short period borrow in Chinese currency, but that was a token gesture. Let's ignore it for all practical purposes.

Every single pound that the government owes is owed in pounds. There is no debt owed in dollars or euros or anything else of any consequence, and therefore, if the government has to pay somebody it simply creates new money to settle the liability owing, as it creates new money to make payment of everything that it does, whether it be to pay a teacher or a pension, or anything else.

Tax doesn't fund the spending.

Borrowing doesn't fund the spending.

Tax reclaims the money spent to prevent inflation.

Borrowing is simply an arrangement that the government has put in place with the City of London to provide a safe place for very large sums of money to be located because the only person who can guarantee to safely repay very large sums of money is the government because they make it, which the City of London know, which is why they want to deposit their funds with it.

That's why the government can't go bust.

It literally makes the money that makes our economy go round, and it can always create some more to pay its debts.

So, what is all this story about the government going bust about? It's all about the economics of power. People who hate the government want you to believe the government can go bust.

It can't, but they'd like you to think it can. They spread a falsehood, and I mean quite literally a falsehood or untruth, which is that the government might not be able to repay its debts, but it always can and it always will.

And what is more, it will not create inflation as a consequence. And why? Because if the debt has been created in a properly controlled and organised fashion, and that is true of all UK government debt at present, making the repayment is no problem at all for two reasons. That's because, firstly, if the money is spent, the government will be able to tax the benefits of that expenditure to the point where it will reclaim the money to rebalance the equation.

And, with regard to inflation, the money that is repaid is then going to be saved. It will ultimately all come back into a Central Bank reserve account maintained by a commercial bank with the Bank of England because that's the safest place for them to ultimately put their money; either there or in a government bond.

There is no threat to UK financial stability from UK national debt as a result. Quite literally, none at all.

And nor is there even a threat to UK national stability as a consequence of the interest paid on UK government debt, because that interest is only paid at the government's discretion.

It could reduce the interest rate.

And it could decide to not pay interest on some parts of the national debt, most especially the parts that are owing as a consequence of money creation from which only our commercial banks have benefited.

In other words, we have no financial crisis in the UK.

We're not even remotely near a UK financial crisis.

We can never go bust in the UK.

The UK government is in control of its economy. It is all running as it should.

So why this talk about a crisis? Because those who hate government want you to believe it isn't working, when it really is, just as it should.