

Markets want MORE government debt

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We're told that government debt is spiralling out of control. Commentators scream "fiscal crisis!" and "record borrowing!" But the truth is very different. High government debt is not a sign of collapse—it's a sign of trust. People and institutions are desperate for the safety that only the government can provide. Debt is not a danger—it's a deposit facility. Let's cut through the panic and face the facts.

<https://www.youtube.com/watch?v=hT8l89Su8kk&si=2kb1Gghtx8uvOTIG>

This is the audio version:

https://www.podbean.com/player-v2/?i=5mru5-1975931-pb&from=pb6admin&share=1&download=1&rtl=0&fonts=Arial&skin=f6f6f6&font-color=auto&logo_link=episode_page&btn-skin=c73a3a

This is the transcript:

In the last week, we have seen economic commentators going into meltdown.

They are claiming that government debt is going through the roof because more money was borrowed in August 2025 than in any previous August, except, of course, August 2020, when we were right in the middle of the COVID crisis. And as a consequence, they're talking about record borrowing, and panic is everywhere. And they are suggesting that Rachel Reeves is facing a fiscal crisis, and maybe the government will go bust. And all of this is complete and utter nonsense.

The actual truth is so different from what these people are saying is almost unbelievable.

Let's just set the context. The government spent what it had to spend in August this year. It had commitments. It fulfilled its commitments, and people wanted those commitments to be met.

It also recorded some long-term liabilities, which were included in this figure for increased borrowing, but which won't be settled for many years, like interest owing on some of its debt. That's a technicality, but worth noting.

In the meantime, tax receipts were lower than the markets would've hoped for, and that's for one very good reason. People don't want to pay more tax. They yell and scream if they're asked to. The government isn't sure how to ask people to pay more tax, even though my Taxing Wealth Report lays out in detail how they could very easily raise a lot more tax from the wealthy in this country without ever having to resort to wealth taxation. The combination of high spending and low tax receipts means that commentators are claiming our government is on the verge of collapse.

But the truth is, people want the government to spend. In fact, they want the government to spend more. They want more to be spent on the NHS, on schools, on social care and a great deal else. They want the migration backlog to be cleared. They want the climate crisis to be tackled. They want new housing to be built. They want an energy transition. They want better transport systems.

The reality is that, as far as people are concerned, the government is actually spending too little, and not too much. The public is demanding state action, and yet at the same time, they're not paying enough to supposedly balance the books.

But let's stand back for a moment. The government is borrowing because it says it has to, to make that equation balance, although that factually is not true: it doesn't have to, it only borrows by convention. But the Bank of England is, at the same time that the government might be borrowing well in excess of £100 billion this year, saying that markets are actually so hungry for government debt that they can sell back into those markets over the next 12 months at least £70 billion worth of bonds which it acquired during the 2008 financial crisis or the COVID crisis.

In other words, they think that the market for government bonds is much bigger than that required to fill the gap between government income and expenditure.

So what is the message that markets are really sending?

They aren't saying that the government is in a mess.

They aren't saying they think that the government is in meltdown.

They're actually saying something incredibly different.

They're saying, "Can we have some more debt, please?"

That is the message that markets are sending.

They are willing to buy almost as many bonds as the government can manage to push into their hands, albeit at a cost of high interest rates, which I would prefer were much lower.

And this is unsurprising. Government bonds are the only safe place for many institutions to put their money. They can see what's going on in the rest of the markets. They can see excessive stock market valuations at, or very close to, record highs of all time.

They can see the speculative bubble that is building.

They can anticipate the fact that there will be a burst.

They want somewhere to go where they can protect funds on behalf of the people who are saving with them. And the only place where they can do that is with the government. The government is the one and only safe place for deposits right now.

And it isn't just the institutional investors, the pension funds, the life insurance companies, the banks and so on who are seeing that they need government bonds. There's something else going on as well, which indicates that other people are also losing faith in the markets and are looking for security. And that is, there's a flood of money into cash, Individual Savings Accounts, or ISAs, this year.

It's thought that £103 billion, a record sum for a year, has been put into cash ISAs so far this year, and that's because people - individuals - are also looking for safety.

ISAs provide safety in two ways. One, they don't require tax to be paid and people like that, because that might mean safety from a tax investigation. And secondly, it's providing safety because most people who have cash ISAs make sure that they have no more than £85,000 in any one savings institution and therefore, they are relying upon the government's guarantee that they will always have their savings returned to them if anything goes wrong. They don't get that guarantee unless the money is in cash.

Savers - individual savers - and savers in institutions are sending out the same message as a result. What they're saying is "We trust the government and we don't trust very many other things in these financial markets." The instability of markets, the overvaluation of markets, and the uncertainty - all of those mean that people are fleeing for safety, and the government is the provider of real security in the economic world in which we now live.

But what that means is, there is no crisis with the government's finances. In fact, people are saying, "Please, run bigger deficits, if that means there are more bonds for us to buy."

The crisis that we've got is not of government finances. The crisis is of a lack of understanding by commentators who can't stand back and pick up the messages that are really being sent by individuals and market players who are saying, "We have confidence in the government and nobody else."

They want debt, and they want the government's guarantees, and that's the real point that I'm making. High government debt actually is equivalent to high public trust in the government. They couldn't exist without each other.

There's no reason why somebody has to buy government bonds, but they are. They're buying every bond that is available. So let's stop the panic headlines. They're just noise - people and institutions are voting with their money. And we should be following the money. We should be taking note.

There are some very clear conclusions. Deficits in this sense are not failures. They are actually enabling the deposit-taking that people want to make with the government. And that's because people understand implicitly, whether they can say it or not, that the government is the safest banker in the UK; the borrower of last resort, to use economic jargon. Because, of course, as far as a bank is concerned, a deposit is a loan that they take. They borrow other people's money when they take a deposit.

High debt is therefore proof of trust and not of collapse. And therefore, we need bigger deficits and not smaller ones because otherwise we are not going to meet market demand for government bonds.

But what that really means is that we should be talking about what government debt really is. It's just a safe deposit facility.

And it's time that we send all these market commentators who are saying, "We're going to hell in a handcart," when we're not, back to where they belong. I don't know where that is, but we don't want them on our televisions. We don't need them in our media. We don't even need them in our social media, because they're talking nonsense.

Government finances are working as people want them to because they're taking the deposits that people want to place in places of security, which the government is guaranteeing will be repaid to them, and that's what matters.

Taking further action

If you want to write a letter to your MP on the issues raised in this blog post, there is a ChatGPT prompt to assist you in doing so, with full instructions, [**here**](#).

**One word of warning, though: please ensure you have the correct MP.
ChatGPT can get it wrong.**

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