

## The UK can't go bust

Published: June 16, 2026, 6:02 am

---

The Daily Telegraph claims that Britain's £3 trillion national debt could lead to an IMF bailout. That sounds alarming. There's just one problem with that claim. It is total nonsense. The UK cannot go bust.

In this video, I explain why Britain is fundamentally different from a household, why governments that issue their own currency cannot run out of money, and why comparisons with the IMF crisis of the 1970s are deeply misleading.

Back then, Britain faced a very different set of circumstances, including foreign currency obligations that no longer exist.

Today, UK government debt is overwhelmingly denominated in sterling, and sterling is a currency that the UK government, working through the Bank of England and the banking system, can always create. The idea that the government might somehow run out of pounds is simply wrong.

I also explain how government spending actually works, why taxes do not fund spending in the way most people imagine, and why government borrowing serves a very different purpose from the one usually described in newspaper headlines. The conventional story about government finance is not just incomplete; in many respects it gets the sequence of events completely the wrong way round.

The video also explores the role of gilts, or government bonds, in the UK economy. Far from being a dangerous burden, as the Daily Telegraph claims, government debt provides the safe assets on which pension funds, insurance companies, banks and financial markets depend and on which they build their businesses. Without government debt, much of the financial system would struggle to function as it does today.

I also ask why these realities are so often ignored. Why are debt scares repeatedly promoted? Why are claims of national bankruptcy used to dominate political debate? And who benefits when people are persuaded that government cannot afford to support

public services, invest in the economy, or help those most in need?

The truth is simple. The claim that a debt crisis is looming is not serious economic analysis. It is a scare story designed to create fear about government spending and to justify a particular political agenda.

If you are tired of hearing politicians, newspapers, and commentators compare the UK government to a household with a maxed-out credit card, this video explains why that analogy is wrong and why understanding government debt matters to everyone of us.

<https://www.youtube.com/watch?v=Eg1Y68rAYo8?si=2w7UzcgEq15E2lj5>

This is the audio version:

[https://www.podbean.com/player-v2/?i=zm5c7-1aecbf8-pb&from=pb6admin&share=1&download=1&rtl=0&fonts=Arial&skin=f6f6f6&font-color=auto&logo\\_link=episode\\_page&btn-skin=c73a3a](https://www.podbean.com/player-v2/?i=zm5c7-1aecbf8-pb&from=pb6admin&share=1&download=1&rtl=0&fonts=Arial&skin=f6f6f6&font-color=auto&logo_link=episode_page&btn-skin=c73a3a)

The Debate Ammunition for this video is available here.

This is the transcript:

---

The Daily Telegraph is claiming that the UK will soon have £3 trillion worth of government debt, and they say, as a consequence, that we might have to go to the International Monetary Fund - the IMF, that is based in Washington D.C. - for a bailout as a result. They say that this happened in the 1970s, and that it was a Labour government at that time which caused the problem, and we have another Labour government now, and they're saying it's all going to happen again.

There's just one problem with this story. It's totally wrong. It's complete and utter bunkum, and that's the nicest possible word I can think of, and everything The Daily Telegraph is saying is designed to create a false alarm about the state of our government's finances. It's presenting debt as evidence of national insolvency, and that is total nonsense.

The UK is not and cannot be insolvent. And the truth is that The Telegraph has found a big number and is deliberately scaremongering, utterly inappropriately for all its own worth and in pursuit of its own anti-Labour agenda and in pursuit of its own agenda against government and what it can do for people.

An IMF bailout will never be needed by the UK for one very simple reason. The UK borrows, if that's what you want to call national debt, and I don't, in sterling. That is our own currency. And the UK government can always create sterling to repay its debts as a result, because it is ultimately the only agency permitted to do so.

Sterling can only be created by banks, and all of our banks are regulated by the Bank of England, which ultimately, as a result, creates all our money. As a consequence, the UK can always pay its debts. The idea that it can't is now nonsense.

This was not understood in the 1970s, which is why, at that time, we thought we needed to go to the IMF for a bailout. And at that time, we also had debts denominated in dollars. They arose from the Second World War. Well, we haven't got those anymore.

So, there is at this moment no chance at all of the UK running out of pounds. It is a technical impossibility. And we also happen to have really quite good reserves of foreign currency as well, so we're not going to run out of them either.

The idea of an IMF bailout is then not only wrong, such a thing would never be necessary, and it's just not going to happen. The Daily Telegraph is delivering to its readers a great big pile of... you fill in the gap.

The reality is that UK government spending works in a very particular way. UK government spending is always funded on the instruction of the government by the Bank of England. There's been a law in place since 1866, which means that if the UK government has passed a legal budget, which is what the whole budget process is all about, by the way, then the Bank of England cannot refuse an instruction from the government to make a payment if that's what it gets.

And it does employ somebody whose job it is to check that when an instruction from the government to make a payment is received, there is money available in a budget to permit that legal spending to take place. This is the check and control that exists within our system to ensure that overspending does not take place and to ensure that the Bank of England does only make legal payments.

But the point is that the government does not need to have money in its bank account at the Bank of England to let that spending take place any more than you do if you spend on an overdraft with your bank, or if you spend on a credit card and begin to eat into your credit limit. The fact is, the payment creates new money. That's what happens when you spend on an overdraft. That's what happens when you spend on a credit card. You create new money, and that's what the government does day in, day out by spending with the Bank of England.

Now, as a matter of fact, the government does seek to balance its books in a cash flow sense. So, it does collect back the money that it is spent by way of taxation, and it does that to control inflation. But tax does not fund the spending.

And nor does borrowing. The government, by convention, and it's a very well-established convention, does tend to leave around 3% of the money it spends each year in the economy. And that money needs a safe place to be deposited, and the safest place to deposit large quantities of money in the UK, and we are talking about hundreds of millions here, is with the government. And the government issues gilts, or treasury bonds, to provide that safe place of deposit for those who own very large sums of money, large companies and banks in the main, plus pension funds. These are a facility to save money with the government. They do not fund government spending.

All of this is ignored by The Daily Telegraph. Every single iota of this reality is ignored by what they have to say. They pretend, as neoliberals like to, that the government is dependent upon taxation revenues and borrowing to be able to spend, which is utterly untrue. They pretend that the cycle of government spending works the other way round to that which really applies. That's their ignorance being exposed by their claim.

Instead, the reality is that government debt, which they claim to be so worried about, actually supports the operation of the whole UK private sector financial system. It is fundamental to the way in which our whole economy works. Government bonds, or gilts as we call them in the UK, because once upon a time they were printed on paper and they had a golden edge, play a vital role in our financial markets.

Pension funds are utterly dependent upon them to provide a secure income for those in old age who have purchased a pension annuity, and quite a lot of people have; you're looking at one right now.

Life insurance companies depend upon them as well because they provide a secure income stream to protect them against one of the many risks they face, and this risk is the one that they won't be able to pay out.

And banks are utterly dependent upon bonds as well, because the whole of the London overnight banking market uses government bonds as the security involved to let that market operate.

In other words, government debt is the foundation of modern finance, and the last thing that the City of London wants is for this debt to be repaid, but that is what The Daily Telegraph is claiming we must do.

So, in that case, the question is, why doesn't The Daily Telegraph acknowledge the facts with regard to government debt? And why doesn't it acknowledge that financial markets are utterly dependent upon this safe place that the government provides for them to deposit money?

This is something The Daily Telegraph never admits. Why not? Is it that they prefer to mislead rather than inform? I think that's true. And why don't they acknowledge the risk in the whole thing that they're demanding, which is that the scale of government debt

be reduced?

Reducing government debt would remove safe assets for saving from our financial markets. Fewer gilts in existence would mean there would be fewer safe investments available for banks, pension funds, life insurance companies, and others who use them. Financial institutions would then need substitutes. Private or foreign debt would fill the gap. But those are very much riskier than government bonds.

The financial system would become much more fragile as a result of what The Daily Telegraph is asking for, and risk would increase rather than fall. Is that what The Telegraph wants? Do they want to put our financial system at risk? Because that's what they're asking for.

And let me just be very clear about what that risk is. Private debt is the real danger because private borrowers can fail. Companies, which make up a large part of private debt, can default on their debts, and so can householders. Mortgages do fail, and they will, in particular in a situation that we are now facing, where there is going to be a credit crisis, and I'm still expecting that to happen.

Governments that issue their own currency can never default. And therefore, if you have a choice between safety with the government or insecurity with the private sector, people who are looking for security, banks, pension companies, life insurance companies, are always going to choose government debt. They're never going to choose private debt by preference unless they think that the world is very secure at a particular point in time, and the private debt is paying a greater rate of interest. Private debt is always riskier than public debt. And at the same time, foreign debt also involves an exchange rate risk, something which UK government debt does not.

And yet The Daily Telegraph ignores all of this. Why, I ask again, and what is the real issue in play here? That real issue is very clear. The politics behind this are those of a scare story. It's very clear that is what The Daily Telegraph is promoting. Debt panic is being used by The Telegraph to demand spending cuts. Support for those in need is portrayed as unaffordable, and public services are presented by papers like The Telegraph, The Mail, and others, as being unaffordable and a problem, although defence spending, of course, is always treated quite differently and is always essential.

And the supposed economics, or false economics, that they put forward are being used to advance a political agenda. The political agenda is "cut the government". And misinformation is being used, and facts are being ignored when this agenda is being promoted.

Debt myths are being repeated by The Telegraph as if they are true.

Fear is replacing economic analysis, and the public are being encouraged to misunderstand government finance.

The political message is presented as economic expertise, and the quality of debate is damaged as a result, and all because The Telegraph hates the government and those who it might help in the UK.

Prejudice is driving this misinformation. And the truth about government debt is quite straightforward. I'll say it again.

The UK can never run out of sterling; it can never default on its debt.

The government debt supports the financial system.

There is no IMF crisis on the horizon.

The Telegraph's claim is scaremongering disguised as economics. And I don't just call that failed journalism because failed journalism at this scale is scandalous. It is something much more than that because they really know what they're saying is wrong, and they are delivering falsehoods.

That's my belief. I think they understand the truth. They must do. Anybody with any sense could work this stuff out. The City of London knows what's going on. The City of London knows how valuable debt is, and yet The Telegraph is ignoring that fact by putting out these stories. They want people to believe something that is not true for their political purposes, which is to crush government for the benefit of you and me and everyone else.

That's what I think. What do you think? Let us know. Let us have your comments. There's a poll down below. Please like this video if that's what you do. And please share it because that helps us with YouTube. And if you'd like to buy us a coffee so we can make some more videos, that would be great.

---

## **Poll**

[poll id="431"]