Debate Ammunition: Britain's Savings System Is Broken

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THE RICHARD J MURPHY YOUTUBE CHANNEL

DEBATE AMMUNITION

Britain's Savings System Is Broken

Funding the Future | July 2026

Topic

The UK savings system, built around ISAs and pensions, has become disconnected from real investment. The government should use National Savings and Investments to reconnect what people save with what the country needs to build.

The video that this Debate Ammunition supports is available here.

The Core Argument

Economic theory says savings exist to fund investment in productive capacity, but UK savings do nothing of the sort. They sit in cash, fund second-hand shares, or buy second-hand property, none of which creates a single new asset in the real economy.

This failure costs the country dear. Government spends more than £80 billion a year subsidising ISAs and pension tax relief, and most of that subsidy simply pads the returns of the City of London while delivering poor outcomes for savers themselves.

The solution is for government to offer genuinely safe savings through National Savings and Investments, let savers choose the social purpose their money supports, and use that capital to fund the housing, energy, transport and public services the private market has failed to deliver.

Key Statistics

Statistic	Figure	Source
Total cash held in UK bank accounts, doing nothing economically	£2 trillion+	Stated in video
Total UK savings across cash, shares and property	£8 trillion to £11 trillion	Stated in video, based on ONS data
Annual cost of ISA tax subsidies	~£10 billion	Stated in video
Annual cost of pension tax relief	£70 billion+	Stated in video

Share of UK pension fund holdings actually invested in UK shares

~5%

Stated in video

Current NS&I savings balances

~£250 billion

Stated in video

Potential annual capital for social investment under proposed reform

£100 billion+

Stated in video

The Argument Structure

Step 1 — Savings are meant to fund investment, but ours do not:

Economic theory taught in every UK University holds that savings exist to fund investment in productive capacity. In practice, UK savings are held in cash that banks do not need to lend, in second-hand shares that were issued decades ago and create no new investment, and in second-hand property. None of this builds a single new asset for the country.

Step 2 — This failure is hugely subsidised:

The UK spends more than £80 billion a year subsidising savings through ISA tax relief and pension tax relief. Most of that subsidy flows to the City of London's speculative activity rather than to savers themselves, whose returns on both ISAs and pensions are often poor by international standards.

Step 3 — Government should offer a genuine alternative through NS&I:

National Savings and Investments already hold around £250 billion pounds in balances that are wrongly treated as a burden as part of the national debt. Government should lift artificial constraints on NS&I, offer competitive interest rates on short-term bonds, and require that all new ISA money and a quarter of new pension contributions flow through it.

Step 4 — Savers should choose the social purpose their money supports:

People could direct their savings into defence, health, housing, nature or regional bonds, with government reporting back on how the money was used. This does not mean savers dictate government spending; ministers still decide priorities and can close oversubscribed bonds, but the capital raised would finally be tied to real investment in the country savers actually want to see built.

Their Argument → Your Rebuttal

They Say

Your Response

This is just more government borrowing dressed up in different language, and it will show up as a bigger national debt.

Money placed in National Savings and Investments is functionally identical to a Premium Bond or an existing NS&I account, both of which are already counted as government debt without anyone worrying about it.

Savers who put money into these products are not asking for it back in a crisis. They are choosing a safe home for their money, which is precisely why NS&I balances only ever usually grow.

Calling this debt obscures what it actually is, which is deposit taking, not a financial strain on the state.

Government does not need savers' money to spend, so this whole scheme is pointless under modern monetary theory.

It is true that a currency-issuing government does not need savers' money before it can spend.

But modern monetary theory describes how the monetary system works, it does not dictate policy choices, and government can legitimately choose to use savers' money as capital for public purpose investment.

The alternative is leaving that money doing social harm in speculative markets, which is a worse outcome than putting it to productive use.

Ordinary savers will lose the freedom to choose stocks and shares ISAs and get better returns elsewhere.

Stocks and shares ISAs currently channel the vast majority of pension and ISA money into second hand shares that create no new investment at all, while UK pension funds hold only a small fraction of their assets in UK companies.

A guaranteed, government-backed interest rate removes speculative risk entirely, which is exactly what most people say they want from their savings.

Those who still want to take on stock market risk would remain free to save outside the tax-advantaged NS&I route.

The government cannot be trusted to spend this capital well and large infrastructure projects in this country are routinely over budget and under delivered.

That is a fair concern about project delivery, not an argument against reconnecting savings with investment.

The proposal includes public reporting back to savers on exactly how their money has been used, which creates a level of accountability that the City of London, spending savers' money on secondhand assets, has never offered.

Poor delivery is a reason to improve public sector capability, not a reason to leave savings doing nothing for the country at all.

The One-Liners

“Our savings system was built to fund investment, and it funds almost none.”

“You cannot build a hospital by trading a share that was issued a century ago.”

“We spend eighty billion pounds a year subsidising savings that deliver nothing for

Britain."

"National debt is just savings by another name, and it's time we treated it that way."

"Give people the choice to save for the NHS, for housing, for their own region, and watch what happens to trust in government."

Questions to Ask

If savings are supposed to fund investment, why does economic theory never ask whether that is actually happening in Britain today?

Why does government treat National Savings and Investments balances as a debt burden when savers never ask for that money back?

If tax relief on pensions and ISAs is meant to benefit savers, why do so many receive poor returns while the City of London prospers?

What would change in your own decision to save if you could choose exactly which public purpose your money supported?

Further Reading

Post

Date

What it covers

[Funding the future]

1 Jul 2026

Sets out defence, NHS, care, housing and regional savings bonds in detail, the exact mechanism this video proposes.

[The Alternative Budget 2025, Part 5: Reforming the UK's Savings System]

20 Nov 2025

Full policy detail on redirecting ISA and pension contributions through NS&I to fund a new National Investment Fund.

[Saving is not the same as investment]

12 May 2025

Explains the disconnect between UK savings and real investment, and the case for reforming ISA and pension tax relief.

[Why is the government recklessly trying to push savings into the stock market?]

5 May 2026

Distinguishes primary from secondary stock markets, showing why buying existing shares creates no new investment.

[Would you put your savings into a fund that financed the NHS?]

27 May 2024

Introduces the core idea of saving directly with government through NS&I to fund public investment.

[Rachel Reeves is panicking]

4 Nov 2025

Sets out the proposal for all ISAs to move to NS&I and a quarter of new pension contributions to follow, bypassing the City.