

Funding the future

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The supposed need for increased UK defence spending - although on what no one seems to know - and the claim by Keir Starmer that borrowing must not be used to fund it - although, no doubt, he has no logic to back that claim - [is giving rise to discussion](#) on whether Andy Burnham might revive the 1940s idea of [War Bonds](#).

This does, of course, create a wide range of issues for those who understand that borrowing cannot fund government spending, because that is always funded by money created by the Bank of England on the government's instruction, within the limits of an approved budget. However, it is important to note the distinction between spending and investment. Capital spending is not the same as revenue spending, and, in fact, it can be funded with savings.

That is not just an economically correct statement; it is, given the gross misuse of most savings at present, either as dormant funds in bank accounts, or for the purposes of financial speculation of no benefit (and potential harm) to society, a redirection of funds towards social purpose that any government should be promoting is, it would seem to me, to be a matter of political and social priority. The issue of government-backed bonds for this purpose does, in that case, make economic and social sense.

As a result, our imaginations can be freed. Instead of asking how government can persuade financial institutions to lend it money, we can ask a much more interesting question: what government-facilitated public purposes might real people choose to support with their savings?

I think we should be broad-minded about this. The need for investment in our society is so strong that a very wide range of purposes come to mind. In my opinion, all of them should be on the agenda of any government with a social purpose and the goal of releasing potential at its heart. Included in that number are all of the following.

Defence bonds

If the government really believes the UK faces an existential threat, it should let people

choose to save in support of national defence.

Unlike taxation, this creates engagement. People could literally say, “Part of my savings is helping protect the country.” That is a choice people should be allowed to make.

NHS bonds

People should be allowed to place savings with the government knowing they were associated with long-term investment in:

- * hospitals;
- * medical equipment;
- * digital systems to support healthcare;
- * medical research; and
- * staff training.

That is not because the NHS needs the money before it can spend, but because people want a safe place to save while expressing a social value.

Care bonds

Britain desperately needs social care reform. Care bonds could support investment in:

- * care homes;
- * community care;
- * disabled services; and
- * support for unpaid carers.

Many older people, in particular, might welcome the symbolism.

Housing bonds

Housing bonds could be linked to investment in:

- * affordable homes;
- * housing renovation;
- * energy efficiency, and
- * community regeneration.

Again, this is not because the government needs the money to spend, but because many savers would rather know their savings were supporting decent housing than speculative property bubbles.

Climate bonds

Climate bonds could become a mainstream savings product, associated with investment in:

- * flood defences;
- * insulation;
- * renewable energy;
- * electricity grids;
- * rewilding; and
- * coastal protection.

This is exactly the sort of intergenerational investment many pension savers might welcome.

Children's future bonds

Parents and grandparents might find these bonds particularly attractive if they support investment in:

- * schools;
- * universities;
- * apprenticeships;
- * early years provision;
- * libraries; and
- * youth services.

Saving, in this case, becomes a statement of hope and of intergenerational solidarity.

Community bonds

Suppose local authorities could issue national government-guaranteed bonds. They could support investment in:

- * swimming pools;

- * theatres;
- * libraries;
- * parks;
- * sports centres; and
- * local transport.

People would know exactly which place they want to benefit. That could transform local democracy.

Infrastructure bonds

These might not be glamorous, but they could be absolutely essential by supporting investment in:

- * water;
- * sewerage systems;
- * railways;
- * tramways;
- * electricity generation, storage and transmission; and
- * digital infrastructure.

These are the backbone of the economy. This is what pensions should fund.

Science and innovation bonds

Britain has extraordinary research capacity, but it does not deliver on that potential. These bonds could support:

- * universities;
- * research institutes;
- * advanced manufacturing;
- * artificial intelligence;
- * biotechnology;
- * pharmaceuticals; and
- * quantum computing.

Many people might willingly save to strengthen these.

Resilience bonds

These would be designed to prepare Britain for future shocks through investment in:

- * emergency food systems;
- * pandemic preparation;
- * strategic manufacturing;
- * energy security;
- * cybersecurity; and
- * water resilience.

Instead of responding to crises after they happen, people could save towards preventing them.

Nature bonds

Few people might mention bonds of this sort, but I think they might be especially important and popular in a country that takes conservation and the environment very seriously. These bonds would support the restoration and maintenance of:

- * rivers;
- * peatlands;
- * forests;
- * national parks;
- * other wildlife habitats;
- * biodiversity; and
- * soils.

These are investments whose return is measured in resilience rather than immediate financial gain.

Cultural bonds

These bonds would support investment in:

- * museums;
- *

the arts;

- * music;
- * theatre and other performance spaces;
- * minority languages and culture;
- * film; and
- * historic buildings.

Britain consistently underinvests in its cultural capital despite it being one of its greatest strengths.

Skills bonds

These bonds would support lifelong education and investment in

- * retraining;
- * adult education;
- * vocational skills;
- * professional development; and
- * lifelong learning.

Every technological revolution requires continuous investment in people's skills.

Regional development bonds

Each English region, as well as Scotland, Wales and Northern Ireland, could have its own bond issuing programme supporting investment in:

- * local infrastructure;
- * business development;
- * housing;
- * transport;
- * education; and
- * community facilities.

People often identify with the country or region where they live long before they identify with Whitehall. Why not let them save accordingly?

Intergenerational bonds

These bonds might, perhaps, create the most imaginative possibilities. They would have very long maturities, of perhaps forty or fifty years. They could be bought by grandparents and be redeemed when their grandchildren reach adulthood, or even later. Inheritance tax incentives could be attached to them. They would be invested to represent:

- * long-term stewardship;
- * intergenerational responsibility; and
- * confidence in Britain's future.

The funds might be bid for by localities.

In themselves they might be a financial expression of stewardship.

The biggest idea

Suggesting these bonds require imagination. So, too will their use. So, instead of naming bonds after sectors, why not name them after social purposes, such as:

- * Health Bonds;
- * Education Bonds;
- * Future Generations Bonds;
- * Security Bonds;
- * Nature Bonds;
- * Community Bonds; and
- * Housing Bonds.

Each might be identical financially, meaning they would have:

- * the same maturity;
- * the same interest rate;
- * the same government guarantee, and
- * the ability to wrap the bond in an ISA or pension wrapper, as I have explained many times before, including in the [Taxing Wealth Report](#), chapters 25 and 26.

The difference would be:

- * **the public purpose to which funds were applied;**
- * **the reporting supplied;**
- * **the saver's preference for the use of their savings, and**
- * **tax relief for saving would now deliver public as well as private benefit**

That matters because economics is about relationships. Saving would cease to be merely the accumulation of wealth. They would, instead, become an exercise in building participation in creating a better society for everyone to share.

The final step

The next obvious step would be to cease calling these government-backed bonds debt, precisely because they are not debt in the ordinary sense. They are voluntary savings deposited with the state. They might then be called:

- * National Savings;
- * Public Investment Accounts;
- * National Future Accounts;
- * Public Purpose Savings;
- * Citizen Investment Accounts; or
- * National Partnership Accounts.

Those with a marketing bent could probably do better than any of those; my point is that naming them properly to reflect what they really are would matter.

The accounting would be unchanged as a result. The economics would be unchanged, except that the quantum of funds available to the government might increase and expectations surrounding them might change, but most importantly, the politics would be transformed.

People would stop asking, "How much does the government owe?"

Instead they would ask, "What have we chosen to save for together?"

That is a different conversation. Government bonds are not a financing necessity for a currency-issuing government. They are safe savings instruments, useful tools of monetary management where appropriate and, perhaps most importantly, a way of creating a relationship between private wealth and public purpose. Once we recognise that, there is no reason for them to be generic. They can become expressions of the

kind of society people wish to help build.