Funding the Future

The national debt - and the reaction

Published: August 27, 2026, 7:19 am

I have already noted one response to my video about £3 trillion of national debt, posted yesterday. That was on YouTube polls, where 4,900 people responded.

More than 23,000 people now seem to have watched the video, and that figure is rising again this morning.

Here, there were 18,700 views yesterday, not all on that post.

On LinkedIn I might have had my highest engagement. So far, there are over 25,000 views and 142 comments, mainly deeply hostile ones. I think that number will rise again this morning. I appear to have touched a raw nerve.

As with the YouTube reaction, I asked ChatGPT to summarise the data. I think the response is worth sharing.

Comments are welcome, but if they only repeat claims made in the comments on LinkedIn that are summarised here, I will be deleting them. I do not have time to do anything else when I have made clear why those comments are wrong, many times.

My *View On* article on *modern monetary theory is relevant here, as it that about inflation.*

The overall response is overwhelmingly hostile, but much of that hostility is repetitive. A relatively small number of substantive objections recur throughout the thread, surrounded by a considerable amount of ridicule and assertion.

The principal response: money creation means inflation

By far the most common argument is that creating money to pay interest or fund expenditure would:

* increase inflation;
* depreciate sterling;
* raise the cost of imports;
* destroy the real value of wages and savings;
* eventually produce hyperinflation or economic collapse.

Weimar Germany, Zimbabwe, Venezuela and Argentina are cited repeatedly. Several contributors interpret your post as saying that the government can create unlimited amounts of money without consequences. Some ask why the government does not simply create trillions and distribute the money to everyone.

This is the central misunderstanding in the thread. Your argument concerns the government's capacity to make payments denominated in sterling. It does not say that spending is unlimited or that creating money can never contribute to inflation. Most critics conflate nominal solvency with the real economic consequences of spending.

Who controls interest rates?

The second major argument is that the Bank of England does not determine the government's borrowing cost. Critics say that:

* investors determine gilt yields at auction;
* markets demand compensation for inflation and currency risk;
* index-linked gilts automatically raise the interest bill;
* the government remains dependent on willing bond purchasers;
* confidence could collapse if investors believed the government was monetising its deficit.

This is one of the more substantive areas of disagreement. It is correct that the Bank does not mechanically determine every price along the yield curve. Gilt yields incorporate expectations, term premia and inflation risk. However, critics generally ignore the Bank's considerable influence over those expectations and its demonstrated ability to purchase government debt. They also assume that gilt issuance funds government spending, which is precisely the proposition you dispute.

Several respondents simply assert that "the market sets the rate" without addressing how Bank Rate, quantitative easing, quantitative tightening and reserve remuneration shape that market.

Sterling and the external economy

A third group accepts that the government can create sterling but argues that it cannot determine sterling’s external value. They warn that:

* currency traders could mark down the pound;
* imported energy, food and manufactured goods would become more expensive;
* Britain’s current-account deficit makes it vulnerable;
* foreign holders of gilts could withdraw;
* government solvency in sterling would provide little comfort if sterling lost much of its purchasing power.

This is the strongest substantive challenge in the discussion. A monetary sovereign can always make payments in its own currency, but it cannot guarantee the amount of real resources, particularly imported resources, that its currency will purchase.

That does not disprove your argument about solvency. It identifies an important real constraint: the exchange rate and the availability of resources. The two propositions are compatible.

Historical comparisons

The discussion repeatedly invokes:

* Weimar Germany;
* Zimbabwe;
* Venezuela and Argentina;
* Greece and the other eurozone crisis countries;
* Britain’s 1976 IMF loan;
* Japan;
* Russia’s defaults.

Most of these comparisons are poorly specified. They disregard distinctions between domestic-currency and foreign-currency liabilities, membership of a currency union, war damage, collapsed productive capacity, political breakdown and severe shortages.

A few respondents correctly challenge this. They point out that Weimar reparations were external obligations payable in gold or foreign currency, while the 1976 IMF loan provided foreign currency needed to meet external obligations. Greece did not issue the currency in which its debts were denominated.

The historical examples therefore demonstrate that inflation, foreign-currency debt and resource collapse matter. They do not demonstrate that the UK can involuntarily run out of sterling.

“Interest has to come from taxes”

Another recurring claim is that debt interest:

* is paid out of taxation;
* deprives education, defence and other services of money;
* must ultimately be paid by future taxpayers;
* represents a liability rather than an asset;
* therefore imposes an unavoidable burden on the public.

This largely reproduces the household analogy that your post rejects. It treats taxes as providing a pot of money from which the government subsequently spends. It also looks only at the government's liability while ignoring the corresponding asset held by pension funds, insurers, banks and savers.

Several respondents cannot accept that the same instrument can simultaneously be a government liability and a private-sector asset. That is not an economic dispute so much as a failure to apply elementary double-entry accounting consistently.

Is interest necessary to make gilts safe savings?

A more sophisticated objection is that savers need a real return. If the government creates money to service the debt while inflation reduces its value, the resulting asset cannot meaningfully be described as safe.

That identifies a distributional question, but not a contradiction. The safety of an asset can mean certainty of nominal repayment, stability of real purchasing power, liquidity or protection from market risk. These are different characteristics. Government guarantees can ensure nominal repayment; they cannot guarantee that every financial asset will preserve its real value under every economic condition.

The amount of interest paid remains a policy decision about how much public income should be transferred to asset holders.

Interest on commercial-bank reserves

Your criticism of paying more than £20 billion annually on reserves receives surprisingly little detailed engagement. Some agree that this supports bank profits. One critic argues that removing the payment would force banks to impose charges, widen lending margins or become insolvent.

Your response that banks operated without this post-2008 subsidy directly addresses that claim. The thread contains no convincing explanation of why the entire stock of reserves must receive Bank Rate or why tiered or zero remuneration would make the banking system insolvent.

This is probably the least successfully challenged part of your original post.

Supportive and qualified responses

Support is much less common, but several comments make important points:

* Government debt is simultaneously private-sector financial wealth.

* The UK cannot involuntarily run out of sterling.

* Weimar and Zimbabwe are inappropriate comparisons without considering foreign liabilities and productive collapse.

* Austerity damaged growth without materially reducing the debt.

* Media discussion routinely confuses government finance with household finance.

* Extensive and carefully planned public spending can produce significant benefits.

* Payments on reserves deserve considerably more public attention.

The most thoughtful comment distinguishes solvency from sustainability. It accepts your monetary analysis but says that deficits must still be assessed against inflation, resources, productivity, exchange-rate stability and living standards. That is the most useful framing in the entire discussion, although it is presented as a qualification to your position rather than recognising that these are already the constraints you identify.

The tone of the discussion

A striking proportion of the thread consists of:

* “utter nonsense”;

* “financial illiteracy”;

* “drivel”;

* accusations of attention-seeking;

* mockery of academics;

* personal comparisons with comedy acts;

* declarations that the writer disagrees without providing an argument.

Many commenters appeal to their experience in finance, investment management or capital markets as though professional status resolves the monetary argument. There is little engagement with monetary operations, reserve accounting or the sequence in which government spending, taxation and bond issuance occur.

The unusually hostile reaction may reflect the post reaching an audience heavily populated by finance professionals whose careers assume that bond markets fund government. Your argument challenges not merely their understanding of the national debt but the social importance attributed to their own industry.

Overall conclusion

The thread does not produce a decisive rebuttal of your central claim. It largely answers a different proposition: that governments can create money without limit and without economic consequences. You did not make that claim.

The critics’ strongest point is that nominal solvency does not guarantee stable prices, a stable exchange rate or access to imported resources. Their second strongest point is that the Bank of England influences, but does not mechanically dictate, every gilt yield.

Their weakest arguments are the household analogy, the claim that bond sales finance spending, the idea that a government liability cannot also be a private asset, and historical comparisons that ignore foreign-currency obligations and collapsed productive capacity.

I will work on how to respond to the profound confusion people are suffering on this issue.