



What is the national debt?

KS3

KS4

Ages 11-18 ⌚ 4 min read

The national debt is the total amount of money the UK government owes to lenders — accumulated over years of spending more than it collects in tax. As of 2025, it's over £2.5 trillion, which is roughly equal to the entire annual output of the UK economy.

How does a government borrow money?

Governments borrow by issuing **bonds** — essentially IOUs. The UK government sells "gilts" (short for gilt-edged securities). You lend the government, say, £1,000, and they promise to pay you interest (the "coupon") every year and return the £1,000 after a set period (often 10 or 30 years). Governments sell these to pension funds, insurance companies, banks, foreign governments, and individuals around the world.

Think of it like a very large household running a permanent overdraft. The household earns £70,000 a year (taxes) but spends £80,000 (public services). Each year it borrows the £10,000 gap. Over 50 years, the debt builds up. It doesn't intend to clear the whole thing at once — it just manages the repayments and borrows more when needed. As long as its income keeps coming and lenders keep trusting it, the arrangement works. Problems arise if the lenders start to doubt they'll be repaid — and start charging more to lend.

Does it ever get paid off?

Not typically, for large economies. Most governments manage debt rather than eliminate it. Old bonds are repaid by issuing new ones — essentially rolling the debt forward. The important measure isn't the absolute amount but **debt as a percentage of GDP** — if the economy grows faster than the debt, the debt becomes relatively smaller and more manageable even if the absolute number keeps rising.

Is it a problem?

Economists genuinely disagree. High debt means large interest payments — the UK currently spends more on debt interest than on many entire government departments. If lenders lose confidence and interest rates on government debt rise, managing the debt becomes much more expensive. But very low interest rates (as existed for a

decade after 2008) make debt cheap to service, and government borrowing can fund investment that grows the economy. The "right" level of national debt is one of the most contested questions in economics.