THE HOLLOW STATE

Why Britain Still Votes But No Longer Chooses

Richard Russell

BRIEFING 01

Britain's Real Balance Sheet

Why household debt is only one metric

A country can look more resilient than it is if we measure only one form of pressure. Household debt matters, but it is not national resilience.

Household debt is important. But it is not national resilience.

Why household debt is only one metric

A country can look more resilient than it is if we measure only one form of debt.

Household debt matters. It tells us something important about mortgage pressure, consumer borrowing, savings resilience and the ability of families to absorb shocks.

But household debt alone does not tell us whether a country is financially healthy.

Britain's real balance sheet is wider than that. It includes household debt, public debt, tax burden, debt interest, future pension promises, housing costs, productivity, energy costs, public-service capacity, infrastructure condition, demographic pressure and obligations already implied by today's policy choices.

Looking at one metric in isolation can make the national position appear more comfortable than it is.

Start with the fair point

The strongest version of this argument should begin by being fair about household debt.

Recent Bank of England reporting suggested that household indebtedness, taken alone, is not the strongest evidence of national fragility. The aggregate household debt-to-income ratio was reported at 132% in 2025 Q2, its lowest level since 2002. The mortgage debt-servicing ratio was reported at 7.3%.

That matters. It means the argument should not be that household debt proves Britain is in crisis.

The better argument is that household debt is only one pressure channel.

A household can have manageable formal debt and still be under pressure from rent, mortgage rates, tax, energy bills, weak wage growth, public-service delays and future promises made by the state.

The pressure does not always appear as household debt. But it still reaches the household.

The pressure still lands on citizens

If the state is heavily indebted, taxes rise or services are squeezed.

If public services are stretched, households pay privately, wait longer or provide unpaid care.

If housing costs are high, disposable income falls before saving can begin.

If productivity is weak, wages and tax revenues stagnate.

If energy is expensive, industry becomes less competitive and household bills rise.

If pension promises grow without a credible funding model, future workers carry the burden.

None of those pressures has to appear in the headline household-debt figure. All of them can still shape the lives of citizens.

The wider evidence snapshot

The wider picture is not one of immediate collapse. It is one of accumulated constraint.

Public borrowing remains a live pressure. Official figures reported in June 2026 showed public sector net borrowing of £23.3 billion in May 2026, with borrowing in the first two months of the 2026/27 financial year reaching £46.3 billion, above the OBR's March forecast. Public debt was reported at about 95% of GDP.

The OBR's March 2026 forecast placed the public-finance problem in a broader frame. It forecast the tax take rising to a post-war UK high of 38.5% of GDP by 2030-31. It also said debt-interest costs had risen from £39 billion in 2019-20 to £106 billion in 2024-25.

Long-term obligations are the hidden balance sheet. The OBR's July 2025 fiscal-risk work projected that, on current policy settings, ageing, healthcare and other age-related pressures could push public debt above 270% of GDP by the early 2070s. It also projected state pension spending rising from around 5% of GDP in 2024-25 to 7.7% of GDP in 2073-74.

Housing remains a major pressure even where the headline affordability ratio has improved. ONS data reported in 2026 put the median home in England at 7.6 times median full-time earnings, with London at 10.6. Separate ONS rental-affordability figures reported for 2024 put average private rent in England at 36.3% of income, rising to 41.6% in London.

Productivity is the solvency engine. The OBR has said output per person in the latest outturn remained broadly at the same level as in 2019. It also noted that, had pre-financial-crisis per-person growth continued, real GDP per person would be around 30% higher today. Without productivity growth, wages, tax revenues, pensions and public services all come under pressure.

Energy costs are part of the same balance sheet. Industrial energy prices affect manufacturing, jobs, household bills, competitiveness and the tax base. Business groups have warned that the UK has some of the most expensive industrial energy prices in the developed world.

Public-service capacity matters too. Planned-care waiting lists have improved from their peak, but diagnostic waits and wider service pressure remain real household burdens. Delayed treatment, lost work, private spending and unpaid care are costs, even when they do not appear as personal debt.

The hollow state problem

This is one of the problems The Hollow State tries to name.

Public debate often examines one number at a time, while the real condition of the country is systemic.

A government can point to one favourable metric and claim resilience. An opposition can point to one unfavourable metric and claim collapse.

Both can miss the deeper question: does Britain have a credible model for long-term solvency, productivity and public consent?

If the answer is no, household debt is only part of the picture.

National resilience is not accounting theatre

A serious national balance sheet should ask:

- Are households financially resilient?
- Is the state solvent over the long term?
- Are pension promises credible?
- Are young people able to form households?
- Are taxes rising faster than public confidence?
- Are public services delivering enough value for the cost?
- Is productivity growing?
- Is energy affordable, reliable and secure?
- Is infrastructure being maintained?
- Are future obligations honestly disclosed?

That is the real test.

The democratic issue

This is not only an economic question. It is democratic.

If governments make promises today that citizens must pay for tomorrow, the public deserves honest accounting.

If parties compete by hiding trade-offs, democracy becomes managed consent.

If the state builds obligations that no one has clearly authorised, the public loses control over the future.

A serious democracy must tell citizens what the country can afford, what it cannot afford, what it must build, what it must stop pretending, and who pays for each promise.

Conclusion

Household debt is important. But it is not national resilience.

Britain's real balance sheet must include the obligations, costs and weaknesses that eventually land on citizens, whether they appear as personal debt, tax, inflation, waiting lists, rent, mortgage costs, energy bills or lower growth.

The question is not just how indebted households are today. It is whether Britain has a credible model for growth, productivity, solvency and democratic honesty.

A mandate without delivery is theatre. A promise without accounting is not a mandate at all.

Source basis

Primary and supporting sources currently include Bank of England Financial Stability Report reporting, OBR Economic and fiscal outlook, OBR Fiscal risks and sustainability, ONS public-finance, housing, rent and productivity figures as reported by Reuters, the FT and the Guardian, NHS England waiting-list and diagnostic figures as reported by the Guardian, and CBI / Energy UK / IEA industrial-energy-price reporting.

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