What Did the Borrowing Buy? — October 11, 2026

In the third quarter (July–September), many government bonds' prices declined as investors demanded higher returns for owning that debt, and France's annual cost to borrow for 10 years rose more than in any quarter since 1987. On October 2, that cost briefly reached 5 percent per year, the highest since 2002. As of October 9, that cost was about 4.9 percent, compared with about 3.5 percent a year earlier. That cost was also about 1.4 percentage points higher than Germany's cost for 10-year debt.[i] In early October, that gap reached its widest since the 2011–12 eurozone debt crisis.[ii]

Moody's (a credit rating agency) expressed concern that France's divided parliament may be unable to narrow the deficit[iii] that the government now projects at 5.4 percent of that country's annual economic output ("GDP").[iv] France's public debt reached 119 percent of GDP at the end of June.[v]

What has France's borrowing bought? France has not balanced its budget since 1974. Its debt rose in steps as the government responded to the 2008–09 financial crisis, the 2020 pandemic, and the 2022–23 surge in energy prices. In 2024, French government spending was about 57 percent of GDP, second-highest among the eurozone countries. Pensions, health care, and other social programs totaled about 32 percent of GDP in 2023.[vi]

For France, the answer to "What did the borrowing buy?" is still unfolding. Below are three historical cases whose outcomes differ significantly.

Isma'il Pasha, who ruled Egypt from 1863 to 1879, borrowed heavily in London and Paris. Those debts funded Egypt's large share of Suez Canal costs, as well as irrigation projects, railways, telegraph lines, bridges, harbor works, and schools. Those debts also funded an ill-fated invasion of Ethiopia, construction of palaces and an opera house, lavish celebrations, and high borrowing costs. In 1876, Egypt suspended debt repayments and European commissioners took control of the revenues pledged to creditors. In 1882, after a nationalist uprising, British troops occupied Egypt.[vii]

Pressed for cash in 1875, Isma'il Pasha sold Egypt's shares in the Suez Canal Company to the British government for £4 million[viii] (about $22 million in 1875), funded by a Rothschild bank loan. Britain's borrowing bought a large stake in its route to India first, and canal income later.

In 1914, Britain entered World War I after Germany invaded Belgium, whose neutrality Britain had guaranteed. Britain's War Loan of 1917, after being refinanced in 1932, was not fully repaid until 2015.[ix] That borrowing bought victory — and payments that stretched over nearly a century.

The answer to "What did the borrowing buy?" is rarely the whole story. Outcomes in the historical cases discussed above were also affected by whether the lenders trusted the borrower, who held the debt and in what currency, and whether interest costs crowded out other priorities.

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This commentary was developed with research and drafting support from Claude, an artificial intelligence assistant created by Anthropic, PBC.

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