

Tory 'spiral of decline'

Published: January 13, 2026, 2:31 pm

[Cameron's dud options](#) | [David Blanchflower](#) | [Comment is free](#) | [The Guardian](#)

David Blanchflower says:

The monetary and fiscal authorities have so far managed to prevent a recession turning into a depression — but it still could, especially if [David Cameron and George Osborne](#) have their way.

As he puts it:

[T]he Tory conference, amazingly discussed what [Cameron] called option one — the possibility that the UK should default on its debt. Mr Cameron, you shouldn't even be raising such possibilities. It's exactly what markets want to hear from a potential leader — you have actually even considered defaulting on our debt? Unbelievable.

But as Blanchflower noted:

There was one bit of his speech I thought sounded like quite a good plan, which he dismissed. That was what he called his option two: "We could encourage inflation, which would wipe out the value of the debt, making it easier to pay off." Sounds like a good idea to me, and probably to you.

Yes indeed - and actually, in the long run the only way out of this mess because like it or not property has to be repriced relative to income and that's either going to happen because of incapacitating negative equity for a considerable period or some more acceptable inflation from which the only losers will be those who have enjoyed the greatest inflationary gains (which, I'll tell you now - they will fight to protect with their hearts and soul - Cameron and Osborne at their sides - defenders of unearned capital to the last).

Then there's option 3:

Cameron concluded his speech arguing for his third option — "for me the only option".

He went on: "We must pay down this deficit. The longer we leave it, the worse it will be for all of us." Actually, wrong: the longer we leave it, in a recession, the better it will be for all of us.

Precisely. And, of course, Blanchflower is right. The only outcome of option 3 is deep recession.

As Blanchflower says:

I personally would vote for option two and certainly would never even consider discussing option one.

I guess he didn't need to add by then that option 3 is a disaster waiting to happen.

All three of our main political parties back it. This is not going to be fun.