

Some facts in the face of Cameron's hysteria

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David Cameron is going to make a speech on the economy today. [He's going to say:](#)

We have become indebted on an unprecedented scale. Our huge public debt is the clearest manifestation of our economic mistakes — the glaring warning sign overhead telling us we have taken the wrong route. We have been sleepwalking our way to an economy that is unsustainable, unstable, unfair and, frankly, uninspiring.

So let's get some facts straight, [care of Martin Wolf](#):

Here are some facts, to keep the hysteria in check:

- * the UK economy is operating at least 10 per cent below its pre-crisis trend; the OECD estimates the “output gap” — or excess capacity — at slightly over half of this lost output;*
- * the UK government is able to borrow at a real interest rate of below 1 per cent, as shown by yields on index-linked gilts;*
- * the yield on conventional 10-year gilts is 3.6 per cent;*
- * the ratio of gross debt to gross domestic product was 68 per cent at the end of last year, against 73 per cent in Germany and 77 per cent in France and an average of 87 per cent since 1855;*
- * the average maturity of UK debt is 13 years, according to the International Monetary Fund's Fiscal Monitor;*
- * and, yes, core inflation has risen to 3.2 per cent, but that is hardly a surprise, given the large — and essential — sterling depreciation.*

Above all, the private sector is forecast by the OECD to run a surplus — an excess of income over spending — of 10 per cent of [GDP](#) this year. On a consolidated basis, the UK's private surplus funds nearly 90 per cent of the fiscal deficit.

Or to put it another way:

- * we're actually not in that bad shape;
- * we're capable of funding the deficit;
- * Anything that harms the private sector and its surplus now - like governments cuts resulting in serious fall in aggregate demand - ruins our chance of doing so;
- * Continuing to spend is the only thing to do now;
- * Being relaxed about inflation is vital - because deflation would destroy any chance of recovery.

In other words, Cameron has just about everything wrong.

And I will say I told you so in years to come.