

Funding the Future

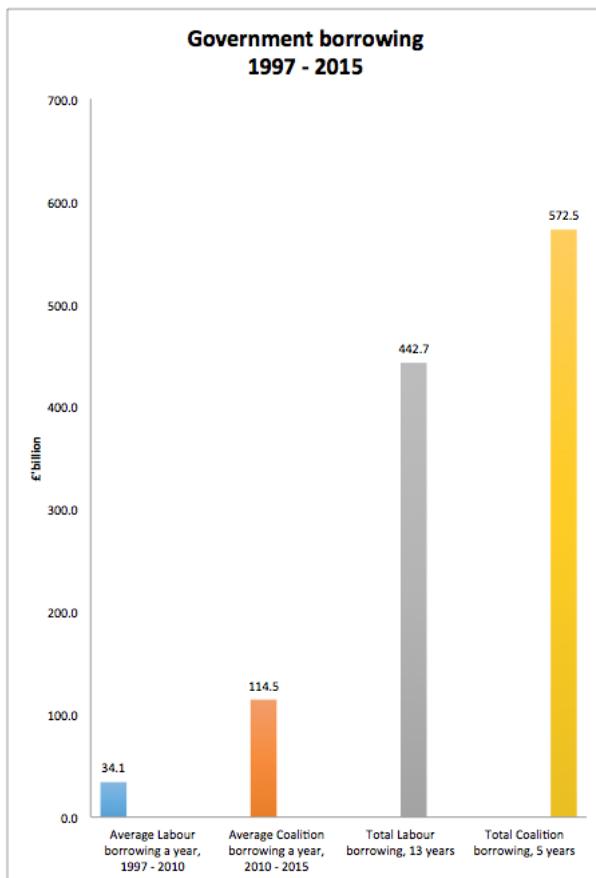
Cameron, debt and misinformation

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The [Guardian](#) reports this morning that:

Britain will be on the “path to ruin” if Labour takes charge of the public finances, David Cameron will say on Monday as he warns parents and grandparents of the dangers to future generations if the country fails to deal with its debts.

So let's talk debt:



All data is from the [HM Treasury Pocket Book for 30 September](#). I have extrapolated 2014/15 borrowing from the August data to suggest whole year borrowing of just over

£107 billion based on average proportion of total year borrowing to 31 August over the past five years.

The conclusions are stark: the Coalition has borrowed more than four times more a year than 3.3 times a year what Labour did, on average.

In five years the Coalition has borrowed more than Labour did in 13, by a considerable margin.

And there wasn't an unforeseen banking crisis on the Coalition's watch.

But what's very odd [is the data on gilt yields from the Government](#). In April 1998 long dated gilts yielded 5.71%. A decade later that was 4.5%. By April 2012 it was 3.31% and in April 2014 this had little changed at 3.46%, but now it is 2.62%. If we had a debt crisis very clearly risk would have increased and so interest rates would have risen. But they haven't. Interest rates have fallen, significantly, and not just to reflect inflation.

So first of all we have no gilt crisis.

Second, we have no affordability crisis.

And third, we have a lost opportunity to invest at rates lower than we have almost ever known, which lost opportunity is why we have an economic crisis.

It's very hard to see how one man can get as much wrong as David Cameron can in the repeated sentiment he has to offer to the UK. But the evidence is clear: every single word of what he has to say is deeply misleading because it is so wrong. After five years in office all he has learned is that keeping repeating the misinformation is the only policy he can find that he still thinks worth pursuing. And, unfortunately, some still believe him.