

# Funding the Future

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I [wrote yesterday](#) about why we should worry about deflation. One person who should be especially worried about it is George Osborne. Another is Ed Balls. There are good reasons.

First, deflation can cut GDP. No Chancellor wants that.

Second, deflation cuts VAT receipts because prices fall.

And it is likely to cut PAYE receipts too as wages fall.

But in real terms the value of government debt increases as the pound deflates.

Fifth, real interest rates rise.

All of that makes anyone's plans to move towards a balanced budget a lot harder to achieve.

The case for inflating the economy now really is unassailable.