

The Tories think debt is the number one economic issue ...

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I think it's safe to say that Katy Balls of the Spectator has a fair take on the Conservative mindset. She wrote this in an opinion piece for the [Guardian](#) last night:

With the UK's debt now worth more than its economy [for the first time since 1963](#), it's not clear that Sunak could keep emergency measures in place indefinitely even if he wanted to. While this government is comparatively relaxed about borrowing compared with the Cameron/Osborne era, there is an acknowledgement that a plan needs to be in place to return to a normal level of borrowing. Speaking earlier this month, Sunak appeared to throw the few remaining fiscal hawks a bone when he said he would need to come up with a plan to balance the books over the "medium term".

What Balls is addressing is the Tory Paranoia about debt.

Sunak had to suspend that in March.

What Balls is signalling is that this is back, and big time. According to her it's got to be to placate *'the new coalition of Tory MPs in traditional Conservative seats and those in the red wall of former Labour heartlands'*.

But what Balls has to say shows us that this 'new coalition' is driven by old economic tropes.

They include the belief that there is a 'normal' level of borrowing. But there is no evidence for that. The rate has varied enormously over time.

And those tropes include the belief that if only the books could be balanced all would be fine with the world, which ignores the fact that there has been no serious attempt to balance the books, let alone one that succeeded, since 1694 and we've more than survived despite that fact.

After which those MPs do, of course, believe the trope that austerity works to cut debt, when all the evidence shows that it makes things worse.

This is all very profoundly worrying, because these dangerous, and wrong ideas will dominate the political narrative if we let them.

There are in fact only five things to know about the UK's debt.

The first is that it is no more than. £1.3 trillion at present. I explain how this is calculated [here](#). The figure is UK audited debt at 31 March 2019 adjusted for QE and an increased deficit since then. The figure is right, unless the UK national accounts are wrong.

Second, because no one can be quite sure what UK GDP is right now it's not possible to express this as a percentage of GDP at present, but it is likely to be less than 65% of that GDP when it stabilises again. And this is not an issue for anyone.

Third, we need a national debt. It's a good thing. I explain why [here](#).

Fourth, we need never repay this national debt because people want to own it, and there's no need to stop them doing so.

Fifth, the long term nominal debt interest cost on new thirty year government bonds is 0.6% right now according to the Debt Management Office. That means all our existing national debt could in theory be refinanced for about £8 billion a year (and yes, I know the issues in making that extrapolation) - a figure that is reflected in the steady forecast downward cost of this debt now being made by the Office for Budget Responsibility. This means debt need, eventually, cost no more than about 1% of government spending.

So we have a modest (in real terms) long term debt, which is costing a historically low sum to finance that is easily affordable and is at the same time providing an invaluable service to savers and financial markets and yet the Tories are obsessed with the issue and how to remove this apparent non-problem by imposing other, very harmful measures on society.

I'd love to know how they come up with their list of economic priorities since however it is looked at debt should be coming in at below 100 on the list. And yet they're making it number 1. No wonder they are getting governing so wrong.