

Letters to the Editor
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Debt and our GDP

Sir, According to leaks, the Treasury believes it is vital that the UK keep public debt below 100 per cent of GDP, so making short-term tax rises necessary. This is economically illiterate. As the OECD and IMF have said, the imperative is to get the UK out of the Covid recession. This requires a fiscal stimulus, not a retrenchment. Extra public spending is needed to create business demand and jobs for those made unemployed.

There is nothing magical about the figure of 100 per cent of GDP. Whether debt is sustainable depends on how the economy is growing and the rate of interest. Today the government can borrow for 30 years at a real interest rate of close to zero. Because of this, its debt interest payments are lower now than they were ten years ago. The Bank of England has already bought 80 per

cent of government debt over the past year and can continue to do so, thereby keeping interest rates low.

As the OECD has now accepted, austerity policy after the 2008 financial crash retarded the UK's recovery and slowed actual deficit reduction. It would be a tragedy if wrongheaded economics were used to justify the same mistake now.

David Blanchflower, professor of economics, Glasgow University, former member, Bank of England monetary policy committee; **Victoria Chick**, emeritus professor of economics, UCL; **Daniela Gabor**, professor of economics, UWE Bristol; **Simon Wren-Lewis**, emeritus professor of economics, Oxford University; **Thomas Piketty**, professor of economics, Paris School of Economics
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Sir, Our chancellor is borrowing billions. Can someone tell us simple-minded souls where this ocean of cash is located, and when paying back, to whom is the cheque written? And if it's not paid back, who goes hungry or loses his/her house?

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