# WHY WE SHOULDN'T INCREASE BORROWING

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## Executive Summary

- Interest rates in the UK and globally are at a historically low levels. The government is being urged to take advantage of these very low interest rates by increasing its borrowing in order to increase its spending.

- Although interest rates are historically low, this is not a legitimate excuse to increase borrowing. Due to the UK having a floating exchange rate it has a small fiscal multiplier. Therefore, increased borrowing can result in the real exchange rate rising which would have a negative impact on the competitiveness of UK exports. Furthermore, although they are currently very low, there is no reason to assume that they will remain so.

- It is frequently argued that as the UK has had high levels of national debt in the past such as after the Napoleonic and world wars, that the current high level of national debt is not a cause for concern. However, the current socio-economic situation in the UK is very different from the aftermath of the Napoleonic and world wars. Moreover, the post first world war government found it increasingly difficult to deal with the national debt, despite running large surpluses.

- Despite attempts by the coalition and Conservative governments at reducing the UK's national debt, it has continued to increase.

- The coalition and Conservative governments made cutting the deficit a priority. As a result, the deficit has been decreasing since 2010 and currently stands at 2.3 per cent of GDP.

- The UK's national debt is currently £1.7 trillion which is equivalent to 89.3 per cent of GDP.

- Compared to other EU countries, the UK's national debt is relatively high. As a percentage of GDP, the UK has the eighth highest national debt, and it is significantly higher than other developed EU countries.

- Compared to other OECD countries, again the UK's national debt is very high. As a percentage of GDP, it is the fifth highest in the OECD.

- The UK currently spends £48.4 billion each year on debt interest payments.

- If interest rates remain at their historically low level of 0.25 per cent, then the national debt is projected to reach 234 per cent of GDP in 2066-67. However, due to relatively high inflation, it is incredibly likely that the Monetary Policy Committee of the Bank of England will increase rates in the very near future.

- If interest rates begin to rise in the coming months and years to one per cent, then the national debt as a percentage of GDP is also projected to rise. The increase in national debt is projected to be modest in the short term. However, in the long term the national debt as a percentage of GDP would be significantly higher.

- There are significant moral implications of having a large national debt. Money which is borrowed today will have to be paid back at some point in the future, including by people who are yet to be born. These people did not have a say in this increased borrowing, nor did they benefit from it, but they will be the ones responsible for paying the UK's creditors.

- A high national debt can lead to an increase in the yields paid on UK sovereign bonds.

- High levels of national debt can have a negative impact on economic growth. Borrowing can crowd out other investment as investors loan money to the government, rather than to the private sector.

- The national debt has to be serviced and eventually repaid. This places restrictions on government budgets and so decreases their ability to be able to spend money on essential services.

- In order to service and repay the national debt, governments tend to either raise taxes or decide not to lower them. This can have a negative impact on economic growth.

**Key figures**

- The UK's national debt currently stands at £1.7 trillion.
- This is equivalent to 89.3 per cent of GDP.
- When compared internationally, the UK has the eighth highest national debt in the EU and the fifth highest in the OECD.
- In the financial year ending March 2017, the UK's national debt increased by £68.1 billion.
- This is the equivalent of £5.7 billion a month and £186 million a day.
- The UK government spends £48.4 billion each year on debt interest payments.
- If interest rates remain at their historically low level of 0.25 per cent then the UK's national debt is set to reach 234 per cent of GDP in 2066-67.

## Introduction

During the global financial crisis of 2007-08 and the subsequent great recession, the government of the United Kingdom embarked upon a fiscal stimulus programme and encouraged other countries to do the same.[1] [2] This course of action was based on Keynesian economic theory,[3] which advocates high levels of government spending in recessions in order to boost the economy.[4]

The recession is now over, and the UK economy is performing relatively well. However, there have been many commentators calling for the government to increase spending- especially on infrastructure projects- and to fund it through borrowing. For example, Portes has argued that: 'It has been obvious to almost all economists that increasing public sector investment is sensible'.[5] The rationale behind this is due to the Bank of England's loose monetary policy, which has seen interest rates set at historic lows. As Portes said: 'With interest rates at historic lows, essentially the government can borrow for free'.[6] Moreover, Zenghelis has argued that because interest rates are so low, the government should borrow money to fund infrastructure projects in order to boost economic growth, investment, and productivity.[7]

The idea that when interest rates are low, the government should increase borrowing finds support from other economists. For example, Bradford DeLong of Berkley & Michael Summers of Harvard have argued that in light of such low interest rates, governments should borrow more money in order to increase public spending.[8] This view is also espoused by economist and New York Times columnist Paul Krugman.[9]

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[1] Pritchard, J. 'United Kingdom: the politics of government survival', in Hart, P. & Tindall, K. (Eds.), *Framing the Global Economic Downturn: Crisis Rhetoric and the Politics of Recessions*, (Canberra: Australian National University, 2009).

[2] Hodson, D. & Mabbett, D. 'UK Economic Policy and the Global Financial Crisis: Paradigm Lost?', *Journal of Common Markets Studies*, volume 47, No.5, 2009.

[3] Stratton, A. 'Darling invokes Keynes as he eases spending rules to fight recession', *The Guardian*, 23 October 2008.

[4] Keynes, J.M. *The General Theory of Employment, Interest, and Money* (London: Macmillan, 1936).

[5] Reid, D. 'UK government told: "You can borrow for free, so get spending"', *CNBC News*, 23 August 2016.

[6] *Ibid*.

[7] Zenghelis, D., *Building 21st century sustainable infrastructure(part 1): time to invest*, August 2016.

[8] DeLong, B. & Summers, M. 'Fiscal Policy in a Depressed Economy', *Brookings Papers on Economic Activity*, Spring 2012.

[9] Krugman, P. 'Time for US government to ramp up borrowing', *Irish Times*, 10 August 2016.

This idea now appears to have some currency with government ministers. For example, the communities secretary Sajid Javid recently argued that the government should take advantage of historically low interest rates in order to borrow money for housebuilding.[10]

This paper will consider whether this is a sensible approach to take. It will achieve this by briefly examining some of the arguments put forward in favour of increasing borrowing before analysing the UK's current financial situation, before looking at the problems posed to an economy by a high national debt.

**Arguments in favour of increased borrowing**

*"Low interest rates mean that the government should increase borrowing"*

As discussed in the introduction, it has been argued by several prominent economists and the communities secretary that the UK government should take advantage of historically low interest rates by borrowing money in order to fund public spending.[11][12][13][14]

Although it is true that interest rates are at historic lows, this is not a legitimate argument for increased borrowing. This is because regardless of interest rates, borrowing is never free, and has to be funded. The UK has a floating exchange rate[15] and so has a small fiscal multiplier.[16] [17]Therefore, if capital does not come from other parts of the UK capital market, it must come from other economies which results in the real exchange rate rising.[18] This has a negative impact on the competitiveness of UK exports.[19]

*"We've had higher levels of debt in the past, so it's nothing to worry about"*

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[10] Buchan, L., 'Sajid Javid urges Chancellor to borrow money to solve housing crisis', *Independent*, 22 October 2017.

[11] Zenghelis, D., *Building 21st century sustainable infrastructure (part 1): time to invest*, August 2016.

[12] Reid, D. 'UK government told: "You can borrow for free, so get spending"', *CNBC News,* 23 August 2016.

[13] DeLong, B. & Summers, M. 'Fiscal Policy in a Depressed Economy', *Brookings Papers on Economic Activity*, Spring 2012.

[14] Krugman, P. 'Time for US government to ramp up borrowing', *Irish Times*, 10 August 2016.

[15] Latter, T., 'The Choice of Exchange Rate Regime', Handbooks in Central Banking, 1996.

[16] Born, B., Juessen, F., & Muller, G., 'Exchange Rate Regimes and Fiscal Multipliers', *Journal of Economic Dynamics and Control*, 2013.

[17] Ilzetzki E., Mendoza, E., & Vegh, C., 'How Big (Small?) Are Fiscal Multipliers?'*Journal of Monetary Economics*, Vol. 60, 2013.

[18] *Ibid.*

[19] Berthou, A., *An Investigation on the Effect of Real Exchange Rate Movements on OECD Bilateral Exports*, European Central Bank, 2008.

It is often argued that, as the UK has had high levels of national debt in the past, we should not be concerned about increasing the national debt today.

It is certainly true that the UK has had a large national debt at previous points in its history. Notable examples include the aftermath of the Napoleonic wars and the two world wars. However, the situation was very different during these periods. For example, in the aftermath of the Napoleonic war there was a commitment to eradicating the debt by running budget surpluses, a task which was made far easier due to the electorate being much more narrow than today.[20] Furthermore, although the second war saw the UK's national debt as a percentage of GDP increase dramatically, the situation today is very different from the aftermath of the second world war. This is because the aftermath of the second world war resulted in the obvious reduction in military spending and the return of young, able-bodied men to the labour market.[21]

As for the aftermath of the first world war, the UK struggled to reduce that national debt. For example, despite running large surpluses, the fall in prices and the large difference between real interest rates and real growth rates meant that the public debt to GDP ratio had risen to 1.76 by 1923. [22] Even after the return to the gold standard, high real interest rates made debt reduction difficult. The UK delivered an average primary budget surplus of 7 per cent of GDP between 1921 and 1929 but the debt-to-GDP ratio at the end of this period had risen to 1.58 compared to 1.47 at the start.[23] Therefore, it is clear that a high national debt can be difficult to control, even when sound fiscal and monetary policies are implemented years later.

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[20] Crafts, N., *Reducing High Public Debt Ratios: Lessons from UK Experience*, University of Warwick, 2014.

[21] *Ibid*.

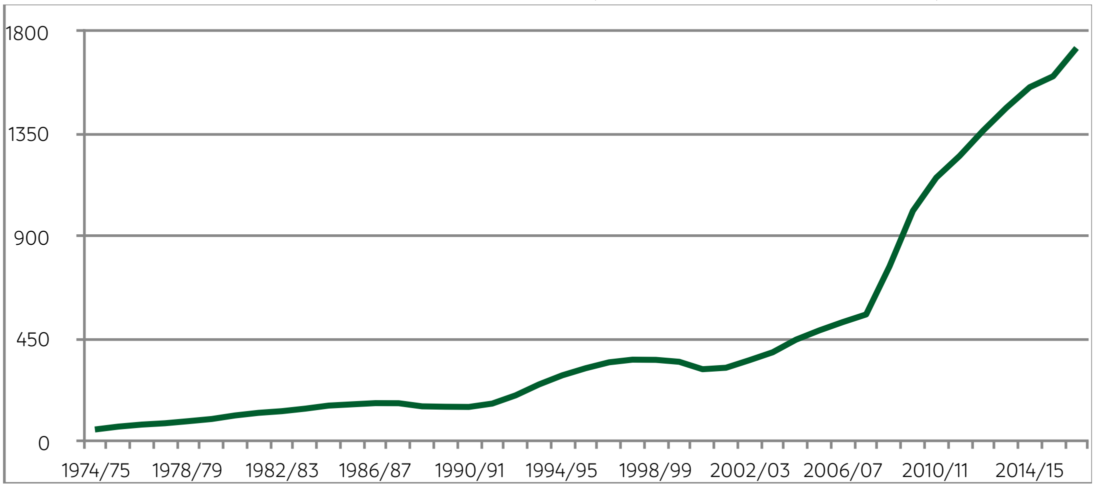
[22] Lopez, J. & Mitchener, K., *Uncertainty and Hyperinflation: European Inflation Dynamics after World War I'*, Stanford, 2017.

[23] Crafts, N., *Reducing High Public Debt Ratios: Lessons from UK Experience*, University of Warwick, 2014.

### The UK's current financial situation

Between 1995 and 2005, the UK national debt as a proportion of GDP remained relatively stable at well below 50 per cent.[24] Between 2005 and 2007, there was a steady increase in the national debt as increased borrowing was used to finance an increase in public spending.[25] However, between 2007 and 2010 there was a dramatic increase in the public debt during the financial crisis and the subsequent great recession.[26] Although the government has attempted to decrease the national debt since 2010, it has continued to rise, albeit at a slower rate since 2012.[27]

**Chart 1: Public sector net debt (£ billion), financial year ending 1975 to financial year ending 2017**




Source: House of Commons Library

In the financial year ending March 2017, the UK's national debt increased by £68.1 billion, the equivalent of £5.7 billion a month or £186 million a day. The UK's national debt now stands at £1.7 trillion, which is equivalent to 89.3 per cent of GDP.[28]

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[24] ONS, 'UK government debt and deficit as reported to the European Commission: January to March 2017', 17 July 2017.

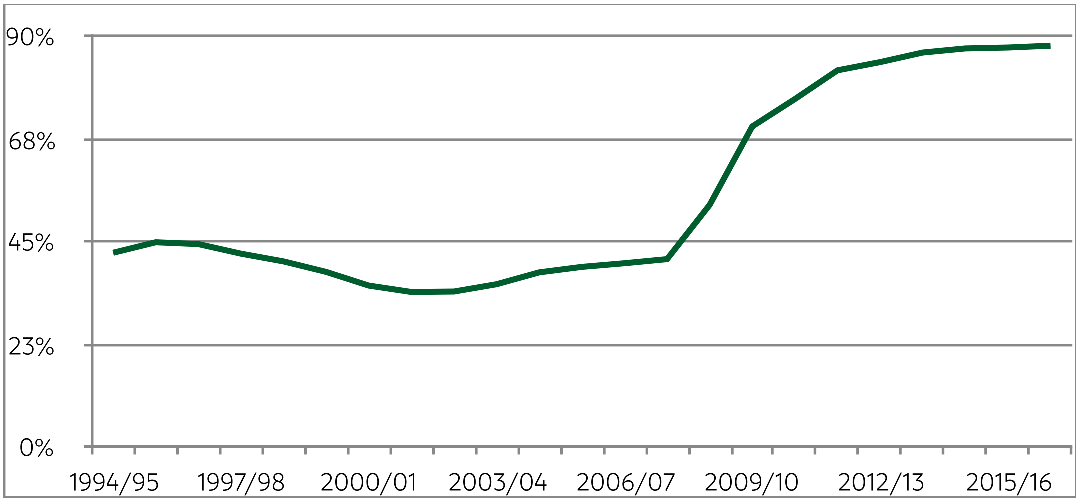
[25] *Ibid.*

[26] *Ibid.*

[27] *Ibid.*

[28] *Ibid.*

**Chart 2: General government gross debt as a percentage of GDP**




Source: ONS

Between 1995 and 1997 the deficit was reduced and between 1998 and 2002 the government finances were in surplus.[29] However, between 2002 and 2005 government borrowing increased dramatically[30] before decreasing slightly between 2005 and 2007.[31] However, there was a drastic increase in government borrowing between 2007 and 2010 during the financial crisis and the subsequent great recession.[32] In 2010 a new government was elected which made cutting the deficit a priority.[33] As a result, the deficit has been decreasing since 2010 and currently stands at 2.3 per cent of GDP.[34]

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29 *Ibid.*

30 *Ibid.*

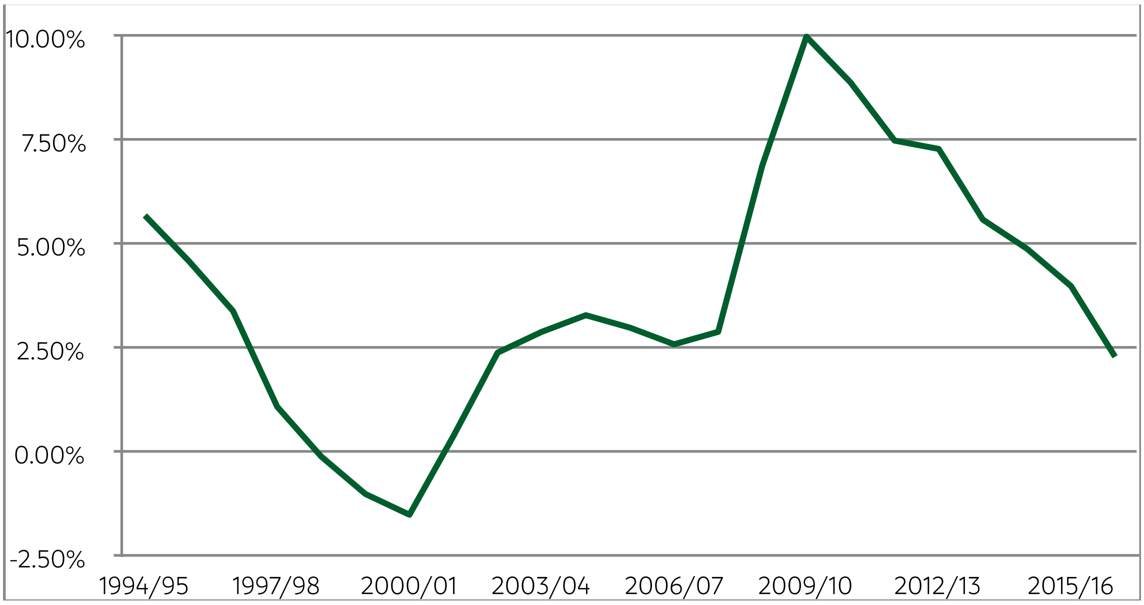
31 *Ibid.*

32 *Ibid.*

33 HM Government, 'Queen's Speech 2010', 25 May 2010.

34 ONS, 'UK government debt and deficit as reported to the European Commission: January to March 2017', 17 July 2017.

**Chart 3: General government net borrowing as a percentage of GDP (financial year ending March 1995 to financial year ending March 2017)**




Source: ONS

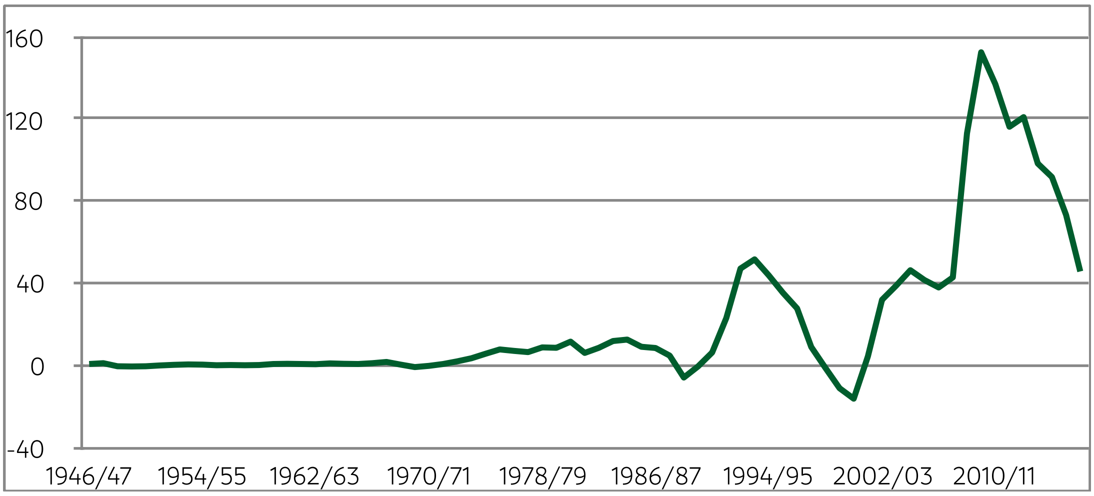
An analysis of the historic trends in the amount the government spends and the amount that it receives is also informative. Between the 1920s and the middle of the 1930s, government expenditure as a percentage of GDP was relatively small and was closely matched by the amount it received.[35] For obvious reasons, government expenditure increased dramatically during the second world war.[36] Although government receipts also increased significantly, they did not come close to covering expenditure.[37]

[35] OBR, 'Key public finances data since 1920', 11 October 2016.

[36] *Ibid.*

[37] *Ibid.*

**Chart 4: Public sector net borrowing (£ billion), financial year ending 1947 to financial year ending 2017**




Source: House of Commons Library

From the end of the 1940s until the middle of the 1970s, the amount of government spending remained relatively stable, and the amount received by the government was close to this figure.[38] However, the data reveals that the situation was more volatile between 1975 and 2000, with spending both increasing and decreasing by a significant amount, although this was tracked relatively closely by government receipts.[39]

From 2000 until 2007, government spending increased steadily and this was tracked closely by government receipts.[40] Between 2007 and 2010, government spending increased dramatically, and government receipts failed to keep up.[41] This was during the period of the financial crisis and the subsequent great recession. From 2010 government spending has decreased and there has also been a steady increase in tax receipts as the economy recovered.[42]

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[38] *Ibid.*

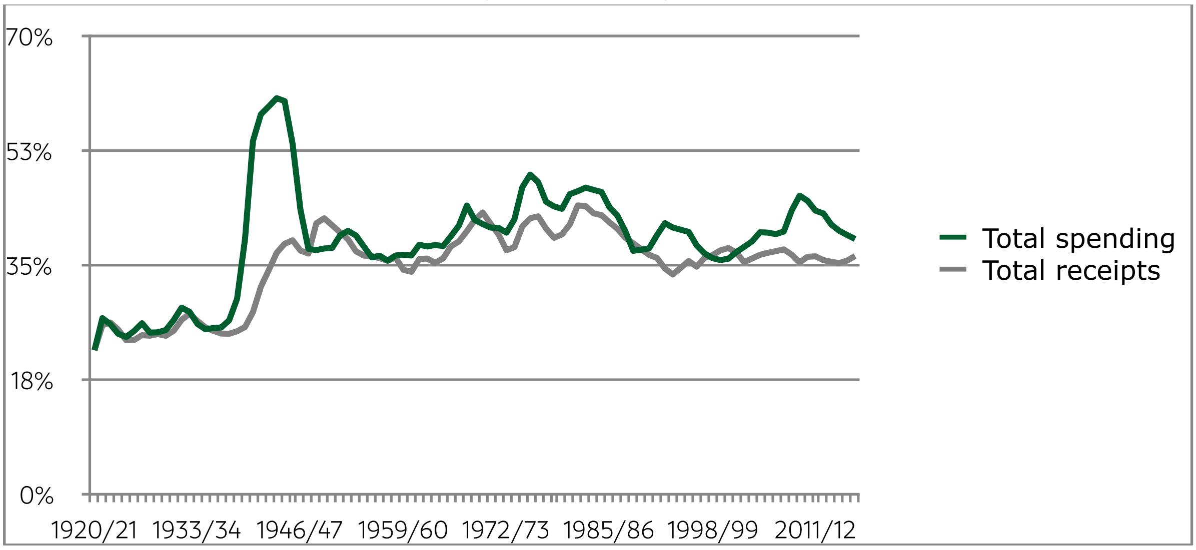
[39] *Ibid.*

[40] *Ibid.*

[41] *Ibid.*

[42] *Ibid.*

**Chart 5: Total receipts and total spending as a percentage of GDP, 1920-2017**




Source: OBR

When compared to other EU countries, the UK's national debt is relatively high. For example, as a percentage of GDP, the UK has the eighth highest national debt.[43] Although not as high as southern European countries such as Greece, Italy, Portugal, and Spain, it is significantly higher than other developed EU countries.[44]

**Chart 6: Government debt as a percentage of GDP for EU Member States (2017 Q1)**


Source: Eurostat

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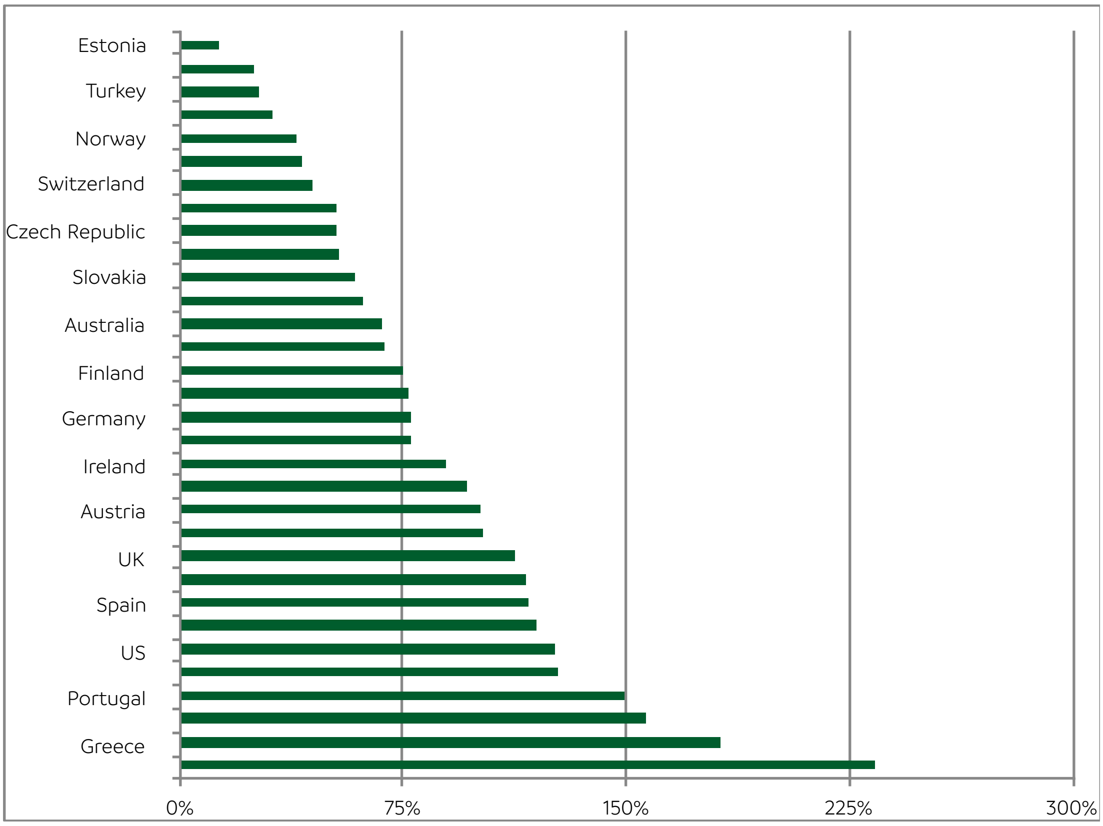
[43] European Commission, 'General government gross debt- annual data', 2017.

[44] *Ibid.*

Furthermore, when one compares the UK with other OECD countries, the UK has a high national debt as a percentage of GDP.[45] Again, while not as high as countries such as Greece and Portugal, it is the fifth highest in the OECD.[46]

**Chart 7: General government debt as a percentage of GDP for OECD countries (2017)**




Source: OECD

Therefore, it is clear that the UK has a high level of national debt, especially when compared to other developed countries and it is high for the UK when considered in its historical context.

Any arguments in favour of increased borrowing should therefore be considered in light of this. The reason this is important is because not only does increasing the national debt place a burden on future generations who will be responsible for repaying the debt, but it also places a burden on current taxpayers who have to pay interest.

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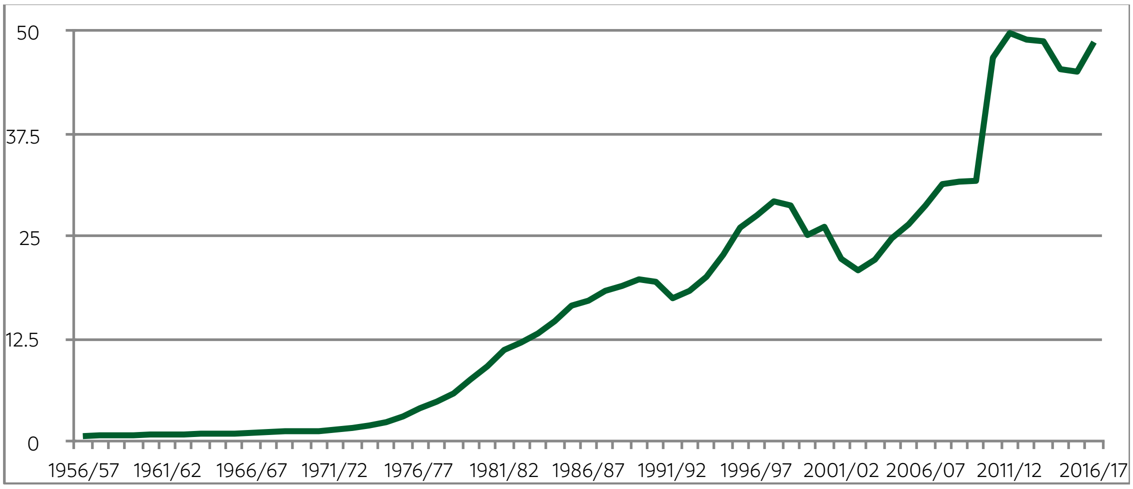
45 OECD, 'General government debt', 2017.

46 *Ibid.*

**Chart 8: Debt interest payments (£ billion), 1957-2017**




Source: House of Commons Library

The amount that the UK government has spent servicing its debt increased steadily between 1957 and 1975.[47] However, it began to increase at a faster pace between 1975 and 1990.[48] After decreasing between 1990 and 1992, it began to increase again until 1999 when it fell again.[49] However, it rose dramatically between 2003 and 2010.[50] The cost of servicing the debt continued to increase drastically from 2010, and although there was a short term reduction, they continue to rise.[51]

The British government currently spends £48.4 billion each year on debt interest payments.[52] This is money which could have been spent on essential public services such as healthcare, education, or providing care for the elderly. Instead, this money is being spent on servicing the national debt.

[47] Keep, M. 'Government borrowing, debt, and debt interest: historical statistics and forecasts', *House of Commons Library*, Briefing Paper No. 05745, 21 July 2017.

[48] *Ibid.*

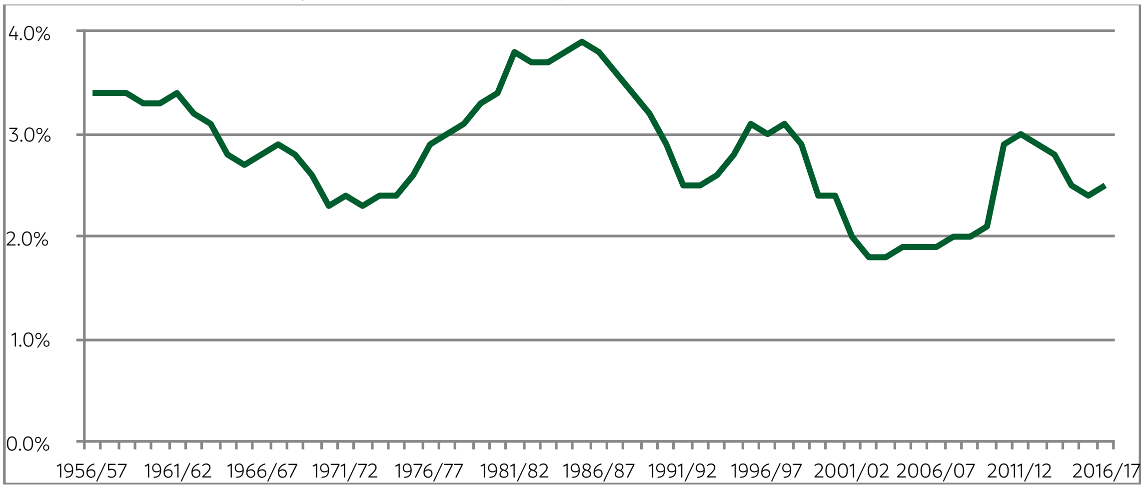
[49] *Ibid.*

[50] *Ibid.*

[51] *Ibid.*

[52] *Ibid.*

**Chart 9: Debt interest payments as a percentage of GDP, 1957-2017**

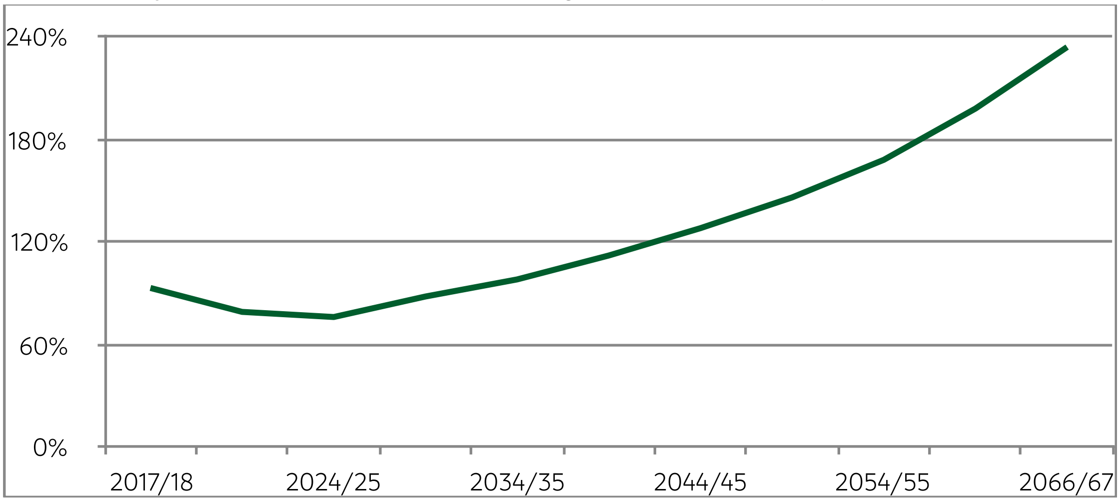



Source: House of Commons Library

**Future Projections**

Looking to the future, if interest rates remain at their current levels of 0.25 per cent, then public sector net debt is projected to fall from its medium-term peak of just over 90 percent of GDP in 2017-18,[53] to below 80 per cent of GDP for most of the 2020's,[54] before moving steadily thereafter and reaching 234 per cent of GDP in 2066-67.[55]

**Chart 10: Projected national debt as a percentage of GDP, 2016-2067 (interest rate 0.25 per cent)**




Source: ONS & OBR

Therefore, if the interest rate remains at its current level, then the national debt will increase steadily over the years and will reach 234 per cent of GDP in 2066.[56] However, interest rates are currently at an historic low,[57] and so this should not be regarded as the norm.

In the UK, interest rates are set by the Monetary Policy Committee (MPC) of the Bank of England. After the UK voted to leave the EU, the Bank of England adopted a looser monetary policy and reduced the rate to 0.25 per cent.[58] We cannot say with certainty whether or not the MPC will increase rates and if so, by how much. However, they will be taking two main factors into consideration: boosting consumer confidence and spending (a reason to keep

53 OBR, 'Fiscal Sustainability Report', January 2017.

54 *Ibid.*

55 *Ibid.*

56 *Ibid.*

57 Harari, D. & Moses, A. 'Interest Rates and Key Economic Indicators', *House of Commons Library*, Briefing paper No. 02802, 3 August 2017.

58 *Ibid.*

rates at their current level) and also controlling inflation (a reason to increase rates).[59] The MPC has recently given precedence to the former consideration when it has voted on whether or not to raise interest rates.[60] However, with inflation being higher than expected, there have been calls for a small increase in rates.[61] Moreover, the report from the latest meeting of the MPC strongly suggests that there will be an increase in rates in the next few months.[62]

At this point it is worth noting that index-linked gilts form approximately 25 per cent of the UK's gilt portfolio.[63] Index-linked gilts differ from conventional gilts in that the semi-annual coupon payments and the principal are adjusted in line with the Retail Prices Index. This means that both the coupons and the principal paid on redemption of these gilts are adjusted to take account of accrued inflation since the gilt was first issued.[64] The 25 per cent of government debt issued as index-linked gilts is high when compared to other highly developed economies.[65] [66] [67] [68] [69] As a result of the relatively high proportion of index-linked gilts in the UK's gilt portfolio, the UK's level of debt is particularly susceptible to increases in inflation. Therefore, the MPC has a further incentive to consider a moderate increase in interest rates in order to curb inflation.

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[59] Bank of England, 'How does monetary policy work?'.

[60] Bank of England, 'Monetary Policy Committee Decisions, Minutes, and Forecasts'.

[61] Allen, K. & Elliott, L. 'Bank of England's Michael Saunders: "Prepare for higher interest rates"', *The Guardian*, 4 July 2017.

[62] Bank of England, 'Monetary Policy Summary and minutes of the Monetary Policy Committee meeting ending on 13 September 2017', 14 September 2017.

[63] HM Government, 'Gilt Market', UK Debt Management Office, 2017.

[64] *Ibid*.

[65] Bundesrepublik Deutschland Finanzagentur GmbH, 'Inflation-linked securities', 2017.

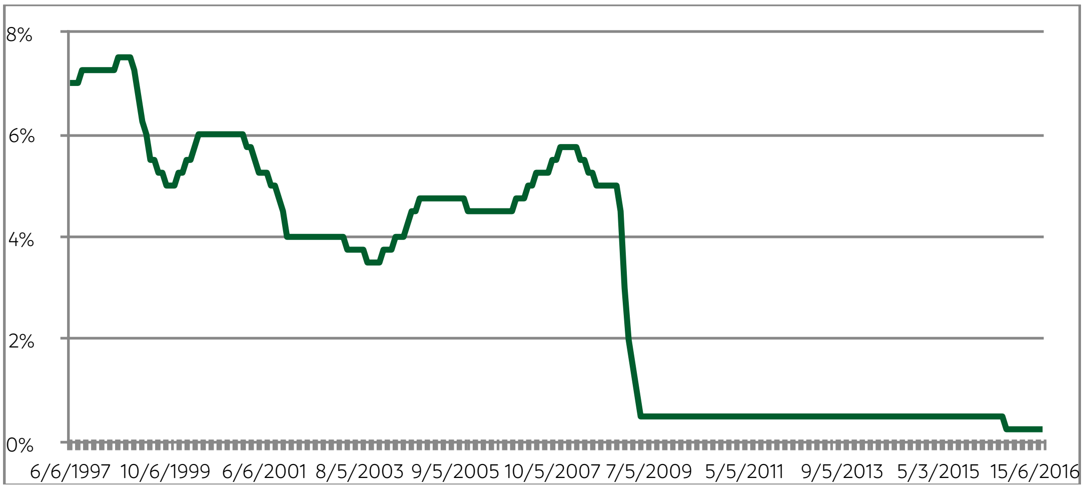
[66] Agence France Tresor, 'Characteristics of OATis', 2017.

[67] Reserve Bank of India, 'Inflation Indexed Bonds (IIBs)', 2017.

[68] Department of Finance Canada, 'Government of Canada Market Debt Instruments', 2017.

[69] US Department of the Treasury, 'Treasury Inflation Indexed Securities (TIPS)', 2017.

**Chart 11: UK interest rates, 1997 – 2017**




Source: Bank of England

Given that the Bank of England is keen to maintain consumer confidence during the Brexit process, any increase in rates over the next few years is likely to be modest. Moreover, the MPC generally votes to change interest rates by a quarter of a per cent.[70] Therefore, examining the impact of a one per cent rise in interest rates on the national debt would be a useful exercise.

The data reveals that if the MPC raised interest rates from 0.25 to 1.25 per cent, then the national debt as a percentage of GDP is projected to rise.[71] The difference between the size of the debt if interest rates increase by one per cent and if they were to remain at the same level is small in the short term.[72] However, in the long term the divergence increases and so the national debt as a percentage of GDP is significantly higher by 2066 if interest rates were to increase **by just one per cent.**[73]

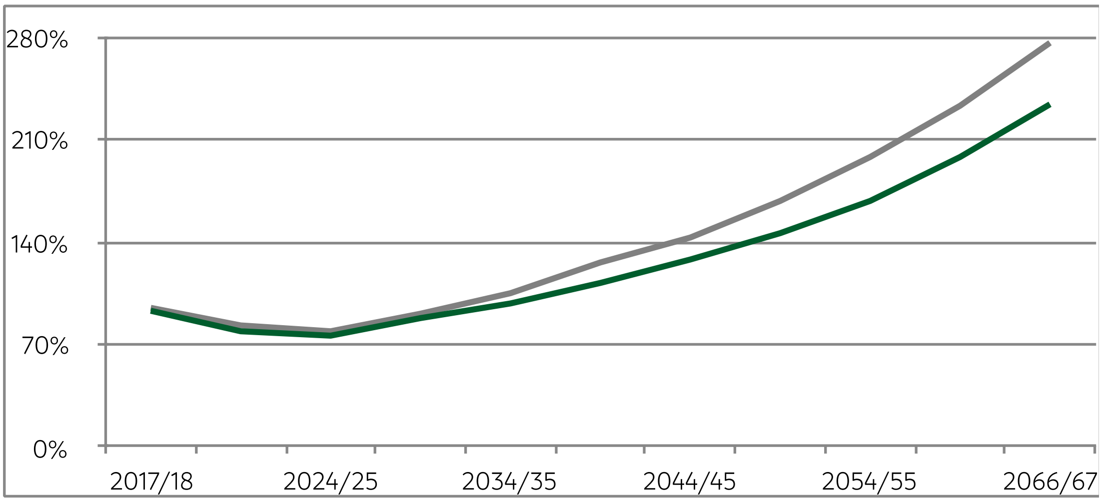
[70] Bank of England, 'Monetary Policy Committee Decisions, Minutes, and Forecasts'.

[71] OBR, 'Fiscal Sustainability Report', January 2017.

[72] *Ibid.*

[73] *Ibid.*

**Chart 12: Projected national debt as a percentage of GDP, 2016-2067**




Source: ONS & OBR

Therefore, it is clear that a moderate increase in interest rates can result in the national debt increasing significantly. As mentioned above, even at the current level the government has to make interest payments on its debt. This represents a significant proportion of its overall expenditure and is money that could have been spent on the NHS, or on schools, or for providing care for the elderly. Even a small rise in interest rates will result in the national debt increasing significantly, of which interest will have to be paid, further reducing the government's ability to spend money on essential services.

**What is wrong with a high national debt?**

There are significant moral implications of having a large national debt. Money which is borrowed today will have to be paid back at some point in the future, perhaps by people who are yet to be born. As a result of the profligacy of current governments, a burden will be placed on future generations who will have to pay higher taxes and have less money to spend on essential services. It is one of the defining principles of Parliamentary Supremacy that Parliament cannot bind its successors.[74] The reasoning behind this is that it would be an affront to democracy to allow future generations to be bound by previous generations.[75] However, by having such a high national debt, the government binds future generations and curtails their freedom to choose by ensuring that they will have to spend a significant proportion of their money servicing the debt which also places restrictions on what they can

[74] Keith, K., 'Sovereignty at the Beginning of the 21st Century: Fundamental or Outmoded?', *Cambridge Law Journal*, 63(3), November 2004.

[75] *Ibid*.

spend their money on, and will also have implications for levels of taxation. Therefore, increased borrowing will result in a burden being placed on future generations.

A high national debt can have numerous negative consequences. For example, a high level of debt can lead to an increase in the yields paid on UK sovereign bonds.[76] This is because if investors believed that the UK's national debt was so high that it would be at risk of defaulting on its debt or that the country would inflate them away, they would need to be incentivised to purchase the UK's gilts by high yields.[77]

Very high national debt can have a negative impact on economic growth. For example, borrowing can crowd out other investment as investors loan money to the government, rather than to the private sector.[78] Nations typically see growth slow when their debt levels reach 90 percent of GDP,[79] with the median growth rate falling by 1 percent and average growth falling by even more.[80] Moreover, research focussing on the US has found that raising the Federal deficit has an adverse effect on the economy by reducing private sector investment, economic growth, and employment.[81]

As mentioned above, government debt has to be paid. Furthermore, interest payments have to be paid on the debt. This, therefore, places restrictions on government budgets and so diminishes their ability to be able to spend money on essential services.

Moreover, in order to repay and service the debt, governments tend to either raise taxes or decide not to lower them. An in depth explanation of the folly of increasing taxes and the benefits associated with tax cuts goes beyond the scope of this paper, and the TaxPayers' Alliance has written extensively on this topic.[82] However, the evidence is clear that tax increases tend to be harmful for the economy,[83] [84]whereas tax cuts tend to have a positive impact.[85][86]

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[76] Baldacci, E., & Kumar, M., *Fiscal Deficits, Public Debt, and Sovereign Bond Yields,* IMF, 2010.

[77] *Ibid*.

[78] Traum, N., & Yang, S., 'When Does Government Debt Crowd Out Investment?', *Journal of Applied Econometrics*, Volume 30, 2015.

[79] Reinhart, C., Reinhart, V., & Rogoff, K., 'Public Debt Overhangs: Advanced Economy Episodes Since 1800', *Journal of Economic Perspectives*, Volume 26, 2012.

[80] Reinhart, C., & Rogoff, K., *Growth in a Time of Debt*, NBER, 2010.

[81] Alexander, G., & Foley, M., *On the Nominal Interest rate Yield Response to Net Government Borrowing in the US: An Empirical Analysis with Robustness Tests*, Jacksonville University, 2014.

[82] The TaxPayers' Alliance, *The Spending Plan*, 2015.

[83] Vartia, L., *How do taxes affect investment and productivity? Industry level analysis of OECD countries*, OECD Economics Department Working Papers No. 656 (2008).

[84] Barro, R., & Redlick, C., 'Macroeconomic Effects of Government Purchases and Taxes', *126 Quarterly Journal of Economics*, 2011.

[85] Ferede, E., & Dahlby, B., The Impact of Tax Cuts on Economic Growth: Evidence from the Canadian Provinces, *65 National Tax Journal*, 2012.

[86] Johansson, A., Heady, C., Arnold, J., Brys, B., Schwellnus, C., & Vartia, L., *Tax and economic growth*, OECD Economics Department Working Papers No. 620 (2008).

**Conclusion**

Although it may seem an attractive policy to borrow money in order to fund government spending, this is not a sensible approach.

Although interest rates are historically low, government borrowing is not free and has to be funded. Furthermore, although there have been other periods in its history when the UK has had a high level of national debt, the socio-economic situation is very different from those periods.

It should also be remembered that not only has this money got to eventually be paid back, but that also interest has to be paid on the debt too.

These interest payments represent a significant proportion of government expenditure, and is money which could have been spent on essential public services such as healthcare, education, or provision for the elderly.

Moreover, proponents of the idea that the government should take advantage of low interest rates by borrowing more are correct to point out that rates are historically low, but that is precisely the point. They are historically low, and so one should not expect them to remain as such over the coming years and decades. Furthermore, we have seen that even a small increase in rates of one per cent, increases the national debt as a percentage of GDP significantly in the long term.

Furthermore, there are serious economic and moral ramifications to increasing national debt. For example, a high national debt can seriously hamper economic growth. Moreover, increasing the national debt places a burden on future generations who will have to pay it back.

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