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Autumn Statement: Weak Debt Predictions Hiding Behind Low Expenditure by *Prof Jan Toporowski, SOAS University of London and Council Member of Progressive Economy Forum*
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The government's Autumn Statement is designed to demonstrate to the country, but especially to the financial markets that the government has a plan to revive the economy and reduce the growth of Government Debt to make it sustainable, ensuring that debt as a share of GDP falls over time. The strategy is to have that share falling from 2027-2028.

This strategy is based upon fear of the sell-off in the government bond markets that greeted the previous Chancellor's mini-budget and also by the five-year planning horizon of HM Treasury and the Office of Budget Responsibility.

This financial strategy is weak in three respects:

1. The purpose of borrowing pushes the costs of current expenditure into the distant future, where it may be devalued by inflation and the rise in income, leaving only current interest as a cost to the Exchequer
2. The five-year planning horizon is short-sighted in view of the average maturity on British government bonds of 15 years
3. The government should use its ability to fix the terms on which government bonds are issued as they have the institutions, in the form of the Debt Management Office and the Bank of England

The government can fix the range of interest rates on its borrowing (the yield curve) by issuing short term debt, at close to the Bank of England's policy rate, and using the proceeds to buy in and support the price of long-term debt. This was done during the 1940s and the 1950s, and in the United States as recently as 2011. This could be supplemented by a small annual (Capital Stabilization) levy on holdings of financial assets, proceeds from which would provide the resources for the Debt Management Office to operate in the financial markets: An annual levy of 0.5% on financial assets would give the Debt Management Office up to £10bn with which to manage the debt markets.

MPs must demand:

- Active management of government debt to restore confidence in the financial markets. This is better than a promise to eliminate the primary fiscal deficit by 2026-2027. The government should also stabilise the markets for the Bank of England's withdrawal from Quantitative Easing
- Higher spending (conservatively financed) on the NHS, Social Care, Education, Housing and Foreign Aid, ensuring that higher taxes go on world class public services, rather than demonstrating low spending on the public's needs to the financial markets
- A strong institutional foundation for maintaining London as a global financial centre

For further information contact the author at jt29@soas.ac.uk. Contact Prof Alison Scott-Baumann for access to other experts at as150@soas.ac.uk, and visit our website for more information.