

TULLETT PREBON STRATEGY INSIGHTS: 004

BRITAIN AT THE CROSSROADS

Tullett Prebon study reveals the true scale of Britain's economic and financial weaknesses

- Reported national debt drastically understates true obligations, which are well in excess of £2 trillion
- The UK Government is now more wasteful than those of Ethiopia and Albania

Britain needs to undertake drastic public sector cuts

- Significant cuts would not reverse the country's anaemic economic recovery, and rebalancing the budget is imperative, not optional
- £100bn cut over five years would be very feasible and would still leave government expenditure higher in real terms than it was in 2006
- Britain's public services are over-expensive because they are over-managed

London, New York 29 April 2010: **Today's report reveals the true extent of the British economic and fiscal malaise, looks at how Britain got here, weighs the options on offer – and outlines a radical alternative which could deliver fiscal stability and economic regeneration .**

In his paper 'Britain at the crossroads' Dr Tim Morgan, head of research at Tullett Prebon, explains why the true indebtedness of the British state is well in excess of £2 trillion, vastly higher than the £760bn narrow definition of national debt. "Unless resolute action is taken", the report says, "**we cannot rule out the possibility of a 'perfect storm' for the UK economy**", comprising "higher interest rates, rising unemployment, falling property prices, an even weaker currency, rising inflation (caused in part by higher import costs), and escalating public debt".

As a result of the rise of the quangocracy, Britain's government is now more wasteful than those of Ethiopia or Albania, and the regulatory burden is greater in the UK than in Nigeria or China. "It is possible", Dr Morgan warns, "to envisage a future in which the British population is subjected to ever-increasing taxation and charging to sustain an administrative superstructure which is increasingly coercive as well as unaffordably costly".

If most of Britain's political leaders are to be believed, drastic cuts in public spending would reverse the country's anaemic economic recovery and inflict irreparable damage to essential public services. "Bunkum", Tim argues, pointing out that **a £100bn cut in public spending would still leave government expenditure higher in real terms than it was in 2006**, when public services were hardly starved of cash.

Rather, Tim advocates requiring the state to live within the implications of a maximum revenue share of 35% of national income, and a maximum deficit of 3%. Only through such an approach can both fiscal stability and economic competitiveness be restored.

For the full report, visit <http://www.tullettprebon.com/strategyinsights/index.aspx>

For further information please contact:

Charlotte Kirkham / James Wallis
M:Communications
+44 (0)20 7920 2331 / +44 (0)20 7920 2329
kirkham@mcomgroup.com / wallis@mcomgroup.com

About Tullett Prebon

Tullett Prebon (www.tullettprebon.com) is one of the world's largest inter-dealer brokers and operates as an intermediary in wholesale financial markets facilitating the trading activities of its clients, in particular commercial and investment banks. The business now covers seven major product groups: Volatility, Rates, Non Banking & Sterling Cash, Treasury, Energy, Credit, Environmental and Equities. Tullett Prebon's Electronic Broking division offers electronic solutions to these products.

In addition to its brokerage services, Tullett Prebon offers a variety of market information services through its IDB Market Data division, Tullett Prebon Information.

Tullett Prebon has its principal offices in London, New Jersey, Hong Kong, Singapore and Tokyo, with other offices, joint ventures and affiliates in Bahrain, Bangkok, Calgary, Frankfurt, Jakarta, Luxembourg, Manila, Mumbai, Paris, Salt Lake City, Seoul, Shanghai, Sydney, Toronto, Warsaw and Zurich.