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Gordon Brown and David Cameron are both right...

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Ticking time bomb of debt: Gordon Brown

"Another day older and deeper in debt." So sang Tennessee Ernie Ford, describing the plight of coal miners in pre-union America. That might become the anthem of Britain's taxpayers now that Gordon Brown has decided to double the national debt to finance his economic stimulus package.

David Cameron and George Osborne say that the Prime Minister has started the clock on a ticking time bomb that will explode into a huge tax bill, rising inflation and interest rates, and a sinking pound in the future.

Unfortunately for voters who have to sort out the arguments, the debate has generated more heat than light. The Tories, we are told, are insensitive to the suffering of the newly unemployed and those struggling to avoid having their homes repossessed. Labour, say the Tories, is handing future generations the huge tax bill that will be needed to repay current borrowing - jam today and gruel tomorrow.

Let's try for a bit of light, because the arguments on both sides have merit. Three things are clear.

First, something had to be done to unfreeze credit markets, and Brown did the right thing when he decided to use taxpayers' money to pump new capital into the banking system. Second, some sort of stimulus is needed. Third, such a package should not involve bail-outs for specific industries - remember British Leyland and the failed industrial policies of previous governments?

That's where agreement ends. Brown wants to move forward billions in planned spending on infrastructure, cut VAT, which primarily benefits lower income families, and dole out benefits to those the government deems worthy. This is to be paid for primarily by increasing borrowing and the deficit into the indefinite future, with a future tax on jobs (NICs to rise) and an increase in taxes on high earners to bring in some additional revenue some day.

I recall being told at No 10 that Tony Blair stood between then-chancellor Brown and an increase in the marginal rate of tax on "the rich" to 50 per cent, so view the new 45 per cent on high earners as a way station on the road to the higher figure.

The Tories are stuck with a less popular position: fund tax cuts by cutting other spending so as to rein in the deficit and allow the Bank of England to stimulate investment by continuing to lower interest rates. That, counters Brown, would eliminate any stimulus effect because without a net increase in spending, consumers as a whole will be no better off, and in no position to start spending Britain out of the doldrums.

They are both right. But that is to look at the stimulus packages in isolation from other factors. There is little doubt that Cameron is right: the Brown deficits will force the Bank of England to keep interest rates higher than they would otherwise be - perhaps not just now, if commodity prices continue to soften, but sooner or later. That will discourage private investment. And there is little doubt that Brown is right: the stimulating effect of extra spending is reduced if it is accompanied by spending cuts.

No one knows whether the stimulating effect of the Brown plan will be more than offset by higher interest rates, or whether the uplift provided by Cameron's greater reliance on monetary policy - lower interest rates - will reverse economic decline soon enough to arrest a downward spiral. Brown will put more money into consumers' pockets, but they might well save it, or spend it on imports.

The Cameron plan will make it cheaper for businesses to invest, but in the absence of increased consumer demand the banks might end up pushing on a string - having money to lend to businesses that do not care to borrow it.

But the Tory approach is more likely to have an enduring beneficial effect on the British economy if the spending cuts are well placed. Everyone knows that even before the downturn the Government was wasting untold billions on housing and feeding and, yes, providing entertainment for the allegedly sick as well as the truly disabled and unemployable, which is why, as the Chancellor noted to support his view that Labour is a jobs creator, there are 500,000 unfilled vacancies even as unemployment rate rises.

That James Purnell, the reform-minded secretary of state for works and pensions, stifled a grimace is a testimonial to his self-control.

Everyone knows, too, that the bloated, 5.8 million-strong public sector, with its low and declining productivity and useless jobs, is weighing down the British economy, and that the reforms announced by the Chancellor are works of fiction. Brown is dedicated to an expanding public sector, and has never honoured the promise he often made to me - not one penny without reform.

Now that they have abandoned their foolish promise to spend as much as Labour, the Tories are better placed to put Britain in a position to grow rapidly when the economy turns around - which might just be a bit later than it would if Brown has his way. That's what makes economics so unhelpful at times like these. It is the uncertainty of the economists' guidelines that allows politicians in power to indulge their inclination for short- rather than long-term considerations.