

## UK Faces Economic Risk as Dalio Warns of ‘Debt Doom Loop’

July 28, 2025

— Categories: *Economics*



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The United Kingdom is heading into dangerous economic territory, according to renowned American investor Ray Dalio, who warns the country is stuck in a “debt doom loop” driven by soaring public debt, rising borrowing costs, and weakening investor confidence.

Ray Dalio, founder of the world’s largest hedge fund, Bridgewater Associates, issued a sobering assessment of the United Kingdom’s fiscal position during an interview on the

Master Investor podcast hosted by Wilfred Frost. As the country's debt-to-GDP (Gross Domestic Product) ratio climbs to 101%, Dalio noted that long-term borrowing costs have reached their highest point this century, placing severe constraints on future spending and investment decisions.

He emphasised that the current fiscal approach risks pushing away the very individuals and capital needed to stabilise the economy. "As financial problems and social pressures increase, wealthy individuals are more likely to leave," Dalio warned. "In the United States, for example, the top 10% of earners pay around 75% of income taxes. If that pool shrinks, the government's ability to function effectively does too. The United Kingdom is facing a similar threat."

Dalio urged leadership to focus on pragmatic fiscal policies rooted in moderation, rather than polarised political battles. He pointed to the importance of reducing the central government deficit to around 3% of GDP, a sharp drop from the current 5.1%, to prevent unsustainable compounding debt. In the United States, the deficit stands even higher, at 6%.

The hedge fund founder, known for his analysis of economic cycles, detailed the risks in his latest book, *How Countries Go Broke*. He criticised financial markets for underestimating the threat, warning of dangerous complacency. "The bond markets are not pricing in the level of risk," Dalio said, calling attention to what he views as a disconnect between fiscal reality and market expectations.

Dalio's remarks echo broader concerns in financial circles about advanced economies drifting into long-term instability. His comments add weight to growing calls for disciplined financial management and credible long-term strategies to restore economic resilience.

While the United Kingdom has historically weathered economic storms with determination, Dalio's warning serves as a reminder that sound fiscal leadership and tough, balanced choices are critical in the face of growing debt and shifting global capital.