

[The return of the recession](#) [1]

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So it's official: Britain has [double-dipped](#) [3]. Is anyone really surprised?

Of course, today's number are relatively insignificant in statistical terms, and there is every chance that the Office of National Statistics will revise them a few months down the line. So we shouldn't put too much faith in the details of today's announcement or try to draw lessons that aren't there to be drawn.

But it *has* been obvious right from the start that this was not your average, run-of-the-mill, cyclical downturn. The financial crisis and the recession that followed it was and is the result of severe, deep-seated structural problems in Western economies. And Britain has bigger structural problems than most.

Put simply, we are addicted to debt and constant monetary expansion. This has [eroded](#) [4] our capital base and undermined our productive capacity, and has skewed the economy disastrously towards those sectors that thrive on credit and easy money: namely housing, finance, and big government. The boom years inflated huge bubbles in these sectors; the bust years have revealed how much of that growth was unsustainable, or even illusory.

The situation we are in now can be summarized as follows. The economy remains heavily distorted: the prices of houses and financial assets are artificially inflated by government policy; banks which would have failed in the market have been kept on life support; gigantic, hugely inefficient public sectors are being sustained by money-printing and growth-sapping taxation. The savings needed to support investment aren't there, and we're weighed down with one of the highest levels of public-private debt in the industrialized world.

The astonishing thing is that every single one of those distortions is consciously, willfully being pursued by the government as a matter of policy. Quite frankly, it is surprising we aren't doing worse than we are.

Not that there is all that much governments can *do* to create growth in situations like this. Yes, tax cuts and deregulation would give the private sector a sorely needed boost. And yes, reforming / privatizing / abolishing the public sector (as appropriate) would do wonders for Britain's productivity. But what really matters is what governments *don't do*. They have to allow the mistakes of the boom years to be unwound. They have to let markets adjust. They have to let new [patterns of sustainable specialization and trade](#) [5] develop spontaneously, without bureaucratic interference.

That is a process ? and it takes time. But unless we go through it, we won't be returning to robust, real growth any time soon. The road we are on leads to a zombie economy. It's time we took a different one.

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