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Recession looming? [1]

Written by **Dr Eamonn Butler** [2] | Thursday 24 January 2008

Dan Lewis of the Economic Research Council [3] makes some good points about recession worries in the Yorkshire Post [4]. The last time we were in this pickle, he says, was 2001 - but the then Chancellor of the Exchequer, Gordon Brown, had a full Treasury thanks to a long period of growth initiated by the Conservatives, and he used it to ride out the trough.

> *Fast forward to 2008, however, and we find ourselves in exactly the reverse position. Brown simply failed to turn off the public expenditure taps, so we have a budget deficit of 3.1 per cent of GDP ? inexcusable after 15 years of growth. What this means is that there's just no money for a Keynesian expansion this time to stave off recession. Just a few days ago, we found out from the Office for National Statistics, that net borrowing in the financial year to December was running at £43.6bn ? a staggering £11bn increase on the year before.*

It's worse than even that, Dan. By 2001, the UK's postwar economy - centralized, state controlled, bureaucratic, high-tax inflation-ridden - had been largely opened up to market forces by Mrs Thatcher's reforms. Lower taxes and greater growth enabled the national debt to be reduced. But now, after ten years of Gordon Brown, there's even more top-down centralization, business is strangled and controlled by a spaghetti of regulation, civil-servants intervene everywhere, taxes have risen hugely and inflation is on the way up.

Lewis might well be right that the UK can avoid a recession - two quarters of negative growth - and I hope he is. But I wouldn't start from here.

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