

[The next recession is already on its way](#) [1]

Written by [Felix Bungay](#) [2] | Saturday 18 September 2010



All around you the seeds of the next recession are being sown. While entrepreneurs plant their malinvestments, the Bank of England's credit hose will make sure they flourish. Thanks to the Bank of England's monetary policy the next recession is already on its way.

The cost of credit remains artificially low, thanks to the Bank's ongoing decision to keep interest rates at a mere half percent. They have been at this level since March 2009, well over a year now. When combined with the £200 billion of quantitative easing ? printing money ? then we have a lethal economic combination.

In 1940, Ludwig von Mises wrote, "The popularity of inflation and credit expansion, the ultimate source of the repeated attempts to render people prosperous by credit expansion, and thus the cause of the cyclical fluctuations of business, manifests itself clearly in the customary terminology. The boom is called good business, prosperity, and upswing. Its unavoidable aftermath, the readjustment of conditions to the real data of the market, is called crisis, slump, bad business, depression. People rebel against the insight that the disturbing element is to be seen in the malinvestment and the overconsumption of the boom period and that such an artificially induced boom is doomed. They are looking for the philosophers' stone to make it last."

We are already inducing our next boom. So unwilling are our policy makers to address the malinvestment's from the last recession, they are instead choosing to lurch from credit fuelled crisis to crisis.

In addition to this, the threat of inflation (which our progressive friends should note, adversely affects the poor) looms large over the economy. CPI was 3.1% in August and the far more reliable measure of RPI was at 4.7%, and 4.8% the month previous. Why have interest rates not risen? The Bank has failed miserably in hitting their target of 2% and still the low interest rates and lax monetary policy continue. Unless the Bank gets a grip now, we will continue along the path of inflation and debt fuelled booms, the outcome of these policies last attempt we are still recovering from.

While we may hear a lot about fiscal policy in the next few years, it is our monetary policy, which needs the real scrutiny.

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[3] http://disqus.com/?ref_noscript

[4] <http://disqus.com>