# Labour is right: It's time for Plan B [1]

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It?s not often that I consider the Labour Party to be right about something, but they?re spot on when they say that the coalition government?s approach to the economy is making the crisis even worse. I believe that we do need to change course and pursue a radically different approach.

Since 2010, when the government came into power, the government has followed Keynesian doctrine almost religiously. Interest rates have been kept at record lows, quantitative easing has been tried time and time again, costly vanity projects such as High Speed 2 have been defended on the grounds that they will ?create jobs?, borrowing has increased, the debt has increased and taxes have risen. They have even considered 100-year bonds, displaying the same contempt for long-term thinking that Keynes did when he quipped that ?in the long run, we?re all dead.?

It appears as though the government is determined repeat the mistakes of the past. A financial crisis caused by low interest rates and the artificial expansion of credit is being ?resolved? by keeping interest rates low and by encouraging cheap, government guaranteed loans. It?s therefore not surprising that we now find ourselves in a double dip recession.

So what should Plan B entail? If you?re part of the Labour Cabinet, it simply means these policies on steroids. They believe that more deficit financing is needed, although this would inevitably involve higher inflation, higher taxes or more borrowing ? or a combination of all three. It is difficult to see how this is a credible alternative.

A truly radical alternative would involve privatising the bank of England and allowing interest rates to be determined by market forces. Meanwhile, competing currencies should be allowed in order to discourage inflation. These two policies would restore sound money to this country, which would allow a stable recovery to take place ? not simply the creation of another artificial bubble (which is all it will be when we finally do ?recover? from this recession.)

Furthermore, no attempt should be made to ?create? growth or employment through increased government spending. Instead, this money should go towards tax breaks to businesses and individuals ? to encourage growth in the most productive sectors of the economy rather than the sectors with the most effective lobbyists. Under these conditions, the private sector could thrive and pull us out of this double dip recession. It?s time for the government to abandon failed Keynesian economics and listen to the Austrian school economists who predicted the financial crisis before it happened.

[4] http://disqus.com