

## We're in for a miserable Christmas and a grotty New Year...

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Larry Elliott [has summed up what the IMF said yesterday rather pithily](#):

*The IMF has plenty of advice for those running the global economy. It thinks central banks should be cutting interest rates where that is feasible, and that they should do more quantitative easing where it isn't. It thinks finance ministries should be prepared to ease up on the pace of deficit reduction if growth disappoints. It wants Europe to get its finger out. It wants banks to be provided with bigger capital cushions. It wants Democrats and Republicans to start acting like grown-ups.*

Will those things happen?

No, not on present expectations; most especially the last.

So let's talk about what's really going to happen.

First the UK is growing at 0.2% per quarter at most. That cost 111,000 jobs last quarter and that rate of job loss will accelerate as employers realise that there is no point hanging on to staff now because the up turn is just not going to happen. We're looking at rapidly rising unemployment here in the UK soon.

With that rising unemployment any hope of tackling the deficit fades away. More cuts will follow and a vicious cycle of downturn will escalate.

As people then hang on to cash investment will virtually cease: people have given up on the future, as has our government.

With such slack in demand the problem very soon will not be inflation - it will be deflation. We're already seeing that in wages. It may well happen within a year on prices. If so investment collapses again - with near zero interest rates there is then no incentive to invest as deferring spending always pays.

But with deflation real interest rates actually becomes markedly positive - so the cost of investment also rises. Which is another reason not to do it.

The net consequence? More people out of work, and the downturn increases and depression deepens.

The IMF know this. They can see it is starting. Anyone with sense can see it is starting. It is why they are saying countries like the UK, Germany and US where there are opportunities to spend should spend. It's not just for our sake we need to do this - we need to do this for the global economy.

And what if we all refuse?

Well, there will be mass unemployment.

There will be real hunger.

Fear will pervade.

Hope will cease to be.

There will be a failure in the social fabric of our society.

That's what will happen. It's happening now in Greece. If there is any similarity between Greece and us (and there are very, very few) it is that frightened people will react the same way - and we have no idea where that will lead.

This is not just a fight to save the economy.

This is a fight to save work.

And it's a fight to save dignity.

And to prevent poverty.

But most of all this will become a fight for democracy itself.

And in my opinion those opposing Plan B are now making their choice: the choice to abandon our democratic way of life. I have no doubt this is the Republican agenda in the US. I think it the agenda of the Tea Party elements in the Tory party here, all of whom relish this as an opportunity to overthrow what they call the tyranny of democracy with its demand that the rich pay tax.

This is not therefore just a debate on economics. It is something much more profound than that.

And none of this is necessary: we can have government intervention to solve this crisis and to build the society the people of this country clearly want, which is stable, sustainable, secure and free. We may all earn a bit less, but we might have a Happy Christmas and a New Year with the prospect of real prosperity. Neither are on offer

now, but that's the choice this government has made. Never forget it.