

All you need to know about the economy

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I was asked what was wrong with the UK economy last night, with the express requirement that I make it simple. My questioner liked the answer, so I'm sharing it.

I explained there are four ways to generate income growth in the UK. One is to increase consumer spending. Another is to stimulate business investment. Then there is extra government spending. Finally there are growing exports. And that's it.

The trouble is consumer spending is falling as incomes decline.

And companies are not just not investing, they're saving like mad.

Whilst the government is slashing spending.

And our export markets are collapsing into chaos.

So we are bound to have a recession. Everything is going down, not up.

That I said is all you need to know to explain the UK economy right now, bar one thing and that is the understanding that this is reversible, but only if the government spends more. Because no one else can break the cycle. That's the only other thing you need to know.

With that knowledge you can answer any question on what economic policy the country needs and why any alternative to increased government spending is bound to end in tears, including the alternative offered by this government.