

# I am a deeply superficial person.

Andy Warhol, but it could just as well have been Alistair Darling.

Was the Chancellor serious?

The 2010 Budget was pure fantasy. The Chancellor proposed a set of measures that he knew, because the forthcoming election would send him into political oblivion, he'd not be in a position to implement. If, improbably, Labour were to be returned to office, it'd be the execrable Balls who took over. If, more probably, Labour were ousted, it'd be the only slightly less execrable Osborne who did so.

Did he think his Budget meaningful?

Why then did Darling bother to present a budget? Because he was playing to the electoral gallery! He didn't often get listened to: only rarely was he given significant exposure on national television news. Budget Day was the exception. And he couldn't resist the temptation to be celebrated—even if it were to be for only half an hour or so.

Probably not. It was just a game.

Another aspect of the fantasy, perhaps the most significant part, related to his economics projections. The fiscal deficit, he said, would cure itself because the economy would grow briskly. The recovery, he claimed, had only just started. It was going to strengthen and broaden. GDP would advance rapidly this year and continue to do so until the middle of the decade!!!

His forecasts, though, were certainly amusing.

Really? What was this forecast based on? Was it made by the same people who, in 2007, at the onset of the economics slide, had been forecasting resilience, who'd thought the danger of inflation greater than that of recession, who'd recommended higher interest rates?

But why did the media pay attention?

In other realms of life, it's the guys who get things right who are listened to, not the ones who get them wrong. Warren Buffet has a keen following in the world of fund management because of his matchless track record. Likewise, in the world of football management, Alex Ferguson.

Why weren't people more worried?

It's possible that the Chancellor will be proven right, but much more likely that he won't. It's all a question of the economics cycle. To those who think that periodicity is largely constant, the outlook is a little worrying. The economy appeared to peak in spring 2006 and to trough at the end of 2008. That being the case, activity now, roughly halfway between trough and peak, should be experiencing its fastest rate of growth. Is it? Will things slowdown from now on? If they do, the Chancellor's forecasts will be horrendously wrong. He'll be to economics soothsaying what Eddie-the-Eagle was to ski-jumping!

Is a problem delayed one half-solved?

It'll be interesting to see what the general public makes of the package. The initial reaction seems to have been one of relief. People know that there are serious problems ahead, but would prefer that the austerity be delayed for a while. They are, accordingly, willing to go along with the Chancellor's fantasy.

The ECB and Commission seem to think so.

Elsewhere in the world, the picture is somewhat similar. In Europe, for instance, recent economics reports have appeared to be weak, and the plight of Greece (possibly of Portugal as well) dire. But the ECB and the Commission have cobbled something together to give the impression of resolution. And people are pretending they're convinced. What do investors think? They're underwhelmed. They expect the problems to return again and again.

There's no escape for Oedipus, nor for the Euro.

The feature of Greek tragedy is that the audience knows the denouement in advance. The playwright can't change the ending, only how it transpires. It's much the same with the euro. It can't succeed. It's only a question of how long it lasts. And of how much egg appears on whose face at the end.

But equity indices are climbing.

That said, securities markets are strong and likely to remain so for a while. The weakness of the economies is a positive, not a negative. While the threat of depression looms, money will be kept accommodative and interest rates low. Given that, meanwhile, corporate profits are likely to rise (more the consequence of moderating wages than strengthening sales), equities are on a one-way street. It won't last forever, but it may see out 2010.

And will continue to do so in 2010.

The problem comes in 2011. Then, a new economics downturn could bring a spate of bankruptcies. Simultaneously, the central banks, if they perform as they have done in the past, will start to fret again about a credit bubble. Garde-toi!

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