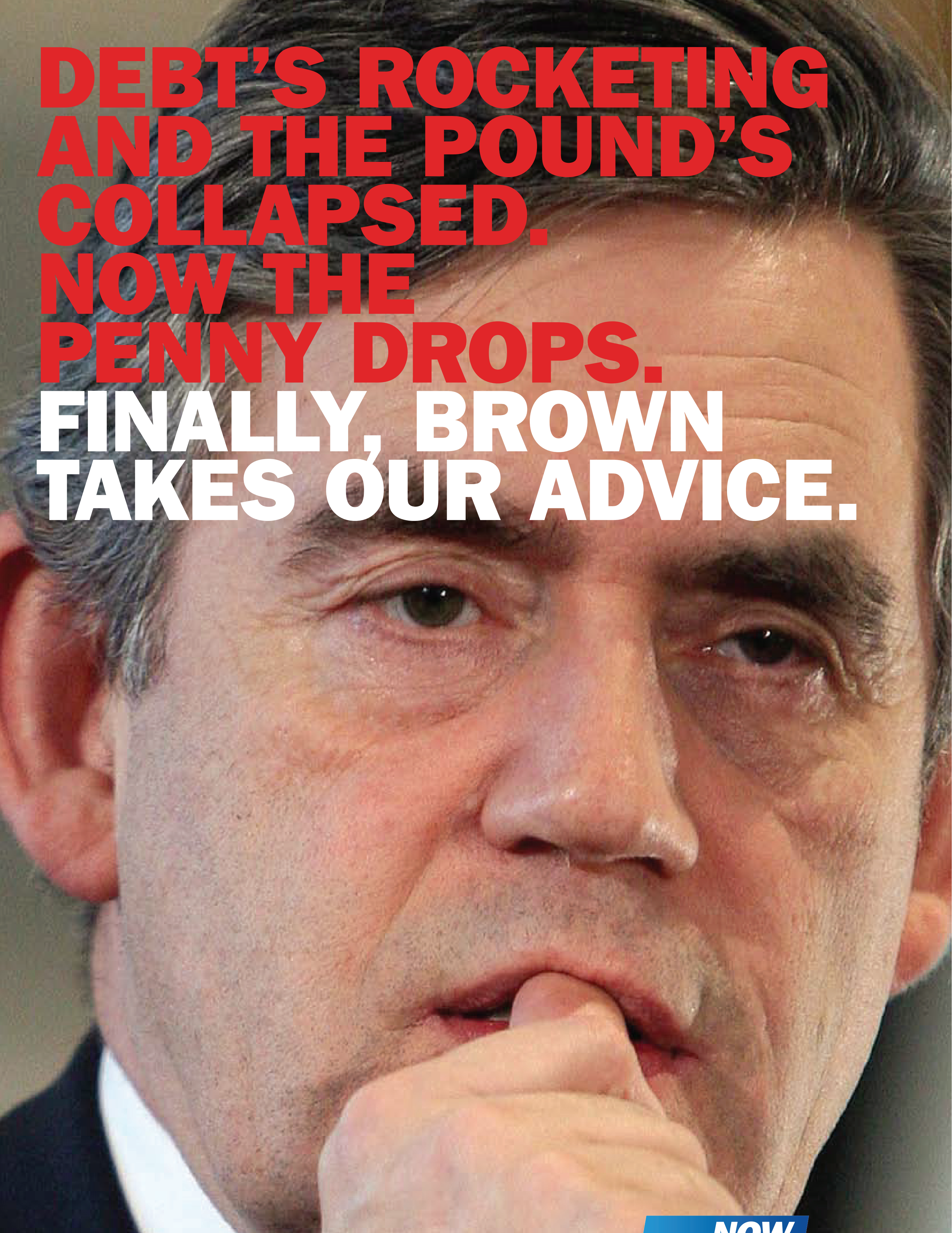

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Gordon Brown's economic policy has now collapsed twice

Brown Mark 1, 1997 - 2008: You can't spend your way out of recession, monetary policy has to take the lead

"And I tell you we have learned from past mistakes. Just as you cannot spend your way out of recession, you cannot, in a global economy, simply spend your way through recovery either."
(*Gordon Brown, Labour Party Annual Conference*, 29 September 1997)

"Loosening fiscal policy when the underlying structural fiscal position was poor could damage consumer and business confidence, thus having the opposite effect to that intended."
(*HM Treasury, Analyzing Fiscal Policy*, 1999)

"What we will not do is put stability at risk by irresponsible, unfunded and reckless tax cuts." (*Gordon Brown, Hansard*, 26 October 2006)

COLLAPSED when Gordon Brown tried to spend his way out of recession

Brown Mark 2, 2008 - 2009: Fiscal stimulus is the answer, monetary policy won't work

"I cannot see how the Conservative party can continue to resist the idea that we should have, as we are having, a fiscal stimulus in the economy." (*Gordon Brown*, Hansard, 23 March 2009)

"I do believe that this debate about the real help of the fiscal stimulus has got to be won in every part of the world. If the monetary mechanism is not working then all that is left to government, and rightly so, is to use its fiscal policy."
(*Gordon Brown, Q&A session at Brookings*, 10 February 2009)

"The fact is if your monetary policy is cutting interest rates, but there is an impaired mechanism that you have got to gradually be able to sort out, then governments have to use fiscal policy, and that has been seen in every country of the world."
(*Gordon Brown, press conference*, 19 December 2008)

COLLAPSED when Mervyn King said it wasn't affordable

"But I think the fiscal position in the UK is not one where we could say, well, why don't we just engage in another significant round of fiscal expansion. We could do more monetary easing if necessary, but monetary policy should bear the brunt of dealing with the ups and downs of the economy"
(*Mervyn King, evidence to the Treasury Select Committee*, 24 March 2009)

"Brown retreats on new fiscal stimulus",
Financial Times, 26 March 2009
"Shadow of huge debt mountain forces Brown to back off tax cuts",
Times, 26 March 2009
"Brown spending retreat as City sounds warning",
Guardian, 26 March 2009
"City alarm as Britain fails to sell its bonds",
Telegraph, 26 March 2009
"Brown backs down on tax",
Sun, 26 March 2009
"Brown spooked by the markets",
Daily Mail, 26 March 2009

"Nobody is suggesting that people come to the G20 meeting and put on the table the budget that they're going to have for the next year. What we are suggesting is that we have together to look at what we have done so far cumulatively."
(*Gordon Brown, New York*, 25 March 2009)

And now the Chancellor has made things worse by refusing to express confidence in the Governor of the Bank of England

"I've made it clear on a number of occasions this morning that the difference is not between me, the Prime Minister or the Governor." (Alistair Darling in Parliament this morning when asked if he has "full confidence in the Governor of the Bank of England")

Gordon Brown has now been forced to accept the Conservatives' big argument on the recession

"We're doing it by interest rates being incredibly low, we're doing it by our fiscal stimulus and we're doing it by what is probably not yet understood by the public as one of the most effective and quicker ways of getting activity moving in the economy – by quantitative easing. If you take these three changes that have happened over the last few months together, that is where you look for results."
(*Gordon Brown, New York*, 25 March 2009)

The Conservatives have consistently argued that a discretionary fiscal stimulus could make things worse and that monetary policy has to take the lead

"The other choice is to stick with fiscal responsibility – that is the responsible road to recovery. Allow monetary policy to do its job. Allow the automatic stabilisers to work. And do nothing that makes the Bank of England's job more difficult. And use timely and targeted intervention through the tax system to help families and businesses through difficult times."
(*George Osborne, speech to the London School of Economics*, 31 October 2008)

"The fact remains that you should let monetary policy do the heavy lifting in stimulating demand." (*George Osborne, speech to the London School of Economics*, 31 October 2008)

"Good businesses are still not able to get the credit they need to keep going. So we need further exceptional policies – principally monetary policies - to get businesses the money they need to get through the recession. That's why we have proposed a new National Loan Guarantee Scheme to get lending going. What we do not need is exceptional action that is wrong. That is what we have seen from Labour in fiscal policy."
(*David Cameron, speech to the London School of Economics*, 9 December 2008)

And the Conservatives warned months ago about the limits to borrowing

"Today everyone assumes the only question is 'how much more does the British government want to borrow from the markets?' Talk to former Chancellors and they will tell you that at some point the question becomes 'how much more are the markets prepared to lend?' That's why there are limits to borrowing - not political limits, but actual limits. Limits to what can be lent and limits to what a country can carry into recovery."
(*George Osborne, speech to the London School of Economics*, 31 October 2008)

"And there's another vital reason why we must resist spending splurges and irresponsible borrowing. An IMF survey published earlier this month concluded that 'increases in interest rate risk premiums as a result of debt concerns can render fiscal multipliers negative, suggesting that discretionary fiscal stimulus may do more harm than good.' Put another way, there's no point pumping more government money in one end of the economy if it delays the lower interest rates that will stimulate private sector activity at the other end."
(*George Osborne, speech to the London School of Economics*, 31 October 2008)

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