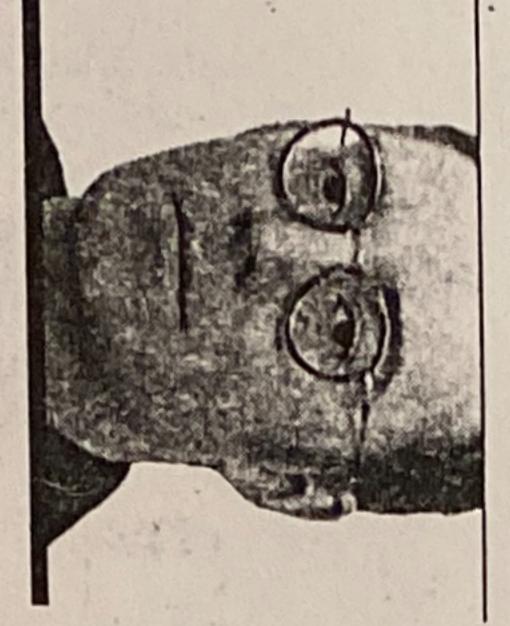


erard Lyons



Once a US cult film, it is now on general release on both sides of the Atlantic to widespread public acclaim, although it is receiving critical reviews among many economists and those on economic movie is

The plot is simple. The once good giant, Public Sector, is to be slain. The victor is the thrusting entrepreneur, Private Sector. Yet there are many sub-plots. While

untroubled, free tilities and publed to a slow, painf have not seen the

can go to your local librar story you may be wrong. F library will probably be shu you do get in, you may fin have sufficient funds to bu books. Instead, walk to on bus queues near the library wait catch the private bus Neighbourhood notice a big char worry. felt everywhere. Alas, if can go to your local libra line. You soon will. Its those old Vireled of mirely change, this movie ury. After a long us to the end of so your local nut and, even if cularly as you For ictorian of the it does a start the you long

pass one of those old Victorian local schools in need of much repair.
Taxphobia is not a movie for families, whether married with children or single parents. Now a chilling sequel is planned parents. Now a chilling sequel is planned — not Taxphobia 2, but Death of Welfare. Despite its main characters the between those in Batman and this too needs parental guanti-hero is Supertony, who Rupert, charge anti-hero is Supertony, Daily Globe's newsp t, while the Riddler he of Gotham UK's finance ist be cut, left, left and cer guidance. Superman, lance. The works where

many of t of the stunts play ; SO receiving as the end of

How has this genre developed? There are a number of reasons. In the past two decades policy around the world has been geared to keeping inflation down, prompting fiscal conservatism. On the Continent, the Maastricht Treaty is removing fiscal flexibility. In Asia it is evident in the policy advice given by the International Monetary Fund. In Britain

current have probl to ur yed improving budget tainable medium-term set on auto-pilot, oblivious iditions, particularly give lems. Subtitles will not essentiai. There is a danger nderstand these: the story posi-fiscal

the last Lawson Britain suffered two policy blunders in he last decade: the credit binge of the awson Boom and the pound's member-

health and pension system, economy such as ours should have a Nothing that lasts can be bought on t funded decent, 井 ne cheap, serious money targeted

system; or take direct action through tax points avoid ised e . Governments hing; shift poli economies an ageing population its to rising pension and healthcares. High unemployment adds to this Governments face three options: do ing; shift policy to boost growth, ing it easier to finance the welfare es an industrialjust as the Br Lawson Boom Asian

increases or spending cuts.
The latter has become

is will help

currencies

currency peg dollar. Hence just had mechanism. the need to worry. European Asian economies lems at the same ems at the same time bubble alongside an appreciating U exchange time:

exporters, just as the fa after it left the ERM. ritish economy to bust, so too could have depreciated. t as the fall in went from government spending Japan depression. Ironically, last Japanese government made ages. Because the Japanese

world that w be forced to l sis broke, a third of all international bank lending was to Asia. Banks around the world that write off bad loans to Asia will petitive, more than a quarter of world exp Devaluation will make their goods petitive, forcing British firms to This will affect us. and costs down in the face of global competition. When the criforcing nd costs be cautious elsewhere. Asia accounts for exports.

The outcome in Asia depends on the policy response. This could be a problem. The IMF is calling for tough fiscal policies. Although there is much sense in what the IMF says, its timing is wrong. As we have seen in Europe in recent years,

tight fiscal policy during economic weakness is pro-cyclical, adding to, rather than counteracting, the downturn.

The rest of Asia should heed two important lessons from Japan's recent experience. First, fiscal policy is an effective tool. After Japan's economic bubble burst in 1990 the government kept the still weak, many have wrongly concluded that fiscal policy has been ineffective. The opposite is true. Were it not for with huge fiscal pack Were economy Sector.

my was too weak to cope.

The second lesson is the need for con-

sistency fight the consequences of debt inflation.

As you watch the Death of Welfare ny was too weak to cope.

The second lesson is the need hotween fiscal and with interest rates kept monetary low

As you watch the Death of Welfare remember, as the inflationary movie of the Seventies is played in reverse, disinflation is the main global theme. This means modest growth and low inflation, implying tough policy choices.

In good times governments should run

decent and appropriate health, welfare and pens funded with serious money can be bought on the cheap, and a major economy such as the UK's should have a decent and appropriately targeted health, welfare and pensions system, chest to spend on tax cuts before an election but to raise sufficient savings to cope with the inevitable downswing of the economic cycle. Nothing that lasts budget surpluses, not to build up a war

In a happy ending, the anti-hero Supertony can become a hero if he does not kill Public Sector but allows it to work happily ever after with Private

Dr Gerard Lyons is chief economist of Dai-Ichi Kangyo Bank (DKB) International William Keegan is on holiday.

would be in

Spring

hitbread is the brewer for w mom beer isn't everything. Ch Thomas would on sell you a pizza

