

The Economic Outlook for Europe

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Dangers ahead

- (1) Economic imbalances lead to sluggish growth in the USA and a danger of protectionism.
- (2) Rise in value of euro, and weak banking systems in Europe, lead to low growth and debt crisis on periphery of EU, also putting UK at greater risk.
- (3) In the slightly longer term, ideological differences between Republicans and Democrats prevent the USA from solving its fiscal problems. What ensues? Deflation, inflation or both?
- (4) In the longer term dangers are demographic slow-down (include China, but exclude India) and global warming affecting food production. Energy not a problem.

Potential outcome: stagflation

Best investments: agricultural land; indexed bonds (TIPS)

Can we get out of this? Perhaps. The problem lies in politics (nation state rivalries) and fixed mindsets; less but also in economic theory.