

These ongoing interest rate cuts are obviously achieving nothing, so why persist with them? People who are in debt and feel insecure about spending their money are not suddenly going to rush to the shops to buy things that are not essential, and certainly not with borrowed money, at any interest rate. In fact, anyone sensible person enjoying an interest rate cut will continue with the same repayments and clear their debt quicker.

The problem is not helped because land prices are "sticky downwards" - when shops and business premises fall vacant, the owners generally do not drop the rents to get them occupied again as quickly as possible - they do not fall to market-clearing levels. This will throttle any possible recovery.

The only way out of this is for the government to spend money itself on good quality infrastructure projects, though not, of course makework "job creation". It is no excuse to say that the lead times are too long. Recession is the perfect time to do this work. There are big projects which have been held back, and there are others that could be implemented quickly eg the rolling programme of railway electrification. There are other necessary public works which could target areas and industries where unemployment is high - eg the huge backlog of highway repairs. Where public sector projects are on offer, the credit can come from the government itself.

Good infrastructure projects sustain and enhance land value in the areas that benefit from it, and this points to the means whereby the money spent can best be recovered, without nipping economic revival in the bud with tax rises. The government must put an effective system of land value taxation in place, initially in replacement of the Council Tax and Business Rate. If this is not done, the recovery, which is unlikely before 2014, will then take us on a direct trajectory to the next crash around 2026.

And given the monetary recklessness now evident, I would not rule out a hyperinflation before the recession finally comes to an end.