

Economic Insight

Graeme Leach, chief economist at the Institute of Directors, explains why he thinks the quantitative easing gun is about to be reloaded



Weak retail sales figures and an increase in unemployment suggest that the economic recovery is softening.

However, the really critical factor is that money supply growth has been very weak indeed, leading to doubts about the sustainability of the recovery.

The overall amount of money in the economy increases when banks lend cash, effectively creating it from nothing. Banks are still doing this, but not as much as they were, and they are being required to hold more capital in relation to their lending.

Quantitative easing (QE) is a way to “bypass” the private banking system by having the Bank of England inject money into the economy. Some £200 billion has

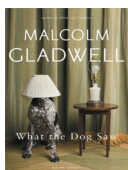
already been added to the economy through QE, which admittedly didn’t create a huge economic recovery, but it did prevent us from sliding into depression and deflation as well as lowering long-term interest rates. I believe we need another dose of QE, perhaps £25 billion to £50 billion over the next three months, to stimulate money supply growth and bring it closer to where the Bank would like it to be.

There are those who worry about inflation, which is above target, but with such a weak rate of growth there is no great pressure on wages and prices. Spare capacity in the economy is dampening inflation, and will continue to do so. Instead, the real risk is of a double-dip recession. With interest rates at 0.5 per cent, any further cuts would be window dressing, so QE is about the only weapon the Bank of England has left. ■

What I’m reading now

What the Dog Saw and Other Adventures, by Malcolm Gladwell

Andy McNab, ex-SAS serviceman and director of ForceSelect



Malcolm Gladwell always makes you think about things in a different way, forcing you to

revise your opinions and question your habits and preconceptions.

After *Blink* and *The Tipping Point*, *What the Dog Saw* is a compendium of his columns from *The New Yorker* that provide a fascinating observation on the modern world and how we operate within it.

Early on, Gladwell says, ‘Curiosity about the inner life of other people’s day-to-day work is one of the most fundamental of human impulses, and that same impulse is what led to the writing you now hold in your hands’. That’s a lesson I learnt early on when serving in the armed forces, particularly when on tours of duty.

In life and in business, the more we listen to other people and their needs, the more we engage with a wide variety of different elements in the world, the more we have a chance of being a success.

Another chapter talks about hiring the right person for a job, something that is very pertinent to my new role with ForceSelect, which helps military service leavers adjust to civilian life.

It deals with scouting for footballing talent in the US. Interestingly, he cites an example of one of the chosen footballers making a mistake when under pressure. One of the things that sets military service leavers apart is that they tend to be superb under pressure because of the high level of training and the intense experiences that they have gone through – and this can only be good for British industry. ■

Rising star



After working on private jets for the likes of Sir Philip Green, Lexi Proud launched dating website ArrangeMeADate.com in January and is set for a £165,000 profit in year one

How did you get the idea?

I had been a contestant on a TV show called *Arrange Me a Marriage*, and following that was jokingly asked by a friend why I wasn’t the matchmaker because I was setting people up so frequently. My business partner and I threw some ideas around and we finally decided to take the plunge and start our company.

What were the initial challenges?

Setting up the website was the most difficult part because dating websites have to be very comprehensive. One of our USPs is you can pay using your mobile phone, so that system took some time setting up. We had about six months of trial and error with the design of the site before putting it live.

How is the service different from others?

In addition to our traditional dating profiles, we have a one-on-one matchmaking service with a team of experts on hand ranging from psychologists to fashion stylists and dieticians to help members overcome any image concerns. We managed to get some high-profile clients subscribed, including England rugby players, footballers and actors.

How did you finance it?

We funded the venture purely with our own savings. When I first looked at setting up, I saw it as very difficult to find financial help, but we’re now being approached by private investors, and as we are expanding we’ll be entertaining this idea.

How did you market it?

We are using PR and have found that it’s really important to get a strong PR company on board. We had two before and they failed miserably. We also use Google AdWords and Facebook adverts. Networking has been vital to us as you never know when you’re out at events what someone can do to help you.