

A Potentially Missed Opportunity. Southern Europe Has Bought UK and Germany Time. Will It Be Well Spent?

For the US, UK and Germany, a small window remains to raise long term debt. Take the UK for example. They need to issue 30 year debt in quantities sufficient to remove refinancing risk for the next 5 yrs, and then cut tax rates.

Usually in a distress refinancing, creditors want to see a plan of reorganization before they will agree to buy the new debt. The distractions from Southern Europe mean that the UK and Germany are being given the opportunity to refinance themselves even in the absence of a credible plan of reorganization. They should not look a gift horse in the mouth. They should refi now for the long haul and then use the time borrowed, for that is precisely and all that it is, and cut tax rates, reform the entire economic system, address moral hazard, sclerotic labour markets, anti-competitive policies, clean up the financial system and get the country back on its feet. Time is running out.