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Reasons to be cheerful: one, two, three . . .

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At last, more quantitative easing, signs that the euro will not collapse and, best of all, good news from America

As John Maynard Keynes famously told a pompous detractor, who accused him of inconsistent economic views: "When the facts change, I change my mind — what do you do, sir?" Last week, some important facts changed in the world economy. It is therefore appropriate to reconsider the gloomy economic analysis that I have been presenting since the beginning of the year.

My gloom about the world economy, and especially the outlook for Britain, has been predicated on five problems: the overly aggressive fiscal budget cuts in Britain and other European countries, the failure of the Bank of England and European Central Bank to offset this with sufficient monetary expansion; the jump in oil prices triggered by the Arab Spring; the existential crisis of the euro; and the abrupt slowdown of the US economy caused mainly by the oil shock. This interacted poisonously with unprecedented political polarisation in Washington, threatening to turn America into a Greek or Italian-style failed state.

Of these problems, the last two were the most disturbing, and both showed important signs of improvement last week. But first we should note some other shifts which took place last week in fiscal and monetary policy. On Monday George Osborne made clear that the British Government will not impose further austerity if it misses its budgetary targets — as it almost certainly will. On Thursday the Bank of England belatedly launched the programme of quantitative easing demanded since late winter by Adam Posen, the only unequivocal Keynesian on the Monetary Policy Committee.

In Europe, the ECB moved in the same direction, albeit with Germany dragging its feet as usual. Although the ECB did not cut interest rates, it did offer unlimited long-term loans at concessionary rates to all banks in Europe, regardless of their potential insolvency or the quality of their collateral. More importantly, the ECB admitted that a significant minority of its governing council favoured immediate rate cuts, thereby strongly implying that lower interest rates in Europe are only a month away.

But this was understandably overshadowed by a more momentous story from Europe — which brings us to the two truly important changes last week. The story that attracted most attention and inspired a bullish "melt-up "in world financial markets on Monday was the apparent agreement between Germany and France to bail out the European banking system and accept a degree of system, given the rising popularity of protectionism and isolationism in US politics. After last week it appears, however, that the US economy is accelerating again, powered by record profits, stabilising household finances and a guarantee of zero interest rates offered over the summer by the Federal Reserve.

If this improvement is confirmed in the next few months, it will trump any political news from Europe — good or bad. Luckily the chances of such improvements now look considerably better than they did a week ago.