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The US feels sunny again while Britain shivers

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The two are conducting a controlled economic experiment. Now we can see the results

Whether or not Britain formally goes back into recession in 2012, this is shaping up to be a miserable year for businesses, shopkeepers and workers across Britain, not to mention the 2.7 million people unemployed.

The official explanation is the state of the world economy. The story about the eurozone crisis dragging down Britain will be heard repeatedly as George Osborne prepares for next month's Budget and the Bank of England decides, perhaps tomorrow, on the third instalment of its once controversial policy of quantitative easing.

But the official story is the opposite of the truth. Britain's troubles are almost entirely home-grown, while the outlook for the world economy is the one ray of hope. If the slump in southern Europe were mainly responsible for Britain's weak economy, Germany and Sweden would be in even worse trouble as they are more intertwined with these countries through exports and financial flows.

The main reason why the British recovery is so disappointing can be seen by looking at the US. The British and US economies are structurally quite similar. Both depend on finance and consumption with fairly small manufacturing sectors; both have run up large budget deficits since the Lehman crisis; but both have central banks willing to print money to pay for these deficits and avoid the crises threatening eurozone governments that do not enjoy the support of their own central bank.

From 2008 to 2010 the US and Britain followed broadly similar policies with similar results. In 2010, however, they diverged abruptly. Britain decided to pay down its debts, raising taxes and cutting spending while the US took the Augustinian approach of "Lord, make me virtuous, but not yet".

We can now begin to see the results of this controlled experiment. Conditions in America still range from uncomfortable to terrible, but it is not the present situation that determines business, investment and employment prospects. What really matters is the direction and rate of change and whether it is expected or comes as a surprise to businesses and investors. On these criteria, recent events outside Britain have been largely favourable — even the mess in Europe has been recognised for so long that a Greek default or European recession would hardly be a shock.

In looking for significant and unexpected changes in the economic outlook, the focus should be on the US. The evidence of accelerating growth there is now undeniable, especially after Friday's spectacularly strong employment figures. These showed unemployment falling faster than at any time since the 1990s and job creation running steadily at more than 200,000 a month. The last time the US saw a 1.5 percentage point reduction in unemployment in only 14 months was in 1983 — and while sceptics make much of alleged manipulations in the official figures, there is no reason to believe them more misleading than they were 29 years ago, in the period justifiably described by President Reagan as his "roaring recovery".

The sense of a slumbering giant beginning to stir is reflected in US business and consumer sentiment, especially outside the financial and political echo chambers of New York and Washington. In California the obsession with slumping house prices and bankrupt state government is now "so last year". Instead there is palpable excitement in Palo Alto, home to the world's leading venture capital firms, about the new booms in internet and energy technologies. And in the Los Angeles entertainment and business services industries there is almost equal enthusiasm about the insatiable demand for US films, holidays and investments among the two billion new consumers of the Pacific basin.

Of course, such pockets of prosperity do not represent the whole US economy, any more than Bond Street reveals the state of Britain. But broader indicators suggest a similar change of mood. For example, the Reuters-Michigan index of consumer expectations enjoyed its biggest gain since 1992 in the past five months. Surveys of business opinion, although still at low levels, show similarly sharp improvements, even among homebuilders and small businesses.

President Obama's approval rating has risen above 50 per cent for the first time since 2009, apart from the brief surge after the killing of Osama bin Laden. His improved electoral chances, combined with the emergence of the moderate Mitt Romney as his likely opponent, make the political outlook more reassuring for most Americans in the centre of the political spectrum.

Even more encouraging is the main reason given for pessimism among the many Americans who still refuse to believe that better times lie ahead. A few months ago, sceptics eager to predict disaster pointed to mortgage foreclosures, the budget deficit, political polarisation, financial instability or income inequality as the reasons for their gloom.

Now all these anxieties have been replaced by one: the crisis in Europe. This surprising euro-centric view is reflected in newspaper and TV business coverage, which is now dominated by Europe in a way that I have never seen before. If pessimistic Americans eager to predict disaster now vent their spleen on Europe, it is perhaps because gloom about the US no longer rings true. If only we could say the same about Britain.