

Funding the Future

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The [Guardian](#) reported today that:

The president of the European Central Bank has warned that the coronavirus outbreak will spark an economic downturn in Europe similar to the 2008 financial crash unless EU governments provide financial support for their economies.

Christine Lagarde held a call with EU leaders on Tuesday night to urge them to take action and raise spending in order to counter the economic effects of Covid-19, a source with knowledge of the matter told Bloomberg.

I happened to spend much of this afternoon with Prof Stephanie Kelton discussing modern monetary theory and related issues, including her new book which will be out in July and which I have read and am enthusiastic about.

Amongst the many things on which we agreed was the fact that on this issue Christine Lagarde is right. We both think 2008 may look like a picnic compared with what is going to hit us. Stephanie has suggested the US deficit might exceed \$2 trillion. I think the £150bn of 2009 might look modest when the cost of coronavirus comes to be counted.

What it was also easy to agree upon was the fact that Rishi Sunak was wrong in saying that this is a temporary phenomenon: the ripples are going to be big and last for years. And that is why his budget today was so very, very misjudged.