Funding the Future

The government must create all the money needed to keep...

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Between 1845 and 1849 Ireland suffered what was called a potato famine. About a million people died. A million more emigrated. Each was about a million people. Ireland was a much bigger country back then than it's ever been since.

I say all this for a reason. These people did not die for a good reason. They died because of government policy.

There was probably enough food in Ireland for everyone to eat all they needed from 1845 to 1849. Not enough potatoes, I admit. But there was enough wheat, for breadmaking.

But there were two problems.

First, the landlords of Ireland still demanded what they thought they were owed.

And second, the people could not afford the wheat. So it was exported from Ireland.

And many of the people of Ireland died.

Please don't say government policy cannot have impact on a crisis. It can.

And that is also true of coronavirus.

And I am not going to discuss policies towards self-isolating, rationing of care or the availability of ventilators right now. I am going to discuss a different crisis, which is what coronavirus is going to have in common with the Irish potato famine if we are not careful. And that is the shortage of money.

I can't stop coronavirus happening.

Given the attitude of the UK government - which seems to want me and you to get it - there is little I can do to prevent that.

And given that I am 62 very soon I have no expectation that they will try to save me if I get really ill, however young I feel.

But I can say some things that might make a difference. And whilst there is no vaccine for coronavirus what I do know is that the secondary killer it might release is a shortage of cash.

I have already been explaining, patiently, that in a crisis what kills businesses is a cash flow crisis.

And what pushes individuals into insolvency, homelessness and all that follow from that is not in the first instance a loss of income - it’s a lack of cash that does that.

In the long term coronavirus will be solved: such things always are. It is going to be horrible on the way. And we will lose people we love. But most of us will survive.

Our survival experience does, however, depend upon something else, and that is the preservation of the economy.

We will still need jobs later this year.

We will also need key companies (and many more are key than most people appreciate) to still be operating.

We will still need banking.

We will still need people who can afford to spend.

And all those things require that there be enough cash in the system to make sure that this happens.

Critically, there is no shortage to the amount of cash that the government can create to tackle this crisis. Tax is not required for governments to spend. Deep down every government knows that. They do because when they go to war they never ask who is going pay for it, or how: they simply get their central banks to turn on the money and the aggression begins.

Now we need to turn on those money taps.

Coronavirus is going to be bad. But if governments ration cash when there is no reason to do so then it is going to be very, very much worse.

I am not, overall, convinced by universal basic incomes. But I am right now. The government could pay them straight away: no household need fear coronavirus as a result.

And I am not concerned that saving all companies is always a good thing. But right now we don't have the time to choose who should make it. And a government tax holiday for all businesses would save all but the most marginal at present.

It's also apparent that I am not always the biggest fan of banks. But governments might need to bail them out right now.

At this hour of crisis - and it is that even though no one has declared one in the UK as far as I am aware - modern monetary theory has an answer to the biggest problem aside from those relating to health care issues that our country faces, which is the impending crisis of a cash shortage within the economy at large. And that answer is that all the money that we need now can be created by nothing more than a keystroke on a central bank computer, just as (for those who might worry about this) it can also be destroyed at some time in the future when the time is right.

There is then no need for a shortage of money now.

No one need be forced into making the wrong decisions now for cash flow reasons when they can be given what they need.

No business should have to fail because it cannot pay its tax.

Or be unable to repay its bank loans for the time being.

Every bank can give repayment holidays, and even new loans, if it can be sure of government support.

And all this is possible.

It was government policy that denied people food that killed people in Ireland in the 1840s.

We do not need government policy that denies people money causing massive long term harm to our economy now, whilst adding enormous short term pressure to those already profoundly worried by this virus.

The government needs to get back to the Dispatch Box.

It should be providing all the support people need.

Taxes can go unpaid.

And banks will be supported.

And it needs to say this now.

Government must confirm that when it says it will do everything necessary to beat this virus that includes creating all the money required to keep our economy going, without limit.

We cannot afford a government-created crisis on top of this natural one. And we have the choice to deal with the economic crisis, at least.