

The dispute with Northern cities is all about money whe...

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I did a series of tweets yesterday pointing out that the dispute between the Westminster government, the mayors of English northern cities and the First Ministers of devolved government around coronavirus lockdowns does, when push comes to shove, come down to money. The heavy involvement of Rishi Sunak in the issue makes that clear.

What is also clear is that the Treasury is claiming that there 'is no money left'. It is being suggested that there is no money available to provide further lockdown support. This, of course, is absurd.

Firstly, that is absurd because so far this year every single penny that has been spent on coronavirus support has been created by the quantitative easing process. There has been no extra demand of taxpayers. There has been no net borrowing this year. Everything has been paid for, costlessly, by Bank of England money creation. And, because we face growing unemployment there is no risk of inflation arising as a result of this money creation process. The consequence is that at this moment more money could be created to support these cities and devolved nations in tackling the problems they face, but the government is refusing to do so. Of course it is right that they are outraged as a consequence.

Secondly, though, what is annoying is that this argument is not being used by these mayors and these First Ministers to support their case. If only they understood just a little bit more about macroeconomics, or quantitative easing, or even (dare I say it) modern monetary theory, they would find that they have all the arguments that they need to demand the money that they require to support their regions through the periods of crisis that they face. It is deeply frustrating that they will not present the right arguments.

Thirdly, it is as frustrating that Labour is not doing so nationally.

There are massive potential constraints on action at present, almost all of them imposed by reasonable fears of infection. The one thing that we are not constrained by

at present is money. Of that, given our current circumstances, we can have pretty much whatever we need, so remote is the possibility of full employment at present. And yet, through ignorance, politicians do not make this point. I wish they would learn, very quickly. It would be good for all of us if they did.