Sunak can try being the petty Chancellor, but he would ...

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The FT has an article today which begins be saying:

Chancellor Rishi Sunak has told Conservative MPs he wants to use his March Budget to start restoring order to the public finances, as he attempts to put "clear blue water" between the Tories and Labour.

The message is fourfold, apparently.

The first is that Sunak has told Tory MPs that there is no magic money tree.

The second is that it apparently shrivelled and died when continued support for universal credit won support from some Tory MPs.

The third is that austerity must begin, or the Tories will apparently forever look like Labour by suggesting that there is a bottomless pit of money that they can spend.

In which case, the message is that tax increases will start in March. Expect a 23% corporation tax and increases to capital gains tax in that case. Income tax, VAT and national insurance are all ruled out by ejection promises.

So what is there to say in response?

First, that no one now believes that there is no magic money tree. It has been proven to exist. Whether that implies acceptance of modern monetary theory or the simple evidence that QE has been wholly funding a deficit of £400bn in the last year is neither here nor there: the simple fact is that even the hardest nosed sceptic knows money can now be created by the government at will without either necessary tax or inflation consequences.

Second, I took part in a meeting of economists yesterday where it was said in good faith, and I think correctly and not by me, that there is now a consensus amongst all credible economists that now is not the time for either cuts in spending or tax increases (excepting, maybe, for redistribution). The agreed reasons were that this crisis is far from over yet, and the economy has further to fall as yet, meaning that any such changes would hit as matters were getting worse, economically.

Third, such petty politics will be very obviously that. They will be seen as simple game playing when that is inappropriate.

And fourth, whatever Sunak does is gesturing. The next year is going to see the third biggest UK deficit ever, at a minimum. The chance that it will be less than £100bn is close to zero. It could quite easily become the second biggest ever by exceeding the £150bn or so of 2008/09. And things will not be much better (if debt fetishism is your thing) for the years that follow up to 2024.

So, arguing that the magic money tree has ceased to exist is futile. It clearly will not have done.

Arguing that universal credit cannot be afforded will in that case clearly look like victim selection.

Tax increases, without equitable rather than social justification, will also very clearly look wrong, and petty (as they will be, that justification excepted).

And since that justification requires matched spending to make it work any reference to debt reduction could easily backfire, especially when the economy has a long way to go down as yet.

So what could Sunak do? He could openly redistribute, and take the wind from Labour's sails.

He could attach conditions to savings tax reliefs and link them to green investment, as I have long argued to be necessary.

He could restructure allowances on pensions for the wealthy. That is simply something that is overdue.

But in each case he would have to prove he was spending to justify the change. Because what people now know is that this economy is on the life support that only government money creation can supply. And as a result they are not going to be happy letting it go.

Sunak can try being the petty Chancellor. But he would be best not to do so.