

Rachel Reeves has one chance to U-turn. She'll make o...

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I am aware that the Guardian is not always popular with readers of this blog. Nor is its economics editor, Larry Elliott, always the top pick of everyone here, even though I openly acknowledge our friendship. Despite both facts, I [open with a quote from Larry](#), in this morning's paper:

The greater risk [to Labour] is that it wins an Attlee-style landslide but then doesn't know what to do with it. Growth might come to the rescue, but it might not. The danger for Starmer and Reeves is that they lock the economy into a new era of austerity that makes absolutely zero economic sense and for which there is absolutely zero political appetite.

Larry's suggestion that Starmer and Reeves might have, through the promises that they have already made and the commitments that they have given to big business, backed themselves into an economic corner where austerity is the inevitable outcome, is appropriate. The likelihood of this would appear to be high.

That Larry acknowledges that this is the consequence of Reeves having adopted an almost identical fiscal rule to that suggested by Jeremy Hunt for the Conservatives, is also appropriate. Identifying the source of a problem is always the first, necessary, condition for addressing and then resolving it .

So, the question to ask is whether Labour will eventually abandon its wholly inappropriate commitment to fiscal rules? Follow on questions obviously relate to how long it will take to do so, and how much damage it might have caused in the meantime.

If she was wise, and there is a massive assumption implicit in that comment, Rachael Reeves would know that the same argument that she is using to get Labour elected also provides her with the opportunity to abandon her own commitments once she gets into office. All she has to say , at the time that she presents her first budget, which is now expected to be in September, is that the mess that she has inherited from the Tories is very much worse than she anticipated during the election campaign because she has now seen the books. She could, as a result, make the immediate suggestion

that as a consequence she will have to change tack, and her planned fiscal rule will have to change as a result.

It would require some political gall to do this, but presuming that Labour will, after the election, enjoy a significant political majority in parliament, the solidity of she could be increased by abandoning her pro-Tory and pro-austerity policies, then there could be no better opportunity for her to do this than in her first budget. Is Machiavelli would have it, if you are going to exert your authority when changing course, do so as soon as you can after assuming power, and make your first strike an effective one.

If I was Reeves, this is what I would do. And, when challenged about her inconsistency by the political commentariat I would, if I was her, resort to the age old political line, that when the facts change, I change my mind. All that she would need to say was that she was now possessed of more data, and that was the reason for the change of approach. it would be incredibly hard to impose a significant political punishment upon her as a result, so soon after a general election.

Presuming, however, that she will not have the gall to do this, as I think likely, everything then gets worse for her. U-turns always represent an admission of political failure. That would, inevitably, happen if she does not acknowledge the need to change her position in her first budget. If possessed of the facts she maintained her fiscal rule then the inevitable requirement that she change approach at some time thereafter when, as an absolute certainty, her plan fails to deliver the growth on which she preconditions all additional government spending, will represent an absolutely inevitable admission of failure on her part. Both the commentariat and the electorate have long memories for such things. I suspect it would also cost her the job as Chancellor.

So, what should Reeves do, given that, as Larry Elliott suggests, there is absolutely zero political appetite for a new era of austerity? She has to brace herself for one massive U-turn weeks after getting to Westminster, or set Labour on a path to failure.

It will be her choice, but I think we are already know which way she will go.