

The creation of £450bn of magic money and inflation

Mr Sunak asks us “Do we confront this moment with honesty ,seriousness and determination, or do we tell ourselves comforting fairy tales that might make us feel better in the moment but leave our children worse off tomorrow?”.

The briefing which accompanies his leadership offer tells us this is the man who will control public spending, reduce the deficit with tax rises and then get the economy growing again. He is the man who will not offer early tax cuts as these could fuel inflation.

So let us examine his presentation of his past and future economic management plans.

I am glad he now takes inflation seriously and is now determined to get it down. He is of course the man who approved and signed off the creation of £450 billion of new money during his brief period in office whilst claiming the Bank of England was independent. Indeed, so independent was the Bank that he was also required to sign off a complete indemnity on all the bonds the Bank bought with the new money, as they were bound to fall in value as soon as interest rates went up. The truth is the main policies of printing money and keeping rates down for too long was the policy Mr Sunak endorsed and made possible, putting the full weight of the Treasury behind it. When I and others suggested the last £150bn of the printed money was too far and would be inflationary he disagreed with us. Most did agree with the early offsets to the big damage the covid lockdown did but he continued them long past the recovery which added to price rises.

I am glad he takes controlling public spending seriously. During lockdown he was the biggest spender as Chancellor we have ever had. Most of us agreed there did need to be substantial packages of support to families and businesses whose budgets were wrecked by enforced idleness to meet the health policy priorities. We did not agree with the lax approach to fraud and error in the disbursements. Nor did we see a lot of value for money in the very expensive test and trace schemes he supported and financed. His campaign has not yet identified how he would now find ways of curtailing spending which he did not find as Chief Secretary or Chancellor.

He used to tell us he was a low tax enthusiast but he now tells us tax cuts are unrealistic. He put in place a 31% hike in the business tax rate. He put through an increase in employer and employee’s national insurance, breaking a Manifesto pledge and imposing a new tax on jobs. He put in a new social care tax and an on line shopping levy. He froze thresholds of Income tax driving many more people into higher tax bands. He left office as the Chancellor in a Conservative government who had imposed the highest ever tax burden on the UK. New promises of tax cuts delayed are difficult to believe.

He says he was a pro growth Chancellor, but after a good first year of

recovery from covid the economy is now badly slowed by his tax rises on top of the inflation damaging real incomes. It is difficult to see how his policies would suddenly rekindle UK growth when they are all based on Treasury austerity.