

# Funding the Future

Article URL

Published: January 12, 2026, 7:52 pm

---

But Britain has never been short of innovative companies, neither has it lacked world-class companies, such as GlaxoSmithKline and Rolls-Royce. The problem, exposed brutally over the past 13 years, has been that there are few sectors where the UK is truly internationally competitive and there is not much beneath the cadre of top performers.

Turning round decades of decline is likely to be long and difficult. Businesses complain that graduates and school leavers are inadequately skilled and that the banks have starved them of cash. [Alistair Darling](#) sought to address this in yesterday's budget; the Capital Growth Fund is designed to help the 32,000 small and medium-sized businesses struggling to attract finance.

I've already given my reaction to the budget. Two, at least of my fellow Green New Dealers have done the same.

[Ann Pettifor](#) said:

*[Darling] got off on the right foot by pointing to the £11bn fall in borrowing that is a direct result of the mini fiscal stimulus of last year. The improvement has come from tax receipts and the stimulus measures adopted, including the cut in VAT and not from employment taxes. This demonstrates that taxes are the key to the deficit, and that stimulus works in reducing it. The remainder of the £11bn improvement has come from lower-than-anticipated gilt yields. So much for the theory that cuts are needed to reassure financial markets.*

*With those numbers, Darling has seen off the deficit hawks in the Conservative party, the Institute of Fiscal Studies, the City and the BBC. He has been proved right: a little fiscal stimulus staved off even higher unemployment and bankruptcies and helped stabilise the economy. Above all, he has proved, unequivocally, that government spending pays for itself.*

So far, so good then, but Ann moved on:

*But instead of using these numbers, and this proof, as a springboard for an even*

*greater stimulus, the chancellor came over all optimistic. He promised economic growth and began the process of fiercely turning down the public spending screw, and with it real wages.*

*Public sector net investment will fall from £50bn in the current year to £39.5bn in 2010/11. At a time when total investment in the economy has fallen by £46bn, and private sector investment fell again in Q4, this will serve to increase the spin on the downward deflationary spiral. Furthermore, given Britain's balance of payments challenge, this collapse of investment will damage our ability to pay for imports, and lead to further currency crises.*

*To tackle the threat of energy and climate insecurity we are offered the promise of a new bank — a “green investment bank” — with taxpayers providing £1bn of equity and the City of London promising to match that sum. In other words, the City is offered a sweetener to participate in yet another subsidised bank, where it will no doubt be free to offer loans at unpayable rates of interest to budding entrepreneurs keen to manufacture wind turbines.*

*But Darling's budget fails to stall the deflationary spiral. It could come back to haunt him.*

Larry Elliott [in the Guardian](#) is more optimistic:

*Britain has never been short of innovative companies, neither has it lacked world-class companies, such as GlaxoSmithKline and Rolls-Royce. The problem, exposed brutally over the past 13 years, has been that there are few sectors where the UK is truly internationally competitive and there is not much beneath the cadre of top performers.*

*Turning round decades of decline is likely to be long and difficult. Businesses complain that graduates and school leavers are inadequately skilled and that the banks have starved them of cash. [Alistair Darling](#) sought to address this in yesterday's budget; the Capital Growth Fund is designed to help the 32,000 small and medium-sized businesses struggling to attract finance.*

It's long overdue.

Perhaps Polly Toynbee — not a Green New Dealer — but clearly in sympathy — [can have the final word](#):

*Quite a triumph for a chancellor to confess his treasury is £167bn overspent, with more debt than ever before outside wartime, and yet be able to sit down as the more credible custodian of the nation's finances.*

*The man who called the worst recession in 60 years when all about him were in denial had his day of vindication. The nation's modest bank manager doesn't do the hubris, hyperbole and vainglory of his predecessor, but he allowed himself a quiet preen.*

*Honesty back then has earned him credibility now: disaster was averted, the worst damage mitigated by prompt state action. The fiscal stimulus worked and, defying expectations, unemployment is lower, debt less, inflation down, home repossessions fewer and frail growth on track. So far the social calamities of the recessions of the early 1980s and 1990s have been lessened. Why? Because this is a Labour recession, unlike the laissez-faire, "It's not working if its not hurting" Tory recessions. "Government should not stand aside", Darling said.*

Exactly.