

Funding the Future

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I have the [following letter in the Guardian today](#):

Simon Jenkins is right that VAT is the wrong [tax](#) at the wrong moment ([Save the economy? No, VAT's pandering to the powerful](#), 5 January). Unfortunately his reasoning about the deficit and how to manage it is also wrong.

Jenkins has clearly read Keynes, but not well enough, it seems. Keynes was sure that the solution to any deficit was to solve the problem of unemployment. Do that, he said, and the deficit would solve itself. He was right, of course: getting 2 million people back to work in the UK would raise enough tax to pay for our deficit and a lot more besides.

But this needs a change of mentality from all our political parties. Our job now is not to manage the deficit created by bank negligence; our job is to recreate the wealth they destroyed. That can only happen by investing in new jobs, whether by direct investment in the economy from a new round of quantitative easing or by requiring that at least 25% of the £80bn or so a year that goes into UK pension funds is invested in new job-creating potential in the UK economy. And of course, in due course funds must come from tackling the tax gap — an issue Jenkins acknowledges.

This is the basis for a radical and alternative [economic policy](#) to create jobs, to generate wealth and so taxes, and to then (and only then) pay off our debts.

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