

# Funding the Future

Article URL

Published: January 12, 2026, 6:33 pm

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What follows is not new: I wrote it late last year, in the main. But it remains wholly relevant, as George Osborne's pathetic economic performance today showed. So I repeat it without apology.

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People want an alternative economic policy.

People deserve an alternative economic policy.

And they want it now.

What follows is an alternative economic policy for the UK. It is costed. It is viable. It could be delivered.

Let's start with some facts:

## **The current economic crisis was created by banks.**

It was not created by Labour: they did not borrow consistently throughout their period in office; when they did it was almost entirely to fund investment. And it was not created by lax regulation: Labour could have been better on the issue, but they were fighting against a world dominated by neoliberal thinking, wholly endorsed by the Conservatives, that said all regulation was harmful. And it was not caused by low interest rates: let's be unambiguous about the fact that low interest rates are good and no excuse for irresponsible lending by banks who were (and are) recklessly indifferent to the outcome of their actions so long as bonuses are paid. Which just leaves those bankers and their irresponsibility, supported by the beguiling conceit of neoliberal economists as the sole cause of this current crisis.

## **This crisis is real**

At **least 1.6 million people** will eventually be put out of work as a result of the cuts the ConDems have announced. I said that some time ago. The Chartered Institute of Personnel and Development agree. If the figure is avoided it will

be only because the living standards of millions more will be crushed. Translated into real lives that's a tale of personal tragedy in each and every case — and in the lives of millions more who are dependent on those people either by being members of their families or by losing the benefit of the products and services they supply.

### **This is a national disaster**

The wealth of this country is built on the back of the labour of those who live and work here: with declining oil resources the truth is it is only by our own efforts that we do at the end of the day keep ourselves. And very many fewer of us are going to be working. Which means that we're all going to be much worse off. Another recession looks virtually inevitable as Labour's fiscal stimulus begins to run out and ConDem cuts ratchet up the pain.

### **We know:**

- That **according to HMRC** tax avoidance and tax evasion combined come to at least **£42 billion a year**
- **My research** shows that they have massively underestimated these figures — which are really **£70 billion a year for tax evasion** and maybe **£25 billion a year for tax avoidance**
- **At any time there is unpaid tax of £120 billion in the UK economy**
- **Up to £38 billion a year** has been given in the form of subsidies to the private pension industry each year despite which the value of many if not most pension funds has gone down over the last decade and the industry is, despite the subsidy, only paying out pensions of **£35 billion a year**, which is less than the subsidy they receive.
- The policy of quantitative easing promoted by Labour, and now being considered once more by the Bank of England is supposed to have cost **£200 billion**. **Actually, that's not true**. What actually happened was that it gave maybe **£40 or £50 billion** to the UK's main banks (no one can be quite sure of the exact amount) to bail out their ailing balance sheets but as they recorded it as profit they used it to pay bonuses, to inflate the stock market and to push up commodity prices such as wheat, coffee and other foodstuffs — the impact of which will flow through into real inflation for households in the UK. Perhaps as important though was the other **£150 billion or so** — which (not by coincidence, I suggest) happens to be almost the exact amount that the UK government borrowed in 2009-10. To put it another way, quantitative easing was, in effect the Bank of England granting the Treasury an overdraft to subsidise the deficit. And that means there is no threat at all to the UK from

**the bond vigilantes George Osborne lives in fear of — because we are not dependent upon them, at all.**

**Those are facts. But facts remain facts unless there is a solution to the problem they explain. So we must have a plan or there is no alternative to the cuts agenda that the ConDems are promoting.**

### **What's the plan?**

The plan is simple.

#### **First, we must tackle the tax gap.**

There is **£120 billion of missing tax in the UK economy**. Of course we can't get it all back. It's realistic to assume that the crooks will always be with us. But if we spent £1 billion a year on extra staff at H M Revenue & Customs we could have 20,000 staff working to collect tax in the UK. And we know that at present each of those who work at HMRC collect more than 30 times their cost in tax. Well, there are economies of scale and diminishing marginal returns, but I still estimate that we could collect another £20 billion of tax a year. That's £5 billion of the late tax, £8 billion of the tax avoidance and £7 billion of the tax evaded. Of course, to achieve that will also require additional legislative measures, such as a General Anti-avoidance Provision, the abolition of the domicile rule, revised rules on tax residence for individuals and companies, where country-by-country reporting is required, where automatic information exchange with tax havens is compulsory, where increased transparency ensures that the information needed to raise tax is available, and increased tax penalties for those who contravene legislation are available, but the point is, all this is possible. It's a choice that we're not collecting this tax right now in other words: a choice that says the government would rather it was left in the hands of the cheats, the crooks, large companies and the banks rather than collect it to support the essential public services that are the bedrock of our society. And that's the wrong choice and one we must correct.

#### **Second, we need to kick start an industrial strategy**

This country has not got an industrial strategy and we need one if we are to restore widespread prosperity and wellbeing without increasing employment in our economy. That means we have to invest now, and keep up that investment for some considerable time to come so that we build employment opportunities based on new products and services in the private sector and provide the essential infrastructure that the state must build, whether it be transport systems, or energy, or housing, or schools or hospitals that is essential if those employment opportunities are to be created — and all of them free of the curse of PFI.

This means that the **next round of quantitative easing must not support the banks**. It must support investment in all these things — and since the private sector seems at present quite extraordinarily reluctant to invest it must support this investment in the infrastructure the state must build most of all. This though is not quantitative easing as we've known it — it is green quantitative easing, the name I'm giving to the process where the Bank of England lends money to a genuine national infrastructure bank that invest in rebuilding our economy — both through the public and private sector to ensure we create the employment we need. This will, in turn, create the liquidity we need in the economy to ensure that the banking system can continue to operate.

### **Third, pension reform to deliver real investment**

And then, thirdly, this process has to be continued into the future. We have to ensure that there is ongoing real investment, not in financial “innovation” but in real wealth creation and real infrastructure that underpins that wealth creation by the people of the UK. That can come from the type of reform of the UK pension system I have recommended in ‘**Making Pensions Work**’. **We must require that at least 25% of all the pension contributions made in the UK be invested — not saved — but invested in wealth creation opportunities in this country. If that is through that same national infrastructure bank, that's fine with me. If it is direct in new share issues by UK companies seeking to create new employment opportunities — and can prove that this is the case — then that's fine too. But in this way I am convinced a further £20 billion can be released for investment in the UK economy.**

### **Adding it up**

Add that to the £20 billion from tackling the tax gap and add it on to the funds green quantitative easing would inject into the economy and a substantial source of long term funding for the UK economy has been found. In all I have shown we can find £20 billion for revenue spending and £40 billion for investment, at least, a year from within the UK economy — enough to close much of the so called fiscal deficit and enough to kick start the UK economy. It won't of course, meet all need. It won't singlehandedly reverse all the problems we're suffering, and have been suffering for some time due to our over-dependence on financial services, but don't ignore the impact that such a sum of money could have. It would transform the direction of flows in the economy. Away from saving to investment. From banking to wealth creation. From cutting to creating. From downturn to recovery. From apologising from our failure to create wealth to doing something about recreating that wealth generating capacity.

And in the meantime it can deliver the **Green New Deal**.

**It can deliver jobs.**

**It can deliver hope.**

**It can be the stimulus that starts the multiplier of sustainable regeneration of our economy.**

**It is the industrial plan our country needs.**

**A plan for sustainable well being based on ensuring that the people of the UK are able to work to determine their own well being.**

**What better goal is there than that?**

**This is what the demand for tax justice — using public funds for public benefit — is all about.**

**That's what people who are protesting want.**

**It's what they deserve.**

**And it's what I think, in due course, they'll get.**