

# Funding the Future

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The Labour Party conference is over. Overall those on the left have reasons for hope, even if being cheerful isn't on the agenda right now. Ed Balls made some sensible suggestions on the economy; Ed Miliband signalled a clear change in direction and a big idea on the economy that has the capacity to resonate with millions of people way beyond normal Labour territories.

And yet there remains this lingering feeling that if only Labour were willing to be a little more bold how much better things would be. Let's be honest. The economy is in a dire place. Growth has collapsed. Unemployment is up. The claimant count is up. Investment has all but disappeared. Real wages are falling. Inflation (partly due to government policy) is way above the rise in wage incomes for most. And government borrowing is increasing. Anyone - anyone but a fool, a Treasury mandarin or George Osborne could read just one word into all that, and it is 'failure'.

Serious economists and commentators realise this. David Blanchflower does. Adam Posen does. Samuel Brittan does. Martin Wolf too. That's serious economic firepower beginning to line up in the way Krugman has done in the States and say that Plan A is not just not working, but that it's fundamentally wrong.

Martin Wolf repeats [this message in the FT this morning](#). As he says:

*It is the policy that dare not speak its name: the printing press. The time has come to employ this nuclear option on a grand scale. The alternative is likely to be a lost decade. The waste is more than unnecessary; it is cruel. Sadists seem to revel in that cruelty. Sane people should reject it. It is wrong, intellectually and morally.*

*A recession looms close in the UK and other high-income countries, less than four years after the start of the last one. This would be a disaster for those who would lose their jobs or the young, who would find their hopes of work further postponed.*

You can't get much blunter than that. But the emotive language is right. As I said in a speech at a Labour fringe meeting this week: we have a choice. Let's not pretend otherwise. We can choose to have people out of work. We can choose to punish the poor, the young, the elderly, the sick, the disabled, the unemployed and

those on average and lower wages. And we can choose to do all that to ensure that the the wealthy and powerful do not feel remotely challenged by the risk of inflation. Or we can choose to help all those people and in the process generate real wealth that is only ever made by people at work. But let's not pretend there is no choice, because one is available.

Now Martin Wolf is not from the left and I'd never say he was. But he is saying much the same thing. He is saying that we have a choice. More than that, he's saying it would be immoral to leave people out of work when that choice is available. And he's right.

He's right to also say quantitative easing that goes straight to banks is not an option.

Quantitative easing that funds real growth - [the sort I have argued for](#) - is what he and Adam Posen now call for.

And he unambiguously says tax cuts (and I'd add, benefit rises) are also essential - although I'd also add that I do not think this true for those earning over £100,000 a year since they will simply save any benefit they get and there is no economic benefit to that as we already have a glut of saving.

And will we get inflation? Martin Wolf says:

*Some will argue that a policy of direct financing by the central bank must be inflationary. This is wrong. No automatic link exists between central bank money and the overall money supply. Above all, the policy would be inflationary only if it led to chronic excess demand. So long as the central bank retains the right to call a halt, that need be no serious danger.*

*A far greater threat is that a prolonged period of feeble demand would undermine supply, impoverish the country and bequeath a legacy of huge public debts. The big risk, in short, is now of a lost decade. Act now. That must not happen.*

Absolutely right.

Now it is time for Labour to be as bold.

And to state as confidently that strong action to boost the economy will be a win: win without downside risk, because that's the case right now.

And that message needs to be delivered, loud and long.