Funding the Future

# The choice has to be made soon: is growth to be managed...

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Larry Elliott has noted in the Guardian this morning that 10-year gilts are edging towards a 3% interest rate and the pound is rising against the dollar and the euro. As he says:

*It is hard to believe, however, that the Bank is happy with this state of affairs. It still believes that a premature tightening of policy could choke off nascent growth. But with the City paying more heed to evidence of an incipient housing boom than to Carney's forward guidance, it is at a loss as to what to do next.*

And that quandary is at the very heart of the UK economic and political dilemma. As Polly Toynbee has put it today:

*Whose recovery is this? That's the great general election question*

It is the question for the Bank of England too. A low inflation policy now would neuter any chance of recovery. Taking a risk creates the possibility of a boom to be followed by a bust (because both housing and care sales are based on consumer credit and not credit for real underlying, sustainable, growth). And the Bank has no control of the fiscal and social policy that could make growth socially useful for most in this country.

We do as a result have economic policy dictated by a bank that still has almost no social obligations whilst the government sits back and pretends none of this is its concern as long as the top line number is positive - which is an almost meaningless goal with regard to its impact on most people in this country.

Perhaps the best question is how did we get into this mess (answer, I'm afraid, is we have to thank Ed Balls). And the next best question is who will be brave enough to get us out of it again - by bringing interest rates back under Treasury control so that integrated economic policy can play its proper role in national life again?