Funding the Future

What we need is a flood of money

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I have already written about funding the NHS this morning. So let me offer another idea on how to funf flood defences.

As is now apparent flooding is going to potentially cripple significant economic activity in the UK unless it is tackled. This is not just because of short term interruption. Food production and tourism are both under serious long term threat unless major issues are addressed. And then there's the problem of what to do about housing when we already have a shortage. For each reason serious investment is needed.

Some time ago I co-authored a report with Colin Hines entitled 'Making Pensions Work'. Its thinking has now been largely absorbed into the Green New Deal. What we pointed out was that the UK pensions industry receives an enormous subsidy from the UK government each year. When we did the stats the subsidy was about £38 billion a year to create pension saving of £80 billion, much if which was then used to fuel stock market speculation rather than create new investment and so jobs in the UK. The figures will have changed since then, the principle won't. The net effect was, we argued, that much of this subsidy was as a result captured for the benefit of the City and its bonus culture rather than for the benefit of pension savers and the economy at large.

What we proposed as a result was something quite simple. We suggested that 25% of all pension fund contributions should be required to be invested in new job creation in the UK as a condition of the tax relief given. Investment in hypothecated government bonds dedicated to this task would perfectly fit that bill. These hypothecated bonds could, of course, be used to fund flood defence work.

The result would be the release of £20 billion of funding for the UK economy. And with that we could have all the flood defences we needed whilst creating tens of thousands of UK based jobs.

Another one for the manifesto, anyone?