

Boris Johnson wants Â£21 billion of investment in Lon...

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Boris Johnson [has said that London needs investment of £1.3 trillion](#) between now and 2050 if it is to meet the demands that will be placed upon it by its then anticipated 11 million population. I have no idea whether Johnson is right or not, but I presume the figure has not been plucked out of thin air by his advisers. In that case he is looking for a sum of £37 billion a year to be invested for 35 years.

I suspect that Johnson does not expect that this investment will be linear as this figure implies. Equally I am sure he is saying that if the investment does not begin now then there will be a crisis with ever getting it in place.

The trouble for Johnson is that if his figure is true then he has a real problem. What he wants is investment in transport, power, education, housing and airports. Some of that could and maybe should be by the private sector, but in anyone's wildest dreams that scale of infrastructure development is not going to take place without significant state involvement. He actually suggests at least 60% has to come from the state. And that's where the problem arises.

Over the last few decades total public sector investment has been £507 billion according to HM Treasury data. I stress that is the gross sum not the net investment after depreciation of existing stock has been allowed for. So assuming that 60% of what Johnson wants invested in London comes from the state sector (or, near enough, £21 billion a year) then he wants more than 40% of all state investment in the UK to be directed towards London. Looking at forecasts over the next five years that proportion might be 39.7 %. Either way, that's wholly disproportionate unless something quite significant happens, and that is a massive new programme of state investment is begun using borrowed funds and other new revenue sources.

I believe that this is possible. The savings from tackling the tax gap - a sum I think could be at least £20 billion a year - could be invested in public infrastructure.

I am quite certain that right now £20 billion (or more) of [green quantitative easing](#) could be issued a year to fund such investment.

And I also believe that all UK pension funds [should be required to invest 25% of all their new contributions into activities generating new economic activity each year](#). That requirement could be met by the issue of new UK government infrastructure bonds. That could provide a further £20 billion a year.

UK state investment could be funded by these means in addition to the issue of conventional gilts, [for which there is strong continuing demand](#). I have no doubt in other words that the programme Johnson wants is economically plausible and could massively benefit London, and that similar programmes could be run elsewhere in the UK. I also believe that the capacity to invest at this scale could exist in the UK if only people and resources were redirected to this valuable activity. The current massive under-productivity of the UK economy could be significantly reduced as a result.

There would be consequent economic changes needed. For example, some tax increases might be needed to take current demand out of the economy because investment on this scale might otherwise fuel demand and so inflation, but that would be a long term measure, and not one necessary in the current situation where there is significant under utilisation of resources in this country, most especially of people who want to work but cannot, or who are seriously under-employed.

But, none of this is possible without several things happening first. Firstly, we would need politicians who could and would be willing to commit to a plan. Second, that would require politicians to believe in their own vision. [Third it would require them to believe in the capacity of the state to deliver where the private sector cannot](#). Fourth it needs those politicians to overcome the squeals of opposition to the raising of the necessary funding, including tackling the tax gap. Finally, it would require communication of the benefits of such significant state intervention in the economy.

All those conditions could be met but they would require a massive change in the mind set of the political establishment in this country. The one thing you can be sure of is that all Boris Johnson stands for is opposed to that happening. And that is the contradiction of the man.