Funding the Future

The UK's never been able to borrow more cheaply - so th...

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The UK government's long term borrowing rates fell to an all time record low yesterday. The price of ten year bonds fell to 1.396% whilst 30-year gilt yields also dropped, to a new low of 2.102%.

Three comments seem to be appropriate.

The first is to recall that in 2010 George Osborne said that unless the deficit was eliminated during this parliament we were heading for a Greek style debt crisis. It has not been eliminated, and instead of having a crisis borrowing is cheaper than it has ever been. Some (but not many) of us said he was wrong in 2010. Some of us have been proved right.

Second, this situation is going to persist. The threat of deflation in the short term makes that likely, as does the Euro QE programme which is going to make UK gilts one of the most attractive investments, even at these rates, in the world for the next couple of years.

So, thirdly, and most importantly, now is the time to borrow. In fact, it would be a scandal not to borrow to invest and deliver the infrastructure the UK needs right now. If ever there was a time when political parties should commit to what I call the Green New Deal this is it.

But I bet they won't.

Which is bizarre.

And recklessly irresponsible of all those who fail to do so. In the future we will curse their failure to do so. These rates, if not exploited, will be an opportunity lost, especially with millions of people in this country unemployed and underemployed or engaged on wholly unjust contractual terms.

Low interest rates indicate money is in need of a use. If business cannot and will not use it government should. When will politicians learn?