

Robert Peston's good sense has gone AWOL

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Robert Peston [has replied](#) to [my response](#) to [his commentary](#) on Corbynomics, saying (and I do not have much choice but to quote in full):

The guru of Corbynomics, Richard Murphy, [has responded](#) to my blog on Jeremy Corbyn's "quantitative easing for people".

He clarifies that the debt to be acquired by the Bank of England would be issued by a new state-owned investment bank, whose role would be to finance housing, transport, and so on.

But I am not sure the existence of this new public-sector bank significantly helps his cause.

Because there would be widespread concerns that the Bank of England would be indirectly financing white elephants via this investment bank - and would, as I mentioned earlier, be throwing good money after bad.

Or to put it another way, quantitative easing for people makes good economic sense only if you believe that a state investment bank would make viable investments that the private sector refuses to make.

Robert has ignored all my commentary on bond markets and the paranoia of the confidence fairy and instead completely misses the point.

First, rather oddly, he assumes that the bondholders of a new state owned investment bank will bear all its risk. That's a pretty odd assumption: the state would very clearly do so as the equity holder. Robert's economic logic is just wrong on this point.

Rather more importantly, Robert then assumes there is nothing for the state to invest in that the private sector could not do better. So, for example, although there is a chronic shortage of social housing he does not think the state should provide it. Nor, apparently should the state fund the building of schools, or hospitals, or roads, or transport

systems, or co-fund new technology, or invest in a sustainable future despite the fact that there is not the slightest evidence that the private sector is willing to do any of these things right now although there is pressing need for them. All these things are apparently just 'bad money'.

Which begs the question, what is good money?

But also suggests that Robert's objection is deeply political, given that he has noted some of these needs.

That, or his good sense has gone AWOL.

I rather hope it hasn't.