

Funding the Future

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I have been much criticised in recent times by supposed investment specialists for suggesting that there might be any merit in investing in government bonds. In that context I note this morning that [the FT reports](#) that:

The global bond market rally accelerated on Wednesday, as New Zealand's central bank became the latest to sound a gloomy note on economic growth and traders ratcheted up bets that the Federal Reserve will start cutting interest rates this year. The 10-year Treasury yield slipped another 6 basis points to 2.37 per cent, the lowest since 2017, as the US bond market heads towards its second-best monthly performance in more than a decade. The yield fell further in Asia trading on Thursday, slipping to a near 16-month low of 2.34 per cent.

As they add:

Traders are now betting that there is almost an 80 per cent probability of the Fed trimming rates at least once this year – and a meaningful chance of several cuts.

And why are people buying bonds? Because they want safety. And they do not believe equity markets can provide that.

Why can't equity markets do that? First, because of a shortage of demand. Some of that is down to low pay. Second, it's also partly because people do not want to buy what is on offer (think new phones, diesel cars and planes that don't work). Third, because markets have stopped working out what people want because i) most of the people that markets serve have all they reasonably need and ii) advertising appears not to be working any more. Fourth, because what people want (jobs, a pay rise, security, action on climate change, affordable health care) can only be supplied by the state. And fifth, because those things are not being delivered by market ideologues in legislatures.

So bonds make sense, to the extent that there are \$10 trillion of negative yielding government bonds in issue right now, and people willingly own them.

So here's an answer. It's a Green New Deal. I hate to point out the obvious. But it's also the only answer I know of. Or that anyone else knows of at present. And if there's one

thing the Green New Deal will do it is that it will meet the demand for bonds.