

## Labour goes for bonds - which are the right solution fo...

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As The [Independent](#) has reported:

*Labour* leader [Keir Starmer](#) has announced plans for a new British Recovery Bond to allow people to invest billions of pounds savings built up during the pandemic in local communities, jobs and businesses.

*Sir Keir said the Bond would provide financial security for millions of people as well as raising funds for investment in the science, skills, technology and manufacturing of the future.*

*Alongside a call for start-up loans for 100,000 new businesses across every region of the UK, it was the most eye-catching new policy in a speech setting out how Labour would approach the 3 March Budget.*

Where did the idea come from? [Try this](#), published on this blog in December 2019 and shared with Labour a number of times since then:

### ***Funding the Green New Deal***

#### ***How we could Save for the Planet***

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#### ***Funding the £100 billion a year needed for the Green New Deal from UK ISA and pension savers***

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Almost everyone now realises that we need a Green New Deal if we are to tackle the climate crisis. And almost without exception politicians now realise that this will require

that we borrow to fund the investment in the future of our society that the Green New Deal represents. But there has, to date, been a big unanswered question about this borrowing. No one has actually said who it is that will buy the bonds that will have to be sold to fund the Green New Deal.

In a new report entitled 'Funding the Green New Deal: How we could Save for the Planet', Richard Murphy and Colin Hines, who are both members of the Group that wrote the first Green New Deal report in 2008, seek to answer that question. As they show, over 80% of UK financial wealth is held in tax incentivised accounts, whether they be pensions or ISAs. As a result it is to these sources that they look for the funding. What they suggest is that by simple changes to the tax reliefs applicable on both types of account up to £100 billion of funds can be directed towards the Green New Deal each year. This is as much funding as anyone suggests might be needed at present.

The changes are simple. With regard to ISAs it is suggested that the government should back the issue of Green New Deal bonds paying interest at an average rate of 1.85%, which is the average UK government cost of borrowing at present, and it is only these that should be available to ISA savers in the future. This could raise up to £70 billion a year in funds.

With regard to pensions, in exchange for the tax relief given on pension contributions, which currently cost £54 billion a year, the requirement would be that 25% of all new pension contributions would be invested in Green New Deal related activity.

Taken together the measures would ensure that tax reliefs are aligned to society's need for a Green New Deal.

Caroline Lucas, who has been the Green Party MP for Brighton Pavilion since 2010 and who is standing again in the current election, has written a foreword to the report. In it she says:

***"As Murphy and Hines remind us, people investing in pensions and savings will largely be from older generations who can thus play a vital part in the Green New Deal. They can save for their own benefit and at the same time benefit all of us, and in particular, younger generations. This inter-generational rebalancing could be another key element of the Green New Deal, and merits further investigation. Working together, we can create a better future. For all of us, and for the planet we share."***

The report is available [here](#).

The latest version [was published here](#), in January, where the economic justification for this was provided.

***And for those familiar with MMT, this is not of course what a pure MMT***

**approach would suggest. It would say that there could be funding without bonds, and I agree. But, there is good reason for this alternative now.**

**The first such reason is that QE has created the [savings pool I referred to recently](#), which is deeply destabilising to the economy and MMT has no answer to that. Second, that money has to be withdrawn from the economy without tax right now, and savings can do that. Third, the savings need to be non-speculative and locked down. The bond idea achieves that. These bonds address an issue we have. And that is justification enough for me.**

**Now Labour has to flesh out how they would work. I believe that some work is being done on that and so I hope there is delivery, soon.**