

Labour's Recovery Bond - and why it makes sense now

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I posted this thread on Twitter not long ago:

Labour has announced that it would promote a Recovery Bond right now if it was in office. It's a policy I wholeheartedly support. In this thread I explain why it's a good policy for the UK right now.

After ten years of Tory government the UK's in a poor economic place. Ignore Brexit and it's still underinvested, its infrastructure is poor, its social housing stock too limited. Its banks are dependent on quantitative easing for their survival, and almost failed in 2008 and 2020

On top of that QE has, whilst successfully funding government and keeping inflation low, forced savings into speculative activity like the stock exchange, which keeps the City happy but very rarely ever funds a new job. The result is an over valued market that could topple.

There's another dangerous aspect to that savings bubble. It represents the growth of ever greater inequality in the UK that is going to be crushing for generations to come.

What is needed are four things. First is new capital for investment. Second is a Green New Deal. Third is safe savings. Fourth is better use for government subsidies to savers of about £60bn a year now. The Recovery Bond could address all these.

ISAs collect more than £70bn in savings a year. Pensions do more than £100bn. The total tax subsidy may be £60bn a year. Now offer a Recovery Bond, guaranteed by the government. Make them the only thing available in ISAs. Offer them in pensions. Up to £100bn could be raised a year.

Offer 1% and that will happen. And to all those yelling 'that will cost £1bn extra year' I don't hear complaints about the current £60bn subsidy to free market savings now, so I don't get the issue.

What I do know is that this money could get directed to new housing, green

infrastructure, new transport systems and better local power generation. Literally, Jobs in Every Constituency of the UK. Nothing else can do that.

And although government could fund this, it won't because its worried about inflation from borrowing, rightly or wrongly.

The Recovery Bond does something unknown in the UK for decades. It will link savings directly to investment. And savers will need to be told what they're funding. There's a massive social gain from this.

There is another win. That is to inter-generational solidarity. Savers are usually older. New jobs are usually required by the young. This plan would link the two with a single aim.

And there is another win too. Drawing money out of an over-heated stock market will stabilise it and reduce the risk of a crash.

But let's not forget the environmental gain too: we need the money to deliver a Green New Deal. This type of hypothecated bond could do that.

Of course it will pay interest rates over the odds. So the amount anyone can save may need to be restricted. And we may want to limit the bond to people living in the UK, but ISAs do that already anyway.

But the point is the Recovery Bond does at a moderate interest cost put tax subsidies to social use, provide a safe place for savers, pay an attractive interest rate, create jobs, and build a Green New Deal.

What baffles me is why the Left are objecting because they think it might increase interest costs a little. That's price well worth paying for the social, capital this bond will create, plus all the other gains.

I welcome this proposal. It is Labour delivering joined-up thinking at very low cost that can transform millions of lives. That's got to be good news.