

It's time the government took centre stage in the eco...

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The economic vision that I [posted on Saturday](#) has a longer underpinning (and I would argue, better) document that supports it, and from which it was extracted. That longer document is of some 8,000 words and [is available here](#). The summary of this version says:

The economics of neoliberalism has dominated British politics since 1979. Whether governed by the Conservatives or Labour the ideology underpinning government has been the same. The belief in Westminster has been that markets know best, the choice that markets supposedly provide to people is what they want, and that whatever the issue government is best off backing away from any solution it can think of. Instead, it should outsource the problem to 'the market' because, it has been claimed, the consequence will always be better.

The only problem with this belief is that it is clearly not true. As is very apparent, education, health and social care, justice, and much else is worse now than most of us can recall it being in earlier periods. What is more, pensions and benefits are worse and economically it is clear we are falling behind other similar nations to ourselves. Importantly, not all of that can be blamed on Brexit: the malaise is the result of the failed culture of neoliberalism that made the financial crash of 2008 and the Covid crisis so much worse in the UK than elsewhere.

Given that it was apparent after 2008 that neoliberalism was failing it would have been reasonable to expect the political parties of the left in the UK to have developed a new economic philosophy to replace it by now. That, however, has not happened. Instead, Labour accepted the blame for that crash, and has not returned to power as a result since then. And even now, when facing a deranged government that is intent on destruction there is widespread agreement that neither Labour or other parties on the left (including the SNP in Scotland) have any coherent economic alternative to offer from that which the Tories still provide. That is a massive hole in the left's electoral

armoury.

This paper suggests a new economic vision. It rejects the neoliberal idea that suggests that economic growth delivered through a faith in market solutions will answer all questions. Instead it suggests that the left must create a sustainable economy by putting all the resources available within society to best use, including those that the market fails to use to best effect.

In practice, the paper argues that the greatest unused resource in our economy are people's savings. Developing an analysis based on major developments in the understanding of savings, money, the way banks operate and the behaviour of companies that have become understood in the last decade, it is suggested that cash savings stored in bank accounts now add almost no value to the economy and that companies are no longer dependent upon money raised from saving in shares for almost any of the investment that they make. As a result most of the £8.4 trillion of financial assets owned by people in the UK are not being directed towards any useful social purpose in the UK at present.

An analysis of those savings suggests that more than eighty per cent of them are saved in tax incentivised mechanisms, of which pensions and ISAs are by far the most important. Tax subsidies to these types of saving now cost almost £60 billion a year in the UK, which is more than the budget of most UK government departments, such as defence. If, however, the assets in which they save (mainly cash, shares, second-hand properties and some bonds) are not being used for the advantage of society as a whole but are instead being used to subsidise growing inequality, because almost half these reliefs go to the wealthiest ten per cent in the country, then not only is this subsidy wasted but might actually be doing harm. Because that subsidy has encouraged the over-expansion of the City of London, which captures much of this sum for its own advantage, that might be doubly true.

As a result this paper suggests that the way in which tax subsidies in the UK are given should change so that the near £700 billion now saved in ISA accounts will eventually be almost entirely redirected towards the funding of a Green New Deal whilst one quarter of all new pension contributions should be used for the same purpose. Doing so will redirect around £100 billion of savings a year to pay for the transformation of the UK economy to a sustainable basis whilst supporting full employment and the release of funds within existing budgets to deliver the public services the country wants. Because the redirection of funds does not require any new taxation, but does instead redirect existing tax reliefs, it does not add to tax demands, although the tax reliefs available to some of the wealthiest people in the UK will be reduced.

All political parties on the left require a new economic vision, and an explanation as to how they will fund it. This vision does both of those things, whilst at the same time strengthening the inter-generational contract within the country that is essential to the long-term prosperity of all within it. In the absence of any alternative, it is the vision

that this country needs now because it gives the government a new role as the intermediary between savers and investment for the overall good of society. Financial capitalism has abandoned that role. The state must take it on. In the process it can and must redirect the capital of society. No major changes in society have ever taken place without such a redirection taking place. The change implicit in this vision is now overdue. It's time for it to be delivered.