

How wrong can Policy Exchange be?

Published: January 13, 2026, 8:11 am

I have noted in a mail from The Telegraph this morning thay they say:

Britain must save more money to boost the economy through a sustained rise in investment, top analysts have warned.

*Economic transformations through history rely on high investment, lifting growth and productivity, according to a new study from economists **Roger Bootle** and **James Vitali**, published by **Policy Exchange**.*

But “the UK has a problem with an endemically low rate of personal savings, combined with a low rate of investment,” the report said.

If Britain wants to boost investment over a sustained period without even more borrowing from abroad, that means saving more at home.

“The UK must make room for this investment by constraining public expenditure and/or private consumption,” the report said.

I gather that [**the article is here**](#), but I would not bother reading it because the above summary reveals just how wrong Policy Exchange is and these authors are.

First, savings do not fund investment. The UK has £8,100 billion of financial wealth according to the Office for National Statistics: vastly more cash is available from savings than might ever be needed to fund investment and that investment is not happening because that is not the use now made of savings. They are almost all used for speculative purposes, those saved with the government excepted.

Second, investment is actually almost invariably funded by credit, and that is created out of thin air by banks. Policy Exchange reveals that it does not know how the economy works.

Third, if these authors think that savings or reduced public spending are required to create the economic capacity to invest then they assume that we are at gainful full employment. With growth stagnant, millions out of work due to ill-health and the evidence of low productivity available to anyone who wants to notice it, that is obviously absurd.

Fourth, these authors do not in case believe this because they only want to substitute domestic saving for foreign saving, although neither funds investment.

Fifth, since there is no reason for business to invest in the UK given that markets are dead, and business is apparently (and thankfully) unable to generate any more wants for the wealthy to spend on however much it spends on advertising, more saving will not result in more investment; it will just add to the downward spiral in the UK economy.

Sixth, the only way to break that outcome is for the government to invest more - which it has the capacity to do. And if that results in inflation, more tax is needed.

Absolutely everything Policy Exchange has to say is, in that case, wrong.

How do they get funding for this nonsense, the only obvious purpose of which is to demand that the size of the state be shrunk?