

# The City of London really does need to understand that ...

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The [FT has reported](#) that:

*A new Labour government could raise extra money for investment from bond markets without causing a Liz Truss-style gilts crisis, according to fund managers.*

They added:

*Bond investors said the market could be forgiving if a new government decided to boost borrowing and amend its debt rules, provided funds were channelled towards measures to stimulate the economy.*

At least five thoughts follow.

First, governments do not need to borrow. They can always create their own money to fund their investment plans, if they so wish. The suggestion that Labour is beholden to markets is, as a result, entirely false.

Second, governments need not borrow from bond markets. They can borrow from the British public. They already do to the tune of well over £200 billion a year through NS&I. As I have long pointed out, that sum could be increased considerably by offering hypothecated savings opportunities in the NHS, education and the UK's regions, plus in climate change. The City could be entirely cut out of this loop.

Third, the money saved with the government is created by government spending. Government spending is not enabled by the saving. This article, and those commenting, clearly do not understand the economic reality of that.

Fourth, no politician likes to be patronised by the City, although Reeves might be an exception.

Fifth, the City needs safe places to save money. Of course it will always fund the government - because it is the only certain bet it has got. They should stop talking nonsense when that is the reality.

However looked at, this article really does very badly miss the point.