

Three steps to fix Britain

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Britain's economy is failing, but fixing it is not as complicated as many economists claim.

In this video, I set out three straightforward policies that could transform economic performance, reduce poverty, increase investment and create a stronger society.

The solutions do not come from neoliberal economics. They come from recognising how money, spending, taxation and investment actually work.

I explain why poverty is not just a moral failure but an economic failure, why greater equality can create a stronger economy, and why Britain's savings system is currently failing to support productive investment.

I also argue that redirecting some ISA and pension savings into the UK economy could unlock more than £100 billion a year for investment, job creation and the climate transition.

The Financial Times recently asked how Britain can revive its economy. My argument is that the answers exist, but they lie outside the economic assumptions that have dominated British politics - and FT thinking - for the last forty-five years.

In particular, I argue that a successful economy must first ensure that everyone has enough income to live with dignity and security. People who are struggling to survive cannot fully participate in society or contribute to economic growth. An economy built on insecurity is an economy that will underperform.

I also explain why higher taxation on high incomes, and most especially that from wealth, has a role to play in rebalancing spending and fiscal power across society.

Finally, I suggest that Britain already possesses the savings required to transform its economy. The challenge is not finding the money; it is ensuring that money is used productively rather than being diverted into speculation and existing assets.

The result would be a stronger economy, better jobs, more investment, lower poverty and a more secure future.

Could these policies succeed where decades of orthodox economics have failed?

https://www.youtube.com/watch?v=fWbDrtv2HSU?si=2E_B3B69AxZSYZsh

This is the audio version:

https://www.podbean.com/player-v2/?i=iv43v-1ad68f6-pb&from=pb6admin&share=1&download=1&rtl=0&fonts=Arial&skin=f6f6f6&font-color=auto&logo_link=episode_page&btn-skin=c73a3a

The Debate Ammunition for this video is available here.

This is the transcript:

I saw an advert this week for an FT Q&A session that's going to be held within the next week. The question to be discussed was, how do we revive the UK economy? And I noticed of the two participants, one is Chris Giles, somebody whom I've known of and spoken to for a long time, and Chris Giles is a long-term FT economic commentator. And if there's one thing you can say about Chris Giles, it is that he is deeply embedded in the neoliberal paradigm that has created the malaise that he's going to talk about, or the failure of the UK economy that he wants to address.

How he thinks he can come up with an answer to the problem that he's helped create is hard to imagine. He is the problem that has created this situation. He cannot be the solution.

Chris Giles has described and prescribed the economy we now have. Like Tony Blair, he is profoundly unable to answer the question that is being asked at this moment, which is how to revive the UK economy. The FT in that case is asking the wrong person the wrong question.

But let's not pretend there are no solutions. Let's not pretend it is impossible to revive the UK economy because it clearly is. We can revive the British economy, and we can manage the economic crisis that I keep saying is coming our way, because I'm sure it

is.

There are three clear steps to doing this. None of them comes from the neoliberal playbook. All of them are straightforward statements of economic fact, and all of them are deliverable now if we choose to act.

The first thing that we need to do is to ensure that everyone in the UK has enough money or resources to survive. Everyone in the UK must then have sufficient income to live on without fear. That means they must have enough to fully participate in the society of which they are a part.

Right now, that is not possible for a great many people. We penalise those on social security, and we've set a minimum wage that is still far too low for people to live on. The result is that in the UK as a whole, we have at least 14 million people in poverty, according to the Joseph Roundtree Foundation, and 4 million of those are children being brought up in poverty, the scars of which will last them for a lifetime.

Insecurity, fear and incapacity define life for far too many people in Britain as a consequence. People who cannot survive to the end of the week cannot work, and that is exactly why many don't.

People without income cannot spend, and it is spending that drives the British economy, and that is why it isn't revived.

Poverty is not just a moral failure; it is an economic failure as well.

If we want to revive the economy, we must then ensure that people have the capacity to spend, and that, of course, means that we must increase our living wage, and we must, in particular, given the stresses that people are living under, support them better through social security.

We must, in other words, be generous, and if we were, we would have a stronger and richer economy for everyone.

Saying that, 'everyone' includes the wealthy and I can't exempt them from consideration when discussing this issue. We do need to tax income and gains from wealth more. I cannot say this strongly enough. We do not need an immediate wealth tax, but we do most definitely need to tax income and gains from wealth more heavily, and that's not because that is required so that the government can spend to be more generous.

Tax does not work that way. Tax exists to actually withdraw money from the economy that the government has already spent. I've already explained that I think that the government must be more generous with those on low incomes. The consequence is that it will need to rebalance spending power across the economy, and how can it do that? If it is going to increase spending power for those with least, it must take

spending power away from those with most. It's a simple, straightforward economic statement of fact.

We must remove the surplus capacity to spend from the wealthy. That's what I'm saying. And the wealthy do, anyway, save most of their most marginal income, in other words, the top part of their income, and they do not spend it into the economy. And this proposal that I'm making will then not have any great significance on their overall capacity to live well, but it will reduce their savings. And redistribution from savers to spenders is how a balanced economy that will thrive for the benefit of everybody can be created.

Even with higher wealth taxes, the wealthy will still save more than the average person. That is a fact, and this proposal does, then, create fiscal balance, controls inflation and steadies the public finances. The result is a virtuous cycle of well-being across the whole economy from which no one, including the wealthy, can lose. That's the point.

That's how you revive the British economy. You do so by acting in the interest of all and not in the interest of a few, which is what the economy has managed to do now, with the few being the wealthy and not those in need.

And there is a third step to this process. Let's be clear about that, too. And that is to turn the savings that exist in our economy at present into productive investment. Right now, most UK savings go into redundant uses. That means they're stored as cash balances in banks and cash balances in banks aren't required to let banks lend, so these are economically redundant assets.

They're also invested in things like secondhand property and secondhand shares, and they are only used for financial speculation and not for funding business.

In that case, savings are currently being managed for the benefit of the City of London and not for the benefit of the country or the people within it. In other words, if we want to revive this economy, we have to change the way in which our savings are used, and that is simple and that is straightforward.

Around 80% of UK financial wealth is, according to my research, stored in tax-incentivised savings vehicles. What are they? You know what they are. They're ISAs, individual savings accounts, and they are pension funds, with pensions dominating. But ISAs have between £700 billion and £800 billion in them at the present point in time, and that's not an insignificant sum of money.

The rules governing these vehicles need to change. I've said so many times. Simply require that all ISA money and some new pension contribution money be directed straight into investment in the UK economy. That will create jobs and deal with our climate transition, and that way we could revive our economy. We could create a pool of more than £100 billion a year by doing this to invest in the economy, and nobody

else has got a suggestion that is as big as that or as simple as that to deliver, and not a single saver will suffer as a consequence. They'll still get their tax reliefs, they'll still get returns on their money, but so will society as well.

We would have enormous quantities of new investment, and this might not be liked by the City of London, but that doesn't matter to me. The model of saving that they have created has clearly failed, and the evidence of that is all around us, or the FT would not need to be holding this discussion, and we can therefore overcome their choices with straightforward policy choices that require political will and not economic genius to deliver.

None of these three answers came from within the neoliberal paradigm, though. Neoliberalism has delivered poverty, stagnation and inequality. The FT's panel will, I suspect, deliver much more of the same because that is all it knows. To revive Britain, we need a politics of care and an economics of hope. Both are possible. Both are deliverable now; I've just explained what we need to do, and both could be chosen by political parties at this moment.

The FT posed a question to which its own panellists will have no real answer, yet those solutions exist. They're just outside the paradigm that the FT inhabits.

In that case, what I'm offering is an open invitation to Chris Giles to come and discuss this properly here, or if he wishes for me to go on an FT podcast to discuss it there with him. I'm happy to do that. We need to debate these issues now because they're so important. I'm willing. Is he? That's my question.

Would you like me to do so? That's my question to you. There's a poll down below. Let us have your opinion. Let us have your comments as usual. Like this video, if you do, please do share it because that helps us with YouTube, and if you want to buy me a coffee and perhaps buy Tom a coffee because he's behind the camera, that would be great, because that would help us to continue to produce these videos into the future.

Poll

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