

Interim report launched into the UK's financial system

Today the Shadow Chancellor launched Labour's [interim report](#) into the UK's financial system, led by economist Graham Turner of GFC Economics.

The report reveals that UK output from high-tech industries has fallen on average over the last ten years, with only one other EU member having a worse performance, with investment in manufacturing, ICT and other critical sectors lagging £28bn behind investment in real estate companies.

The analysis presented in the report will make the case that the UK's financial system is currently failing to deliver investment to our country's high-technology sector; and will set out recommendations for consideration for inclusion in the next Labour manifesto.

Proposed recommendations from the report:

- Moving some of the functions of the Bank of England to Birmingham.
- Locating Labour's National Investment Bank in Birmingham.
- Locating the Strategic Investment Board secretariat and research department in Birmingham.
- Establishing Bank of England offices in Glasgow, Cardiff and Belfast, and two smaller regional offices in Newcastle and Plymouth.
- Establishing regional offices for the Strategic Investment Board also in the same cities.

John McDonnell MP, Labour's Shadow Chancellor, said:

"This important report drums home the message that our financial system isn't delivering enough investment across the whole country, and in the high-technology industries and firms of the future where it is needed most.

"Under the Tories, we've seen more and more investment flowing into property speculation whilst high-tech firms have been starved of the money they need, and research spending has lagged far behind.

"Labour is committed to working with our financial institutions to help deliver the financing that the fourth industrial revolution will need, as part of our ambitious plans to help build a high-tech, high-wage economy that works for the many, not the few."

Graham Turner, Chief Economist, GFC Economics, said:

"The pace of automation and technological change is accelerating, threatening established business models and creating an economy characterised by frequent 'disruptive' episodes. As a central bank sitting at the heart of the UK financial system, the Bank of England needs to be playing an active, leading role, ensuring banks are helping UK companies to innovate. Flow of funds analysis shows that banks are diverting resources away from industries vital

to the future of this country.

“The UK’s productivity performance is extremely poor by international standards. The UK runs the risk of being left behind by technological developments, which could and should enrich the whole country. R&D spending is low and not enough companies operate at the scale needed to deliver major increases in research spending. This has longer-term consequences for wages and living standards.

“There is a risk that the disproportionate number of technology companies in London and the South East will increase, exacerbating regional inequality. Governments have a critical role in addressing these weaknesses, but that will require determined, strategic action.”