

## How Labour has to tackle cuts

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I seem to be caught between the devil and the deep blue amongst Labour supporters this weekend. On Saturday [I wrote a blog in which](#) I explained what I thought Ed Balls was really trying to say in his speeches and comments over the weekend. That's been widely quoted, seemingly favourably by some whilst others in the left really don't like it.

Now let's be clear, as some noted, if it took that much interpretation then the comment Ball's made was not as good as it could have been seems to me to go without saying. I don't have to defend Labour - I'm not a member of Labour or any other party for a start - so it's quite fair for me to say that.

But equally I don't think Balls meant Labour has embraced all the cuts just because it has recognised that like it or not they're happening and that like it or not come 2015 we are still going to be in the economic doldrums as a direct result of Tory policy and will not therefore have the resources to immediately reverse all Tory policies and the harm they've caused. It may even be realistic to say in some cases that he would not wish to do reverse cuts - 2010 after all was not a perfect example of what government should look like and any realist would recognise that.

But that said, being pragmatic about the inheritance does not mean indifference (I hope) about creating the mechanisms for tackling the cuts agenda so that real growth - in jobs, in pay, in benefits and in much else - can be restored. I'm hoping that the tax haven announcement was an indication that more on how to raise the revenues needed is coming - because if it isn't then there will be real causes for concern because it is by saying how Labour will fund the vital services this country needs, and the pay of those supplying them, that give it the chance to be credible when saying it will change things.

Here, and I am unreserved in noting it, [there is a good letter](#) in the Guardian this morning that sets out a great deal of what needs to be done. It says:

*It is investment in decently paid jobs that generates income, and thus the tax revenues to pay for credit or borrowed money, not the other way round. Instead of trying to out*

*compete the government in some kind of masochistic virility test to see who can threaten the greatest austerity, an opposition party worthy of the name would be making a far stronger case that austerity isn't working, and offering a genuine alternative.*

*A combination of more progressive taxation, a crack down on tax evasion and avoidance and, crucially, Green quantitative easing to deliver investment directly in the new jobs and infrastructure the UK urgently needs to make the transition to a more sustainable economy, would do far more to challenge the government than the Tory-lite policies set out by the shadow chancellor.*

That's by Caroline Lucas - and I completely endorse that thinking which is (unsurprisingly as Caroline and I have co-authored and as we're both members of the Green New Deal group) quite similar to my own.

And she is clearly indicating what Labour have to do now.

Closing [the tax gap](#) of up to £120 billion is an essential part of this agenda. I have written endlessly on this point - and Labour has to embrace the idea that investing in HMRC is about revenue raising - not making spending commitments that are unfunded. If it can't do that it has lost the plot.

And Labour has to do more. [Green quantitative easing](#) is possible. If we can spend £200 billion into the economy to save banks we can spend money in to create jobs. There is no reason why not. And remember, [right now the government is actually borrowing at negative interest rates](#) - that is how easy this is to fund.

Thirdly, real pension reform is essential. It is ludicrous that [£37 billion a year is spent on pension tax reliefs](#) when pension funds refuse to invest the £80 billion a year they get as a result in job creation. If just one quarter of pension fund money was put into job creation, matched by a similar sum from green quantitative easing we could transform investment in the UK and begin to turn this economy around.

Labour also needs to be straightforward and say that since 30% of all government debt is owned by the Bank of England - which is government owned - debt is not nearly as high as the Tories claim and the need for debt reduction not nearly as pressing as the Tories say and even the spending on interest is not nearly as important as they claim - as this debt can just be cancelled, so releasing funding for real projects.

More though than that, Labour has to say that when it is right it will borrow to invest - because investing is a sign of hope, and it does have hope for this country. That investment will create jobs, and will generate tax revenues, and will with the other policies noted, reverse the fortunes of the economy.

That's what Labour has to do: the cuts agenda is a policy by a government that has given up hope and is without idea on how to restore the well-being of this country.

Saying that is right, but to put all effort into opposing all cuts when the real issue is not the cuts but the failure of the government to lead economic policy in a way that will lead to recovery that impacts the lives of all in this country would be the mistake. I'm seriously hoping Labour will be saying that and will be focussing on how to deliver change that can then be discussed in detail. If not, well, I despair too. But I haven't yet.

And Caroline Lucas in the meantime has taken the right position - and full marks to her for doing so.