

Funding the Future

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The FT [features an interview](#) with Rachel Reeves this morning in which the following is noted:

Reeves, who visited the New York Stock Exchange on Monday, said she wanted to change the culture of Britain's savings industry, unleashing homegrown funds that could persuade UK companies to list in London.

She also wants pension funds to work alongside the state-owned British Business Bank to improve the UK's "start up, scale up" landscape, with Labour warning that [the country is trying to do](#) "capitalism without capital".

I have some sympathy with Rachel Reeves desire to change the culture of the savings industry, but think she is going about this in quite the wrong way.

Firstly, companies do not use share capital to fund expansion these days. They fund themselves with retained earnings and loans. Once they have got through the venture capital stage shares rarely play a big part in the process, so the emphasis in the plan is wrong.

Second, most savers want security for their savings. They do not want equity investment, whether that is rational or not. So forcing more equity onto them does not solve issues in the savings market.

Third what people want is better public services, so what is required is more public investment.

As I have [long suggested](#), require that the £70 billion a year that goes into ISAs goes into green bonds using a strict taxonomy that requires evidence of new investment activity resulting in net zero outcomes and you would transform the savings market. much would have to be state led.

Extend this to 25% of pension markets and let people choose if they want to invest locally and in things like housing, energy, transport and so on and the funds to transform our society would be available.

People are wise enough to know that most private sector investment undermines our chances of actual survival now. That type of investment is most likely to bring forward catastrophic climate events by encouraging yet more unsustainable consumption. So, we need to invest in the transition to sustainability, which only government can lead. Give them a chance to do so and to see the results in their community and you would most definitely change the savings market for the better.

Rachel Reeves is right to highlight the need for a change in the savings market. Loading people with yet more shares that do not create value or sustainability is not, however, the answer to any known need or question. She needs to believe in the power of state solutions to meet people's savings and investment needs.