

Rachel Reeves has laid out her plan for a nightmare fiv...

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People often tell me that I am wrong about Labour. They say that once it is in office it will deliver everything that I want. I assure them that, based upon what they say, it will not. And now I know that is true. That is because Rachel Reeves has an article in the [Financial Times this morning](#) that confirms every worst fear that I have.

As she says in the article, when setting out her priorities:

First, I will never undermine our economic institutions. It was the Labour government that gave the Bank of England independence and I will protect it. It was a Conservative chancellor that established the Office for Budget Responsibility and I will strengthen it.

Let me be blunt about the Office for Budget Responsibility. It might best be described as the Oxford politics, philosophy and economics degree, brought to London.

As regular readers of this blog will know, the Oxford PPE degree has made a greater contribution to the decline in UK politics than anything else over the last 40 or so years. Amongst its many failings is its absolute dedication to formulaic neoliberal economic policy of the type that delivered the global financial crisis in 2008 and austerity since then.

Rachel Reeves is a PPE graduate. Of course, she will support those policies in office.

If anyone was in doubt, she also says in the article:

We will guarantee in law that any government making significant, permanent tax and spending changes will be subject to an independent forecast of its impact from the OBR.

This is, of course, a dig at Liz Truss. I understand that. But what it also does is guarantee that Labour will do nothing to upset those with orthodox economic opinion. In other words, austerity will be written into its agenda from the start of every budget onwards, meaning that any prospect of enlightened policy has disappeared as a consequence.

Reeves also suggests that:

Second, I will never spend what we cannot afford. I will introduce a new set of fiscal rules. These rules will apply to every decision taken by a Labour government. We will not borrow to fund day-to-day spending and we will reduce national debt as a share of the economy. I am clear that these rules are non-negotiable. There will be no exceptions. As with our revised charter of budget responsibility, these rules will be put to parliament to back.

In that single paragraph, Reeves has boxed herself into an impossible economic situation, given comments that she has already made.

She has to balance her current expenditure. She has also, previously promised to not increase any other major taxes or to increase taxes on wealth. As a consequence, she guarantees that growth in public services can only follow growth in the private sector. That is the only option that she has left available to herself. However, any prospect of significant growth in the private sector is now unlikely. That is because growth in the private sector is now almost wholly dependent upon an improvement in public services to supply the healthy, well-trained and confident workforce that the private sector needs. Reeves's policy guarantees that the necessary expenditure to make that happen will not be incurred.

Secondly, the suggestion that debt will fall as a ratio GDP means that she is either dependent upon inflation to achieve that goal, which I think unlikely, or she is dependent upon growth to deliver that outcome. However, in a stable, noninflationary environment it would require significant investment for that growth to happen. Business is not delivering that investment, and so government should, but she has constrained her ability to deliver by making this single statement, and so, once again, she is promising the impossible.

Third, she has given herself no wriggle room. Whatever the situation, and whatever the need in future, she says that she will not fund additional activity by government. This is a quite extraordinary position for a Labour administration to take. It is, in fact, a simple recipe for disaster.

The making of that disaster is, however, inherent in another comment that she makes early in the article:

During my time as an economist at the Bank of England, I learnt a very simple lesson: your sums must always add up. Instability follows when that very basic truth is ignored.

That is, of course, an unfortunate reminder here that Reeves did work for the Bank of England. Given that they are the current agent for destruction in the UK economy, that is not something she should be shouting too much about, in my opinion. She, however, trumpets it as a virtue. In doing so, she shows that she has the mindset of the

accountant or economist who thinks that they can manage using a spreadsheet.

Such people are dangerous. They know the price of everything, but the value of nothing. I have never met a person of this sort who can innovate. The only policy tool known to them is to cut. And, as Reeves implies, so long as their figures balance, nothing else matters to them.

Accountants with this mindset have been the curse of British industry, and the cause of our long-term lack of investment and failure to increase productivity.

Economists with this mindset can only deliver austerity.

Politicians with this mindset sell public assets, outsource public services, treat public servants with contempt, and presume that those dependent upon the government are a burden on their budget.

Reeves has laid out her plan for a nightmare five years of Labour government this morning. There is no other plausible interpretation to what she has said.