

Labour can secure all the funding it needs: the problem...

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Phillip Inman noted in The Observer yesterday that:

Rachel Reeves wants to increase spending on the UK's crumbling infrastructure should Labour win at the polls. Her commitments have become less ambitious as pressure mounts from mainstream economists and those in high finance worried about current debt levels escalating.

He concluded:

Labour voters need to accept that the weight of mainstream economic opinion, and a recent history of squandering what money there is limits Reeves's room for manoeuvre.

I disagree with Phillip. He ignores three things.

First, governments do not borrow; they take deposits. They are savings institutions, not borrowers.

Second, there are sources of deposit other than the City. As I repeatedly explain, ISAs and pensions could provide the required funding.

Third, in the meantime, the government could just borrow from its central bank to do the right thing for the country.

The constraints that Phillip thinks exist simply are not real. But Reeves and the markets want us to think they are. That is the real problem that we face.