

# Labour is claiming that £28 billion of investment in c...

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*I posted this thread on Twitter this morning:*

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Labour says it cannot now afford to spend £28 billion a year to deliver the investment in the climate transition that we all know we need. Let's leave the politics and even the climate bit aside. Let me just look at the affordability bit. A thread....

Labour announced its green investment plan in 2021. And nothing much has changed since then, to be candid. For example, by the time it gets to office inflation will have been and gone.

Growth will also be non-existent then, as it was in 2021. Borrowing will be high, as it was back then. But government borrowing costs will be tumbling this year. They may not be at 2021 levels. But they really won't be an obstacle to spending.

The suggestion that Labour can't find £28 billion now because the Tories have done so badly since 2021 doesn't stack with the facts in that case, because they are essentially the same. Except, that is, for one essential thing.

What has changed since 2021 is Labour. Starmer has abandoned all the commitments he made to become Leader. He's lost a lot of his membership. He's expelled a pile of MPs. And all because of his desperate desire to adopt Tory policies in the hope of winning office.

He's promised not to increase just about any tax, especially for the better off. And he's promised to cut borrowing as a percentage of GDP, which is an utterly meaningless ratio and so target. But in combination that leaves him with no new funds available to spend.

Unless, that is, he can grow the economy. But if he won't spend to do that then he has to beg and implore businesses to do it instead given that he's ruled out consumer

spending growth because he opposes pay rises for just about anyone, it seems.

This has made him think like a Tory, even though the reality is they don't have any more of a clue about what business really wants than Starmer does. But, he thinks cutting taxes and debt is what business want, so that is what he'll deliver.

The fact that, as business knows, this also means that he has no real chance of delivering growth is something he can't comprehend. That's because he doesn't understand that government spending becomes someone else's income. And they pay tax on it.

And then the recipient of that government spending spend most of the rest of what they got. Which becomes someone else's income. And they pay tax on it. And so on, and on. And this happens most often when the government spends on investment, which is exactly what he's cutting.

In other words, what Starmer's doing is the worst thing possible, which is to cut the pump-priming investment funds from government that get the growth cycle he's desperate for underway, and which pays for itself with extra taxes paid in the end.

But, if he insisted it had to be 'fully-costed' (a meaningless term) now, what could he do to raise extra funds in ways that would be fair and help him achieve his goal? I've been writing about this in what I call the Taxing Wealth Report 2024.

In that Report I have identified £92 billion of possible tax increases on the wealthy, plus £105 billion of extra ways the rules on tax incentivised savings in pensions and ISAs could deliver more money than any government could spend on climate change.

For example, Starmer could charge the same rate of tax on capital gains as is charged on income, which would make the tax system a lot fairer. [That would raise £12 billion a year.](#)

*Alternatively, he could restrict tax relief on pension contributions so everyone gets relief at the same tax rate, whatever their income, which would make the tax system a lot fairer. [That would raise £14.5 billion a year.](#)*

*In addition, he could create the equivalent of a national insurance charge on investment income in the UK that would mean that it would not be taxed much more lightly than income from work, which would be very fair. [That would raise £18 billion a year.](#)*

*And he could charge VAT on financial services, which are almost entirely bought by the wealthy, and which don't suffer this tax charge at present. [That could raise £8.7 billion a year.](#)*

*In addition, removing the national insurance cap, which means those earning over*

*£50,270 a year only pay national insurance at 2%, [could raise more than £12 billion a year](#).*

*That lot comes to £65 billion. Starmer could pick which ones he wants, and in every single case make UK taxation a lot fairer as a result. I suspect that would be very popular.*

*In addition, if he required that in exchange for their tax free status all ISA accounts had to be saved in ways that funded new green investment [that would release £70 billion a year for that purpose](#).*

*Doing the same for just a quarter of all new pension contributions [would release another £35 billion a year](#), at least, for green or social investment purposes.*

*How much money does Starmer want? The point I am making is that it really would not be hard to find almost any figure he thought of. It's all out there waiting to be used. Everything he needs to know is in the links in this thread.*

*But what if he won't spend to save the planet and our children's futures despite the money required to do so being available? If that's the case the real question is about what his priorities really are. Only he can answer that. What I am saying is he has the freedom to decide.*