

Funding the Future

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Rachel Reeves is going to tell parliament today that the UK's financial situation is far worse than she thought before becoming Chancellor.

I wish her luck in convincing anyone that this is really the case. I certainly do not believe her. Everyone, and Larry the Cat who lives in Downing Street, knew that Jeremy Hunt delivered an utterly implausible budget in March that no one on earth could have delivered in reality. It was widely reported that this was the case. To now claim that she has just realised this simply undermines her own credibility.

It is the consequences of this, and what is happening in Threadneedle Street, at the Bank of England, that really matter though.

Remaining with Reeves for a moment, it is clear that she will be moving into full-on austerity mode, whatever she likes to say. Austerity is a mindset as much as it is actions, and rumour has it she will be:

- * Cutting spending wherever she can.
- * Cancelling capital projects.
- * Selling off surplus assets.
- * Preparing for tax rises. Paul Johnson at the Institute for Fiscal Studies thinks they will reverse Hunt's national insurance cuts, which would be politically appalling when wealth is out there waiting to be tapped.

Amongst the consequences of all this are:

- * Fewer new hospitals.
- * The ending of some admittedly unnecessary road schemes.
- * HS2 will now end at Old Oak Common, which is in the wilds of West London and even more remote than Paddington. It might as well end in a field south of Watford.
- * Demands for austerity will ring out across the government.

The consequence is obvious. Whilst some of these moves make sense because we probably do not need most major new road schemes now, and HS2 was always a bad idea, what they deliver is cuts leading to an economic downturn.

Meanwhile, in the City of London, rumour has it that the Bank of England is not minded to cut interest rates any time soon because it now thinks that meeting its inflation target is not good enough. They have to meet it in all sectors now, apparently, and wait

for the wages lag from past inflation to end before there is any chance of ending totally penal interest rates. The consequence is that they, too, are dedicated to delivering recession in the UK, and are putting all their efforts into making sure that it happens.

Add these actions together, and it is clear that Rachel Reeves will be going for broke. By this, I mean she is deliberately heading the country for a recession if these are the policies she proposes within the environment that the Bank of England is creating. No other outcome is likely, and that matters because Labour has predicated all return to normality in public services on delivering growth, of which there is no hope with Reeves carrying on as it appears she intends to start.

So, we face a mouldering state sector, failed public services, growing public dissatisfaction, disengagement with neoliberal government and the rise of the far-right as a result. Labour surely consigns itself to one term in office by doing this. The far-right must not be able to believe their luck. You could not lay the groundwork better for their progress than what Reeves and the Bank of England are doing.

I despair of their incompetence, lack of foresight and total inability to understand politics and its likely course if they fail. I would love to be wrong in y assessment. My fear is that I am not.