

Reeves: boxed in by her own rhetoric

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At the end of this month Rachel Reeves has committed to do two things. First, she will publish the report from the Treasury on the state of the UK's public finances. Second, she will announce whether she will accept plans for 5.5 per cent pay rises for employees in the NHS and education.

The announcement on the state of public finances is a piece of theatre. No one will learn anything that they did not know before about the state of UK revenues, spending and debt. All that will happen is that Reeves will claim things are much worse than she had believed possible, and will blame the Tories for it.

Her line on this became clear yesterday. She told Laura Kuenssberg that every party has a duty when leaving office to leave the public finances in a better state than when they arrived. Since we all know that the Tories did not manage that, all we can conclude is that we are going to face five monotonous years of it being said that every problem Labour will face is down to its inheritance from the Conservatives. It worked for the Tories in 2010 against Labour. Labour are going to try to repeat the trick.

Which then leads us to the pay settlements. Reeves claimed that Sunak quit because he could not face dealing with these settlements. I think there is not an iota of truth in that. But if there was, it would have been the responsible thing to do. This was a decision for a new government.

What will Reeves do? In essence she has three choices. She can say the country cannot afford these rises and offer two per cent. Industrial action would undoubtedly follow.

Or she could pay the settlement in full, and provide the funding for it.

The alternative is she agrees to the pay settlement and says it is up to schools and hospitals to find the funding to make the additional payments due.

Of these three I think the last by far the most likely. Her argument will be that productivity must increase to cover this cost. That will be despite that fact that the increase is only intended to put these employees back in the position they would be in

if there had been no inflation. Reeves will ignore that to impose job cuts and additional workloads on people already at breaking point, who she and her advisers will claim need to increase their productivity even though that is an almost meaningless measure in much of the state sector.

What will the reaction be?

To the announcement on the state of public finances there will be a shrug of resignation. It will be seen as yet more political posturing. More than that, if Reeves claims there is nothing she can do because she's just discovered how bad the Tories were when absolutely everyone else was already aware of that fact, which is why they elected her into office, they will immediately begin to reconsider her competence. Claiming ignorance of a universally acknowledged truth does not become any politician. Reeves needs to be careful, or people will rapidly conclude she is preparing the pathway for her own failure to address any of the issues we really face.

And on public sector pay? Temporarily, granting the rise with restrictions attached will work. It will also reduce support for industrial action. But (and it is a big but), most of us will know someone working in the NHS or schools and no one is under any real illusion as to how hard it is. People leave for easier lives in the private sector precisely because that is what they get. Working in the state sector is tough, and making it harder will so that the service people enjoy is diminished even more helps no one, and people will realise that.

The message sent out by such a decision is that austerity is back. No one will welcome it. It will breach an election promise.

So, Reeves is between the Devil and the deep blue. She wants to say the economy is dire. She wishes to use that as an excuse to impose austerity. And at the same time, she wants to avoid claims she is doing just that.

The problem is of her own creation. The state can easily afford to make these settlements. It is only Reeves' own rhetoric that is boxing her in. It always was foolish to make the claims she did during the election campaign. They are going to cause her massive problems now.

The answer is, of course, to say that the state of the finances requires her to adopt a wholly different approach to the Tories, where the state takes on the role of enabler of the possible, delivering growth as a consequence (so she can dealing that cover). But that would require boldness and imagination. Labour has shown little sign of these. I have little hope.