

Funding the Future

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In this morning's video, I suggest that it would be great to think that Rachel Reeves might go down in history as both the first woman to be Chancellor and as a great Chancellor. The first is hers by right. But she is going all the wrong way about claiming the second title.

https://www.youtube.com/watch?v=QOCLFXI_Fjc

The audio version is here:

https://www.podbean.com/player-v2/?i=t6arh-169ffb7-pb&from=pb6admin&share=1&download=1&rtl=0&fonts=Arial&skin=c73a3a&font-color=&logo_link=episode_page&btn-skin=ff6d00

This is the transcript:

Rachel Reeves seems determined to make a mess of her Chancellorship. I wish I didn't have to say that. I honestly do really wish that was not the case. I would have loved it if Rachel Reeves had arrived in office and done all those things that I would have liked a Labour Chancellor do, like announcing that she was going to remove the two child cap, for example, to reduce inequality.

She could also have announced that she was, after all, going to fund the Green New Deal, and have found the money to do so, which would not have been hard, because it's readily available.

She could also have told us that she was going to raise taxes on wealth from day one of the Labour government because it was necessary to tackle inequality, and it was obviously going to have to happen anyway, so why delay?

But she did none of those things, and now she's digging a bigger hole for herself.

There are two things that are causing me concern at the moment. The first is that she is investigating the creation of a new private finance initiative funded project to build a new Thames crossing somewhere in London.

This, of course, is in itself problematic. What we have known from 14 years of Tory government rule is that London has been over-invested in when it comes to infrastructure projects and everywhere else in the country has been under invested in. What a surprise, the consequence is that there has been a relatively booming economy in the southeast of England and the rest of the country has suffered. And now she's going to perpetuate the problem by doing her biggest investment project to date in London.

But it is the private finance initiative aspect of this that worries me the most. Nine billion pounds of private money is apparently going to be invested in this project. If there's £9 billion of private money available to invest in this project, and that will all be in the City of London, then there's £9 billion in the City of London that could be deposited with the government to fund this project via the issue of new government bonds as well. That would be just as easy, except for one thing. The cost to the government would be significantly lower because private finance borrows at much higher interest rates than the government, and therefore, if the government is going to outsource the funding to the private finance initiative, it will pay much more for the creation of this project than it needs to.

The last great exponent of PFI projects was Gordon Brown, and he frankly did leave a disaster in this area, which is still being mopped up because the costs of many of the projects signed during his era as Chancellor are still being felt by the organisations that are having to pay the excessive price of the hospitals, schools, roads, and other projects that were funded in this way when he was Chancellor, because he, like Rachel Reeves, was desperate to keep the cost of these projects off the public balance sheet for absolutely no good reason at all and in a manner which fooled absolutely no one.

But she apparently is dedicated to doing the same thing, and that will be a similar disaster. I can guarantee it now.

There's another project that she's looking at, which also worries me. She wants to cut down the regulation that limits the growth of the City of London, she says.

She's telling the regulators to look at their rule books. She's instructing them to remove any rules which look unnecessary, and which might duplicate each other. She's removing the safety net. And the safety net is what protects you and me from the abuse that the City of London can perpetrate.

One of the things she's looking at is putting back a new scheme to compensate people

who are subject to fraud when their bank accounts are raided. It's not the fault of the person who loses the money that that cash has been removed from their bank account. It's a weakness in the bank system that does that. And the new regulation was meant to compensate them for the fact that the banks had failed to protect them from fraud. But she wants it pushed back because this might make the City less attractive for investors.

Really? She would rather favour the bankers and inflate the city more than protect the consumer of banking services? This is the last thing that I expected from a Labour Chancellor. It's absurd. But again, it has all the echoes of Gordon Brown all over it. Why? Because Gordon Brown was noted for his light touch regulation of the City of London.

He thought there was no regulation that could not be looked at to make the City grow as the engine that drove the UK economy as far as he was concerned until, of course, 2008. And what happened then? There was a global financial crisis. It didn't only happen in London, of course. Let's not pretend it was a peculiar problem to the UK, because it wasn't. It started in the USA. But it was pretty grim in London because our light touch regulation meant that many of our banks were more exposed to risk than those in other countries, and therefore we paid a higher price.

That was Gordon Brown's fault. Let's not beat around the bush. Whilst the man had his strengths, and in some ways he did, he had some decided weaknesses, and this was one of them.

And it appears that from these two things, Rachel Reeves is determined to pick up the worst of Gordon Brown's ideas and use them to characterise the new Labour government in office. I have no idea why she's doing that. I am completely baffled by it. But it is an absolute fact that what she is putting forward - it's the very worst of Gordon Brown's plan under New Labour from 1997 to 2010.

If she wants to go the same way as them and then lead to many years of Tory rule because the opportunity to say that Labour broke Britain would be available again, she's going the right way about it.

This really worries me. She really has to change tack very soon. And she has to get some decent advice and some good ideas because right now she seems out of them and that's very worrying when she's only been in office for a little over a month.