

Funding the Future

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As [the Guardian reports](#) this morning:

Rachel Reeves is planning to raise taxes, cut spending and get tough on benefits in October's budget amid Treasury alarm that the pickup in the economy has failed to improve the poor state of the public finances.

I did express all my doubts about Reeves before the election. No one can deny that I held back on my concerns.

I was told by Labour optimists to back off. All would be well, they said. Starmer and Reeves would tack left the moment they were in office, I they said.

But I was right, and the optimists were wrong. There will be no change of tack. There will just be plain straightforward austerity.

The Guardian says the planned measures include:

- * Raising more money from inheritance tax and capital gains tax.
- * Sticking to plans for a 1% increase in public spending even though it would involve cuts for some Whitehall departments.
- * Rejecting pressure to scrap the two-child benefit cap.

These are a recipe for these things:

- * Declining growth, and even recession
- * An ever-falling quality of public services when they are already stretched beyond their limits
- * Greater social tension as those who feel they are already left behind in this country do so, evermore
- * Rising poverty
- * Increasing inequality

Reeves has, then, as I expected, tacked right and not left. The traditional Treasury paranoia about balanced budgets that plagued her before reaching office and which has plagued this country for well over a century, has been reinforced by her contact with the Treasury itself.

The consequence is that Reeves is clearly intent on replicating for herself the disastrous

legacy of Philip Snowden, Labour's first ever Chancellor, who eventually held a similar position in the 1931 national government, where his policies created almost unimaginable problems for the country, and most especially the poorest in it.

Is there a way out for Reeves on this? Of course there is. We know that the government could spend more. We know that the capacity for it to do so exists. People would save more with the government if that was what it wanted. Even if she did not wish to issue gilts, demand for National Savings and Investments products is being suppressed at present. In other words, even within her own framework of thinking greater deficits are possible.

They are also desirable, because there is massive need for enhanced public services, and there is an overwhelming necessity to relieve poverty, including by removing the two-child benefit payment limit that has become such a totemic, and absurd, symbol of Labour dedication to Tory policy.

What is more, as I have shown in the [Taxing Wealth Report](#), there are ample opportunities to raise additional tax in the UK economy without in any way imposing hardship on anyone who might be asked to pay more to contribute to a more equitable society.

In other words, Reeves could do vastly better than she is planning to do. She will, then, be failing herself, her party, the people who put her in power, and the country by opting for deep austerity, as appears to be her plan.

Why is she doing so in that case? There can only be one explanation. For any politician co-option into the hierarchy of the Establishment would now seem to be the greatest goal. To do so one has to conform with its desires, which directly contradict those of the country at large. Reeves is indicating that she has made her choice and wants to pass her right of passage into what she thinks to be the society to which she should belong.

I would like to find another explanation, but struggle as I might I cannot do so. Something as absurd as this has to explain why she is doing something she must know to be profoundly harmful, but which she is going to do anyway. We will all pay a very high price for her vanity.