

Funding the Future

Article URL

Published: January 12, 2026, 7:35 pm

If reports are true, the budget decisions have been concluded, and Rachel Reeves has sent her workings to the Office for Budget Responsibility for them to consider. Now, all we have to do is wait for a Budget that has been tortuous in its gestation and which might very well profoundly disappoint and even alarm despite that fact.

We do not know what Reeves will do, although there are hints.

First, some form of increase in employer's national insurance contributions is likely. If her aim is growth, this is a spectacularly poorly targeted rise since this does have a direct impact on the intention to employ people. Such is the consequence of making rash (for which, read stupid) promises on actions that would not be taken on tax increases prior to the election, all of which are likely to have to be abandoned eventually.

We also know that an increase of some sort will happen on capital gains tax, but it will be modest, and Reeves has ruled out the use of ideology when it comes to tax decisions because she says pragmatism rules as if politics is a decidedly dirty word that she would never wish to go near. I wonder if she has forgotten what her job actually is, or has she, like so many neoliberals, simply decided that there are only singular options that are permitted and that, as a result, politics has ceased to be?

Thirdly, we know many ministers are very upset by the demands made on them by Reeves and have written to Keir Starmer to say so. As the [FT reports this morning](#):

Prime Minister Sir Keir Starmer on Wednesday joined forces with chancellor Rachel Reeves to face down a cabinet revolt over plans for "grim" curbs to public spending next year.

They added:

Government officials said Whitehall departments covering local government, health, justice, defence, transport and environment were among those facing the toughest financial challenge. One said the planned spending curbs were "grim".

So much for the story that there will be no more austerity: there is very clearly going to

be just that. These ministers have already realised that being in office with Starmer and Reeves in charge is not all it was ever cracked up to be. The anger will be real, and that can only grow.

Fourth, there will be a change to the fiscal rules, but who cares? Whatever is announced will not be complied with anyway because they never are. That change will amount to nonsense to permit tiny amounts of additional investment that will be far below the amounts required.

And that is what we know, and probably all we need to know. We are going to get a deeply neoliberal budget from a politically inept Chancellor that will please no one, including her own Cabinet. There will be no growth as a consequence. A recession is more likely, especially if interest rates remain far too high. As that unfolds, the weak grip Keir Starmer already has on power will become ever harder to maintain. His own party will have had enough of him, and it is from there that his demise, and that of Reeves, will be engineered.

Reeves looks perpetually tired these days, no doubt as a result of sleepless nights. The stress of her role has already, very obviously, got to her. Her best moment was at the Labour Party conference. It was always going to be all downhill from there. October 30 will be her first budget. I would not rule out it being her last.