

## What now, Rachel Reeves?

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The latest figures for the UK's GDP suggest that growth is flatlining, and the problem with that for Rachel Reeves is that everything Labour said it would do is predicated on growth happening. So, what now, Rachel Reeves?

<https://www.youtube.com/watch?v=cmgqyeR3OZs&si=ZYI8OMuqeHFGqjC5>

Apologies: we did not make an audio version of this one.

This is the transcript:

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What now, Rachel Reeves? It's a good question to ask because Labour came into office promising growth, and it isn't happening.

In the quarter to September this year, which did, of course, include a month of Tory government rule and which was entirely influenced by Tory policy, the UK economy grew by 0.1%.

And now we have provisional figures for GDP in October, and the economy shrunk by 0.1%, which means that in the first three months of this Labour government, there has been precisely no growth at all.

Now, let's put a caveat on all of this. Figures of 0.1 per cent change in GDP are almost utterly meaningless. They come down to what we might, in statistical terms, call a rounding difference. There are so many estimates that make up GDP, knowing whether that figure is right or wrong is, well, almost impossible.

But again, I add a caveat. The point is, there is no growth. And that is not just symbolic.

It is deeply worrying for a government that says it is going to deliver growth.

And, again, let's put that in context. Labour expected that when they came into office, there would be a bounce in the economy. It was their belief that after 14 years of Tory rule, the country would have a wave of enthusiasm. It would go out and spend. It would realise that good times were back again. And that happened in 1997 when Tony Blair came into office. There was a wave of euphoria. I was around at the time, but it has not happened this time.

There is no such thing as a Labour economic honeymoon after this election. There's been a damp squib.

And these figures are for the period before Rachel Reeves delivered her budget. And what we know is that Rachel Reeves' budget has gone down really badly, for reasons that I predicted on this video channel and elsewhere.

She put up national insurance.

She took measures that will suppress growth.

She has made it harder for business to invest, whatever she claims.

And she's also managed to upset the farmers. And whilst I have no sympathy with them, a lot of people do because they are symbolic of an anti-government movement and right now in the UK, anybody who appears to be anti-government does get some level of support and the farmers have certainly won that.

So, Rachel Reeves is in deep trouble. I don't think it's worth pretending otherwise.

She's in deep trouble because the absolutely fundamental underpinning of all her economic policy, which is growth, is not there to be had at present. It is literally dead. Absent from the UK economy. And without growth, she can't keep her other promises, because she said that it was growth that would fund the increase in public spending that would let Labour deliver on its promises to cut waiting times in the NHS, improve the number of teachers in schools, and whatever else happens to be on their list of priorities today; they've already changed so often that I can't remember what the latest version is.

My point is, that it doesn't matter what those priorities are, if they're all predicated on there being growth, and there is no growth, then Labour has no policy at all.

Now, Labour without a policy is not a surprise to anyone. That is where we were in June, after all. Everyone, with any sense, said at the time, what does Labour stand for? And no one could answer. But some people lived in hope that maybe Labour would reveal what they were about after the election. They didn't, they haven't, and now they have nothing they can say because all the policy predictions that they have made for

themselves are predicated, as I've said before, on this one idea of growth, and growth is not there.

So, what is Rachel Reeves going to do? That's the question I posed at the start of this video, and it's the question that she will need to answer if there is no growth.

I did recently produce a video here that suggested that growth is now history. And the reason why is that we are now such a strong service economy that growth really isn't technically possible anymore.

I've noticed since then that Martin Wolf in the Financial Times has produced an article which was remarkably similar in tone to the video that I produced here. I've no idea whether he watches these videos, but the similarity was extraordinary. And the reality is that the growth myth is bust. If that's the case, and Rachel Reeves' policies are bust as a consequence as well, then what is she going to do?

Now, she does not have to do nothing. She could proactively redistribute income and wealth within the economy, and as a consequence, improve the lot of the vast majority of people in the UK.

There is such an imbalance in that income and wealth, that the opportunity for redistribution does exist, and that could, in fact, deliver growth, because the rich don't spend what they have, by definition, because that's how they become rich. They have more income than they need. But those who are the poorest in society, when given more income, do spend and therefore release a growth opportunity. So she could go for a policy right now of redistribution to deliver growth.

Or, and I'm afraid this is much more likely, Rachel Reeves will go for austerity. We know that she's already planning to cull the Cabinet Office, the department at the very centre of government, in a quest to cut its budget.

We also know that she's demanded 5 per cent cuts from every government department, as if that is somehow deliverable. I stress, that will be over the lifetime of the Parliament, but even so, that is an extraordinary task to do deliver. And that is an extraordinary goal when she wants growth. That ignores the fact that government spending does in fact contribute to growth and is a fundamental component of GDP in the calculation of what our income is. She wants to shrink the government's contribution and presumes as a consequence that the private sector will somehow grow to compensate for the government getting smaller. There is no evidence that that is true.

So, what Rachel Reeves can do is either redistribute or austerity, and admit her mistake of relying upon growth, or simply stick her head in the sand.

Of those options, which is the most likely?

Well, austerity is certain.

Growth is impossible, and the likelihood that she'll redistribute is very low, given her bias towards wealth.

So, sticking her head in the sand? It's going to be a major part of her economic policy. We will hear talk of growth. Blah, blah, blah, blah, blah. She will go about growth forever. But the reality is, she's living in cloud cuckoo land.

Rachel Reeves, what are you going to do? Because where you are is not working, will not work, cannot work, and you have to change. But, if you don't, you are consigned to not just the back benches but maybe political oblivion from 2029 onwards.