

Funding the Future

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Rachel Reeves says it is her pre-election promise – to balance the books – that Labour must deliver. But twenty other cabinet ministers also made promises – and are being denied the chance to deliver them by Reeves. How long is it before they oust her?

<https://www.youtube.com/watch?v=t0L1CTquec4?si=HX-D3RUSgsZcpDjc>

This is the audio version:

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This is the transcript:

When will Labour ministers in the UK stage their coup against Rachel Reeves?

I ask the question because it is clear that there is a crisis coming for the current Labour government. Labour ministers, who've worked for years to secure their cabinet offices, are going to have to face a choice. They're either going to deliver on the promises that they made to the UK electorate, that the people of the UK would enjoy better services under Labour, or they're going to support Rachel Reeves to deliver her promise to the UK electorate, which was that she would balance the UK budget. There isn't an option of doing both.

That's the crisis that Labour faces. It can either balance its budgets and impose austerity, given the other decisions that Rachel Reeves has made, such as not

increasing tax and having a fiscal rule which makes absolutely no sense at all, or we could have improved public services. But we can't have both.

So, those ministers are going to face a particularly difficult choice. Right now, it seems that Keir Starmer is backing Rachel Reeves. That's unsurprising. This far into a parliament, Keir Starmer could not abandon his Chancellor and continue to look credible himself. After all, he chose her, he got elected on a platform with her, and he made her his chief minister, in effect. The deputy prime minister, Angela Rayner, is nowhere in his order of priorities compared to Rachel Reeves.

But, she's obviously failing. And it cannot be that Labour ministers have not noticed that failure by Rachel Reeves.

They are ambitious people. They want high office themselves. You can be almost certain that some of them fancy themselves in the role of Chancellor. And they will have noticed that things have not gone too well for Rachel Reeves since she got into office.

She delayed having a budget quite unnecessarily.

She caused crises for them, particularly in the NHS, by delaying payments to ministers who needed it to keep services going.

And when she delivered that budget, it was, let's be honest, a complete economic and PR disaster. The increase in the cost of employment that was created by imposing an additional National Insurance charge literally created a total hostage to fortune for Labour, and frankly, an unanticipated cost for UK businesses that will have an impact on economic growth.

The overall net outcome? Absolutely negative.

And, the public has noticed it.

Now financial markets have, and they are gunning for Rachel Reeves.

So, what are Labour ministers going to do? They appear as if they're being compliant, but not quite. Wes Streeting - hardly the world's idea of a rebel -

said that he was embarrassed and even distressed by the quality of service that the NHS was supplying to the UK public. Why did he do that? Because he explained he had not been able to get additional money into the NHS to support its services this winter. Hidden deep in that comment, there was a definite sideswipe at Rachel Reeves.

At the same time, there are other ministers rumbling about the fact that they, too, are struggling. For example, it seems likely that this is happening in education and elsewhere, with consequences that there are noises sufficient to be heard to suggest

that not all is exactly calm and easy in that Labour cabinet.

Sometime soon, when things continue to go wrong, and when Rachel Reeves demands that there be a long-term economic review of government spending, which can only deliver austerity on the basis of current economic forecasts, there will be a backlash.

There will be ministers who will have to make a choice.

They either choose to deliver something that goes against every instinct they had when they did years ago, begin to climb the slippery pole to cabinet office, or they agree to be obedient to Starmer and Reeves and deliver something that goes against every instinct they have, which is to deliver better public services.

I believe enough of them will be angry enough to topple Rachel Reeves sometime well within a year at the current rate of progress. Come the autumn, she's going to look like a lame duck. Keir Starmer is a ruthless man. We know that. Look at the way he treated Corbyn and his followers. He's not going to sit around for longer than he has to with a lame-duck chancellor.

So, Rachel Reeves' days are numbered. Days that are numbered precisely because her own cabinet colleagues will want to be rid of her.

Will her career as a senior minister be over? No, almost certainly not. She will be given some other job, who knows what, and I don't really care, but she will be taken out of the economic role which she always craved.

And she'll be taken out of it for one good reason. She's really making a total mess of it.

And the new incoming Chancellor, will they do any better? Only if they decide to do three things.

- * Abandon fiscal rules, which are totally unnecessary and absolutely contradictory to good economic management.

- * To spend more to meet demand, and

- * To be willing to tax more, or borrow more, or possibly both, to ensure that that demand for additional public services, which are absolutely critical to the well-being of the UK, are met and they are met and paid for by people who have an excess of resources now because it is impossible to impose more tax on the lower paid working people of the UK without serious harm happening.

So that new Labour Chancellor, whenever they happen, will have the choice; borrow more by all means, but tax more. And that will mean taxing the wealthy. Unless there's radical reform to Labour's approach, they have no hope in the 2029 general election. But I think we can be quite sure that Rachel Reeves will not be Chancellor by then.