

# Funding the Future

Article URL

Published: January 12, 2026, 5:01 pm

---

Rachel Reeves thinks the economy has to grow to make everyone better off. But is she right? And in a finite world, is growth on the scale she wants even possible?

<https://www.youtube.com/watch?v=Y9lw1WMSZNs?si=EMrIYAn0rWsHD27e>

The audio version is here:

[https://www.podbean.com/player-v2/?i=vdtj5-1863450-pb&from=pb6admin&share=1&download=1&rtl=0&fonts=Arial&skin=f6f6f6&font-color=&logo\\_link=episode\\_page&btn-skin=c73a3a](https://www.podbean.com/player-v2/?i=vdtj5-1863450-pb&from=pb6admin&share=1&download=1&rtl=0&fonts=Arial&skin=f6f6f6&font-color=&logo_link=episode_page&btn-skin=c73a3a)

This is the transcript:

---

Why is Rachel Reeves so obsessed with growth?

We heard it this week. She says that everything that she's planning for the UK economy is dependent upon the delivery of growth.

At the same time, she has announced policies which amount to austerity. In other words, the government is cutting the scope of its activity in the economy, and therefore she's doing things that are more likely to deliver recession than they ever are to deliver growth, and therefore she's making one fantastic assumption - and I use fantastic in the sense of incredible - when claiming that growth is her goal, which is an assumption that because she can shrink the government, that the private sector will grow as a result.

Whether that is true or not is very much open to doubt. In fact, the evidence for that

being true is about as strong as the evidence for trickle-down economics. And trickle-down economics has never happened in the history of humankind. The wealthy do not share their well-being with those who are poor, nor does their money flow down to them.

So, is it true that Rachel Reeves can cut her way to growth?

No, she can't.

And yet she remains obsessed with growth all the same.

There are good reasons why she shouldn't be obsessed with growth.

We are living on a finite planet. There is a limit to growth. There has been a limit to growth for a very long time. It's been known about and discussed since the 1960s, at least.

There's more to it than that, though. Growth is actually potentially quite dangerous. Remember that in a biological sense, it is growth that kills us, in particular, if we have cancer. Cancer is simply the overgrowth of some cells to the point where they kill the person whose cells are growing.

And that is also possible within an economy. If you try to push an economy beyond its natural limits - and the natural limit is imposed by the world around us - you could kill that economy because of the externalities, like climate change and the other consequences for the environment, that you create as a result.

So, growth is not automatically good, but it's also just an illusion when it comes to the economy.

What Rachel Reeves is suggesting is that a rising tide floats all boats. Now, this is an economic argument that has been put forward for as long as the claim that wealth trickles down once it is accumulated by those who have it. And it's just as wrong.

The suggestion is that if you looked at an empty harbour at low tide, you would see a whole pile of boats, some of which will be large, some of which will be tiny rowboats. And as the tide comes in, they will all rise on that tide and therefore everyone will be okay, and will have more because the tide has pushed all the boats higher up the harbour side.

But it doesn't work like that in economics because the evidence is that as the economic tide comes in, the wealthy do just fine. They claim the vast majority of the increased income and those who are poor, frankly, very often sink, which is exactly what is happening right now with regard to disability benefits, for example. So again, we have an argument about economic growth, which is wrong, which Rachel Reeves is relying upon.

What should she be doing? My answer is that Rachel Reeves, if she really wants to increase the well-being of everybody in the UK, should be using the power of government to redistribute the existing income and wealth of this country.

She won't do that.

This is very obviously true.

She is refusing to increase taxes on the wealthy.

She's refusing to increase taxes at all.

In this spring statement, she is saying that this is not the answer to her problem.

She's saying cuts are the answer, but all government cuts ultimately hit those who are at the bottom of the economic pile hardest because they are the people who are most dependent upon government. So, she's quite willing to sink their boats - to use the metaphor I've already referred to - whilst keeping those of the wealthier afloat or even above high tide level.

But the point I'm making is that if she was really serious, and Labour really wanted to be re-elected in 2029, which as far as I can see is a goal they should have, then what she should be doing is redistributing some of that excess wealth from the wealthiest to everybody else who would then feel better off.

Now, it's perfectly possible to do this.

We don't need a wealth tax.

We can just simply change the rules on capital gains tax.

We can change the rules on inheritance tax.

We can change the rules on national insurance so that everybody pays a fair share of it, which is not true at present.

We can charge something equivalent to national insurance on investment income, whether it be from interest, from dividends, from rents, from trust funds, and everything else that a wealthy person gets, which is not subject to a national insurance charge, which means on average it is taxed up to 20% less than the tax that you might overall pay taking into consideration the contributions your employer pays for you, which reduces your wage rate.

And this is vital because we live in a country which is deeply unequal as a consequence of this unfair tax system, which is so heavily biased to the wealthy. Rachel Reeves has a duty to address that situation and redress this imbalance by redistribution, which is not

happening at all at present. If anything, wealth is moving to the wealthy still rather than away from them as the overall levels of tax paid by people across the income deciles shows, and I've done the research and put it in the Taxing Wealth Report.

So if Rachel Reeves really wants to deliver an increase in wellbeing for the people of this country, she should stop obsessing about growth.

She should start recognising that there are limits to growth.

She should stop trying to promote economic activity by the private sector, which will be harmful to our long-term wellbeing, and in particular to those who will be alive in 50 or more years' time.

She should instead be talking about how we redistribute the gains from our already enormously wealthy economy arising as a consequence of the activities we already undertake, and she should talk about how it is that government can guarantee that everybody gets a fair share of that wellbeing.

She could do that.

She could stop obsessing about growth as a result, and instead obsess about justice, equity, fairness, and all those things that innately matter to people, which we know to be true because we can see that children have a desperately strong awareness of these issues if we just look at how they play when they're young. If we were only to follow the lead of those children and look for things to be fair, then we could have a much better economy.

Rachel Reeves isn't going to do that. She's going to continue to argue for growth, which ultimately is deeply destructive. And as a result, she's a Chancellor who's doing harm to the UK economy by her obsession, and that obsession is with growth.