

It's time for a reset, and Reeves won't be doing it

Published: January 15, 2026, 11:54 pm

When you have watched the economy for as long as I have, you have seen a stock market crisis or two along the way.

I vividly recall the stock market collapse in 1987, and of course again in 2008, but there have been other bumps as well.

As is also very clear from my opinion expressed here over the years, I have long thought that stock markets are substantially overpriced because they are little better than Ponzi schemes, with financial markets having been engineered so that a steady inward flow of funds from pension contributions, in particular, will ensure that the price of a limited supply shares tends to move ever upwards until a fundamental market correction happens.

Such a fundamental market correction should have taken place last November when Trump was elected. It was glaringly obvious then that he was going to launch an assault on world trading systems through the imposition of tariffs and that this would have major consequences for the way in which world trade would take place. However, although the proponents of efficient financial markets like to claim that they are clairvoyant and take into account all future possible and foreseeable courses of action, their reaction to Trump's election was, in fact, to seriously inflate markets. It was as if they did not think that the events of the last few days might happen. So much for their clairvoyance.

Now we have markets tumbling. Panic mode has set in because no one has the slightest idea how extended global supply chains that either have a destination in the USA or involve the supply of goods through that country, are going to function.

Everyone, from some of the world's biggest tech companies onwards, seems not to have noticed that Trump has had a 30-year or more dedication to tariffs, which he is now putting into action. It's not as if he hid his intentions: the mayhem that he is now unleashing was entirely predictable as a consequence. It is the markets that failed to notice their likelihood.

There are three things to note.

The first is that we should not believe that the rigged financial markets that we have are rational, or useful, or in any way the place in which to save, let alone that they are necessarily an appropriate basis for the provision of a pension at some point in the future. Ponzi schemes are wholly inappropriate for use in such activities.

Secondly, we should, as a consequence, ignore all those who claim the markets are efficient. That is the last thing that they are.

Thirdly, we have to presume that markets when panicked, as they now very obviously are, will be irrational in response to a crisis, and the panic of this sort will create reactions that might be deeply detrimental to well-being.

What will the reactions be?

Firstly, there will be big losses reported by many companies because their pension funds will have fallen in value, and some at least will have to make good those deficits. This will distract them from real investment. The net consequence is that the massive investment programme that the Office for Budget Responsibility forecast was going to happen for Rachel Reeves is not going to be seen. She will not be able to meet her forecasts.

Secondly, anyone who finances their own pension will have noticed the hit to its value today. That is going to hit consumer sentiment. That is not going to help Rachel Reeves hit her targets.

Third, there will be less tax paid by the financial services sector. Again, Reeves is not going to hit her targets.

Fourth, because of tariffs, world inflation rates might rise. This could spillover into the UK. Things that start in the States tend to do so. That could then, inappropriately, but nonetheless probably, lead to interest rises. Reeves would miss her targets again.

In summary, this could be the most almighty economic mess. It may not be, but you would have to be a mighty optimist to think so.

What should Reeves do? Frankly, she needs to reset all her plans. I mean, everything. But you would have to be a mighty optimist to think she will.

It looks like a great deal of the proverbial might be hitting the fan soon, most especially if Reeves has it on high, as seems likely.