

Funding the Future

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The Resolution Foundation says UK incomes will flatline until 2030. This isn't an accident—it's by design. High interest rates, unfair taxes, and Labour's inaction are all crushing incomes and deepening inequality. We need change.

<https://www.youtube.com/watch?v=ni6jFvWIrec?si=7Qib6XOYcZTAP7jm>

This is the audio version:

https://www.podbean.com/player-v2/?i=gappi-18ed048-pb&from=pb6admin&share=1&download=1&rtl=0&fonts=Arial&skin=f6f6f6&font-color=auto&logo_link=episode_page&btn-skin=c73a3a

This is the transcript:

What is screwing Britain? It's a question that needs to be asked because this week, the Resolution Foundation brought out a new report, which has suggested that typical UK incomes won't grow at all in the 2020s. In the entirety of this decade, what they are suggesting is that after-tax incomes enjoyed by people in this country are going to be, in real terms, that is, inflation-adjusted, stagnant.

And let's be clear about this: this is not a radical view. This is the view of the Resolution Foundation. And the Resolution Foundation is about as solid, hardcore, right-wing Labour as you can get. The last chief executive is now a Treasury minister. The new chief executive switched from the Treasury to the Resolution Foundation last November.

This, then, is mainstream thinking, and indeed throughout the report, the Resolution Foundation emphasises that the view that they're presenting, that the UK is utterly stagnant, is one that is shared now by the Office for Budget Responsibility, and this week we've also had a speech by Andrew Bailey, the Governor of the Bank of England, which is saying very much the same thing.

Britain is economically dead. We are being screwed by the system, and my suggestion is that this is not an accident. It's by design. There are a number of key things that are preventing development from happening in this country at present, and which are preventing real incomes from rising at present.

One is that too much tax is being paid by ordinary working people.

The corollary of that is quite simply that there is too little tax being paid by people who have high levels of wealth, high levels of investment income, and high levels of capital gains. Companies are also not paying their fair share to the UK tax pot. But ordinary people are paying too much, and the reason is very straightforward. There are two.

One is that council taxes are rising too fast and unfairly, and council tax is a deeply regressive tax, meaning that any increase is going to be suffered more by those on lower income than it is by those on higher income, so fueling inequality.

And the other is that we have what is called fiscal drag. The personal allowances that are made available to people by the tax system have essentially been frozen since Rishi Sunak was Chancellor of the Exchequer right at the beginning of this decade, and because Labour appears to have no plan to change that, the consequence is that more and more people are paying more and more tax out of their earnings and real household incomes after tax are stagnating.

But there are other factors which are absolutely critical as well. One is that rents are rising, and are becoming unaffordable, as are house prices. And house prices are becoming unaffordable because of another deliberate policy by the government, which is to keep interest rates far too high.

This week, we have seen people in the City of London - fund managers - calling on the Bank of England to stop selling the bonds that they bought during the COVID crisis, to try to force interest rates to the high level that they are; much higher than they are in almost any other developed country.

And one of the reasons why the UK is stagnating is that interest rates are simply too high, and are artificially so, and that is the consequence of decisions made by the Bank of England, backed up, of course, by the government, who isn't arguing with them.

So that is forcing house prices up for those who have mortgages, and rents are rising as a consequence because there's a very strong relationship between the cost of

mortgages and the increase in the price of rents.

The result is that we are living in an economy where vast amounts of people's disposable income, that is, the money that they get after tax, is being used to pay what is, in effect, an extraction from the economy; an extraction to those who have wealth by way of the payment of interest, or those who have wealth by being the owners of property.

This is what is called a rentier economy, where rents are being extracted - not earned, but extracted - from those people who do actually work for a living.

And there's another problem as well, and that is, of course, that the government is refusing to spend enough to maintain public services and to put in place a proper social safety net in the UK.

Benefits are too low. The expenditure on health and education isn't keeping up with demand, and in particular, the growing healthcare crisis, which these other problems are creating in the UK economy, and none of our major political parties appear to have any answers to this.

Let me stress, there's also another problem. Whilst median income, that is the mid-range income in the UK, is going to be stagnant from 2019 to 2029, that's not true for everybody. Those who are at the highest level will see some real increase in their income over that period. So the best off are not going to be on stagnant incomes. They will see their incomes rise a bit.

But the worst off, that is, the poorest 10% of people living in the UK, that's 2.8 million households, are going to see their income fall by £1,500 a year in real terms over that decade.

So there's a real price to this stagnation, and that is that the poorest people in this country are getting poorer, and nothing is being done about helping them.

In particular, families with children are being really hard hit. They are really suffering as a consequence of the changes, and their incomes are undoubtedly falling. If any group in society is suffering badly, it is parents and their children. They are literally seeing poverty increase day by day.

And of course, one reason for that is that the Labour government is refusing to remove the two-child benefit cap, which would transform the situation for many of the poorest families in the UK.

At the same time, we have another group in society who's doing quite well, and that is pensioners. They are being protected by the triple lock, which has been put in place by governments for around 15 years now, which means that state pensions always rise by more than inflation, and as a consequence, their incomes are rising.

We could not come up with a situation which is more perverse, where the old are seeing increasing incomes, but the parents of their grandchildren are not. And again, Labour has no plan to change this.

And let me reiterate that point because it is so important. What we're seeing here is a form of market failure because, implicit in all of this, is the failure of neoliberalism to come up with any form of real growth, but it's also the consequence of deliberate political policy.

High interest rates, high taxes on working people and broken government services do not happen by chance. They happen by design, and all of these things have been decided upon by Rachel Reeves and the Treasury and imposed on government departments, so this is the net outcome. We are suffering poverty as a consequence of the choices made by Labour now.

And at the same time, Labour is choosing to do nothing about rentier economics. It's not building enough houses to ensure that rents can be stabilised. It is not bringing interest rates down, and instead, it is doing everything it can to increase private profits and subsidise those out of state spending, whilst people in real need are getting no benefit at all.

Labour's silence on all these issues is staggering.

What needs to be said is that neoliberalism has failed. The Resolution Foundation did not say that. As I said at the beginning, this is a centre-right think tank, as far as I'm concerned. They would call themselves centre-left, but the left has now moved so far to the right that the term centre-left is now meaningless.

The consequence of the failure of neoliberalism is that real wages are stuck, public services are being cut, and work no longer lifts people out of poverty.

The failure of neoliberalism has also meant that there is no reward to people now, even if they do get into work, because any reward that is generated goes to the wealthy and not to working people.

Meanwhile, infrastructure is collapsing, and hope is disappearing.

What do we need to do about this?

We need to end austerity.

We need to let the state invest in the infrastructure that we need to rebuild growth.

We need to see services as the foundation of national security, of national income, and even of national assets.

We need to talk about social security, not welfare and benefits.

We need to see that the social safety net is something that is part of the provision of dignity within our society, and not something to be condemned as if people are scrounging.

And we need to tax wealth, and not work.

And we could do all of that.

And we could, at the same time, control rents, build homes and reform council tax to also free up more properties for occupation.

We must have political parties that now focus on living standards. The idea that all that matters is balancing the books is crippling the well-being of this country.

If political parties won't name this crisis, it's down to us to do so.

We should talk about the economic and moral failure which is at the heart of Labour.

We need a politics of care. It's time to change everything, and if you believe that that's true, have a look at the transcript of this video, which is on my blog, and the link is down below this video in the YouTube description, and on that transcript, you will find a Chat GPT prompt to write a letter to your MP on the issues I've raised in this video. If you feel passionate about this, please send that letter because everything has to change.

Taking further action

If you want to write a letter to your MP on the issues raised in this blog post, there is a ChatGPT prompt to assist you in doing so, with full instructions, [here](#).