

Has Bailey crossed a line by opposing Reeves?

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As the [FT has noted this morning](#):

The UK government's plan for pension reform has been called into question after Bank of England governor Andrew Bailey said he did not think it was appropriate for ministers to mandate investment in British assets.

As they note:

The pensions schemes bill includes a contentious power to allow regulators to force pension funds to invest a minimum amount in private markets.

And as they add:

On Wednesday, the BoE governor joined a chorus of criticism against the measure. "We've had a low level of pension fund investment in the economy and I think structural changes to the pension industry are helpful in this effect." "However, I do not support mandating, I don't think that's appropriate."

The intervention has been noted, as they record:

Sir Steve Webb, a former pensions minister and partner at consultancy LCP, said Bailey "will not have chosen lightly to be so critical of government policy" and his "nuclear" intervention would be unwelcome at the Department for Work and Pensions.

Why note this apparently rather technical issue at this length? There is, in fact, very good reason to do so. What Bailey has done is directly challenge Rachel Reeves, who is (although I rather doubt he thinks it) his boss.

My suggestion is not about what Bailey said, although I would agree Reeves' plan to force money into what are, in effect, private equity markets makes no sense as it does not guarantee any new investment in the new economy, which, [as I noted yesterday](#), is what is required. Rather, what I think this is about is whether Bailey now believes he can speak out against Reeves, presuming he speaks on behalf of an alternative power

base in the City who have had enough of Labour.

I do not question their right to be troubled by Labour. Almost everyone is. But I think Bailey crossed a line, and it will be noticed. Whether he likes it or not, he is in effect a civil servant, and a very well-paid one, and he would be wise to recall where his duties lie. The moment he tries to set up an alternative power base, as these comments suggest he thinks he can do to deliver an alternative policy agenda, what he actually does is one of two things.

Either he numbers his own days at the Bank.

Or he numbers the days that the Bank remains supposedly independent.

The best option, of course, is that he does both.

Bailey might be very foolish to think that Reeves will not bite back if he begins to undermine her policy. In fact, I would rather hope she will. The time for a 'King across the water' in the City of London is long gone. We need one authority, one policy and integrated thinking.

Whether Bailey can think is open to question. What we do know is that he is a proponent of a two-strand approach to economic policy, using fiscal policy and monetary policy as if the two are independent of each other, and nothing could be further from the truth. If his days were numbered, it might represent a step forward towards the integrated policy we need.