

When will the crash happen? Soon enough for Reeves to t...

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I was asked yesterday by someone I met whether I believed we were facing the risk of another financial meltdown on the scale of 2008, and if so, whether it would be in a year, five years, or twenty years' time? As a follow-up to the question, I was asked what might cause it?

My answer was that we were facing such a risk.

As to when it might happen, I suggested before 2029, and quite possibly sooner rather than later within that timeframe. I doubted that it was imminent, but it would happen sooner rather than later.

And what was the cause? It would undoubtedly be caused by Trump. As in 2008, this will be made in the USA. Tariffs, the resurgence of inflation, and consequent economic policy mess as he fights the Fed; the likely loss of confidence in the dollar, and the probable capital flight out of US markets will precipitate all this, aided and abetted by a loss of confidence in his Presidency in the USA, probably caused by a non-economic event, such as the Epstein files and his violent backlash against those criticising him. It will then be exported very quickly.

It will, however, be very much worse in the UK than it need be if this does not happen for a year or so, and that will all be the fault of Rachel Reeves and the desperate policy of deregulation to pursue growth that she is now promoting that has the single goal of seeking to, wholly inappropriately, drive money into stock markets that are already heavily over-valued and which will, consequently fall precipitously when the US crashes.

I am not alone in thinking this. As Larry Elliott [has to say in the Guardian today](#), when discussing her Mansion House speech, and the focus on deregulation within it:

If Reeves seriously believes this stuff she is heading for a rude awakening. Chancellors don't need a crystal ball to tell them where financial deregulation leads; they can read the many books detailing what happened last time this was tried. The global financial crisis of 2008 came about because policymakers bowed to the pressure from big

finance to sweep away “burdensome” regulations, pledging that more funds could be channelled into productive investment as a consequence.

Now Larry (who is a smidgen older than me) and I have an advantage here. We are old enough to know from bitter experience that what Reeves is doing is not just wholly unnecessary but deeply unwise. Apparently, she lacks that experience at the age of 46, which apparently means she was 29 back in 2008, and so totally unaware of what was going on all around her.

We, however, did take note. And we have come to remarkably similar conclusions. As Larry notes:

It is also absurd for the government to be proposing cuts in welfare while the commercial banks are being paid interest at 4.25% on their risk-free reserves being held at the Bank of England. In 2023, NatWest, Barclays, Lloyds and Santander received more than £9bn between them – a rise of 135% on the previous year. There are far better uses for this money.

Reeves could order the Bank to halt QT and she could stop the payouts to the commercial banks. Judging by her Mansion House speech she would rather rely on the financial sector to dig her out of a hole. Good luck with that, Chancellor.

I, unsurprisingly, agree with all that as I have been saying it for longer than Larry.

But Reeves is not paying attention, and the price for her not doing so is going to be very high indeed.

The price for Reeves and Labour might be higher still. All those who now put their money into markets because she said they should will not forgive her, probably ever.

Moreover, Labour cannot survive being for a second time the party in power that deregulated in a way that facilitated a crash. This will be curtains for it.

A crash will rewrite the political landscape, but we just do not know how, as yet.