

Funding the Future

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Rachel Reeves stood at a Downing Street podium this morning and panicked. Three weeks before her budget, she admitted what many already feared, that she's going to deliver austerity for most, and comfort for the City.

In this video, I explain why her panic matters, why she misunderstands how money works, and how she could take control of the economy instead of surrendering it to the markets.

Watch to understand what's really happening behind the scenes and why this could be the most dangerous Labour budget in a generation.

<https://www.youtube.com/watch?v=XQUqR6YyF3A&si=zSigZp1KvlcBTwPE>

This is the audio version:

https://www.podbean.com/player-v2/?i=33frk-19b2248-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:

Rachel Reeves is panicking. There is no other description that I can offer of her behaviour this morning.

She stood up at exactly 08:10 to coincide with the news cycle and presented a speech at a podium in Downing Street that was unprecedented. Three weeks or so before her

budget, she is offering an explanation of why it is going to be truly so terrible for everyone in the UK except the City of London. She looked frightened; she acted frightened; and she will have panicked everyone but the City of London.

I can offer four explanations for why Rachel Reeves has acted as she has.

The first is that she thinks a market crash is happening, and she wants to get her excuses in early. In other words, she wants to say what she would've said in advance of the opportunity being denied to her because between now and November 26th, markets will crash, and she is sure that will happen. I'm not sure that's the best explanation for what happened this morning, but it's possible.

The second possible reason why she acted this morning is that Nigel Farage said that there is going to be a sovereign debt crisis in the UK yesterday, which, of course, is completely technically impossible because the UK government can always pay its debts, because it can simply print more money to settle them, but she believes that Farage is now running the UK economy and the entire media show. As a consequence, she felt it necessary to react to reassure the City that there is no reason to think that a sovereign debt crisis is coming.

Thirdly, she has seen the numbers, which are going to be the basis of her budget, given to her by the Office for Budget Responsibility, who have completely removed all opportunity for manoeuvre that she has to do anything with any initiative attached to it. And because she now knows how bad those figures are, she's laying the groundwork so that everyone is prepared for what is to come.

Finally, she's giving in to City pressure. She's saying that debt matters most of all to her and nothing else counts as much, and therefore she's offering reassurance to the City in advance of the budget so there is no panic move before she stands up in Parliament on 26th November and delivers the real thing.

Those are my backgrounds for why Rachel Reeves is panicking. And which of those is the most important? Undoubtedly, the last: giving into the City.

The fact is that Rachel Reeves simply does not understand the economy, and that is why she's both giving in to the City and panicking.

She doesn't understand that she makes the money that we use; nobody else does. And there is no such thing as taxpayers' money, to which she referred frequently throughout her presentation this morning, because taxpayers can't create money without finding themselves on the wrong side of a prison wall; taxpayers use money just as the City of London does. She makes the stuff, and nobody else has the legal right to do so.

She doesn't realise, as a consequence, that when she doesn't tax back all the money that she creates, which is the case now and has been almost throughout history since

1694 when the so-called UK national debt was first created, that the City needs a safe place of deposit for the money that she leaves within the financial system, and that is the government, and it always has been. And that is represented by bonds.

The idea that if she were at the present point in time to make more money, that the City wouldn't save it with her in the form of the national debt is frankly, for the fairies; it's just untrue.

The idea that there could be a sovereign debt crisis is so absurd, it is ridiculous.

The idea that the City will not buy what she calls debt, but which I call savings accounts, is quite literally absurd.

But Rachel Reeves believes none of that. She believes that the City is in charge of her fate just as much as the Office for Budget Responsibility is. And as a consequence, unsurprisingly, she looks panicked.

But the fact is that she could control the interest rate. She was standing at that podium saying that interest is costing us well over £100 billion a year, as if this is terrible, without ever taking into consideration the fact that, actually, about 25% or more of that comes straight back to the government, and quite a lot more goes to help pay private pensions, and a fair further chunk is used to actually fund things like life insurance premiums and so on, so they're cheaper to consumers than they would otherwise be. But despite the fact that all of those things actually are of benefit and there is a reason why we have a bond market, she is clearly terrified of this debt interest.

But there are options available to her if that is the case. And she ignored them all, and let me lay out what they are.

She could take back control of the Bank of England. It was granted independence, so-called because it isn't really independent at all, by Gordon Brown in 1998.

She could declare a national emergency. She did effectively declare a national emergency with regard to the economy by presenting this mini-budget this morning, as something without precedent. She could also simply repeal Bank of England independence, something that she's allowed to do. After all, it was created by an act of parliament, and it could be repealed by an act of parliament. Or she could simply tell the governor what she wants. All of those options are available to her, and she could tell the governor to do a number of quite critical things.

First of all, she could say, "Stop doing quantitative tightening." We don't need to sell the bonds that the Bank of England owns back into the market at present. The fact that it is, is increasing interest rates. Rachel Reeves complains that we have unprecedentedly high interest rates in comparison to the rest of the OECD and G7 states, and the reason why is that the Bank of England are forcing them there by doing

quantitative tightening, but she's doing nothing to stop that programme, and we are the only country in the world that has such a programme in existence now. She simply is too - of the City to say, "Don't do something."

She could also end interest payments on some of the central bank reserve accounts. I don't say all of the central bank reserve accounts - I say she could tier the interest rates and she could save tens of billions of pounds a year as a consequence as well.

And she could simply tell the Bank of England, " I want you to cut base rates." She could intervene and say the rate is too high. She did say the rate was too high this morning. She said that the rate that we have now - 4% - is a drag on business. But she won't demand that it be cut; she could. All of these things are within her power, so why won't she do them?

Alternatively, she could do something much more radical. She could open up the savings market so that people could save directly with the government and actually bypass the City of London altogether, something that is long overdue. I have put forward proposals for ISA reforms - individual savings accounts, that is. I would suggest that from now on, all ISAs should be saved with National Savings and Investments. There should be no stock-based ISAs at all, so you wouldn't be able to buy shares with ISAs, and you wouldn't be able to save cash with banks. You might be able to save through your bank in a National Savings and Investment platform, but that's the most that would happen. The bank could act as an intermediary.

The point is that National Savings and Investments should then use this money as capital for use by the government, because National Savings and Investments are just one of the savings options made available by the government - let's be clear about that - there is no difference between money saved with them and in government bonds, and the fact that they are actually called savings makes that clear, which is quite extraordinary. And that money saved with the government - bypassing the City as a consequence - should be used to fund investment in the NHS, in climate change, in flood defences, in new green and sustainable housing, in energy transformation, in transport systems that work and all those other things we need. And people would love it, most particularly if they could see that this was going to be dedicated to the region of the country where they live, and there is no reason why that could not be the case.

So she could, in fact, utterly transform the savings market of the UK and reconnect it with investment, which is something that the City has totally failed to do. And if she were really innovative, she could extend this programme so that 25% of all new pension contributions were saved in the same way, releasing in total more than £100 billion a year into the economy for investment: a totally transformational sum - but again, she's not doing it.

These are the plans that we need to end high interest rates, to take control of the

financial markets in the way that the government can, to influence a reduction in the way that we saw was possible from 2010 to 2022, and to deliver a transformation of the savings market so they actually do something of social use. But instead, Rachel Reeves is cowering in front of the headlights, like a very obviously frightened rabbit.

As a result, we're in for more tax, most especially on those on average incomes and not on wealth, because otherwise she would, of course, upset the City.

We're in for no growth.

We're in for austerity.

We're in for continuing child poverty.

But we're also going to have a happy City of London, and all of that simply lays the path for Farage.

Incompetence on this scale is quite exceptional. It's right up there with Kwasi Kwarteng. On what I might call the Kwarteng Index of Incompetence, she gets a 10 alongside the man who gave his name to that index. And all of that is because she won't learn about how the economy really works.

I knew she'd be bad; I said so before Labour was ever elected, but I never realised she'd be this bad. And now that things are bad, she's clearly intent on making them worse. What she's effectively saying is she's going to deliver what is called a pro-cyclical budget. We're going down, and her budget is going to make things worse when we need an anti-cyclical budget, one that would make things better. That's the reality of where I think we are: that Rachel Reeves is literally blowing our economy apart.

But what do you think?

Do you think Rachel Reeves is incompetent?

Do you think she's going to be delivering a budget that's bad for Britain?

Do you think that she's going to make everything worse?

Do you believe that Labour is out of control?

Do you think that this is dangerous for your well-being?

Let us know. There's a poll below.

Poll

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**](#).

One word of warning, though: please ensure you have the correct MP. ChatGPT can get it wrong.

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