

Rachel Reeves is unravelling

<https://www.taxresearch.org.uk/Blog/2025/11/21/rachel-reeves-is-unravelling/>

Published: January 12, 2026, 8:33 pm

Rachel Reeves is presenting a budget built on assumptions that simply cannot survive the world we are about to enter. Share prices are likely to fall sharply. A banking crisis may follow. Pension funds could be hit harder than at any time since 2008.

And the Chancellor? She has offered only cuts, caution and neoliberal wishful thinking.

In this video, I explain why her budget is unravelling before she even delivers it — and why government action, not austerity, will be the only way out of the crisis that is coming.

https://www.youtube.com/watch?v=O_6AdrMLWbw?si=egtZPI7CRfHjW6W8

This is the audio version:

https://www.podbean.com/player-v2/?i=ubu9i-19cb6e1-pb&from=pb6admin&share=1&download=1&rtl=0&font=Arial&skin=f6f6f6&font-color=auto&logo_link=episode_page&btn-skin=c73a3a

This is the transcript:

Rachel Reeves's budget is unravelling in plain sight.

I'm not just talking about the fact that almost all the ideas that she has thrown out so

far have very clearly failed to attract any form of support. Her own MPs, the financial press, people, interest groups, all of them have said whatever she has proposed makes no sense at all. And in almost every case, they're right because she's done absolutely everything except talk about taxing the wealthy more.

But I'm not talking about that issue at all in this video. I'm talking about the fact that a budget is based upon a set of assumptions; assumptions about how the world will be and how it will be managed. And my suggestion is that, as we face an imminent financial crisis, every one of the assumptions that she has put in place will probably fail within weeks at most, and months at the latest.

I well recall commenting on a budget on BBC Radio Two in March 2020. I was, as usual, with Jeremy Vine and Mark Littlewood, who was then the director of the Institute of Economic Affairs. And Mark and I agree on almost nothing, although at a personal level, we do seem to get on, so long as he puts up with me calling him Comrade. But the point is, we came out of the studio and Mark said to me, "We'll be back here very soon because this isn't going to work."

We both knew that COVID was happening. I, in fact, got my first dose of COVID probably that day, probably in that studio. And we were right. We were back very soon. We agreed on the point. We agreed that there was going to be a crisis coming that was going to require a new budget, and that's exactly what happened.

Over the following months, there were numerous announcements, and we were back on air discussing them as they happened in real time. And I think that's going to happen again, because whatever Rachel Reeves says now is not going to assume that the world's financial markets are going to collapse.

As I've said in other videos this week, it's likely that share prices could fall by as much as 40% as the AI tech companies see their share prices collapse in the US, and drag everyone else behind them.

It's likely as a consequence that we will have a banking crisis because the companies in question have borrowed vast amounts of money, not just from banks, but people have borrowed from banks to buy shares in those companies, and the consequence will be that the banks will have a crisis as well.

And the world's pension companies will look absolutely distraught when they face the reality of how much money they will have lost because they have been lending money to these companies as if cash was going out of fashion, which it shouldn't have been.

And so Rachel Reeves is going to be looking very soon at a world so unlike the one that her assumptions suggest will exist, that nothing that she says next Wednesday is going to have any relevance whatsoever. Just as Rishi Sunak's first budget in March 2020 turned out to be utter nonsense because it bore no relationship to the economy that

developed over the coming weeks and months, that is likely to be true for Rachel Reeves as well.

She's facing the sort of crisis that no one since Rishi Sunak has. And in fact, the sort of crisis that no one, since Alistair Darling, guided perhaps by Gordon Brown, who was then Prime Minister with Alistair Darling as Chancellor, has faced since 2008.

We are in for a meltdown, and let's not pretend otherwise. And the job of government in this situation is to do something which is completely alien to everything that Rachel Reeves thinks: to step in and help. She's never considered the possibility that that is what government is about.

She bought the Kool-Aid served by George Osborne in 2010 when he said austerity is the new game in town, and has never presumed otherwise.

She's neoliberal to her core.

She thinks a small state is essential.

She believes that people should stand on their own two feet, and it's not her job to help them, and she's wrong.

She's wrong about all of that.

In the event of a crisis on the scale that we're talking about, the only agent capable of keeping the economy going is the government. The government can create the money that's needed.

It doesn't need to use quantitative easing to do that. It could just simply borrow the money from the Bank of England and not play with the bond markets as a consequence, which has been so disastrous since 2008.

The government will need to step in and support those who will lose their jobs.

The government will need to step in and save the banks because we did not do what I asked the government to do in 2008, which was to create a viable bank payment platform which would survive the failure of any individual bank, so we'll have to bail them out and all their poor decision-making yet again at enormous cost.

We will have to look at how pensions are funded in the future because this time the hit to the pension funds is going to be so big that for many people who are entirely dependent upon their savings and not on a guaranteed pension for their financial well-being in old age will be so great that there will be many who will be asking the question, will they ever be able to retire?

We will have to look at how, and in what way we organise work, and for whom, because

there will be knock-on effects of this crisis for small businesses that will be difficult for many to manage when some have only just got over the COVID crisis in itself.

There will be households that will be stressed beyond limit.

And all of those things will have to be managed by a Chancellor who, at present, has shown absolutely no imagination of any sort whatsoever when it comes to managing the economy.

Rachel Reeves only knows how to cut. That is her *modus operandi*. It's the *modus operandi* of the small company accountant; I've met many of them in my career. And when they're asked to answer a business question about how to improve profitability, they don't think about how can we improve services? How can we be more effective in our financing? How can we use our balance sheet to achieve an outcome which we hadn't previously imagined? How can we work within the constraints of the economy to put resources to best use? They just say, cut the advertising budget, and that's the equivalent of what Rachel Reeves does. She can only think that way.

She is at best a good accountant, but she's not an economist, let alone a political economist up to the task at this moment of managing a crisis economy, unless she has strengths and depths that we've never seen before, which is a possibility; I have to leave that one open and on the table. But I have my doubts, and I think you have too.

So in that case, her budget is going to unravel. That's my key point. This budget will deliver nothing which will have any relevance to our future because our future isn't the one that she's imagining in the assumptions that underpin this, which is that everything is going to be just fine in two or three years' time, because that's what every neoliberal budget presumes, because neoliberal economics assumes that everything returns to what it calls the mean, and the mean means that - and there are too many means floating around here - the mean means that everything goes back to normal, which is the halcyon view of the way in which the economy runs which those neoliberal economists have, where the wealthy continue to get wealthier and everybody else just drags along behind, but that will not happen this time.

It can't, because the wealthy aren't going to be nearly as wealthy as they were. They're going to be screaming and hollering and shouting about the bailout of their cryptocurrencies, and their banks, and their finance entities, and the City of London, and their businesses, and the rest of us are also going to be petrified about how we maintain our financial well-being.

Without vision, without courage, without care - and I emphasise the last word in particular - we will not solve this crisis. Rachel Reeves is not anticipating that, and that is a massive failure on her part.

She should at least recognise that there's a possibility that she will need to have the

capacity to deal with this crisis when she speaks to the House of Commons next Wednesday. I very much doubt she will. And that's why everything that she says is going to unravel, and we will be back here again soon, talking about what will be needed to address the real world that we are about to face.

What do you think? Do you think a crisis is coming? Do you think Rachel Reeves is the person to manage that crisis? Do you think she's able to manage that crisis? And do you think you'll survive it? Let us know. There's a poll down below.

Poll

[poll id="257"]

AI: How to use it as a campaigner

We have produced a guide on how to use AI as a campaigner, for which we're already getting good feedback. It's available [as a free download here](#). **Take a look. We think you'll find it useful.**

Comments

When commenting, please take note of this blog's comment policy, [which is available here](#). **Contravening this policy will result in comments being deleted before or after initial publication at the editor's sole discretion and without explanation being required or offered.**