

Funding the Future

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Rachel Reeves' Budget was a damp squib, delivering austerity by stealth. There was no vision, and no investment. There was just fear of the City of London. In this video, I ask why the Chancellor has surrendered economic power to finance and consider what a politics of care and investment would look like instead.

https://www.youtube.com/watch?v=6pTpT_uB_4M?si=9E4Cn_Y0SaR-jjzf

This is the audio version:

https://www.podbean.com/player-v2/?i=acwka-19d6da8-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:

The budget has happened. Rachel Reeves has spoken. The world has reacted, and it feels like it was a terrible damp squib.

This was a hollow budget, a budget that really delivered austerity; a budget in which the City won because nothing was done to harm it, and she should have done things to tackle wealth and the abuses that go on there, and as a consequence, people lost.

This was a budget above all else without vision. It was a budget made up of excuses. And that's worth talking about because if this is where we are economically, we are in deep trouble.

Let's be clear. Rachel Reeves gave the City everything it demanded. She flew ideas out from the Treasury as if they were spaghetti trying to find a wall to stick to, and nothing did stick. Everything she suggested was thrown back at her. The City said, "We won't tolerate that." And so she didn't do it. Anything of any sort that might have delivered something radical was basically rejected, not by the public, and not by Labour MPs or by parliament. It was rejected by the powers that be in the City of London, and that was enough for Rachel Reeves to sit timidly in her office and deliver a non-entity of a budget as a consequence.

She did nothing to add value to our economy.

She did not announce any new investment that will make a significant change on this country.

She did impose austerity by stealth, but she denies it.

We do know there will actually be cuts in government spending in some areas, like education and justice, and in local authorities with massive impacts for some groups in society. For example, everybody around special educational needs now knows that it will be in even deeper crisis in the years to come than it is already.

And this is the real sting in the tail: she raised taxes to pay for her own failure. And people are really angry about that. People are counting this all up and saying, "If I'm paying more, what am I getting?" And the answer is, nothing. And you can't blame them for actually saying, "In that case, why are we going to put up with more of this?" Because why would you? Why would you pay so much for an empty vision? And it's a reasonable question that people are asking.

People want decisions that are based upon the fact that the wealthy should pay more. They know that that is where the capacity to pay tax exists in the UK, and they know they don't have it.

They know that the government needs to do more, and they want it to do more, and they know that Britain is stuck in decline.

But as a consequence, they also know something else, which is that Britain has no economic plan and Rachel Reeves clearly hasn't got one, and they can even rumble why.

They realise that she has no plan because she's living in fear of finance. And why is she doing that? Well, she's accepting the antisocial neoliberal claim that taxes fund spending and that borrowing must be undertaken to balance the budget. She's doing that even though she must know better. I give her credit for the fact that she must know better and that she's doing it nonetheless. She's deliberately cutting jobs, she's cutting incomes, and she's cutting economic capacity because, although she knows the

truth, she's succumbing to the lie.

She's promoting the household analogy that says that the government must be run like her mother ran her household budget, even though if she has any sense at all and has acquired any knowledge as a consequence of her past career in banking, which she likes to talk about, then she must know that this is wrong.

She must also know, as a result, that she does not need to borrow. She must know that the full funding rule that says, "We must borrow if there is a deficit," is just something made up in 1998. It's not real. There is no such rule. It is no more a rule than her fiscal rule is a rule. It's just made up. She must know that government can always fund itself. She must know it has. After all, how else does she think that the government funded itself after the 2008 financial crisis and during the COVID crisis? So she must know that her choice of austerity is ideological and not required.

So why is she making that choice? Well, the only answer can be that she is living in fear of the City. She's living in fear of the fact that they might not give her the funds they require, when in fact she doesn't need their funds. She can fund herself, and she doesn't need to go out of her way to attract funds from them because if they decide not to play ball with her, she can just borrow from the Bank of England.

And nor does she need to subsidise our commercial banks by paying risk-free interest to them on their Central Bank Reserve accounts. She could literally hold them to ransom rather than have them hold her to ransom. But she won't. And as a consequence, she's taxing the poor to subsidise the rich.

She's leaving the real problems untouched as a result. She isn't taxing the excessive monopoly-driven or rentier-driven rent extraction monopoly profits, which are leaving households in debt and in poverty because they're paying too much for their utilities. They're paying too much for their phones. They're paying too much for their train travel. They're paying too much for so much, including everything that they buy from their supermarkets, because although people claim that these aren't monopolists, of course, they are.

Tesco has more than a quarter of the UK retail food sales in this country. That means it and the other supermarkets become oligopolists and they make exceptional profits as a result, even if the margins are small.

She's allowing speculative finance to make too much.

And she is permitting tax abuse. We know that £14 billion a year is not being paid by small companies, and did we hear of any measures in the budget to tackle this, which would've meant she could have been much more generous in other areas, even if she had to balance the budget as she thinks, quite inappropriately? No, we heard, not a word. Her ambition is to raise around £2 billion a year, a target so pitifully small it is

ridiculous.

She is not taking on the issues.

She's not challenging the abuse within our economy, and there are hollow growth claims coming from her.

They're hollow because care was ignored, education was ignored, the green transition was ignored, public infrastructure was ignored, and innovation was ignored. You cannot grow without attending to all the needs in those areas as well, and so when growth fails, as it will, because she isn't considering things in the round, as she should, she will have to cut again.

We're a death spiral. Cuts are followed by reduced capacity, are followed by slower growth, are followed by more cuts, and this is not a strategy, it is a managed decline on behalf of wealth. She's delivering compliance with the wishes of the City; she's not delivering transformation, or purpose, or a future.

She still, instead, claims there is no money when she's in charge of creating it. You couldn't get a greater paradox, or a greater indication of failure, than that. The old lie is rolled out time and time again to restrict public services, to blame people, and to protect wealth.

The question now becomes, "Who governs Britain?" Is she governing really, or has she surrendered the economy to the interests of antisocial neoliberal capitalism in the form of the City of London? It seems she has, and Labour's sole job is now to enforce their priorities.

We could do better. We could have public investment on the basis of a national bank, which I have promoted in my Alternative Budget, to which there will be a link down below.

She could tax wealth, as I also proposed in that Alternative Budget, and she isn't going to do so.

She could end the subsidies to banks, which are costing maybe £20 billion a year at present, and which she does not need to provide.

She could rebuild public services as productive assets.

And she could create a fiscal rule that focuses upon full employment and meeting our climate obligations.

She could, in other words, treat people and planet as objectives and not as constraints.

She could, in other words, be a courageous politician.

She could use the power of government to deliver benefits for everyone.

She could use democracy to literally manage the economy.

We could have a better future, but without a vision, not only is Rachel Reeves not courageous, she is the exact opposite. We have a cowardly politician in charge of the Treasury, and we're all paying a price for that.

Do you agree? I believe we need a chancellor with imagination and courage, with a plan that serves the people. Somebody who will manage a politics of care, of investment of hope. But what do you think? Do you think this is what we need, or do you think Rachel Reeves is doing just fine? Or do you even think that we should, in fact, be cutting government even more?

Let us know. There's a poll down below.

Poll

[poll id="264"]

My Alternative Budget [is available here](#).

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