

# Funding the Future

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I wondered if I was being unfair in LabourList and most commentators on the Left when posting about its commentary on bonds and their power over governments this morning, and then this nonsense, published by the supposed left-wing media publisher, [Novara Media](#), this week, was drawn to my attention:

*Many MPs will be looking for an end to the streak of savage cruelty that Reeves and prime minister Keir Starmer tried – and largely failed – to inflict on the country’s poorest in an effort to balance the nation’s books. Sweeteners in that direction already hinted at include, finally, the dropping of the two-child benefit cap.*

*But it’s the response from the markets, which issued £117bn of new government debt in the first seven months of this year alone, that will likely decide whether Reeves, and indeed the entire Starmer regime, survives through next year.*

*And every indication is that those who’ve loaned the government money – once largely pension funds but now cavalier, profit-maximising hedge funds and foreign investors – want to see the chancellor significantly increase the Treasury’s revenue on Wednesday.*

Let’s be candid. Even though I accept that the part of the article I quote was framing, and that the author then tried to backtrack from some of the implications, the article never really moved on from these upfront suggestions, and that means that is still typical of the uncritical recycling of the neoliberal superstitions that have captured Labour, the commentariat, and, apparently, the leftwing press as well, and worthy of criticism as a result.

All the basic claims in this passage are wrong, meaning they should never have been there.

First, the markets do not “issue” government debt, as the article claims. The government does that. The Debt Management Office auctions it. The price at which it is sold is a reflection of the interest rate set by the Bank of England. It is not a judgment on the government’s political fortunes.

Second, the idea that “the markets” decide whether a government survives is a fantasy. Democracies are meant to do that. Yet this trope is now repeated endlessly,

even by those who should know better and should want better. It is as if the left has forgotten that markets are human-made institutions shaped by regulation, law and political choices. And it is as if they have also forgotten that the only reason that bond markets enjoy their power is that politicians let them do so by maintaining their own ignorance about their purpose and functions.

Third, the statement that the government has “borrowed” money from these supposedly omnipotent market actors is simply untrue. As I have said repeatedly, the UK government does not borrow money in any meaningful sense. It issues gilts so the Bank of England can maintain its interest rate policy; so that pension funds and insurers have safe assets to hold; and so that banks have collateral to support their lending operations. These are issues to fulfil public policy objectives, not financial necessities.

To describe this as borrowing is as misleading as describing the issuing of train tickets as borrowing from passengers. Gilts are issued to meet their purchasers' needs, and not to fund the government.

Fourth, the idea that hedge funds and “foreign investors” are now the primary holders of gilts is also untrue. Pension funds, insurers, UK banks and the Bank of England itself – via the enormous stock of gilts it still holds from quantitative easing – dominate the ownership structure. Hedge funds do not run the gilt market. They trade around the edges. They speculate. They make noise. But they do not dictate fiscal policy.

So why is this narrative being spread? Why is the left repeating it?

That is because, for too long, the left has absorbed neoliberal framing without noticing, and it still does. It has accepted the idea that the government is a household, meaning that it agrees with the household analogy and all the mythology that goes with it. In addition, it believes that there is a fixed stock of “money” out there to be borrowed from markets, when nothing could be further from the truth (since the demise of the gold standard, and not even then) and that these markets sit in judgement on governments like gods on Mount Olympus.

None of this is true. But it is politically convenient for those who want to impose austerity, suppress democratic demands, and pretend that the state is helpless in the face of “market discipline” to perpetuate these myths, and for reasons that baffle me, much of the supposed left-wing commentariat in this country appears to want to be counted in their number.

The tragedy of all this is that the left has forgotten the most basic facts of all:

- \* The government creates the currency. The markets do not.
- \* The government sets the rules. The markets do not.
- \* And the government can always fund any programme denominated in its own currency, constrained only by real resources – labour, energy, materials, ecological limits – and not by the whims of financial speculators.

That is the argument that should be made. Instead, we get stories about how the coming Budget must “please the markets”, how Reeves must “raise revenue to survive”, and how investors must be reassured that the government will sacrifice the poorest to protect gilt yields.

If this is what passes for left analysis, or at least framing, in 2025, then no wonder Labour feels no pressure from its supposed allies.

Here is what the left should say:

First, the government does not need to raise taxes to fund spending. It needs to tax to control inflation, inequality, and the corrosive concentration of wealth and power. That is the real purpose of taxation in a sovereign currency system.

Second, spending should be determined by need. And the need is overwhelming: health, education, housing, local government, climate, energy, and care.

Third, the idea that the UK is in a fiscal crisis is untrue. The real crisis is political: an unwillingness to challenge the myths that sustain austerity.

Fourth, the bond market is a creature of the state. It does not govern the state.

If the left-wing media cannot say these things, then it is not surprising that Labour is drifting ever deeper into the neoliberal cul-de-sac that created our current mess.

That, ultimately, is the problem with the Novara article. Not that it is wrong, but that it recycles the very logic that has constrained progressive politics for forty years. It cannot imagine a world in which the government leads rather than pleads, in which democracy trumps bond traders, and in which we judge a Budget not by “market confidence” but by whether it improves people’s lives.

If the left wants to matter again, it has to break with this framing. It has to stop echoing the very myths that destroy the prospects of the people it claims to support.

And it has to start telling the truth: the markets follow the government, and not the other way round. Until the left says that it is always playing on the opposition's turf. No wonder it's not winning.

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