

Rachel Reeves is to blame for the UK's predictable econ...

Published: April 15, 2026, 6:38 am

There are a whole host of reports in the media this morning about [Rachel Reeves, the International Monetary Fund](#), the change to the UK's circumstances as a consequence of Donald Trump's war against Iran, [and the scale of the downturn that we should expect in UK fortunes](#) when compared to other countries as a consequence.

Simultaneously, [there are stories about Rachel Reeves' annoyance](#) at Donald Trump for starting this war without having any strategic goal or end plan, [and her apparent intention](#) to make a speech today to the International Monetary Fund Spring Meeting in which she will, apparently, declare that other countries should adopt the UK's approach to managing the consequences of this war and the support package that it is proposing to supply to people in the UK to protect them from the resulting adverse impact.

To emphasise these messages, [the IMF has said](#) that UK growth will decline the most amongst G7 countries, which are the largest economies in the world, as a consequence of this war. It has downgraded their growth estimates as a consequence and, for a chancellor like Rachel Reeves, who thinks that growth is the be-all and end-all of economic goals and performance, this matters.

In response, Rachel Reeves is bullish. Her claim is that none of the issues that we are facing is of her creation. She also claims that her response, which, as far as I can see, has not yet been announced, or if it has, represents almost meaningless and uncertain support for those reliant on the use of oil for home heating, with everything else being largely left to markets to determine, is what responsibility looks like.

Unsurprisingly, the reaction of markets to the UK situation has been adverse. Alongside Italy, [it has seen the biggest increase in its potential government borrowing costs as a consequence of this war](#). They have increased by 0.5% as a result. Apart from Italy, France is the only other large country to see an increase of broadly similar scale, with its market interest rate increasing by 0.45%.

What, then, is all this about, and why is it that both markets and the IMF think the UK is going to have such a rough time as a consequence of this war, albeit that I think they have so far altogether failed to estimate the real scale of its consequences and that

things are going to get very much worse than they are forecasting?

There is just one explanation for why this is going to be the case, although that one explanation can be interpreted in a number of ways.

Rachel Reeves is the explanation. She is the cause of our problems. UK interest rates are going to be worse than in other countries, and our growth rate is going to be smaller because her actions will ensure that this is the case.

That suggestion requires elaboration.

Firstly, the sheer size of the London financial market-based economy is one reason why we will always have excessive market speculation against perceived government courses of action in the UK. When you provide a few people in the City of London with a toxic weapon, in the form of control over other people's money, with the opportunity to speculate against the best interests of their government, whose thinking they believe, with good reason, will be excessively rigid when it comes to issues of economic management, you provide those few people with the opportunity to undertake speculative trades from which it is almost certain they can profit, at cost to both the country where they are resident, the government whose activities they are undermining, and the people whose funds they are using to undertake this activity.

Saying this, let me be clear about what I mean. Amongst those who will be speculating about UK interest rates will be pension funds, life assurance companies and maybe banks, all of whom will be entrusted with money saved by individuals within the UK economy, all of whom will be worried about their future at present.

Rather than accept their fiduciary duty to those people to deliver long-term overall well-being on their behalf, the UK's preferred savings structures, such as pension funds, separate the interests of savers from the interests of those who manage saved funds, and provide savers with insufficient alternative options for places to locate their money for a greater social purpose. This means that those institutions can speculate for short-term gain, even though doing so almost invariably undermines the well-being of the people who have saved with them.

This is a particularly acute problem within the UK, and an explanation for the reasons why the media think that we are a country characterised by bond vigilantes who, the media suggest, take on the role of speculating against the public interest in a way not so commonly seen elsewhere.

Although those undertaking these trades would, I am sure, deny that they are bond vigilantes, and claim they are just undertaking rational economic transactions to secure an opportunity for profit, my suggestion is that if they properly understood the duty that they have to those who have saved with them, they would not trade in this way because the profit that they record is generated at the expense of those they are

meant to be acting on behalf of.

The types of reform of the UK saving system that [I have persistently promoted](#) on this blog would help alleviate this problem. There is no sign that Rachel Reeves has considered taking action to reform savings in the way that I suggest, and the consequence is that this activity located within the City of London persists, even though she is aware that it is undermining the country's well-being. That represents a failure on her part.

We do, secondly, have to ask why traders think it profitable to trade in this way, and the answer is easy to provide. Rachel Reeves is totally predictable. She has set rigid fiscal rules. She has given the Bank of England a rigid mandate to control inflation. Both convey an inevitability about her responses to the crisis.

The rigid rules she has created will, in the face of economic pressure from an external source that might trigger inflation, lead her to impose cuts in government spending in a vain attempt to supposedly balance her books. She will, of course, as a consequence, deliver overall lower rates of growth, as the IMF confidently predicts.

It takes no great brainpower to come up with their forecast. All they have to do is observe that Rachel Reeves is a person clearly unable to change or reset her thinking in the face of changing circumstances, and predict the inevitable consequence of not doing so. That is what they have done. Reeves must accept the blame for this. She is the person predestining us to lower growth by her inflexibility.

At the same time, because Rachel Reeves has made it clear to the Bank of England that they must respond, using variable interest rates, to any increase in the rate of inflation, she is inevitably forecasting that these rates must rise, and City institutions know this is a matter of fact, and are therefore anticipating what will happen. They are, then, not so much speculating as putting money on the odds-on favourite in a one-horse race.

This will, as a consequence of this rigid approach to inflation, also put pressure on the likelihood of her achieving her fiscal rule by increasing government borrowing costs, which only increases the likelihood that she will have to impose austerity elsewhere with regard to UK government expenditure, again exacerbating the likelihood that growth will decline in the UK.

My point, then, is simple. Because Rachel Reeves works on the basis of entirely predictable economic formulations, which are published in advance and appear to be subject to no flexibility, whatever might happen in the real world. As a result she is currently responsible for both the likely increase in interest rates that will happen in the UK economy in the rest of this year, plus the resulting increase in government costs that will arise as a consequence, plus the inevitable austerity that she will introduce as a result, giving rise to the inevitable decline in growth which will be seen as a consequence, and which will have a real impact within the UK economy, with the

greatest cost being borne by those who are on the lowest incomes within it, who will suffer the greatest relative decline in their living standards as a result.

They will have only one person to blame, and that will be Rachel Reeves.