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Instant Thoughts

1 June 2026

Out of Eden

- **The Labour Growth Group, an affiliation close to Andy Burnham, proclaimed that it has found the answer to all British prayers.**
- **Building a Department for the Prime Minister is the first step to restore proper governance, the Group suggests. This elite taboo, we afraid, will likely backfire amid the class war that Labour helped start. And the unforgiving welfare burden can't be wished away by hiring more underlings.**
- **The Group also offers to devolve power regionally. Rarely does it pay off by ignoring regional factionalism though.**
- **When pressed, Burnham acknowledged that his policies would probably result in "a bigger balance sheet". More debt is inevitable. It gives reason for overwrought gilt owners to return to their paranoia mode.**

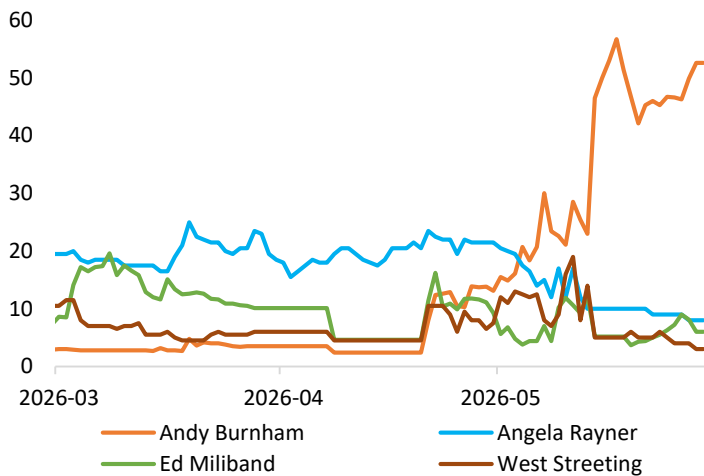
The endless game of musical chairs in Downing Street has turned the UK into a kind of toll booth on the road to budget rebalancing, collecting charges every time the world believes in its eventual departure from right-wing populism.

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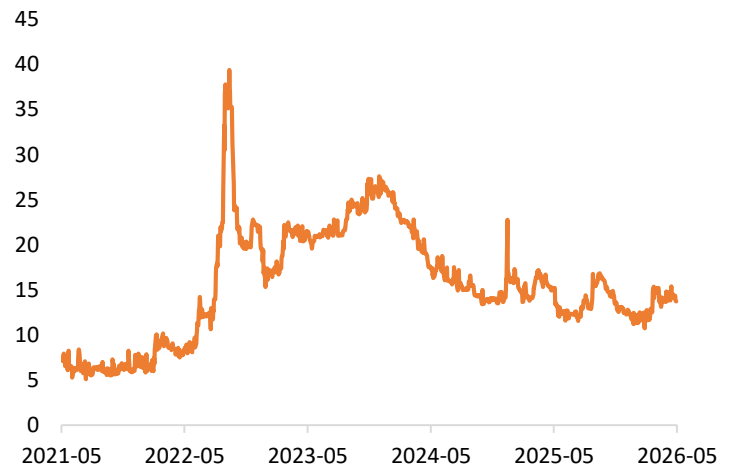
Much as that blows bondholders' minds, Andy Burnham, the Mayor of Greater Manchester and the frontrunner to replace Keir Starmer as the UK Prime Minister this summer, was also on record as saying that the government shouldn't be "in hock to the bond market." It is one of the ironies of our times that politicians refuse to follow common sense - the painful nerve impulse itself is a signal to save us from harm.

Exhibit 1: Who will be the next UK Prime Minister (%)



Source: Polymarket, Bloomberg, Shanghai Commercial Bank

Exhibit 2: UK 5-year CDS (bp)



Source: Bloomberg, Shanghai Commercial Bank

A painless third avenue seems too seductive. The Labour Growth Group, an affiliation close to Burnham, proclaimed that it has found the answer to all British prayers. It's time to move on "from a distributive state to a capable one," they argue. Sadly, we are all too familiar with the candyfloss talk of prioritizing productivism over rent-seeking. The question is how you achieve that.

Building a Department for the Prime Minister is the first step to restore governance, the Group suggests. Is there a catch? Yep. This elite taboo will likely backfire amid the class war that Labour helped start. And the unforgiving welfare burden can't be wished away by hiring more underlings.

Labour has disdain for corporatism. The Group also offers to devolve power regionally, in particular fiscal power. Empowerment is often your friend, but not always. Rarely does it pay off by ignoring regional factionalism. By design, local politicians tie themselves up in knots trying to play off against one another.



But Tony Blair was accused of lacking a clear agenda. So did David Cameron. What makes this time different is that the deficit was growing too fast and too hard to cut so that past a certain point Labour, a student of power, simply gave up. When pressed, Burnham acknowledged that his policies would probably result in “a bigger balance sheet”. In layman’s terms, more debt is inevitable, regardless of his lip service of adhering to the fiscal rules.

The only thing worse than arriving late at a party is arriving with a misfit dress code. Seen in that light, the Burnham premiership will give reason for overwrought gilt owners to return to their paranoia mode.

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