

Of 'fiscal rules' and 'fiscal headroom' and oth...

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The [FT had a report yesterday](#) that suggested that:

Jeremy Hunt is considering slashing billions of pounds from public spending plans to fund pre-election tax cuts if he is penned in by tight finances in his March 6 Budget.

Treasury insiders say the UK chancellor is looking at "further spending restraint" after 2025, if official forecasts suggest he does not have enough fiscal headroom to pay for "smart tax cuts".

They added:

Much depends on how big a "fiscal headroom" the Office for Budget Responsibility gives Hunt; the independent body handed its latest forecasts to the chancellor on Wednesday.

This made me want to scream, and not that quietly at that.

The suggestion being made is that a lot of supposed grown ups are spending vast amounts of time manipulating rules that they know have only been created for political reasons, and which they know will be abandoned as soon as they no longer serve those goals, whilst others (the journalists) comment as if this really matters when in reality it is all just a game of smoke and mirrors in which those providing supposedly intelligent commentary are themselves knowing (I hope) facilitators of the deception.

Lydia Prieg at the [New Economics Foundation has written](#):

This is why the UK has had [nine sets of fiscal rules](#) since 1997. Our fiscal rules are not immovable laws of nature – they are invented and decided by our politicians. Chancellors simply change their fiscal rules when they become too difficult to meet – they are a political tennis ball, not a tool of effective policy. Even Jim O'Neill, the former chairman of Goldman Sachs Asset Management, and the Treasury's commercial secretary under then-chancellor George Osborne, has [since urged](#) this government to

“drop such petty and arbitrary fiscal rules that magically claim the deficit in five years’ time will be lower.” While Rachel Reeves appointed O’Neill as an advisor, she doesn’t appear to have taken this advice to heart.

She is right: Reeves has most definitely ignored his advice. Hunt did, long ago.

So too have those at the FT who have not called out this nonsense for what it is.

There is, for the record, no such thing as ‘fiscal headroom’. And, ‘fiscal rules’ are just mechanisms created by governments who use them as an excuse to constrain government spending so that sufficient economic resources might instead be sub-optimally used within the margins of the private sector, mainly in formerly state run activity from which excessive economic rents might be extracted by those who have done nothing to earn them.

Meanwhile, the media who do not call this out reveal themselves as either willing participants in this process of deception or as fools: they can nominate themselves for whichever description they think fits best.

I yearn for grown-up debate on the economic issues that we face. We hardly ever get it in our media. No wonder we’re in a mess when they won’t call out the drivel talked about fiscal rules for what it is. It does not even require great expertise to do so. All they have to say is that the Emperor very clearly has no clothes on and cannot disguise the fact by taking nonsense about fiscal rules. Then we might move on to some serious debate.

What is the chance of that? Close to zero, I fear.