

What would a good fiscal rule look like?

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If we want to change things, we have to change the rules of government. We have to change them so that people are at their epicentre and that things that matter are the goals that government must achieve.

<https://www.youtube.com/watch?v=02ym4WNoObs?si=9AgByeiJC6Uab1Dj>

This is the audio version:

https://www.podbean.com/player-v2/?i=irfac-17392fc-pb&from=pb6admin&share=1&download=1&rtl=0&fonts=Arial&skin=f6f6f6&font-color=&logo_link=episode_page&btn-skin=c73a3a

This is the transcript:

What would a good fiscal rule look like? It's an important question because so much time is dedicated to discussion of fiscal rules by economists, commentators, politicians and others, all of whom seem to not know what a good fiscal rule would look like in practice.

We know that this is an issue because Rachel Reeves changed the UK's fiscal rules recently as part of her budget in October 2024. She was not alone in doing so. Almost every Chancellor that we have had since Gordon Brown, soon after the turn of the century, has manipulated the fiscal rules that they have created for their own use, for

their own reasons, to achieve their own goals. And as a consequence, no one really believes that these things are of any relevance.

What we know about fiscal rules is that they are all a giant con trick.

The con trick is on the electorate. The aim is to prove that the Chancellor in question is fiscally responsible because they won't spend taxpayers' money in a way that will be reckless, according to the Daily Mail, and the result is that they put forward some nonsense claim about how they will balance the government's books in a way that is wholly unnecessary, and, as a result, they claim that they are immensely successful, when usually they are anything but that, having rewritten their rules two or three times during their period in office to try to pretend that the books balance after all.

But what if we had more? A real fiscal rule. Something that was fundamental, that drove the policy of government in ways that were important. Suppose we had fiscal rules that said:

- * We will have full employment.
- * We will eliminate child poverty.
- * We will improve the availability of educational support to every child in the UK so that our educational standards rise right across the board.
- * We will deliver good homes for people that are at reasonable, affordable prices, that are free from mould and are warm.

Suppose we had a fiscal rule that said we will focus upon the inflation that really matters in this country, which is that on energy prices and on food and on rents and on the cost of transport, which are the things that will really make a difference to people's wellbeing. Perhaps throw clothing in there as well.

Suppose we had a fiscal rule that talked about the life expectancy of people. But not just the life expectancy but the well-lived life expectancy. In other words, the time before people become sick before they die.

Suppose we had all these things. Suppose they were the goals that we set for government.

What if these were the rules that government thought were really important, rather than rules focused upon balancing books, about which, frankly, nobody anywhere cares, including in the City of London.

If we had rules like that, what would government look like?

Well, first of all, it would look as though it cared, and surely that matters.

Secondly, it would look as though it had a job to do, which at present it hasn't, because all it does at the moment is say what it can't do, and not what it can or should be doing.

And, it would have to deliver. Deliver against those fiscal rules, in other words. Deliver in a way that made sure that people saw the benefits of government action.

Suddenly, politics would be relevant. Politics would be about things that people understood. Politics would matter.

That's what a decent fiscal rule could do for this country. That's what we could change to make politics relevant to encourage people to vote, and to deliver government that cares about people, which most people in the UK, and frankly, across the Western world, think is something that has been consigned to history.

If we want to change things, we do have to change the rules of government. We have to change them so that people are at their epicentre, and that things that matter are the goals that government must achieve.