

When the world changes, so should the Chancellor

Published: January 12, 2026, 9:20 pm

As Toby Helm and Phillip Inman note in [The Observer](#) today:

Labour MPs know there are three short-term options for Reeves. But they also know that all of them would be hugely damaging politically.

One is to raise taxes again at the spring budget. The second is to cut spending by more than planned already in real terms towards the end of this parliament. And the third is to break the “iron-clad” rules, and be damned.

I beg to differ. Reeves has a fourth option. It is to say that everything has changed. The assumptions she and Starmer made last year when planning for government presumed a stable world political, economic and trade order, and that no longer exists. To plan on the basis of assumptions that no longer hold true would, in that case, be absurd, she could say. In the circumstances, she could very quickly explain that she must tear up the fiscal rules she had.

My suggestion is that she could and should do that. Never will she have a better opportunity to undertake a reset with the excuse provided by others—and most particularly the Trump, Vance, and Hegseth trilogy of hate and loathing. Any sane person would realise that this requires a reappraisal. Even Ursula Von der Leyen has [done so in the EU](#). Reeves needs only use the wriggle room Von der Leyen has created, and she is off the hook with just about everything.

This would, however, require three things.

One is political nous. There is none of that around Downing Street.

Second, it would require that we admit that the special relationship is over. There is little chance of that. Fascists are, apparently, our friends now.

Third, it would require that Rachel realise there is more to life than accounts, and as a Professor of Accounting, I am sorry to say that I do not think she appreciates that this is the case.

So, maybe Toby Helm and Phillip Inman are right. Maybe Reeves does only have three options. But that is only because she, Starmer, and their advisers are too dim-witted to realise otherwise.

To paraphrase Keynes, when the world changes, so should the Chancellor. The trouble is, there is no evidence that this Chancellor ever read Keynes.