

Fiscal rules are as flexible as rubber bands

Published: January 13, 2026, 4:02 am

In this video, I explain why Rachel Reeves' beloved fiscal rules are nothing but political theatre. They're arbitrary, endlessly changeable, and stop us investing in what matters. It's time we governed for people, not ratios.

<https://www.youtube.com/watch?v=IfH8L1DZF0w&si=A010BlqS3h1q-TER>

This is the audio version:

https://www.podbean.com/player-v2/?i=u4h4d-18f5dca-pb&from=pb6admin&share=1&download=1&rtl=0&fonts=Arial&skin=f6f6f6&font-color=auto&logo_link=episode_page&btn-skin=c73a3a

This is the transcript:

As you will know if you follow politics, Rachel Reeves spends all her time talking about the need for the UK to follow her fiscal rules. But there is one fundamental problem with her claim, and that is that there are quite literally no such things as fiscal rules. All they are, are a set of guidelines, created by her, that she wants us to comply with, to deliver what she has decided are the outcomes that she desires for our economy.

Let's break this down.

Labour and Conservative governments have created fiscal rules since 1997.

Gordon Brown created the idea in that year because he wanted to prove that the incoming Labour government was going to be financially responsible, because he thought that is why people hadn't voted for Labour over the previous 18 years.

Since then, we've had golden rules, sustainable investment rules, debt-to-GDP ratios, long-term targets, short-term targets, economic cycle targets, and all of them are different, and none of them have ever lasted. And that's because first of all, they've all been made up to suit the convenience of the current chancellor, whoever they might have been, and there have been quite a lot over that number of years, and they are only used to justify what the government wants to do anyway.

There is, in fact, no single correct level of debt or deficit in the UK. As a matter of fact, the UK issues its own currency, so it can never run out of money, and yet fiscal rules imply otherwise, and fiscal rules ignore that fact. And so they are based in themselves on a falsehood that there is a shortage of money when the truth is, there is not.

The consequence is that at their very heart fiscal rules are intended to achieve two goals. One is to prevent the government of investing in the things that we need, which is why we have an infrastructure crisis in the UK. And secondly, they're about cutting the level of government spending, which is what every government appears to have wanted to do since 1997, because they all buy into the neoliberal doctrine that government is bad, and the private sector is good, and that's what these rules are intended to do.

The fact is that fiscal rules pretend to impose discipline, but the truth is they're always suspended in a crisis, and they're always rewritten if the government can't meet the criteria they've set out in advance. In other words, these rules are about as flexible as a rubber band.

They are utterly useless as a mechanism for controlling the economy. They're just about creating current headlines.

And the consequence of them is that, at the end of the day, we have underfunded public services and rising inequality and governments who don't want to do anything about it.

So what do we need to do?

We need to ditch these artificial constraints.

We need to focus on real outcomes.

The target should be full employment, a proper transition for climate change, a focus on wellbeing, keeping people safe and secure and free from fear.

Those are what the real goals of the economy are, and yet we are putting in place

arbitrary ratios, which are guiding economic performance, but not delivering any of those things.

This is not about democratic accountability. Rules can never be that. Fiscal rules don't build trust between the government and the electorate. Only delivery can. So, as a consequence, it's time to scrap the pretence. Fiscal rules are make-believe, and we should be governing on the basis of reality.