

Why Rachel Reeves is making a mess of things

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I was invited onto LBC Radio this morning to discuss whether we needed a Budget. Presenter Matthew Wright, who seems to be keen to have me on his programme, asked the question because of the chaos of the last week or so in which Rachel Reeves has, very obviously, changed her mind many times with regard to what she might do in the announcement she has set to make on 26th November, [presuming that the Labour government lasts that long.](#)

I had a number of points to make.

Firstly, we do very definitely need a budget. Without a Budget, the government has no legal authorisation to spend, and therefore cannot. The only basis on which it can instruct the Bank of England to make payments is that Parliament has previously approved the expenditure in question, and as a consequence, a budget is absolutely essential.

Secondly, we need a Budget to approve the continuation of income tax and some other tax arrangements. Without Parliamentary approval, income tax, which is, for bizarre reasons, only approved from year to year, could not be collected. As a consequence, our government would, in practical terms, cease to function. So, again, we definitely need a budget.

Thirdly, moving on from these pragmatic points, I suggested that the problems that have arisen over the last few weeks have been caused, in part, by the constraints Rachel Reeves has placed on herself.

She chose to give control over monetary policy to the Bank of England, and so she has no control there.

She chose to create a fiscal rule when there was no need for such a thing, and they are entirely a work of make-believe, and she has now been seriously constrained by it, not least because it is, near enough, the one that the Tories used before she came into office. If they were failing using this role, and they were, unsurprisingly, she was always

going to as well, and that is what she is doing.

And she chose to perpetuate the existence of the Office for Budget Responsibility, which was created by George Osborne in 2010. Worse, she has accepted that they have the power to say whether she might reach her fiscal rule based on their projections for the next five years when they have no better clue as to what is going on in the world than does Freda on the bus to Clapham Common.

It is wholly absurd to base budgets on long-term guesswork, and most especially on the guesswork of an organisation like the Office for Budget Responsibility whose track record with regard to forecasting can be fairly described as dire.

The result is that Reeves has created her own Budget mess, just as Labour seems to be choosing to make a mess of everything.

To add to that, I also pointed out that if only she understood how the economy worked, she would realise that there is no such thing as taxpayers' money, because she creates all the money that the government spends, whilst the so-called national debt is nothing of the sort; it is just the excess of the money she creates and does not tax back, deposited for safekeeping with the government by the City of London and its banks, not least because there is nowhere else for them to put it. But she appears to know none of these things, so her ignorance compounds the other problems.

Can we do better? That was the question that Matthew put to me. I made clear that, of course, we could.

First, she could address all the problems I had highlighted.

Secondly, she could stop living in fear of financial markets when she has the power to control what they do.

Third, she should live in fear of us, the voters, right now, because she is not winning our favour.

Fourth, the whole fiasco budget, based on secrecy and hype, should be diffused. Instead, there should be widespread consultation, on a transparent basis, on what government spending priorities should be. This might involve a form of people's parliament, or large-scale focus groups, if you like, but these should not be behind closed doors. The evidence and the findings should be available for people to note.

The same should be true with tax rises. We are not going to get additional taxes on the wealthy, it would seem, and that is precisely because Rachael Reeves is terrified of them, when she should actually be listening to people, and if she did, she would realise that this is an essential course of action for her to follow because people are fed up with being fleeced by those who exploited the current financial system for their advantage at cost to everyone else.

And, let me stress, there is no reason why such processes should not take place. If they did, there would be better engagement with the government, better understanding of the processes of government, better understanding of the tax system, and a belief that we have a chance to be heard. Why any government would want to refuse that is hard to work out, but Labour does, and so I have precisely no sympathy with where they are.

In summary, as I said on air, we need courageous politicians, and we have cowardly ones instead.