

Why the UK budget system is broken — and how to fix i...

<https://www.taxresearch.org.uk/Blog/2025/12/01/why-the-uk-budget-system-is-broken-and-how-to-fix>
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Rachel Reeves just gave us a masterclass in how NOT to run a budget. We got leaks, U-turns, political theatre, but almost no real economic planning.

In this video, I explain what's gone wrong and how we could get a rational budget delivering:

- * Open and democratic decision-making
- * Good accounting & proper economic forecasting
- * Fair taxes that work in practice
- * A focus on environmental limits & real outcomes

We deserve better than this.

https://www.youtube.com/watch?v=Knt4hMH1IMY?si=5BgOvOWa_EDDBpnS

This is the audio version:

https://www.podbean.com/player-v2/?i=3wyj6-19d6da6-pb&from=pb6admin&share=1&download=1&rtl=0&font=Arial&skin=f6f6f6&font-color=auto&logo_link=episode_page&btn-skin=c73a3a

This is the transcript:

What has Rachel Reeves's budget this week taught us? It has taught us, above all else, that this is not the way to manage an economy.

We've had cock-up after mess-up after U-turn, after leak. Right down to the fact that the Office for Budget Responsibility, that is based in her own Treasury, published the whole thing before she even stood up in the House of Commons to deliver it. You could not have made a greater mess of this process if you had set out to try.

As political theatre went, this one was a disaster. It would've closed on the second night of the run if this had been put on in the West End. It simply didn't work. So the big question is, "What would we do if we wanted a more rational system for decision-making about the future direction of the UK economy?", which is what a budget should be about, and "If we were to be more rational, would the outcome look anything like what we have now?" And my answer is, of course, no, it wouldn't.

Rationally, a budget would work out how we achieve what our economic objectives are.

How do we deliver growth, if growth is what we want?

How do we control inflation?

How do we redistribute wealth fairly?

How do we create full employment?

Who do we tax, and to what effect?

How do we work within environmental limits?

How do we use savings to best effect, and how do we encourage them, and where do we want them to go?

That is what a budget should be about, of course, there are plenty of other issues, like, for example, how we deal with poverty and how we manage systems to deal with that and what we might want to encourage and discourage in the economy as a whole with regard to things like ultraprocessed-food and well-being or industry, or not, and whatever else. But the point is whatever we did, we wouldn't end up with the parliamentary spectacle that we now have, focused upon a single person, the Chancellor, and the fiasco that too often follows from that concentration.

George Osborne made a mess of this twice for the Tories before 2015.

Philip Hammond made a mess of it in about 2017.

Rishi Sunak made a budget in March 2020, which, within a couple of weeks, he had to basically withdraw and reissue because of COVID.

Jeremy Hunt had no idea what he was doing at the dispatch box.

Kwasi Kwarteng was the ultimate exponent of how to get it all wrong.

And Rachel Reeves, frankly, isn't very far behind.

She flew kites. She put out ideas. She pretended she was going to do one thing, and then changed her mind on the day, and then we had a leak. This failed us. So what would a rational process look like?

A rational process would be open, honest, and transparent.

A rational process would involve long consultations with the people who are going to be impacted by the decisions made: not behind closed doors, not with focus groups, not with people who are trying to do political point scoring, but between people who actually are informed, who are provided with the data that is required to make decisions, who can offer honest opinion from a wide range of backgrounds, and who can do structured, open planning.

This would be all about participation and not point scoring. This could be a situation where a people's parliament could be of use.

Of course, a chancellor might choose to ignore the advice they got. But a participatory process is one that will buy people into what is happening. And that is important because you need to take people with you when you are making decisions about their lives, and that is what budgets are about.

We need to have that consultation because this is democracy in action, and not performance management.

We need to end the tribalism.

We need to end the stress caused by last-minute deals, and we have seen so much of that talked about during the course of Autumn 2025.

And we just need to stop the political games that are being played with people's livelihoods, because that is happening too, and that's bad for this country. It's bad for the people who are affected. It's bad for the businesses who are affected. And it's bad for the people who suffer as a consequence, not least those who are dependent upon our public services.

You would need to design taxes properly. The fact that they are announced as if they are pawns in this game of politics is a mistake and a terrible mistake, because we have a tax system that doesn't work. We have a tax system that undermines itself on too many occasions now. We have, for example, a corporation tax rate for small companies that is lower than the basic rate of income tax, which makes no sense at all. We have a

capital gains tax rate, which is lower than the income tax rate, and that again makes no sense at all; it just encourages tax abuse.

And if we did genuine tax analysis and tried to remove the wrinkles from the system and the opportunities for abuse and the areas where tax avoidance takes place and did something that I call tax spillover analysis - and if you want to find out more about it, just Google it 'tax spillover analysis', and just put in my name and you'll find articles about it - then we would end up with a far better and more efficient tax system where, in particular, people would pay, and we've currently have got a system where 40% of all corporation tax owing by small companies goes unpaid as a consequence of the fiasco that we have seen, and Rachel Reeves made no announcement about that at all.

We also need better information for the public. There is all this hype on budget day, but it almost all focuses upon what are the changes to tax, but that isn't the most important aspect of a budget, although I do not deny the political curiosity that goes with it. The most important part of a budget is the explanation of where the economy is going and why.

The second most important part of any budget is comparing earlier years' forecasts with what actually happened so we can see whether expectations were matched by reality and learn lessons from the failures that occurred, because failures do occur; they always do.

This is core to good accounting. Every good accountant knows that you compare this period's results with the forecast for this period to try to work out why what you hope might happen has not happened, or let's be honest, why things went better than you expected, because there are lessons to be learned from that as well. The public needs this information, but we don't get it. We do not get proper accounting from this government. We just get forecasts, but we don't get the follow-through, and that in itself is a major failure on their part.

If we changed the whole system of budgeting, if we had people participate, if we did open and transparent management of the tax system and the changes that are necessary in it, and if we did proper accounting for what the government does, we would have more confidence and stability in this country. We would be better able to support sustainable growth. We would know how to focus our savings and investments in ways that meet real needs. We don't have that at the moment, but what we do need is a budget process that achieves those goals when, at present, it achieves almost none of them.

Frankly, our budget system right now fails the people of this country when it should be servicing them.

And in all of this, of course, there would have to be a focus upon environmental responsibility; it's not a tack-on, it's absolutely core, and that's why change is needed

as well, because it does not get the focus that it requires.

So what should we do? We should end the annual theatrical event that we suffer, rather than enjoy. We must replace it with economic management that works, which must be open, evidence-based, participative, stable, and focused on real outcomes. We need a new rational basis for forecasting our economy so that we end up with proper management rather than theatre. Is that too much to ask? I don't think so.

What do you think? There's a poll down below. Let us know your opinion.

Poll

[poll id="262"]

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