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UK Budget Preview 3: First Budgets of post-war Chancellors

As we get ever closer to Rachel Reeves' first Budget as Chancellor, one often-mentioned adage is that a Chancellor's first Budget defines their tenure in office and sets the tone for what kind of policy they will preside over. But how true is that? We'll look through post-war UK fiscal history to find out.

Hugh Dalton – 1945 (88 days after taking office)

Strictly speaking Hugh Dalton was both the last Second World War Chancellor and the first post-war one – though his former status didn't last long. The War might have ended in Europe, but it was still a going concern in Japan, and there was widespread disruption to the first General Election for 10 years. Votes were mostly cast on 5 July, but counting was delayed until 26 July to allow for overseas ballots to be returned.

When counting was done, Labour had secured its first majority in the House of Commons. The Attlee Government made many substantial changes to the UK, including the nationalisation of industries and of the Bank of England and the implementation of large parts of the 1943 Beveridge Report, including the creation of the National Health Service and the extension of National Insurance.

All those landmark pieces of legislation came after Dalton's first Budget, which was a supplementary budget – presenting in-year changes relative to the Budget presented by Sir John Anderson at the beginning of the year.

If Attlee's government has come to be seen as transformative, Dalton's first budget was a much more austere and continuity affair. The War had just ended, and the Government's main message was that with supply constraints still in place, demand shouldn't be stimulated so much as to create inflation risks.

Although the War had been incredibly expensive and had caused a build-up of debt, the step-change was nowhere near as large as the First World War had been – in large part because of the large and broad-based increase in taxes. Dalton then moved to reduce income tax at the first opportunity, increasing personal allowances, cutting the standard rate of income tax from 50% to 45%, increasing income tax progressivity, and reducing the excess profits tax from 100% to 60%. All these were netted off against the stopping of the creation of new post-war credits[1], which had been assumed in the original budget and would have decreased subsequent revenues significantly.

This was a large giveaway, costing approximately £100 million in 1946-47, or 1% of GDP – which in today's terms would equate to £27 billion.[2] Despite the large tax cuts, this is not a hugely remembered Budget in historical terms – many of Labour's large reforms would be yet to come.

[1] These were a form of borrowing by the Government from private households, forcing them to save by taxing them more highly during the War and offsetting these against future income tax liabilities.
[2] Defined as the monetary value in 2024-25 of the same percentage of GDP – and so taking into account affordability of policy rather than simply growth in prices.

Sir Stafford Cripps – 1948 (145 days after taking office)

This was a much more consequential budget in the long run, even if the net fiscal tightening was a mere £11 million (0.1% of GDP, or £3 billion in today's terms). The National Health Service Acts 1946 (England and Wales) and 1947 (Scotland) had been passed, and this was the first Budget to include a provision for the NHS. The full cost budgeted for 1948-49 was £145 million, in what would prove to be only the first of many underestimates of the cost of the service – by the end of the financial year, this had been exceeded by 39 per cent.

Though the size of the fiscal tightening was unremarkable, there were some underlying movements in taxes that showed a change in approach. There was a broad movement to reduce broad-based taxes: the purchase tax (the precursor to VAT) was simplified and lowered by £18 million (0.15% of GDP, or £4 billion today), and income tax was cut by £39 million (0.3% of GDP, or £10 billion today) through increased progressivity and extensions of reliefs. This was more than offset by increases in customs and excise taxes – alcohol, tobacco and gambling duties – plus a 'special contribution.' The latter was levied on investment income above £250 for those with annual incomes above £2,000. Average annual wages were around £330, so those affected were very high in the income distribution.

Hugh Gaitskell – 1951 (173 days after taking office)

Cripps resigned as Chancellor on health grounds on October 1950, just 8 months after Labour won a much-reduced majority. He was replaced by Hugh Gaitskell, whose only Budget as Chancellor was also to be the last Labour Budget for 13 years.

In terms of the public finances, and with the exception of Dalton's first Budget, Labour pursued a highly restrictive fiscal policy throughout its time in office, as part of its aim to bring the balance of payments under control and reduce inflationary pressures by restricting consumption growth. The balance of payments was a constant point of pressure throughout this time, and had forced the UK to devalue sterling in September 1949.

At the same that fiscal policy on the whole was restrictive, there were significant increases in spending on provision of health and welfare, as well as industrial investment. But taxes increased markedly too, and Gaitskell's Budget encapsulated this perfectly. All income tax rates were raised by 3 percentage points at a stroke, with some minor increases in allowances to sweeten the deal.

On the business side, the increases were even more pronounced. The tax on distributed profits was raised from 30% to 50%, and all investment allowances were suspended. With increases in fuel duty and purchase tax, the Budget raised a net £138 million (1% of GDP, or £27 billion in today's terms) in 1951-52, and £388 million (2.5% of GDP, or £70 billion in today's terms) the following year.

Another General Election would be called in the Autumn of 1951, and the Conservatives returned to Government with a small majority.

Rab Butler – 1952 (137 days after taking office)

Butler was Chancellor for the whole of Churchill's post-war premiership, and presided over a gradual loosening of fiscal policy. But while that is certainly the direction of travel during his chancellorship and was a significant part of his first Budget, it was not the full story.

Income tax was significantly reduced, with increases in allowances and cuts in rates costing £180 million, or 1.2% of GDP (£32 billion in today's terms). But he also carried on with Gaitskell's swing towards higher indirect taxation and other forms of receipts, relying significantly on customs and excise duties on fuel and post office charges to raise revenues. This period isn't known as Butskellism for nothing.

But the largest measure revenue-wise in the Budget was the excess profits levy, which was essentially a reintroduction of the tax that had been in place during the Second World War that Dalton had repealed in 1946. It was brought back because of the Korean War-related re-armament, and was expected to raise £100 million on net, as it was brought in at the same time that taxes on profits were being cut. It wouldn't last long though, with Butler repealing it in 1953 Budget, effective form 1 January 1954.

On net though, it's fair to say that Butler's portrayal of himself in this budget speech as a tax-cutting chancellor was accurate: the income tax reductions far outweighed his revenue-raisers. The 1952 Budget loosened fiscal policy by £107 million (0.7% of GDP, or £19 billion today) in 1952-53, and by half as much the following year when the excess profits levy was due to come in.

Butler would remain as Chancellor until late 1955, a few months into Anthony Eden's premiership. Throughout all but his last Budget, he continually cut taxes, including a large injection of fiscal stimulus of 0.7% of GDP, or £19 billion in today's terms, in April 1955. With inflation already running high – and with the UK on a fixed exchange rate – rumours swirled of a devaluation or even a freely floating exchange rate, precipitated by the Cabinet refusing to sign off on cutting bread subsidies. Although Butler staved that off, he was forced to into an embarrassing emergency budget, which became known as the 'pots and pans' budget due to purchase tax being introduced on kitchen utensils. Taxes were by nearly as much as he had cut them just a few months before, and he was moved from Number 11 two months later.

Harold Macmillan – 1956 (119 days after taking office)

Macmillan took the reins, but his chancellorship would be short-lived: he took over from Eden a mere 13 months later, and only ever delivered one Budget.

The 1956 Budget was a muted affair. Nevertheless, it contains a great description of the Budget speech in his introduction:

"To tell the truth, I have often thought of Budget day as rather like a school speech day—a bit of a bore, but there it is. The parents and the old boys like it. These occasions are very similar, for an unfortunate audience has to sit and listen to a long speech before it is told of the fortunate prize winners. The analogy is not, of course, perfect, because on Budget day there are quite likely to be impositions as well as prizes for distribution. Sometimes there are nothing but impositions."[3]

Bread and milk subsidies, which had played a part in the run on sterling in the Autumn before, were cut. Import duties on tobacco were raised significantly, and the partial relief for pensioners from tobacco duty was scrapped. This was partly offset by increasing or creating reliefs for savings products for income tax purposes, as well as reductions in stamp duties. In total, the 1956 Budget

[3] Harold Macmillan, 1956 Budget, 17 April 1956, https://api.parliament.uk/historic-hansard/commons/1956/apr/17/budget-proposals#column_852 (Accessed 23 October 2024)

didn't really move the dial on fiscal policy, tightening it by £15 million (less than 0.1% of GDP, or £2 billion in today's terms).

Peter Thorneycroft – 1957 (86 days after taking office)

Another year, another Chancellor. Thorneycroft would not last long either – 7 days short of a year – though he resigned rather than being promoted.

Thorneycroft's only Budget was punctuated by large tax cuts. Reliefs and allowances were increased for income tax, and a full exemption from income tax and profits tax for 'overseas trade corporations' – those companies headquartered in the UK but carrying out all their business overseas. Entertainments duty and purchase tax were also cut significantly, for a total policy package worth £97 million in 1957-58 and £131 million the following year – an average of 0.5% of GDP, or £14 billion in today's terms.

Macroeconomically, Thorneycroft's main problem and focus was inflation, which was trending up again at this time. He sought to reduce government spending and cut some of the allowances to reduce demand, but the Cabinet dissented and he (along with two junior Treasury ministers, Nigel Birch and Enoch Powell) resigned on 6 January 1958. The Cabinet had agreed to £105 million of spending cuts, but Thorneycroft was aiming for £153 million. Macmillan called the difference a 'trifling sum', while Thorneycroft said he 'alone in the Cabinet stood against inflation.'

Speaking about quotes, Thorneycroft also left us with a wise one about economic forecasting:

"The future can be discerned only in part—and then uncertainly—by statistical analysis."[4]

Derick Heathcoat-Amory – 1958 (99 days after taking office)

"Listening to a Budget speech is one of the most severe of the annual austerities that Members of Parliament lay upon themselves. It is, I suppose, one of those disciplines that are considered formative of our national character"[5] said Derick Heathcoat-Amory in his first Budget speech. He was not wrong.

Heathcoat-Amory was promoted from Agriculture, Fisheries and Food to Chancellor, and would become the first postholder to deliver more than one Budget since Rab Butler.

Heathcoat-Amory's first budget had a strong focus on tax cuts. He introduced a flat rate on profits at 10%, costing £16 million a year, and increased capital allowances on plant, machinery and industrial buildings significantly, costing another £23 million. Entertainments duty was reduced, as was wine duty.

Purchase tax was subject to further tinkering, in a perfect encapsulation with how the UK ended up with its impenetrable VAT system. A large number of goods saw rates decrease – for example, draught excluder strip was exempted (down from 15%), jewellery and imitation jewellery was cut to 15% (from 30%) and fur headgear for adults was cut from 50% to 30%. Babies' fur headgear,

[4] Peter Thorneycroft, 1957 Budget, 9 April 1957, https://api.parliament.uk/historic-hansard/commons/1957/apr/09/economic-prospects-for-1957-58 (Accessed 23 October 2024)
[5] Derick Heathcoat-Amory, 1958 Budget, 15 April 1958, https://api.parliament.uk/historic-hansard/commons/1958/apr/15/budget-proposals (Accessed 24 October 2024)

however, went from being exempt to facing a 30% rate. All in all, purchase tax changes cost £41 million a year in steady state.

Heathcoat-Amory's Budget, then, was a relatively modest giveaway: £50 million in 1958-59, and £108 million subsequently – an average of 0.3% of GDP, or £9 billion in today's terms. He was also helped by a fall in import prices, which alleviated some of the inflation concerns. But although inflation would continue to be very low during his tenure as Chancellor, pressures were accumulating. His 1959 pre-election Budget in particular was highly loosening, at 1.2% of GDP (£33 billion in today's terms), and would come to be seen as sowing the seeds of the inflation that his successors would have to deal with.

Selwyn Lloyd – 1961 (264 days after taking office)

Selwyn Lloyd was one of the Chancellors to take longest before delivering a Budget – he replaced Heathcoat-Amory in the summer of 1960, just a couple of months before his predecessor then stood down as an MP.

Lloyd was very aligned with Macmillan, a former Chancellor and now PM who was heavily involved in economic and fiscal policymaking. Both were concerned with the slow growth of the UK economy, especially relative to its OECD peers.[6] When the 1961 Budget came around, Lloyd and Macmillan were pushing for stimulative policy, while 'Treasury orthodoxy' (where have we heard that phrase before?) was to be concerned about the accelerating inflation.

The 1961 Budget was a compromise – aimed at countering inflation, but not as much as someone solely focussed on it would have done. It increased taxes on net by £68 million in that year – mostly on the back of vehicle and fuel duties – with some offsetting movements in subsequent years shifting taxation from individuals (increasing the surtax threshold) to companies (increasing the profits tax rate). There was also an expansion of fiscal powers by allowing the Chancellor to unilaterally change tax rates by 10% (not percentage points) in-year and by allowing a surcharge on employer National Insurance Contributions.

The overall fiscal tightening of ¼ per cent of GDP (£7 billion in today's terms) proved to be far short of the task. On 25 July 1961, Lloyd was forced to take emergency measures in a speech to the Commons. Public spending was cut by £40 million in 1961-62 and by £215 million the following year; overseas aid cut by £100 million; and the 10% tax surcharge was introduced on customs and excise, therefore raising another £130 million in-year and £210 million in subsequent years. Lloyd was also forced to secure a large loan from the International Monetary Fund of over $1.5 billion.

This tightening of 1.2% of GDP (£33 billion) a year later was much more consequential, and it did stabilise the pound, staving off devaluation again. But its cooling effect on the economy did nothing to solve Macmillan's concern over weak growth. Lloyd would deliver one more Budget, though it would be small in net terms, before being sacked as part of the 'Night of the Long Knives' in July 1962.

[6] Green, E. H. H. 'Searching For the Middle Way: The Political Economy of Harold Macmillan', *Ideologies of Conservatism: Conservative Political Ideas in the Twentieth Century* (Oxford, 2002; online edn, Oxford Academic, 1 Jan. 2010)

Reginald Maudling – 1963 (261 days after taking office)

Maudling was Macmillan's choice to replace Lloyd, and he was seen as more amenable to an expansionary fiscal policy that might increase economic growth. The National Economic Development Council – or Neddy, as it was known, a creation of Selwyn Loyd in 1962 – recommended a 4% GDP growth target, which the Government accepted. The 1963 Budget (the papers of which were laid by future Chancellor Anthony Barber as then-Financial Secretary to the Treasury) came to be known as the 'dash for growth', and Maudling said in his speech that his aim was 'expansion without inflation.'

Income tax allowances were increased significantly across the board, and some schedules were abolished altogether. Incentives for investment were also an important target, with increased investment allowances; and stamp duties on stocks and television licences were slashed too. The loosening was £260 million in 1963-64, rising to £460 million the following year and £600 million in steady state – so a permanent increase in the deficit of 1.6% of GDP, or £44 billion in today's terms.

The Budget was popular at the time, and Maudling was even seen as a contender for succeeding Macmillan. But economically speaking, it was an unmitigated disaster. It overly stimulated demand at a time when inflation was running high already, and it put further pressure on sterling. After the 1964 election defeat under Sir Alec Douglas-Home, Maudling left a note for James Callaghan (the incoming Chancellor) that read *"Good luck, old cock.... Sorry to leave it in such a mess."* It might have been a private joke, but that made it no less true.

James Callaghan – 1964 (25 days after taking office)

The incoming Labour Government was quick to act – less than a month in, Callaghan presented an emergency Budget to the Commons which would set the tone of his chancellorship. Fiscal policy was highly restrictive during this time – the average annual fiscal tightening in each of the five statements during Callaghan's tenure was 0.67% of GDP,[7] or £19 billion today's terms.

The 1964 supplementary Budget's fiscal stance reflected almost exactly that average, and one of the headline-grabbing measures was the increase in the standard rate of income tax from 38.75% to 41.25%. There was also a temporary import duty surcharge – even though it was illegal under the General Agreement on Tariffs and Trade[8] – which raised £200 million in a full year, but also caused prices to increase and therefore was ineffective against inflationary pressures.

Callaghan's chancellorship was in many ways a perennial cycle of tightening fiscal policy, particularly on the tax side, as way of suppressing demand and inflationary pressures. Pressure was high on sterling throughout the mid-1960s due to a growing current account deficit, and Callaghan's fiscal measures weren't enough to stave off devaluation in November 1967. This was seen as a national humiliation, and Callaghan resigned as Chancellor, swapping jobs with then-Home Secretary Roy Jenkins.

[7] This includes the emergency statement of 20 July 1966, during Callaghan's chancellorship but delivered to the Commons by Prime Minister Harold Wilson.

[8] Roberts R. 2013. "'Unwept, unhonoured and unsung': Britain's import surcharge, 1964–1966, and currency crisis management." *Financial History Review*. Volume 20 Issue 2, pages 209-229.

Roy Jenkins – 1968 (111 days after taking office)

Jenkins' first Budget was an extraordinarily large tax-raising budget. In today's terms, it would be equivalent to raising taxes by £50 billion a year (1.8% of GDP), one of the largest fiscal tightenings in UK history outside war-related Budgets.

With inflation continuing to accelerate and a projected large budget deficit, the main decision made was to double down on spending controls and tax increases. The PM had already announced an increase in the recently introduced corporation tax from 40% to 42.5% in January of 1968, and this was confirmed in the March Budget.

Income tax was increased through the reduction in personal allowances, which raises just as much money as the corporation tax rise. Indirect taxes were raised across the board, with purchase tax substantially hiked – some goods going from 27.5% to 50% – as well fuel duties and vehicle duties. There was a one-off special charge on investment income related to 1967-68, and a 50% increase in the rates of the selective employment tax – a Nicholas Kaldor creation that was meant to subsidise manufacturing at the expense of the service sector.

Jenkins' tough approach succeeded in bringing down public sector borrowing but not inflation, which continued to accelerate. With Bank Rate not being increased significantly (and even cut twice in 1968) and wage settlements running high throughout Jenkins' tenure, the seeds were sown for a difficult decade to come.

The 1968 Budget was also noteworthy for procedural changes. The Crossman Reforms had abolished the Committee of Ways and Means the previous year, and moved all responsibility for tax and spending policy formally to the Chancellor of the Exchequer. This meant that the Financial Statement and Budget Report was to be presented to the House, rather than in Committee (though the whole house sat together in Committee already, so the difference was smaller than it seemed). Previously any member could formally raise proposals, although given that the governing party controlled the agenda, this was not really exercised in any meaningful way.

The 1968 Budget was also the first time resolutions were passed using the Provisional Collection of Taxes Act 1968, which replaced and expanded the scope of the 1913 Act used for the same purposes. It allows the Government to pass a resolution and later legislate for those changes. The 1968 Act has been amended since, but it's still the statutory basis for budget resolutions today, and you'll likely hear it called before Rachel Reeves takes to the despatch box on 30 October: it's used to roll over income tax, as well as any changes to excise duties (fuel, alcohol and tobacco) that take place before the end of the financial year to avoid forestalling by producers.

Anthony Barber – 1971 (248 days after taking office)

Iain Macleod was appointed Chancellor right after Ted Heath led the Conservatives to victory in the 1970 General Election, but he died 30 days later. Barber was appointed five days later, and would be Chancellor for the whole of Heath's Government.

The 1971 Budget was significant for a number of reasons. The Budget Report became a more structured macroeconomic document, setting the scene for decisions in a more explicit way – and in that sense, it's a much more modern and recognisable Budget than the ones before it. It also contained changes that were announced but wouldn't come in for a couple of years – again, much more like we see in today's Budgets. Prior to this, changes with a longer time lag would often have their own separate discussion alongside a White Paper; the 1971 Budget is a precursor to the modern view of the Budget as the place for set-piece legislation rather than a mere balancing of the books for the coming year or two.

Barber announced the introduction of VAT, which would replace both the purchase tax and the selective employment tax in 1973 as part of the preparations for the UK's accession to the European Communities. VAT in its recognisable design was created to be the main source of funding for the European Communities, even if it has since been superseded by national income-based contributions.

The 1971 Budget was a tax-cutting one – by 0.9% of GDP, or £25 billion in today's terms, cutting income tax through increasing child allowances, reducing corporation tax and the selective employment tax. It was also a prelude to the even larger tax-cutting Budget of 1972 (2.2% of GDP, or £60 billion in today's terms). Together they helped create the 'Barber boom': real GDP growth picked up, but so did inflation. The Government tried to meet wage demands by setting conditional increases on inflation going above 7%. It promptly did in late 1973, causing wages to grow by 15% and leading the Government to lose control of public spending[9] before losing the February 1974 election.

Denis Healey – 1974 (21 days after taking office)

After Heath lost his majority in the February election, he attempted to arrange a coalition with the Liberal Party, but his terms were rejected. With Wilson back as PM, a new Labour Chancellor was appointed – Denis Healey, who would remain in post until 1979.

Healey – who famously quipped that an economist was someone "who, when you ask [them] for a telephone number, gives you an estimate[10]" – had the difficult task of presenting his first Budget as the Chancellor of a minority Government. His first Budget was a large tax-raising exercise – 0.9% of GDP, or £26 billion in today's terms – with changes spread far and wide.

Income tax allowances were slightly increased, but increases in the higher and top rates of tax raised more than double the giveaway on allowances. Stamp duties were doubled as well, and corporation tax for large companies was raised from 42% to 52%. The VAT base was broadened, and the rates on some products increased; and excise taxes were also increased across the board.

Healey's subsequent Budgets would be as Chancellor of a Government with a wafer-thin majority after the October 1974 election, and this status lasted until 1977 – by which time Labour required a pact with the Liberal Party to keep the Government in place due to by-election losses. A subsequent easing in November 1974 was followed by another fiscally restrictive Budget in 1975.

This restrictive policy caused a lot of strain inside the Labour camp, especially when it came to the imposition of cash controls on all expenditure apart from social security.[11] Though the White Paper which first proposed them was defeated in the Commons, cash controls would eventually be

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[9] Sousa, J. 2024. *The effect of UK fiscal policy on output: a historical narrative approach.* PhD thesis, Birkbeck, University of London.
[10] https://www.gresham.ac.uk/watch-now/imf-crisis-1976 (Accessed 24 October 2024)
[11] "Public expenditure to 1979-80", Command Paper 6393, Session 1975-76.

imposed and still form the basis on which departmental spending is controlled today, as departmental expenditure limits (DEL) are the successor to them.

Healey had to seek an IMF loan in 1976 to stabilise the currency markets and allow him to finance the Government on a more stable footing. Only about half the loan was ever used, and he resented having to seek it – but it allowed a much looser policy in the final years of his chancellorship, with those Budgets reducing taxes rather than increasing them.

Geoffrey Howe – 1979 (39 days after taking office)

Held shortly after the Conservatives' win in 1979, Geoffrey Howe's first Budget is less famous than his highly tightening 1981 statement, but it's in a similar vein. Public spending was cut by around £3.5 billion – a small part through lower pay growth, but mostly by steep nominal cuts to public sector investment.

On the tax side, there was a marked shift towards indirect taxes and away from direct ones. Income tax allowances and thresholds were raised and the basic rate cut by 3p in the pound; VAT, on the other hand, was raised significantly, with the 8% rate raised to 15% and goods and services that previously paid the higher rate of 12.5% also increased to 15%. On net, Howe tightened fiscal policy by 0.6% of GDP, or £16 billion in today's terms.

Howe's 1980 and 1981 Budgets were restrictive too, even though the economy had entered into recession by then. This was part of the reason why 364 economists signed a letter to The Times criticising the 1981 statement, which is much more well remembered. Howe would then change tack, cutting taxes in 1982 and 1983, before being replaced by his first Financial Secretary to the Treasury after the General Election.

Nigel Lawson – 1984 (276 days after taking office)

It's often said that a Chancellor's first Budget is their opportunity to set out their stall – a defining moment that reveals what kind of fiscal policy they will enact throughout their tenure.

This was absolutely not the case with Nigel Lawson. His first Budget was extremely low-key, unlike all his subsequent ones – especially 1987 and 1988, each of which loosened fiscal policy by 1.5% of GDP, or over £40 billion in today's terms. Those two Budgets created what came to be know as the 'Lawson boom', in the words of John Smith.[12] Much like the Maudling and Barber booms, it too ended in tears: the large cuts in income tax caused a large increase in aggregate demand, stoking inflation – a fact that contributed to the UK's disastrous decision to enter the European Exchange Rate Mechanism (ERM).

There were some larger measures in the 1984 Budget than the net effect in 1984-85 would make it appear: £1.2 billion in VAT receipts were brought forward, meaning that the underlying fiscal loosening was actually 0.4% of GDP, or £11 billion today, rather than the 0.2% of GDP presented. Lawson's tax decisions were similar in flavour to his predecessor's: lower direct taxes and higher indirect taxes.

[12] John Smith, Debate on the Address, 14 November 1990, https://api.parliament.uk/historic-hansard/commons/1990/nov/14/the-economy#column_589 (Accessed 24 October 2024)

John Major – 1990 (145 days after taking office)

Lawson resigned precisely over the ERM issue – he was in favour of it, but Margaret Thatcher's returning economic adviser Alan Walters was arguing against it publicly. John Major, former Chief Secretary to the Treasury, was the chosen replacement, and went on to deliver his only Budget in March 1990 – before ascending to the premiership at the end of the year.

Major's Budget was the first to be broadcast live. Apart from that, it was a pretty inconsequential Budget – it had no change in the fiscal stance to speak of. It included some stealth tax rises in the form of frozen thresholds, and an increase in fuel duties. On the spending side, it cut some of the allocations in year and increased them the following year – leaving the deficit little changed.

Major's most consequential decision as Chancellor was not taken at the Budget – it was his successful lobbying (together with Douglas Hurd) of Thatcher to join the ERM. He would be PM himself by the time Black Wednesday happened.

Norman Lamont – 1991 (111 days after taking office)

With Major in Number 10, Norman Lamont was elevated from Chief Secretary to Chancellor. Lamont was the first Chancellor since Hugh Dalton to have studied just economics (as opposed to philosophy, politics and economics) at university.

Lamont's delivered three Budgets, and his first and second were very similar. The UK was in the middle of a deep recession, in large part due to membership of the ERM and therefore the tying of UK monetary policy to Germany's. With German reunification, a political decision was made to convert East German marks at inflated rates; the Bundesbank responded by hiking interest rates, which Britain had to adopt.

In the middle of a recession while inflation was still high, Lamont's 1991 Budget had some increases in tax, but the largest measure was a reduction in the poll tax and compensation to councils for the lost revenue. This, combined with some additional spending over the control totals, meant a loosening of 1.9% of GDP, or £54 billion in today's terms.

The 1992 Budget would be slightly smaller, but heavier on tax cuts – although spending increases still amounted for the majority of the fiscal impulse. Black Wednesday would come before his final Budget, and it would mean a very different statement: deficit reduction was the priority, meaning large tax increases on income tax, NICs and VAT. Lamont was sacked by Major two months later as part of a reshuffle that followed a by-election defeat.

Kenneth Clarke – 1993 (187 days after taking office)

Ken Clarke was moved from the Home Office to the Treasury, and he made several consequential decisions as part of preparations for his first Budget. Though delivered in the Autumn of 1993, this was the Budget for 1994-95; Clarke was keen to move the event further away from the beginning of the financial year, an idea that has since been adopted by other Chancellors. He also combined the Budget with medium-term spending planning decisions – although this was already practice, and amounted more to a procedural change than anything substantive.

If Lawson's first Budget was diametrically opposed to his subsequent ones, the reverse was true for Clarke. The 1993 Autumn Budget was a tightening fiscal event, by 0.8% of GDP (£22 billion in today's terms), as part of the fiscal consolidation started by Lamont. Large tax rises included the freezing of allowances and thresholds, fuel and tobacco duty hikes and insurance premium tax. There was also additional revenue from 'measures against avoidance', which also continued Lamont's approach – and which would become very commonplace in future Budgets. Some unspecified spending cuts – cutting the size of the reserve – would also show future Chancellors a pernicious template for how to make sums add up without explaining the underlying mechanism.

Clarke would remain Chancellor until the end of Major's Government, maintaining a cautious and tightening approach that would reduce the deficit significantly by the time of Labour's election victory.

Gordon Brown – 1997 (61 days after taking office)

The first of Brown's 11 Budgets was a macroeconomically consequential affair – though not necessarily in terms of fiscal policy stance. Even before Brown stood at the despatch box to deliver his statement, he had already made one of the biggest decisions of his chancellorship: granting operational independence to the Bank of England in conducting monetary policy.[13]

A number of well-known initiatives were introduced as well. Fiscal rules were explicitly laid out, and we recently discussed the pros and cons of that. There was even a discussion about public sector net wealth, showing that some of the debates that might feel new today have been had before.

On the spending side, the Private Finance Initiative (PFI) – which became controversial in time – was revamped and took centre stage in the 1997 Budget. So did Welfare to Work and the idea of providing support to help people into work as a way of achieving macroeconomic and fiscal objectives. But Brown made a big play of not increasing the control total, which excluded the previously mentioned categories, and which is more akin – though not exactly comparable to – DEL as we know it today.

The windfall tax was also introduced, raising £5.2 billion from privatised utilities, following on from the Labour manifesto for the 1997 General Election, and was presented as funding Welfare to Work. Of the remaining tax measures, two themes emerge: the single largest measure was to abolish the tax credits payable on account of dividends being distributed, and which raised more in a single year than the windfall tax altogether. And Brown also piled on excise duties, increasing tobacco and fuel duties in particular by more than 8%.

As a whole, the 1997 Budget was quite different to later Brown Budgets: the New Labour Government would become known for increasing public spending significantly, but that happened much more from 2000 onwards. But apart from the 2000 Budget, which loosened fiscal policy by 1% of GDP, or £27 billion today, all other of his fiscal events had very limited effects on the fiscal stance. This coincided with monetary policy independence, as well as a consensus in the economics profession that fiscal policy was less well suited to managing fluctuations. Fiscal policy became more about redistribution, and the following 10 years – and to some extent even all the way to today – reflect that.

[13] John Major had considered it during 1990, but ultimately decided against it. The UK was by 1997 one of the last advanced economies to give its central bank operational independence.

Alistair Darling – 2008 (258 days after taking office)

When Alistair Darling moved from the Department of Trade and Industry to the Treasury, he can't have imagined how his tenure would pan out. Within three months, Northern Rock had experienced the first bank run in the UK for 150 years, and Darling had to nationalise it in February 2008 to avoid it collapsing altogether.

Darling's first Budget[14] came in March 2008, and in some ways it's a window into a lost world. Despite the Northern Rock issues, the recession itself had not yet started. Looking at GDP growth forecasts and comparing them with what transpired is astonishing: the 2008 Budget was predicated on growth of 2% in 2008, 2.5% in 2009 and 2.75% in 2010. In those years, it was -0.2%, -4.6% and 2.2%, respectively.

With the much rosier backdrop than transpired, the 2008 Budget barely changed the fiscal stance – it raised taxes slightly in future years, but this was more than offset for 2008-09 by a one-off payment to pensioners alongside the winter fuel payment. None of this moved the dial in macroeconomic terms; the defining Budget of Darling's chancellorship would be 2009. It combined a near-term giveaway through increased capital allowances with severe cuts to public spending going forward, as well as increases in fuel duty and a hike in the additional rate of income tax to 50%. The public spending cuts would form the baseline from which his successor as Chancellor would set further cuts.

George Osborne – 2010 (42 days after taking office)

After the Conservative-Liberal Democrat Coalition took office, an emergency Budget was announced and delivered pretty promptly. This was another highly consequential Budget of modern times: it introduced the Office for Budget Responsibility (OBR), which would become the official forecaster and assessor of the Government's compliance with the fiscal rules. There was initial controversy, with the OBR's interim chair Sir Alan Budd being accused of giving the government favourable treatment with regards to the effects of the Coalition's programme on job losses. It was also the beginning of the 5-year forecast horizon, which has since become the focus of all fiscal events.

Osborne's June 2010 Budget was draconian in its fiscal tightening: it amounted to £32 billion a year in spending cuts and £8 billion a year in tax rises. This included: switching indexation from RPI to CPI for benefits (favourable to the Government) but not for taxes (which would have cost the Government money), something that is still in place today;[15] cutting welfare spending through a number of administrative means across the board; increasing VAT; introducing a levy on banks; restricting capital allowances; and increasing capital gains tax. The overall effect was to tighten fiscal policy by an average of 1.3% of GDP across five years.

Many of the hallmarks of the Osborne approach to tax were present here already, and would be maintained throughout his chancellorship. Unspecified spending cuts that would fall on

[14] Darling delivered the 2007 Pre-Budget Report, but that was still a precursor to the full Budget. It wasn't until George Osborne's tenure and the establishment of the Office for Budget Responsibility in 2010 that the two fiscal events of the year had equal footing in terms of policy – even though legislatively the Budget remains the most important one.

[15] The exception is personal tax thresholds, though those have now been frozen in cash terms for several years and are expected to remain so until the end of the decade.

'unprotected' departments – meaning not health, mostly – were presented as fiscal responsibility, even when announced at times that might have harmed the economic recovery. The personal allowance was increased significantly, a Lib Dem policy that Osborne made his own. And corporation tax rates were cut, with other base broadening and relief cutting changes increasing receipts at the same time – in actuality by even more than the rate cuts cost.

The main area that Osborne would focus a lot on that was absent here was tax avoidance. But this was also much bigger than most of his subsequent fiscal statements during the Coalition, with only the 2011 Autumn Statement (0.2% of GDP tightening, or £5 billion in today's terms) having any significant effect on the overall path of fiscal policy. Instead, Osborne relied on much the same approach as Brown – redistributing rather than changing course.

The three statements Osborne gave during his time in a majority Conservative Government were larger than most of his previous fiscal events, but even then amounted to no more than 0.15% of GDP each. Instead, Osborne made a virtue out of his intention of 'staying the course' – until the 2016 EU referendum forced David Cameron out as PM, and Theresa May sacked him.

Philip Hammond – 2016 (133 days after taking office)

Philip Hammond's approach was sober in tone, but much looser in actuality than Osborne's. Whereas running a tight fiscal policy was the previous Chancellor's selling point, Hammond and his PM Theresa May were much more comfortable with running closer to breaking the fiscal rules, and fine-tuning to ensure that they weren't perceived as doing so.

By this time, the Autumn Statement had come to be seen as an equal to the Budget in terms of coverage – a fiscal statement in its own right, accompanied by the same OBR documents and similar if not longer in length. Procedurally it was different – it was a command paper rather than a House of Commons Paper, and it was followed generally by legislated consultations rather than a Finance Bill, but if one is neither (i) an employee of the House of Commons, (ii) an archivist or (iii) someone with a passing hobby of understanding parliamentary procedure, the differences were not meaningful in any way.

The 2016 Autumn Statement was the first post-EU referendum fiscal event, and it marked a loosening of fiscal policy of over 0.2% of GDP, or £6 billion in today's terms. It was a prelude to Hammond's chancellorship: higher departmental spending, initially focussed on capital but eventually leading to a large increase in the health budget in 2018 as part of the NHS's 70th 'birthday present.'

Part of the change in stance was a response to the referendum result – one theory being that the vote was in part a reaction to the hollowing out of public services during Osborne's tenure. More qualified political scientists can debate whether this was actually the case or not. Economically, during this time the economy started to decelerate, which made debt reduction – an aim of the Hammond chancellorship – harder to achieve, especially while running a looser fiscal policy. It was a tension that was never resolved by Hammond, and that would set the tone – and challenge – for his successors.

In procedural terms, Hammond tried to do away with having two fiscal events a year. He moved the Budget back to the Autumn, and his 2019 Spring Statement didn't even have an accompanying command paper. This practice hasn't stuck, but Rachel Reeves has said she wants to revive it – as we have said before, that would be welcome.

Rishi Sunak – 2020 (27 days after taking office)

Sajid Javid was appointed Chancellor by new PM Boris Johnson in 2019. He was also to become the first Chancellor since Iain Macleod to not deliver a Budget: the planned Autumn Budget was cancelled because of the Brexit deadlock and subsequent General Election, and he resigned in February 2020 after one of his special advisers was sacked by Number 10. Rishi Sunak, his Chief Secretary, was promoted to Chancellor in his place, and quickly set about delivering what was seen as a very Number 10-influenced Budget.

The 2020 Budget was highly ambitious. At 1.2% of GDP (£32 billion today), it was the largest fiscal loosening since Norman Lamont's 1992 Budget, and it planned to take day-to-day departmental spending back to pre-2010 levels. Levelling up was all the rage, as was the idea of an agency investing in risky capital projects in the style of the US's ARPA. The scale of the fiscal loosening actually underplays the scale of the departmental spending increases: they were partly offset by cancelling a cut to corporation tax and restricting entrepreneur's relief, which together raised taxes by nearly £10 billion a year.

But, as Macmillan probably didn't say,[16] "events, dear boy, events." Covid cases were rising even at the time of the Budget, and the OBR announced even at the time that its forecasts were no longer central. No one yet knew how off they were: GDP would contract by 10% that year, and Sunak's chancellorship came to be associated with his Covid response. Within 5 days of the Budget, the PM had issue an order to avoid all non-essential contact, and a week later a lockdown was imposed. On 20 March 2020, Sunak announced the furlough scheme, and he would come back to the Commons over a dozen times over the following 18 months to announce further support measures.

Sunak's subsequent approach to long-term policy sustainability contrasted to the largesse of his first Budget – he insisted on a payroll tax funding the Johnson social care reforms, both of which have since been abandoned; and he also cut departmental spending plans in subsequent years, negating much of the increase he himself announced in March 2020.

Kwasi Kwarteng – 2022 (17 days after taking office)

After Sunak resigned as Chancellor, Nadhim Zahawi – in one of the most bizarre episodes of a quite bizarre year and Summer – negotiated himself into the chancellorship, before calling on Johnson to resign as PM less than 24 hours later. Zahawi would never deliver a Budget or any sort of important fiscal statement.

His successor was Kwasi Kwarteng, who also technically never delivered a Budget or an official fiscal event – the Growth Plan was a command paper with no accompanying OBR forecast. But its policy announcements were so substantial and the reverberations so profound that it would be churlish not to include Kwarteng here.

[16] Knowles, Elizabeth M. 2006. *What they didn't say: a book of misquotations*. Oxford University Press. pp. vi, 33.

The size of the fiscal stimulus was large – 1.2% of GDP – but not so large as to be out of kilter with other policy packages. In fact, it was comparable with Sunak's first Budget and significantly smaller than the Lamont Budgets.

Nonetheless, two issues contributed to the disastrous reaction to this 'mini-Budget.' On the formal side, some of the formal accoutrements of a fiscal events were missing: there was no official forecast, and not for lack of offer from the OBR; there wasn't even an estimate of how large the deficit and debt would be on account of these measures. Instead, the Growth Plan had a table illustrating how much raising GDP growth would improve the public finances. The table itself wasn't egregiously wrong, even if it was overly simplistic – but all it did was illustrate the sort of magical thinking that tax cuts and 'supply-side reform' (little of which was detailed) might pay for itself in tax receipts instead of a serious proposal of how to deliver growth in the context of the public finances.

That context was the second contributory factor. Debt was already high; the deficit was high too, and with interest rates and inflation already rising, the space to make a permanent increase in the deficit palatable was lacking. As many Chancellors have previously found, conviction often runs into reality and one must conduct the fiscal policy that is possible rather than that which one would like to be able to.

And, to abuse the joke template, in an open economy, you can't buck the market; the market bucks you.

Jeremy Hunt – 2022 (34 days after taking office)

The image of Jeremy Hunt looking into the camera in his office on 17 October 2022 and going one by one through the Liz Truss and Kwasi Kwarteng measures as he dispensed with them is a harrowing one, evoking the role of an appointed receiver getting to grips with the maladministration that had come before him.

Hunt's Autumn Statement a month later confirmed both those reversals and how he planned to make the sums add up. It was certainly his most consequential statement: he would make significant changes to capital allowances and employment support, as well as cuts to NICs, but this set the tone for how he would comply with the fiscal rules.

And he did so on the basis of severe expenditure cuts. The tightening was £20 billion (0.7% of GDP) on average, but it reached £55 billion (1.7% of GDP) by the end of forecast period – just below the size of the consolidation of Osborne's 2010 emergency Budget. As we discussed in our fiscal rules preview, the adherence to meeting the fiscal rules with unspecified spending cuts has been one of the more pernicious consequences of the obsession by Chancellors with portraying themselves as meeting the rules. These cuts have now been baked into the plans that Rachel Reeves starts from.

Rachel Reeves – 2024 (117 days after taking office)

We await with baited breath to see what will be in Reeves' first Budget – but we already have some indications. Even with some tax increases – employer NICs, capital gains tax an inheritance tax have all been mooted, and there might yet be something on dividends from the latest speculation – we expect that spending will go up by more, especially given the change to the metric for fiscal sustainability to public sector net financial liabilities (PSNFL) as opposed to public sector net debt (PSND).

We obviously can't know if this Budget will come to define how we see her chancellorship – but at least this canter through history shows that while in some cases first Budgets come to strike a path for future behaviour and set the narrative, that's far from universal.