The British Budget Process: A Case Study

Stuart Young

Final Draft
Last updated: 5-03-06
Introduction

Perhaps, the starkest contrast between the United States’ polity and its British counterpart is the lack of a formal separation of powers. The British Executive has relatively few checks on its powers. For much of Britain’s history, Parliament has often struggled with the Monarchy over control of the country; but as the Monarchy slowly ceded its powers to government ministers, no other checks were put in place to balance the government’s executive power.\(^1\) Further, with proverbial sun setting on the British empire after World War I, Britain has been in continuous economic crisis, making economic and fiscal policies the dominant issues. Consequently, governments that were seen as economically competent (e.g., the Conservatives) reigned for most of the 20\(^{th}\) century.\(^2\) The combination of a lack of checks and balances and the constant threat of economic crisis has created a political culture where economic decision making in the UK is highly centralized.

The Parliamentary process for budgeting decisions plays out in two events: First, the Annual Budget Statement delivered in Parliament contains all the revenue legislation for the year, along with a few spending plans that reflect government priorities and grab headlines. Second, the Spending Reviews then allocate discretionary spending among government departments. The most recent spending review, negotiated in 2004, is biennial, but previous reviews have been both triennial and biennial, but mostly annual.

\(^1\) Ian Budge et al., The New British Politics 594 (2d ed. 2001).
\(^2\) Id. at 595.
Institutional Actors

The Chancellor of the Exchequer

The British Parliament has no ways and means committees, no budget committees, no appropriations committees. The committees that do scrutinize government departments lack the power to authorize new government programs and spending. Britain has one dominant figure who controls most of these functions: the Chancellor of the Exchequer. Roughly speaking, the Chancellor of the Exchequer is the Treasury/Finance Minister for the British Government, yet he has unparalleled power compared to the US Treasury Secretary.

The Chancellor has sole responsibility for setting tax rates. He does not preside over a tax committee. Rather he makes all of his tax decisions in an annual statement to Parliament, which is referred to as the annual Budget Statement. In essence, the Chancellor is a one-man Ways & Means Committee. The Budget Statement he presents (discussed below in greater detail) outlines not only tax rates, but also the total amount of money that will be spent on all government activities (both mandatory and discretionary). Thus, the Chancellor is also a one-man Budget Committee. One could compare his annual Budget Statement roughly to the annual Congressional Budget Resolution.³

The Chancellor also has the power of and responsibility for setting spending limits or fiscal restraints on the government. Norman Lamont, the former Conservative Chancellor during the early 90s introduced the first discretionary spending caps in Britain. Later in 1997, upon coming to power, Labour Chancellor, Gordon Brown, 

introduced his own set of fiscal rules to gain credibility with the country’s financial markets and business leaders. The first rule is described as the golden rule: Over an economic cycle—the length of which is determined by the Chancellor—the government will borrow only to finance public investment, not for public consumption. In essence, the government can borrow in order build schools, hospitals, and other capital projects that would increase the assets of the government, but it will not borrow in order to fund pay increases for unions and civil servants or to make social security payments.\(^4\) The second of Brown’s fiscal rules was the sustainable investment rule, which mandates that over the economic cycle the ratio of net public debt to GDP will be less than 40\%.\(^5\)

Unlike many economists and politicians in the United States, Brown sets an “optimal” deficit target for the United Kingdom.

Before 1997, the British Chancellor also had the power to set interests rates; however, Gordon Brown gave the Bank of England the independence to set interest rates when he first came to power 1997. Although many others may assist the Chancellor in the many economic and fiscal decisions he must make on behalf of the British Government, he officially answers to no one—save the Prime Minister who appointed him. The Chancellor is regarded as the second most senior figure in British politics.

**Gordon Brown: The Longest Serving Chancellor in over 150 years**

Although the position of the Chancellor has always been regarded as powerful and prestigious, few Chancellors have held as much political power as Gordon Brown. Brown served as the Labour party spokesman for economic and fiscal affairs since 1992,

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\(^5\) *Id.* at 160-161
while the Labour Party was in opposition. And he has served continuously as Chancellor since Labour’s election to power in 1997—making him the longest serving Chancellor since the 1823. Brown’s long record of service in large part derives from his political clout with both Members of Parliament and the regular Labour party members and from his perceived economic competence (the UK has never had a recession during Brown’s reign at the Treasury).

There are also rumors of a secret pact between Blair and Brown. In 1994, John Smith, the leader of the Labour party and Prime Ministerial Candidate, died unexpectedly from a heart attack. His death prompted a new leadership contest (the process by which the party nominates its leader and next candidate to become Prime Minister, not too dissimilar from the US presidential nomination processes before 1960, where party bosses and labor unions had more of say than the average voters). There has been much speculation on the negotiations between Tony Blair and Gordon Brown, and although neither has ever publicly confirmed that such talks took place, enough confidants and advisers have leaked information to the press to give the story credibility.6

Tony Blair was clearly interested in running for the position on a centrist/modernization platform, but he realized that Gordon Brown could make a formidable challenge, if not beat him all together, for Brown was popular with the left-wing base of the party. Brown also realized that Blair would appeal more to middle-income voters and that a bitter leadership battle would only hurt the party’s chances at the next election.7 Consequently, on the night of John Smith’s funeral, the two met to discuss a power-sharing arrangement. Brown would have complete autonomy over Labour’s social and

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7 Id at 54-56.
economic policies in return for not standing for the party leadership. Blair agreed to this and also agreed to lead the Labour party for no more than 10 years, implying that he would stand down before Labour’s second term in office expired, which would allow Brown then to become Prime Minister.\(^8\) Tony Blair has led the Labour party for 12 years and plans to stay in the job for possibly two more years, much to the alleged dismay of Gordon Brown, who is anxiously waiting to take over as Prime Minister.

**The Prime Minister**

The only real check on the Chancellor’s power is the Prime Minister, who is both the leader of the majority political party in Parliament and the Head of the British Government. The Prime Minister has the power to hire and fire the Chancellor along with all the members of his Cabinet and Government. Often Prime Ministers play a significant role in economic and budget policy. In fact, one of the Prime Minister’s official titles is First Lord of the Treasury. This title emphasizes the historical importance of the Treasury in British politics.\(^9\)

Yet the influence of the Prime Minister over economic policy depends on a variety of political circumstances. Michael Portillo, a former advisor to Margaret Thatcher, and former Chief Secretary to the Treasury, noted that Prime Ministers who are perceived to be politically stronger can exact more influence on economic policy. According to Portillo, Margaret Thatcher would often re-write sections of her Chancellor’s budget statements of which she did not approve. Yet Portillo notes that Tony Blair does not wield the same authority over his Chancellor. Portillo jokes that

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\(^8\) Id. at 58-59.

under the present Labour Government, the night before the annual budget statements, Blair often asks various advisers whether Gordon Brown will allow him to see a copy of the Budget speech. Whether or not this joke is true, it reflects the reality that Chancellors and Prime Ministers politically vie for power, similarly to the U.S. President and Congress, and as time progresses, political winds may enhance or diminish the influence of either figure.

Whereas Margaret Thatcher had three Chancellors during her premiership, and John Smith served with two, Blair has only had one. Whether he is motivated by a previous agreement, he has found it politically impossible to demote or fire his Chancellor of the Exchequer, who remains popular with the Labour party base and with the country for his economic competence.

The Chief Secretary to the Treasury

The Chief Secretary to the Treasury is the Chancellor’s Deputy. Although he does not run his own government department, he is a member of the British Cabinet, emphasizing again the importance of the Treasury in British political affairs. Officially, the traditional duty of the Chief Secretary is to allocate and negotiate funding for government departments during the Spending Reviews. And although this position underwent significant changes from 1992-1998, its primary responsibility has always been to implement fiscal restraint against government ministers who wish to “bring home the bacon” for their department.

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10 Interview with Michael Portillo, former Chief Secretary to the Treasury (Jan. 25, 2006).
The Cabinet

The Cabinet plays a small role in overall British budgetary matters. Broad or general economic management issues may be discussed in the Cabinet, but Cabinet ministers are never involved in the core decision making. They will, of course, lobby the Treasury during spending negotiations, or make the case for their department in other Cabinet discussions. More recently, a few members of the Cabinet may be selected to sit on a Cabinet sub-committee that is involved with Spending Reviews.\(^{11}\)

However, individual Cabinet Ministers, who preside over government departments, have the power to initiate new government programs, making each Cabinet Minister a de facto one-man (or one-woman) authorization committee. But any program or initiative that requires new funds must get its appropriations from the Treasury.

Fiscal Procedures

The Budget: Great Political Theater

One of Parliament’s traditional rituals is the Chancellor of the Exchequer’s annual Budget Statement before Parliament. The Budget serves to be a “financial statement” for the Government of the day, and it will outline all forthcoming revenue legislation for the year, estimate the total amount of revenue that will be raised, and highlight a few of the government’s spending priorities. The Chancellor may also use the Budget to set spending caps on total government expenditures (known as total managed expenditure or TME) and on discretionary spending (known as departmental expenditure limits or DEL) and/or on mandatory spending (known as annually managed expenditure or AME).

\(^{11}\) Ian Budge et al., The New British Politics 599 (2d ed. 2001).
Although the Chancellor may be assisted by junior ministers, civil servants, (even the Prime Minister), the Chancellor makes the statement on his own, and is ultimately responsible for all of its revenue and spending decisions. The speech and the changes to revenue legislation contained therein remain secret until it is delivered in the House of Commons, Britain’s lower chamber of Parliament, traditionally on a Tuesday in the spring. The secret speech is transported in a little red box. Since 1860, all Chancellors have used the same box until 1997 when the current Chancellor Gordon Brown decided to have a new box created.\textsuperscript{12} After the speech, the Treasury Department releases a longer, more detailed analysis of the Chancellor’s decisions. This printed version of the Budget Report is commonly known as the “Red Book.”

The Budget Statement remains one of the year’s political highlights. The BBC runs Budget specials. Newspapers speculate days in advance. Economists comb the Budget in detail. The chattering political classes listen closely to whether the Chancellor will impose additional sin taxes on cigarettes and alcohol or whether he will extend a particular tax credit to the elderly or to the poor. The Budget also contains Treasury estimates for the total revenue that will be raised in coming years along with estimates for the growth of the economy and estimates for annually managed expenditure.

Yet despite all the hype, much of the excitement is unnecessary, so notes Lord Turnbull of Enfield, a former head civil servant in the Treasury.\textsuperscript{13} Chancellors rarely make major changes to income rates in their annual Budget Statements, and the changes they do make turn out to be a very small percentage of overall revenue.\textsuperscript{14} The “Red

\textsuperscript{12} BBC News, \textit{A-Z of Parliament, at} \hspace{1em} \texttt{http://news.bbc.co.uk/1/hi/uk_politics/a-z_of_parliament/default.stm.}

\textsuperscript{13} Interview with Lord Turnbull of Enfield, former Treasury civil servant (March 27, 2006).

\textsuperscript{14} Id.
Book,” the document that explains the Budget Statement in detail, estimates that in the next fiscal year, the Treasury will take in £516 billion ($900 billion US dollars), yet the net effect of the Chancellor’s 2006 budget decisions on the next fiscal year will be to reduce government receipts by only £380 million ($662 million).

Dramatic changes to the Budget are rare. The four largest revenue sources for the government are: income tax, national insurance contributions, value added tax, and corporation taxes, none of which were changed in the 2006 Budget.\(^{15}\) Over the past nine years, Brown has never changed the rates of income tax or value added tax. He lowered corporate taxes once, and he raised national insurance contributions once. Brown’s immediate Conservative predecessor, Ken Clarke, lowered income taxes by two percentage points during his final two years in office. However, Chancellors may slightly adjust the thresholds for tax rates in order to slightly cut or raise taxes by stealth.\(^{16}\)

Despite the relatively small changes to revenue totals, Budgets can have a huge psychological and political impact on the country. Since 1997, Gordon Brown has made only one explicit direct increase in income taxation. In the 2002 Budget, Brown increased National Insurance Contributions (mandated taxes for the National Health Service and other similar social programs) by one percent. This tax was in effect a one percent rise in income tax both on employees and employers. The additional one percent was to go to fund a staggering growth in departmental health spending, increasing tax revenues by £6.1 billion in 2003, £7.6 billion in 2004, and £8.3 billion in 2005. The goal was to increase spending on health services by 7.4% in real terms for the following five

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\(^{16}\) HM Revenue & Customs, *Rates of Tax Other Than the Basic Rate*, at http://www.hmrc.gov.uk/manuals/apmanual/AP2973.htm
years. Politically, this huge increase signaled both to the country and to the center-left Labour party that health spending was a high priority for Gordon Brown.

In fact, Brown saw this 2002 Budget as the most important Budget of his career, for he was concerned that a direct increase of taxation could destroy his reputation as a prudent steward of the British economy. Robert Peston, biographer of Gordon Brown, noted that Brown had broken through one of the great notions of economic orthodoxy since Margaret Thatcher came to power in 1979: no Chancellor could directly increase taxes and survive with his reputation in tact. Chancellors could sometimes get away with stealth taxes, but never direct taxes. However, despite Gordon Brown’s 2002 tax increase, the Labour party sustained its lead in the polls, demonstrating that the country had confidence in the Chancellor’s ability to spend its money.

Budget Statements can also be used politically to out-maneuver opponents. After the Chancellor makes his Budget Statement, the Leader of the opposing party (at this time, Labour) makes a response to the statement. However, because the Leader of the Opposition does not get to view the Budget Statement in advance, he and his advisers must make predictions on what might be presented and prepare their anticipated responses on those predictions.

In March of 1992, under the previous Conservative Government, the Chancellor of the Exchequer, Norman Lamont, used his Budget Statement, which was delivered merely two months before a General Election, to catch the Labour party off-guard. The Labour Party and many Conservatives had expected that Lamont would decrease middle-

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18 Id. at 171.
19 Id. at 274.
20 Id.
class income taxes by 2%. They had prepared to make a populist attack, alleging that the rich and middle-class were being helped at the expense of the poor. However, Lamont was aware of everyone’s expectations and chose a different route. Rather than dropping the top or bottom rate of tax (only two tax bands existed at the time: 25% on everything up to £23,700 and 40% over £23,700), Lamont introduced a new bottom rate of tax, whereby earners would pay only 20% on the first 2,000 pounds earned. This had the effect of cutting everyone’s taxes, yet it was a significant help to low income earners.

This put the Labour party in an impossible position: either they agreed with a major piece of Conservative policy right before an election, or they voted against the lower rate of taxation, making them look hypocritical for voting against a tax cut that would help those with lower earnings. Labour was caught off-guard. The media picked up on it, praising Lamont for his political skill and guile. The Conservatives went on to win the 1992 election. This demonstrated that although the Budget Statement may be over-rated in terms of economic or fiscal policy, its political and psychological impacts can make or break a Chancellor’s reputation and can even influence subsequent elections.

**Spending Reviews**

While Budget Statements lay out revenue legislation, Spending Reviews specifically allocate the Departmental Expenditure Limits (DEL)—the British equivalent of discretionary spending—among the various government departments. The process is

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24 *Id.* at 175.
relatively streamlined compared to the American Federal Budget Process. On behalf of their departments, Ministers submit detailed bids to the Treasury on their spending needs for the subsequent three years. Treasury officials summarize the reports and then give them to the Chief Secretary of the Treasury. The Chief Secretary then engages in bilateral face to face negotiations with the ministers. The results of these negotiations are then presented to the Cabinet for approval and then on to the House of Commons for ratification. However in the past 15 years, two major reforms have been introduced to make the Spending Review process more effective: the imposition of discretionary spending caps in 1992, and the move from an annual system to a biennial & triennial system in 1998.

**Discretionary Spending Caps & the EDX Committee**

In 1992, Norman Lamont, then Chancellor of the Exchequer, imposed his version of discretionary spending caps. Recognizing that government spending was too high, he sought a “top-down” approach. He estimated that the economic growth for the next three years would be on average 2-2.25% a year. Yet he wanted to impose a 1.5% increase in the growth of spending for government departments.

Previously, because there was no cap or target, Ministers had an incentive to work together to get as much money out of the Treasury as possible—an “I’ll support your increases if you support mine” attitude prevailed. But before the negotiation process began in 1992, Lamont and his Chief Secretary Michael Portillo got the Cabinet to agree to a ceiling of 1.5% of growth in departmental spending, and they announced this cap

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27 Interview with Lord Norman Lamont, Former Chancellor of the Exchequer, (March 31, 2006).
publicly to the British press. Slowing the rate of growth would be more politically palatable than a direct cut in spending, and it would still reduce public expenditure as a proportion of GDP.\textsuperscript{28}

To relieve the burden placed on the Chief Secretary, who had sole responsibility for reconciling all the requests, Lamont created a Cabinet sub-committee, the EDX (Departmental Expenditure) Committee to hear and decide departmental bids for funding. The committee consisted of the Chancellor, Chief Secretary, the Home Secretary and the Secretary for the Department of Trade and Industry, the Leader of the House of Commons, and the Leader of the House of Lords—the latter two Leaders having no government departments to preside over.\textsuperscript{29} Chief Secretary Portillo requested that Ministers create their bids in light of the new discretionary spending caps. The Ministers then had to defend their requests in front of the entire EDX committee, who would then make the final spending decisions.\textsuperscript{30}

One might expect that this would have diminished the role of the Chief Secretary by making him subservient to the committee. Yet the author of Portillo’s biography noted that “[Portillo] was the servant [of the committee] in the way that the prime minister is the Queen’s servant—he used the name of a greater authority than himself to push his own program.”\textsuperscript{31} Ministers were now anxious to meet with Portillo and get his approval before they formally submitted their budgets to the committee.\textsuperscript{32}

\begin{footnotes}
\item[28] Norman Lamont, \textit{In Office} 303 (1999).
\item[29] Id. at 303.
\item[31] Id. at 225.
\item[32] Id. at 225.
\end{footnotes}
use their position to influence Lamont on revenue and economic legislation\textsuperscript{33} and many ministers were unhappy with the slowed rate of growth—one burst out into tears during a meeting with Portillo\textsuperscript{34}), Portillo and Lamont hit their target: to make Britain’s first discretionary spending cap successful. In fact, Gordon Brown, the current Labour Chancellor, has kept both the spending caps and the Cabinet sub-committee.

**Multi-Year Spending**

Another significant reform in the Spending Review process was Gordon Brown’s move to a system of multi-year spending reviews. Under the previous Conservative Government, departments annually submitted their projected spending needs for the subsequent three years. But according to Lord Turnbull of Enfield, who served the Permanent Secretary in the Treasury, everyone focused only on the first year because they knew that the two subsequent years could be renegotiated. Consequently, Ministers produced “Mickey Mouse” numbers for years two and three.\textsuperscript{35} However, upon coming to power, Gordon Brown stuck to the last two years of the previous Conservative Government’s final spending review. In fact, Ken Clarke, Gordon Brown’s immediate predecessor as Chancellor (who served from 1993-1997), admitted that the Conservatives wouldn’t have stuck to their own numbers for years two and three.\textsuperscript{36}

Turnbull also noted that the system was inefficient, for the instant “the ink was dry,” the process would begin all over again. Further, like the American Budget process, allocated funding in one year could not be transferred to the next. In Turnbull’s view,

\textsuperscript{33} Norman Lamont, In Office 304 (1999).
\textsuperscript{34} Interview with Michael Portillo, former Chief Secretary to the Treasury (Jan 25, 2006).
\textsuperscript{35} Interview with Lord Turnbull of Enfield, former Treasury civil servant (March 27, 2006).
\textsuperscript{36} Robert Peston, Brown’s Britain 167 (2005).
this bred poor behavior on the part of Ministers. He felt that ministers needed to take
more a realistic and longer term view of their spending plans.³⁷ Robert Peston,
biographer of Gordon Brown, writes:

The point of it was to allow public services to plan with more confidence than
was possible under the traditional system of annual spending reviews, one of
whose destabilizing characteristics was that budgets were chopped or augmented
before important projects were completed. And it would also allow the Treasury
to allocate resources between departments in a more strategic way.³⁸

Peston also noted that the Treasury kept a 7.5 billion reserve in case of emergencies.³⁹
The new 1998 “Comprehensive Spending Review” was zero-sum review of
departmental spending (future ones were not). It would still cover three subsequent
years, and unspent money could be rolled over to the next year. Later Spending Reviews
would be reviewed every two years. This meant that each new spending review could
either confirm or re-negotiate the third year’s allocations from the previous spending
review. In effect, this makes the system biennial, where each spending review locks in
years one and two, but leaves open year three. However, in the July, 2004 Spending
Review, the Government decided not to re-negotiate the 2005 fiscal year—year three for
the 2002 spending review, which was year one of the 2004 spending review, thus making
the 2002 spending review triennial.⁴⁰

Little controversy surrounded this reform. Criticisms of the new biennial/triennial
system are few. In fact, Michael Fallon, a Conservative MP and member of the back-
bench Treasury Committee, admits that the biennial system works much better than the

³⁷ Interview with Lord Turnbull of Enfield, former Treasury civil servant (March 27, 2006).
³⁹ Id.
http://www.hm-treasury.gov.uk/spending_review/spend_sr04/report/spend_sr04_repindex.cfm
One could hypothesize that with the absence of pork barrel projects and appropriations committees, there are few who have an interest in keeping an annual system.\textsuperscript{41}

**Spending Review Decisions Set Forth in the Budget:**

Gordon Brown has added one more important reform to the British Budget process. As is customary in the Budget speech, Chancellors may discuss a few spending proposals designed to grab headlines and outline political priorities of the government of the day. Gordon Brown has used the Budget to declare not only the total of government spending, but he now preempts the spending reviews by declaring the amounts that favored departments would receive—for example, the Department of Health and the Department of Education and Skills. In both the 2002 and the 2004 Spending Reviews, health and social services spending received over 40\% of the increases in government revenues, while education received over 20\%.\textsuperscript{42, 43} So whereas the Budget lays out how much of an increase these departments will receive, the Spending Reviews allocate the total amounts of spending on specific functions and services.

As the Budget sets discretionary spending caps and funding for top priorities, other Ministers are forced to compete for the remaining discretionary funding. This further decreased the opportunity for ministers to collude together to demand that

\textsuperscript{41} Interview with Michael Fallon MP, (March 29, 2006).
everyone receive more money from the Treasury, says one former Treasury official. Apparently, this has helped the Treasury impose fiscal discipline.\textsuperscript{44}

According to the Financial Times, recently, the Chancellor has also decreased the amount of time in which Spending Reviews are negotiated in order to restrict the maneuvering room for spending. Previously, ministers would submit bids in January, and the negotiations would continue until July. But in the 2004 Spending Review, Ministers were not permitted to submit a final bid for their department until after the Chancellor had announced the cap on government spending in the March Budget of that year. This cut the time for haggling in half. This was designed to force Ministers to come up with more realistic bids and reconcile them to significantly smaller increases in spending.\textsuperscript{45}

Of course, that’s not to say that unhappy Ministers don’t respond in other ways. Politicians have always leaked stories to the press in order to influence others. The same former Treasury official noted that right before one spending review began, stories appeared in the press that old battle ships were due to be moth-balled because of the lack of funds or that hospitals were considering firing nurses and other staff. Such leaks are rarely effective, however.\textsuperscript{46}

**A Unified Budget?**

With many of the spending priorities set out in the Budget, some may wonder why the Budget and Spending Reviews need to be separated. In 1993, Norman Lamont

\textsuperscript{44} Interview with Treasury Official (Jan. 25, 2006) who asked to remain anonymous.
\textsuperscript{45} Cathy Newman, Chancellor Restricts Maneuvering on Spending, Financial Times (UK), November 18, 2003, at pg. 2.
\textsuperscript{46} Interview with Anonymous Treasury Official (Jan. 25, 2006).
sought to combine both the revenue legislation and government expenditures into one single “Unified Budget.” Lamont believed that the isolated Budgets created pressure on the Chancellor to create small tax gimmicks and that the massive number of small tax changes every year made the British tax system far too complex. However, critics countered that this put a tremendous amount of pressure on the Chancellor and other Treasury officials, and a Unified Budget would give ministers another avenue by which they could try to influence revenue legislation. Although Lamont was not able to implement a Unified Budget, his successor, Ken Clarke, actually implemented unified annual budgets and used them until the Conservatives were thrown out of office in 1997. However, Brown separated them again in 1998 in order to implement his multi-year spending reviews. Yet as the economy has consistently grown both under Clarke’s and Brown’s stewardship, it’s unclear whether a unified budget is superior to a separated one, and one might suspect that Chancellors will always be tempted to use the annual Budget Statement to grab headlines for political advantage.

**Conclusion**

In Britain, where the Ministers of Parliament wield extraordinary power relative to their American counterparts, the debate and maneuvering over spending legislation exist solely among the Ministers in the same government and party. Whereas U.S. legislators try to bring home the bacon for their constituents, Ministers must bring the home the bacon for their departments in order to maintain their status. Before Lamont, Ministers banned together to pressure the Treasury into spending more on everyone. And yet now, after the imposition of discretionary spending caps, Ministers now compete

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against each other to become government priorities. That’s not to say that Ministers never receive increases. Conservatives criticize the Chancellor for raising taxes, yet it appears that discretionary caps have allowed Treasury ministers to gain more control over the budget process. Furthermore, the system of biennial and triennial budgets is running smoothly, and at the least it has eased the burden on Treasury ministers and officials.48

Britain’s Budget process reforms can serve as an example to America. Given the United States Constitution and separation of powers, it’s difficult to imagine a scenario where the Congress did not have ultimate control over the government’s purse strings; however, it is possible for the U.S. Treasury or the President’s OMB to play a more active role in setting self-imposed discretionary spending caps for executive agencies before they submit their bids to Congress; this, of course, could be done without legally binding budget restrictions.

The executive and legislative branches could do more to streamline the process. Both branches often discuss the possibility of creating a presidential line-item veto that could be deemed constitutional by the Supreme Court. Further, both branches can work together to streamline the US Budget process through biennial budgets. Barrett Anderson from the Organization for Economic Cooperation and Development testified before the U.S. House Rules Committee on the advantages and disadvantages of the British multi-year spending reviews. He found that there was no evidence to show that multi-year budgets had made the budget process in the UK more complex and time-consuming than

48 Interview with Lord Turnbull of Enfield, former Treasury civil servant (March 27, 2006).
the annual budgets. And he believed that biennial budgets in the United States could be
used to reinforce spending caps and promote greater fiscal discipline.⁴⁹

When studying the British and American federal budget processes, one notices
another striking contrast: the relatively few institutional actors in the British system. The
small number of actors certainly brings greater scrutiny and accountability from the
media and public. If the economy goes wrong, it’s the Chancellor’s fault. If government
spending is undisciplined, it’s the Chief Secretary’s fault. Their reputations and political
futures are at much greater risk, for there is significantly less room to play partisan
politics and pass the buck to other parties.

Yet in America, accountability is much harder to assign. Which group of
politicians is responsible for undisciplined spending? The Budget Committee or the
Appropriations committees? Or the committee that authorized the program in the first
place? It may be a cliché to say that “too many cooks have spoiled the broth;” however,
a streamlined process and a narrowing of those who make the decisions could bring about
greater accountability and subsequent discipline on the part of those who wield the power
of the purse.

An analysis of the British economy over the past 13 years demonstrates that the
Chancellors have gotten something right. Since 1993, Britain has continued to grow,
without recession.⁵⁰ And remarkably, a socialist Chancellor has been at the helm of
Britain’s economic and fiscal policy for nine of those thirteen years, sticking to his self-
imposed fiscal rules (both to limit government debt and to restrict government

⁴⁹ Barrett Anderson, Testimony Before the US House Rules Committee (July 25, 2005), at
borrowing). His opponents would remark that Brown gets to set the criteria by which he is judged, which gives him too much maneuvering room, but his solid record on the economy and public finances has been difficult to beat, particularly when compared with the difficulties America has faced over the past six years, both with regard to the economy and the Federal Budget process. Having two high-profile Cabinet Members who are in charge of streamlining the budget process and guarding the Treasury’s money from unnecessary earmarks and government programs may not solely explain the success of the British economy over the past decade, but the structures that help to enforce fiscal discipline no doubt make a significant contribution. The role of a single “enforcer” is missing in the American Budget process, and it’s a possibility American politicians would do well to explore.

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51 Id. at 34-35.
Selected Bibliography


