

## Osborne lays out a plan for mass unemployment

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George Osborne has ([I quote the Guardian](#)):

*drawn up a new "fiscal mandate" with two new rules:*

- *The budget should be in surplus in the good years (ie, when the economy is growing)*
- *Capital spending would increase at least in line with GDP.*

*Osborne is aiming for an absolute surplus, not a cyclically-adjusted surplus.*

Given he said almost nothing else of much significance today we have to presume that this apparently Keynesian idea is at the core of his 'big idea' for the next election.

It's not hard to see the problems. The first is we have growth now, and a deficit. It would appear that by his own criteria George is now failing.

Second, we have growth now and almost no change in unemployment, or apparent prospect of much to come, because this is an artificial property led bubble. But by his new logic that new employment free growth should and indeed must lead to a cut in benefit spending. He guarantees increasing poverty for many as a result.

And third, investment precedes growth and does not follow it. Why is he acting counter-cyclically?

This looks like a proposal from a Chancellor who has lost touch with whatever economics he once learned.

I have no problem with running surpluses: they are necessary on occasion. But rules of this sort aren't. Economies simply do not operate on such simple bases and to pretend they do indicates a profound lack of judgement. That's what's most worrying about this.