

77 economists say Osborne's economics make no sense in ..

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A [letter has been published in the Guardian tonight](#) signed by 77 economists that says George Osborne's plan to legislate for budget surpluses makes no sense. I reproduce it below as I'm one of the signatories.

There's [also a Guardian comment article](#).

And if you see some overlap between the letter and [this blog](#) that's not chance: one is based on the other.

The chancellor's plans, announced in his Mansion House speech, for "permanent budget surpluses" are nothing more than an attempt to outmanoeuvre his opponents ([Report, 10 June](#)). They have no basis in economics. Osborne's proposals are not fit for the complexity of a modern 21st-century economy and, as such, they risk a liquidity crisis that could also trigger banking problems, a fall in GDP, a crash, or all three.

Economies rely on the principle of sectoral balancing, which states that sectors of the economy borrow and lend from and to each other, and their surpluses and debts must arithmetically balance out in monetary terms, because every debit has a corresponding credit. In other words, if one sector of the economy lends to another, it must be in debt by the same amount as the borrower is in credit. The economy is always in balance as a result, if just not at the right place. The government's budget position is not independent of the rest of the economy, and if it chooses to try to inflexibly run surpluses, and therefore no longer borrow, the knock-on effect to the rest of the economy will be significant. Households, consumers and businesses may have to borrow more overall, and the risk of a personal debt crisis to rival 2008 could be very real indeed.

These plans tie the government's hands, meaning it won't be able to respond appropriately to constantly evolving economic circumstances, good or bad. The plan actually takes away one of the central purposes of modern government: to deliver a stable economy in which all can prosper. It is irresponsible for the chancellor to take

such risky experiments with the economy to score political points. This policy requires an urgent rethink.

Dr Ha-joon Chang University of Cambridge

Thomas Piketty Paris School of Economics
David Blanchflower Bruce V. Rauner professor of economics at Dartmouth College and ex-monetary policy committee

Prof Mariana Mazzucato RM Phillips professor in the economics of innovation, University of Sussex

Jared Bernstein Former chief economist and economic adviser to vice-president Joe Biden

Prof Simon Wren-Lewis University of Oxford

Prof Victoria Chick University College London
Prof Ozlem Onaran Department of International business and economics, University of Greenwich

Prof Engelbert Stockhammer Professor of economics, University of Kingston

Richard Meade Director Research Unit Economics

Stewart Lansley Visiting fellow, Bristol University Townsend Centre for International Poverty Research

Prof Andrew Cumbers Professor of political economy, Adam Smith Business School, University of Glasgow

Prof Malcolm Sawyer, Emeritus professor of economics, Leeds University Business School

Prof George Irvin Professorial research fellow, Soas, University of London

Prof Ben Vickers Professor of economics, Soas, University of London

Prof Christine Cooper Accounting and finance, Strathclyde Business School

Prof Diane Elson, Emeritus professor, University of Essex and chair of UK Women's Budget Group

Professor Jonathan Michie University of Oxford

Prof Robert McMaster Professor of political economy, Adam Smith Business School, University of Glasgow

Dr Joanne Dow Senior lecturer in economics, University of the West of England, Bristol

Prof John Grant Emeritus professor of economics, University of Middlesex

Prof John Gales Professor of European integration, University of Middlesex

Prof Paul Arestowski Professor of economics, Soas, University of London

Prof Giuseppe Fontana Professor of monetary economics, Leeds University Business School

Prof David Spencer Professor of economics and political economy, Leeds University Business School

Prof Alfredo Saad Filho Professor of political economy, Soas, University of London

Prof Mary Mellor Professor emerita, Northumbria University

Dr Gerald Berry Deputy director, Sheffield Political Economy Research Institute (Speri)

Prof David Newbery Emeritus professor of Economics, Cambridge University

Dr Steve Keen Professor of economics, Kingston University

Dr Henning Meyer Research associate, Public Policy Group, London School of Economics

Prof John Van Reenen Professor of economics, London School of Economics

Prof Susan FitzAick Senior lecturer in banking, University of Manchester

Prof Valpy Fitzgerald Emeritus professor of economics, Queen University

University of Oxford

Prof Simon Mohun, Emeritus professor of political economy, Queen Mary, University of London

Step Art Wallis, Executive director, New Economics Foundation

Prof Klaus Nielsen, Professor of institutional economics, Birkbeck, University of London

Dr Britam Singh Professor of economics, Oxford Brookes University

Dr Andrew Meekman Associate professor in economics, UWE Bristol

Prof Grazia Ietto-Gillies Emeritus professor of applied economics, Warwick Bank University

Dr Mary V Wrenn Joan Robinson research fellow in heterodox economics, Girton College, University of Cambridge

Geoffrey Hodgson Research professor, University of Hertfordshire

Prof Bruce Cronin Director, Centre for Business Network Analysis, University of Greenwich

Dr Annina Kaltenbrunner Lecturer in the economics of globalisation & the international economy, Leeds University Business School

Prof Gary Dyball Professor of applied economics, Leeds University Business School

Michael Smith Senior lecturer in economics, Cardiff School of Management

Prof Philip Hill Professor of economics, University of Central Lancashire

Prof Philip Hill Professor of applied economics, University of Kent

Michael Kitson Cambridge Judge Business School, University of Cambridge

Dr Abigail McKnight Senior research fellow, Centre for Analysis of Social Exclusion, London School of Economics

Dr Ken Courtts Assistant director of Research, faculty of economics, University of Cambridge

Prof Robert H Wade London School of Economics

Dr Kalim Siddiqui Department of strategy, marketing and economics, University of Huddersfield

Prof Stuart Holland University of Coimbra

Dr Alberto Paloni Adam Smith Business School, University of Glasgow

Dr Karolowski Lecturer in economics, Kingston University

Professor Marcus Miller University of Warwick

Dr Gary Slater Leeds University Business School

Dr David Harvie Senior lecturer in finance and political economy, University of Leicester

Barbara Harriss-White Emeritus professor and senior research fellow, area studies, Oxford University

Dr Bruce Philp Head of department, strategy, marketing and economics, Birmingham City Business School

Roberto Veneziani School of economics and finance, Queen Mary, University of London

Dr Julian Wells Principal lecturer in economics, Kingston University, London

Dr Neil Lancaster Department of accounting and finance, De Montfort University

Dr Ashlee L Carreras Principal lecturer in economics and decision analysis, faculty of business and law, De Montfort University

Prof Michael Linton Research professor of economics, Sussex University

Dr Graham Guggin Research associate, Centre for Business Research, University of Cambridge and senior economic advisor, Oxford Economics

Prof Geraint Jones Professor of economics, Lancaster University Management School

Andrew Simms Fellow, New [**Economics Foundation**](#)

_____ Thanks to all involved.