

Guardian letter in response to Chancellor George Osborne's Mansion House Speech

13 June 2015

The Chancellor's plans announced in his Mansion House speech for "permanent budget surpluses" are nothing more than an attempt to outmanoeuvre his opponents. 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 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. As such the plan is actually to take away one of the central purposes of modern government, which is to deliver a stable economy in which all can prosper.

It is irresponsible for the Chancellor to take such risky experiments with the economy in order to score political points, and this policy demands 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, *R.M. Phillips Professor in the Economics of Innovation, University of Sussex*

Prof Simon Wren-Lewis, *University of Oxford*

Prof Victoria Chick, *University College London*

Jared Bernstein, *Former Chief Economist and Economic Adviser to Vice President Joe Biden*

Prof Ozlem Onaran, *Department of International Business and Economics, University of Greenwich*

Prof Engelbert Stockhammer, *Professor of Economics, University of Kingston*

Howard Reed, *Director, Landman Economics*

Richard Murphy, *Tax Research UK*

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 John Weeks, *Emeritus Professor, SOAS, University of London*

Prof Prem Sikka, *Professor of Accounting, University of Essex*

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 Jo Michell, *Senior Lecturer in Economics, University of the West of England, Bristol*

Prof Sheila Dow, *Emeritus Professor of Economics, University of Stirling*

Prof John Grahl, *Professor of European Integration, University of Middlesex*

Prof Jan Toporowski, *Professor of Economics, SOAS, University of London*

Prof Philip Arestis, *University of Cambridge*

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 Emeritus, Northumbria University*

Dr Craig Berry, *Deputy Director, Sheffield Political Economy Research Institute (speri)*

Prof David Newbery, *Emeritus professor of Economics, Cambridge University*

Prof Hugh Willmott, *CASS Business School*

Prof Steve Keen, *Professor of Economics, Kingston University*

Dr Henning Meyer, *Research Associate of the Public Policy Group, London School of Economics*

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

Prof Ismail Ertürk, *Senior Lecturer in Banking, University of Manchester*

Prof Susan Himmelweit, *Emeritus Professor of Economics, Open University*

Prof Valpy FitzGerald, *Emeritus Professor of International Development Finance, University of Oxford*

Prof Simon Mohun, *Emeritus Professor of Political Economy, Queen Mary, University of London*

Stewart Wallis, *Executive Director, New Economics Foundation*

Prof Klaus Nielsen, *Professor of Institutional Economics, Birkbeck, University of London*

Prof Pritam Singh, *Professor of Economics, Oxford Brookes University*

Dr Andrew Mearman, *Associate Professor in Economics, UWE Bristol*

Prof Matthew Watson, *Professor of Political Economy, University of Warwick*

Prof Grazia Ietto-Gillies, *Emeritus Professor of Applied Economics, London South 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*

Dr Daniela Gabor, *Associate Professor, UWE Bristol*

Prof Bruce Cronin, *Director of the 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 Dymski, *Professor of Applied Economics, Leeds University Business School*

Michael Burke, *Economist*

Dr Russell Smith, *Senior Lecturer in Economics, Cardiff School of Management*

Prof Philip B. Whyman, *Professor of Economics at the University of Central Lancashire*

Prof Tony Thirlwall, *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 Coutts, *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*
Ewa Karwowski, *Lecturer in Economics, Kingston University*
Professor Marcus Miller, *University of Warwick*
Dr Gary Slater, *Leeds University Business School*
Professor David Bailey, *Aston 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*
Mimoza Shabani, *Lecturer in Financial Economics, University of East London*
Dr Ashley L. Carreras, *Principal Lecturer in Economics and Decision Analysis Faculty of Business and Law, De Montfort University*
Prof Michael Lipton, *Research Professor of Economics, Sussex University*
Dr Graham Gudgin, *Research Associate, Centre for Business Research, University of Cambridge and Senior Economic Advisor, Oxford Economics*
Prof Geraint Johnes, *Professor of Economics, Lancaster University Management School*
Andrew Simms, *Fellow of New Economics Foundation*