



Spending cuts an act of economic self harm and will damage economy, top economists warn Chancellor

Implementing another programme of public spending cuts would constitute an “act of economic self harm” and “would condemn the country to further years of economic stagnation and failing public services” argue 120 economists in an open letter to the Chancellor ahead of his Autumn Statement this week.

The letter, which was organised by the Stop the Squeeze campaign, is signed by distinguished current and former academics, and economists working in the academic sphere, and includes top economists from universities including Oxford, Cambridge, the London School of Economics, University College London, Kings’ College London, York, Leeds, Edinburgh, Sheffield, and Glasgow.

Rejection of ‘fiscal black hole’

The open letter demonstrates that there is not an economic consensus in favour of further spending cuts, after the government has spent weeks briefing that tens of billions of pounds may be cut from public spending as a result of the crisis triggered by the disastrous mini-budget in September.

The central argument of the letter is that “Household finances across the country are in crisis, our public finances are not”, and that government policy should focus on supporting people through the cost of living crisis rather than cutting spending to comply with arbitrary fiscal rules.

The economists refute the idea of the ‘fiscal black hole’, and warn the Chancellor against looking through a “narrow lens of budgetary balance, rather than the overall health of the economy”.

Support for tax rises on the richest

Instead they argue that the Chancellor should loosen his own fiscal rules to allow more spending to support the economy, and where necessary to raise taxes for example capital gains tax which mainly affects the very richest in society.

The economists also cite the views of Conservative voters to back up their argument. Recent polling from the Stop the Squeeze campaign, highlighted in the letter, found that only 21% of voters who backed the Conservatives in 2019 believe that cuts are inevitable given the current economic situation, while 62% support raising taxes on the richest in society.

Lessons from austerity

While the economists stress that the situation is not identical that aftermath of the financial crisis in 2008, they argue that the “lessons” from the last programme of austerity are “clear”:

“Spending cuts applied to an economy attempting to recover from an economic shock worsen the impact of that shock and cause lasting economic and social damage. The International Monetary Fund is amongst those stressing this lesson be learned by those governing advanced economies.”

Commenting on the letter Joshua Ryan-Collins, Associate Professor of Economics and Finance at University College London said:

“We are at serious risk of sleepwalking into a consensus that large public spending cuts are necessary in response to the current economic crisis, when that couldn't be further from the case.

“Spending cuts will only further undermine the economy and hold back future growth, which is why no other major economy is taking the kind of drastic action the government appears to be considering.”

ENDS

Notes to editors

The full text of the letter can be found [here](#), along with a full list of signatories.

Signatories are available for comment on request. Please contact Tom Railton, Head of External Affairs at the Economic Change Unit on 07890837285 or stopthesqueeze@econchange.org

Stop the Squeeze is a coalition campaign calling for bold solutions to the cost of living crisis. More information about the campaign can be found at www.stopthesqueeze.uk or on Twitter <https://twitter.com/StopTheSqueeze>