

Machonomics: George Osborne's legacy to UK macroeconomic governance

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*George Osborne was a purveyor of machonomics, an approach to economic policy-making revolving around seemingly bottomless reserves of macho self-confidence, writes **Matthew Watson**. Here he argues that Osborne modelled himself in this way on the optimal policy-maker of the so-called time consistency problem of abstract economic theory.*



George Osborne was always accused of having lived a charmed life by those of his Conservative Party colleagues who did not always take him to their heart. Perhaps true to form, then, he was able to take comfortably in his stride the really rather savage dismissal as Chancellor of the Exchequer meted out to him by Theresa May. Almost immediately he resurfaced as editor of the London Evening Standard. Despite being deprived of the capacity to continue making economic policy as he saw fit, he nevertheless retains a platform for intervening into public debates about the economy. His editorial pieces have consistently championed continuity with his policy legacy, warning in often grave language of the dangers that lie ahead if the new Chancellor appears to be any less laser-focused than he was on attempting to squeeze out of the economy all excess debt, excess borrowing, and excess public spending.

As a result, Osborne still matters to the process of UK macroeconomic policy-making. His views on maintaining the austerity status quo were always likely to make the news, seeing as his new job hands him responsibility for writing it. Moreover, the often strident tones in which he expresses himself only accentuate the newsworthiness of his presence in debates. He has stuck religiously to his infamous declaration from early in his time at Number 11 that there could be no Plan B to austerity. Osborne as Chancellor stood not only for a particular type of macroeconomic policy but also for a particular style of top-down 'expert' macroeconomic policy-making. Osborne as editor of the *London Evening Standard* still does so.

His biographers point to a keen student of economic theory, someone who was prepping himself for holding the Treasury portfolio long before David Cameron rewarded him with it. Whilst still Shadow Chancellor, Osborne paraded his knowledge of economic theory in front of audiences of economists, telling people who he knew would get the reference that the problem facing Britain was one that was well described in the specialist 'time consistency' literature.

Wrapping himself in the image of the optimal policy-maker derived from that literature, he insisted that the public finances could only be restored to health if a politician could be found who would announce a strict counter-deficit plan, before then sticking to it in the face of what the literature says is always likely to be an increasingly hostile public. Osborne routinely offered himself as just such a politician when still in opposition, and in

government he did everything he could to enforce the impression that this was the only type of policy-maker he could ever be expected to be. Even repeatedly missing his own interim targets on the road to budgetary balance was insufficient for him to begin flirting in public with a Plan B; the macho mask of infinite self-assurance was never allowed to slip.

Something very interesting emerges when now retrospectively reading back-to-back all of Osborne's set-piece speeches as Chancellor. The academic literature on the time consistency problem presents a solution to the difficulty of getting finance ministers to commit to a policy course that they know will spread pain within society. This is to appoint a specifically 'conservative' policy-maker, defined formally as a person who does not share the general population's understanding of the shape of the social welfare function. In plain language, this is someone who is prepared to cut social spending much more drastically than the median voter would ever consider doing.

In speech after speech from 2010 onwards, Osborne signalled not merely that this was his preferred style of policy-making. More pointedly, a pattern is very much evident as time and again he invoked the theoretical solution to the time consistency problem to say that he was uniquely placed to continue acting as the guardian of the path to budgetary balance. He was the one politician, his speeches insisted, who had established the reputation for being able to rise above the political fray to maintain the merely technical course that turns a deficit-riddled economy into a zero-deficit one.

The result is that the UK was governed macroeconomically between 2010 and 2016 through a commitment to what might be called 'machonomics'. Important as they are in their own right, this term is designed to indicate more than that women were required to shoulder a disproportionate burden of Osborne's austerity programme and that this occurred with his Treasury team neglecting to complete supposedly statutory gender impact assessments of the new policy course. What is generally in any case the gendered nature of macroeconomic policy outcomes veered into the overtly macho in Osborne's case due to his willingness to parade his self-denying ordinance as a political virtue to be found only in people like him. Towards the end of his tenure as Chancellor he seemed never more comfortable than when saying that not simply was his preferred style of policy-making essential to good macroeconomic governance, but also that he alone could be trusted to deliver it. Machonomics captures the generic condition that arises when a finance minister convinces themselves that they are the only person who can see what is right for the economy.

Osborne himself may not have survived the change of Prime Minister following the UK's EU referendum. But his style of policy-making and, therefore, his influence over policy remain a persistent elephant in the Treasury room. Gone are the really rather unmissable allusions to the specifically conservative policy-maker who solves the time consistency problem in the abstract, but not the tendency towards machonomics to which the specifically conservative policy-maker points. We are thus trapped in something akin to a machonomics Frankenstein's Monster scenario, in which the inventor's life has been turned upside-down by his creation but the monster itself is still on the loose. This

unstable hiatus will continue to take on the characteristics of permanence until such time as the process of macroeconomic governance is required to respond to an explicitly anti-machonomics style of policy-making.

Note: this post draws on the author's recently published *British Politics* article, '[George Osborne's Machonomics](#)'.

About the Author

Matthew Watson is Professor of Political Economy in the Department of Politics and International Studies at the University of Warwick. He is also an [Economic and Social Research Council Professorial Fellow](#).



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