

Labour government cuts public spending in Britain to lowest rate in 40 years

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The Labour government under Prime Minister Tony Blair is on course to spend less than any administration since that of Conservative Prime Minister Harold Macmillan 40 years ago. Even more revealingly, it has slashed public spending to a level of which Margaret Thatcher could only have dreamed.

The *Guardian* newspaper recently commissioned an analysis of Labour's public finances by Tony Travers, a specialist at the London School of Economics. He says Labour is on track to spend less than 40 percent of gross domestic product—39.4 percent—over the four years from 1997 to 2001.

This compares to 43 percent for the Thatcher administration (1979-90) and 41.4 percent for the John Major government (1990-97). A further point of comparison is the Wilson/Callaghan Labour government of 1974-79, which spent 45.4 percent of GDP.

Travers commented that Labour's ability to keep spending consistently below 40 percent was what made its achievements "even more impressive". "Other administrations saw the percentage leap up and down as a result of public spending splurges on the one hand, and the boom-and-bust cycle on the other," he said.

The drop in public spending is partially accounted for by various privatisation measures Labour has carried out. But it also reflects savage cuts in the public sector in relation to both pay and social services. This includes the areas of health and education where Labour promised to focus its energies. Instead, the government maintained strict spending targets set out by the Conservatives in their last year in office, which in all probability they themselves would not have adhered to. The cumulative £40 billion extra promised by Labour for health and education over the next three years will make scarcely any dent in this. In its first two

years, education spending dropped from 4.9 percent to 4.7 percent of GDP, and even with an extra £19 billion will only rise to 5.1 percent in the next three years—below the 5.3 percent in Major's first year.

The Institute for Fiscal Studies calculates that, over the lifetime of the government, Labour will increase spending on health by less than 3.9 percent a year and on education by less than 2.9 percent. This is barely above the current rate of inflation of 2.2 percent, and does not make up for years of under-resourcing.

In its editorial, the newspaper notes that "while the analysis will go down well in the city, it will stoke discontent among Labour activists looking for a substantial loosening of treasury purse strings for cash injections into health, education, transport and help for the poor". What is striking, however, is the extent to which the Blair government has been able to substantially escalate the Tory government's attacks on the welfare state and privatisation measures, without provoking a "grassroots rebellion" within the party.

The naked statistics presented in Travers's analysis depict the full extent of Labour's abandonment of its old reformist programme. Germany provides another indication of how far social democracy has degenerated. There, the recently elected government of Gerhard Schröder boasts of its desire to emulate Labour's "third way", under the catch-all the "neue Mitte". Public spending in Germany presently accounts for 48 percent of GDP. Economics Minister Werner Müller (SPD) recently proposed to slash this to 45 percent by 2002, with a long-term aim of bringing it down to 40 percent. This was widely denounced in the media as impossible to achieve. In contrast, Mr. Travers believes that "treasury hawks" in the Blair government would like to see public spending slashed even further to 35 percent.



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