

Plans to increase government spending spark furore in Britain's media

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In his three-year Comprehensive Spending Review (CSR) outlined Tuesday, Britain's Chancellor Gordon Brown set out the first major increase in public spending for more than two decades.

The government's commitment to an extra £43 billion in public expenditure between 2001 and 2004 is a clear indication that the campaign for the general election, probably taking place next year, has already begun. Education, which Prime Minister Tony Blair pledged would be his "number one priority" on entering office, is to receive an additional £12 billion. The seriously under-funded National Health Service will get an extra £13 billion.

The CSR is the government's response to complaints from Labour MPs that it is perceived as being out of touch with working people. Widespread abstentions in several recent by-elections have caused a substantial drop in Labour votes, particularly in working class areas. Labour backbenchers had called for urgent action to remedy this situation and even a prime minister as politically myopic as Blair knows that he must mobilise voters to win the election.

The package is not quite the bonanza it first appeared, however. Brown boasted that the extra money was only available because of rigorous spending restrictions Labour imposed during its first three years in office. Blair's pledge to maintain Conservative expenditure targets meant that, as a share of GDP, total managed spending was lower in 1999 than in any year since 1963-64. In addition, through measures such as its "welfare to work" programme, the government has slashed spending on social security. Brown said that welfare would now only account for 17 percent of extra spending in contrast to the 42 percent it had been allocated under the Conservatives.

As a consequence, the government had been able to

accumulate a £18 billion surplus in the fiscal year that ended in March 2000, Brown went on, and had actually under-spent by £4.5 billion during that year. Proceeds from the sale of new mobile phone licences meant that the government would also make a substantial contribution to reducing the national debt, committing a further £18.1 billion to repayments, up from a projected £11.9 billion, the chancellor added.

Brown's package also included £5 billion extra for transport, £2.4 billion more for policing, and an additional £2 billion for defence, the first increase in military spending since the end of the Cold War. Yet overall it still continues the decline in public spending. The *Financial Times* noted that by 2004 "total public spending will still represent only 40.5 percent of national income: a low level by both international and historic comparisons".

Despite this, members of the Bank of England's Monetary Policy Committee raised alarm that it would "fuel inflation", as did the British Chamber of Commerce and the Institute of Directors. Many newspapers were far more vehement, frothing at the mouth at the very idea of allocating any extra funding to public services. They dubbed the chancellor "giveaway Gordon" and accused Labour of returning to "old-style tax and spend" policies. The *Telegraph* intoned gravely that a relatively healthy economy is "never an excuse to make the state sector bigger again by spending more", whilst the *Financial Times* cautioned that "the large sums involved will certainly raise expectation of what the state can deliver".

The *Independent* newspaper best summed up the degree of hostility with which many in establishment circles greeted Brown's measures. Its editorial warned, "There is a terrible political danger in such across-the-board generosity. It sends the wrong signals about the

government's determination to target money where it can do most good. It almost invites voters to return to the bad old pre-Thatcher ways of assuming that the government should simply throw taxpayers' money at every problem.”

The implicit admission by a nominally liberal newspaper that it views the Thatcher era as the beginning of the “good-times” speaks volumes about the right-wing lurch of the British establishment. For the past 20 years the prevailing ethos has been that any public spending is “wasteful”. This notion was the ideological shield by which big business justified the offensive against workers' living standards and its refusal to tolerate any subtraction from its profits and wealth to finance decent health, education and welfare provisions. The more that was cut, the more successful a government was proclaimed to be. The poor and vulnerable would have to look after themselves.

The policies pioneered by Margaret Thatcher have been continued and deepened by the Labour Party. On every major social issue over the past three years, it has insisted that social inequality, educational underachievement, poor health, etc., cannot be solved by “simply allocating more money”. As a result, the share of national income going to public spending under Blair is lower than under Thatcher.

As far as Britain's big business media is concerned, Blair's government has committed an unpardonable sin. However inadvertently, he may have encouraged working people to expect an improvement in the country's collapsing social services, when Britain's rich want them completely destroyed or privatised. The vast wealth they have accrued through the gutting of welfare and social provisions has only whetted their appetite for more and they fear any reaction against this from those they impoverish and exploit. Hence even modest amounts of pre-election spending by an unpopular government are considered, at the very least, economic sacrilege, and at worst a dread portent of dark days to come.



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