

Britain: Study finds Labour government spent less than the Conservatives

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A series of briefing notes by the Institute for Fiscal Studies (IFS), published in the run up to the June 7 general election, show conclusively that the Labour government spent less in its first term of office than at any time during the preceding 18 years of Conservative rule.

The IFS finds that although government revenues rose by 2.9 percent of GDP (from 37.6 to 40.5 percent) during Labour's first term, spending decreased by 2.4 percent (from 41.2 to 38.8 percent of GDP). The result was to turn a large public deficit into a massive surplus. Far from this benefiting ordinary working families, it has been used to repay Britain's national debt and underwrite New Labour's pro-business policies.

Tony Blair came to power in May 1997 pledging to keep to the strict spending limits agreed by the outgoing Tory government. His chancellor of the exchequer, Gordon Brown, said this proved Labour had broken with the "tax and spend" policies of its past and now followed "prudent" fiscal principles.

The final budget of Tory Chancellor Kenneth Clarke in November 1996 already enshrined some of the lowest increases in government spending, thus "total government spending fell by an average 1.0 percent per year" during Labour's first two years at the helm.

In its spending reviews announced in July 1998 and July 2000, Labour promised to spend more money on Britain's public sector after the initial two years of belt-tightening. According to the IFS, "much of this failed to materialise due to several government departments not delivering the increases in spending allocated to them."

Britain spends less than practically every other member of the European Union, making the UK "the fifth lowest spender amongst the 17 EU (excluding Luxemburg) and G7 countries in 1999." Only the US,

Canada, Japan and the Irish Republic spent less by comparison.

Under Labour, overall public spending as a share of GDP is now lower than it was at the end of the previous Tory government in 1997. National Health Service (NHS) spending over the first two years of Labour's term grew by an average of just 2.2 percent in real terms—a lower increase than the 3.1 percent achieved over 18 years of Conservative rule. In the last three years, whilst larger real increases were allocated, the report notes, "this did not necessarily mark a break from the past since the NHS had often experienced years of lower increases in spending followed by years of larger increases in spending." Future NHS spending is set to increase in real terms, by 5.7 percent a year, but as the IFS points out, at 6.7 percent of GDP the UK has the lowest public and total health expenditure compared with other G7 countries.

Citing the pledge made by Labour in 1997 that "Education will be our number one priority, and we will increase the share of national income spent on education as we decrease it on bills and social and economic failure," the report shows that during its first two years in office Labour increased education spending by only 2 percent, almost a full percentage point less than the average annual increase in GDP for the same period. Labour is also spending less on education as a percentage of GDP than its Tory predecessors. "Average education spending over this Parliament will be 4.7 percent of GDP, which is actually lower than the 5.0 percent achieved by the Conservatives in the last Parliament."

Other areas of government spending have grown less quickly under Labour than under the previous Parliament and the entire period of Conservative rule from 1979. Social security spending, defined to include

Labour's much vaunted "working families tax credits" that were supposed to improve the lot of low income families, has only grown in real terms by 1.1 percent a year, compared with 3.9 percent a year under the outgoing Conservative government of John Major. The report states, "This is particularly important since spending on social security is the biggest single element of public expenditure, comprising 30 percent of all government spending."

Substantial increases in capital spending announced by Labour have failed to materialise. Thus the IFS is able to show that public sector net investment was on average less than 0.5 percent of GDP per year, "easily the lowest figure for any four-year period since the Second World War."

Labour's proposals for welfare mean extending means testing and continue the erosion of universal benefits such as the state retirement pension, linked to the amount of National Insurance contributions paid by an individual. Whilst means tested benefits are more expensive to administer, the take-up rate is usually lower than for universal benefits since not all those who are entitled to claim do so.

Fewer people are now claiming welfare benefits than in 1997, the exception being a 50 percent increase in the number of families with children receiving an in-work benefit and a 20 percent increase of those claiming sickness or disability premiums whilst receiving income support.

In a particularly damning section on living standards under Labour, the IFS concludes, "income inequality was higher in 1999-2000 than it was before Labour came to power".

The report quotes Blair's promise before becoming prime minister, "If the next Labour government has not raised the living standards of the poorest by the end of its first time in office, it will have failed. The IFS study then notes that although the incomes of the poorest had risen, "the gains experienced at the bottom of the income distribution in the first three years of the Parliament have been smaller than the growth in living standards experienced by those higher up the income scale."

During the first three years of Tony Blair's premiership, the incomes of the top fifth increased by twice as much as the bottom fifth.

The IFS reports reveal that Labour's claims to be

"investing" in much needed public services are disingenuous. After years of cuts and neglect under the Tories, the Blair government has made some marginal improvement to the lot of a small number of the "deserving poor" but largely at the expense of those who are only marginally better off. Any miniscule gains have only been introduced on the basis of extending low-wage labour and eroding the living standards of millions through increases in indirect taxation.



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