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The Tories will reduce UK public spending to Estonian levels

IMF forecasts show that Britain could join a tiny group of European countries that have shrunk the size of their states dramatically. But it needn't be this way

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How will children's centres fare if the planned £12bn of cuts hit? Photograph: David Levene for the Guardian

In the main parties' election manifestos published this week, public spending is still public enemy number one. The Conservatives insist that a [further £12bn in cuts to the welfare budget](#) must be found over the course of the next parliament. If it isn't, they warn, then the hordes of so-called skivers who receive unemployment benefit, child support, or disability benefits will keep draining Britain dry.



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When Rachel Reeves, the shadow work and pensions secretary, told the Guardian that [Labour “is not the party of people on benefits”](#) it was a potent illustration of how ingrained the idea of social security being synonymous with sponging off the state has become. The welfare state was once the insurance you got out for what you put in.

There is a lot at stake if the public spending cuts proposed by the coalition for the next parliament are introduced – and not just for poorer and marginalised groups. According to the latest [International Monetary Fund estimates](#), proposed UK cuts to public spending between 2015 and 2019 amount to 3% of GDP. If fully implemented, these would have profound repercussions. One of the less discussed of these is that the UK would join a tiny group of advanced economies – including Estonia, the Slovak Republic, and Ireland – that have shrunk the size of their states dramatically following the 2008 crash and which are all now seen as economic losers.

European public spending as a % of GDP by 2019

(Compared to 2015)

Top five

Finland	55% (56)
Denmark	55 (53)
France	53 (56)
Italy	52 (54)
Belgium	52 (54)

Bottom five

Estonia	38% (39)
UK	38 (41)
Slovak Republic	34 (37)
Ireland	33 (37)
San Marino	22 (23)

Guardian graphic

Source: IMF

The IMF publishes [annual forecasts](#) for what it defines as “advanced economies” and it is from these that the 3% figure comes. Some of the economies it includes are more advanced than others. According to the IMF, by the end of 2015 France and Finland will have spent some 56% of their annual GDP on public, collective provision.

Those, and many other, advanced countries raise this money mostly through progressive taxes and they spend it on projects designed to have wider social benefits. As a result, Finland has the best schools in [Europe](#) and the French some of the shortest working weeks and the most generous holidays. Why work too many hours if you are properly, progressively, taxed?

European countries fall into one of four leagues when arranged by public spending. The first of these contains Austria, Belgium,

Denmark, Italy and Sweden as well as France and Finland. These countries are spending at least half of their GDP on public services. The figures also include the servicing of government debts. There is of course no guarantee that publicly spent money will be spent well.

For instance, spending in Italy is high partly because it has to allocate so much in interest payments on its debts. However, in general these countries are doing well. In all of them [life expectancy is higher than in the UK](#) and in all but Italy, [levels of numeracy are higher than in the UK](#). And let's not forget that the median family in France and Germany has a [higher disposable income than the median in the UK, even before housing costs are taken into account](#).

If you become unemployed in this first league of countries you are still treated as if you are human. There is no equivalent to the UK's now punitive benefit sanctions regime and benefits are not simply designed for subsistence or below. In contrast, the poorest fifth in the UK are the poorest people in all of north-western Europe, [according to a recent report by the High Pay Centre](#) thinktank, primarily because benefits are so low and pay for those who can find work is also low for the majority of people in the UK.

The second European league by public spending is made up of those countries currently spending between 40% and 50% of their GDP on public services. This is the largest group. It comprises Norway, Slovenia, Portugal, Iceland, the Netherlands, Germany, Luxembourg, Greece, Cyprus, Malta, the Czech Republic and Spain. Some countries such as Norway and Portugal are even planning to increase public spending between now and 2019. All of these countries are what could be termed "normal" European countries in that they spend higher proportions of their incomes collectively than the UK. They

are a diverse group including countries that have done very badly out of the crisis, such as Greece, Spain and Portugal, but which nevertheless are still spending this proportion of their much reduced GDPs to try to maintain some semblance of all being in it together. This league also includes Germany, Norway and the Netherlands, often considered economic winners.

The UK is still in this group, just. Although it was never really normal in that, like the USA, it spent a disproportionately large amount of its public money on the military, it was nevertheless also the country with the first welfare state in Europe. However, even in the US, where welfare has historically compared extremely poorly with other rich nations, in recent months progressives in [Washington have been mooting increasing social security benefits](#) – something that would have been inconceivable even a year ago.

But, the government's plans to rapidly reduce the proportion of GDP spent on public services to 38% by 2019 mean that after 2015, the UK would leave the second division of European countries by public spending and enter the third division alongside Ireland, [Estonia](#) and the Slovak Republic. A UK in this league would become more similar to these countries. It could become a place from which the young try to emigrate and in which the old are not well cared for, in which people on average live shorter, more brutal and less valued lives.



Disabled people protest against Atos's handling of incapacity benefit claimants during the London Olympics. Photograph: AFP/AFP/Getty Images

However, the UK still has a choice. If Greece, Portugal and Iceland can stay in the second division, the UK can too – albeit near the bottom of it. Yet the UK could become an outlier and fall out of the mainstream altogether – although those who advocate a perpetually smaller state rarely spell this out.

There is an even lower division that the Conservative party and Ukip appear intent on joining. In the IMF data it is only represented by San Marino, a tiny country that is forecast to spend just 22% of its GDP on public services by 2019. (Other small states such as Monaco and Lichtenstein are likely to be similar, but they are more secretive about their data).

George Osborne's publicly declared wish to cut further could involve far deeper cuts than are shown here for 2019. Given the trajectory that the chancellor has already chosen, and the head of steam built up

by the coalition, it is possible to envisage more of the NHS being privatised, more selling off of what remains of state housing, more redundancies in the civil service, and for social workers and nurses. There are ever-deeper cuts to make if your mantra is that a smaller state is always good.

The IMF's 2019 prediction is based on the coalition's plans. [Labour](#) has pledged to cut the deficit every year of the next parliament if it is elected, but it could achieve its big manifesto promise by raising taxes thereby reducing public spending. Yet there is a broader need to reshape the national conversation on future public spending and social security provision.

Government will still spend, of course. If the Tories are part of the next government, they will spend – but at a much lower level – while much more of the money that most individuals earn will flow into private landlords' pockets, hedge fund managers' villas and to the estates of the rich.

This is already happening. A small state and depleted social security spending does not mean a more equitable society. Someone steps in to provide the services that are taken away and in the UK they always insist on making a hefty profit out of providing what was once delivered so much more cheaply, collectively. The UK is not a country of runaway welfare spending. It already lags behind equivalent “advanced” nations. The question now is just how far will it go?

Danny Dorling will be [appearing at the Hay Festival](#) talking about austerity and inequality with Mary O'Hara, whose book, [Austerity Bites is out in paperback](#)

