

# The Politics of Public Spending, Equality and Hope



The UK government says it wants a kinder, more inclusive politics but also plans to cut public spending to record lows. **Danny Dorling** argues that the only way to a new politics is through public investment, taxation and changes in our voting system.

**I**n October 2016, at her party's annual Conference, Prime Minister Theresa May set out a vision for a more inclusive Britain, at least for those who would still have a right to freely work in the UK. She promised many things, but what she did not mention was what makes Britain different from almost every other affluent country in Europe – how little we spend on the one thing we all share, our public services. A kinder, more inclusive politics would aim to raise our share of public spending on state

education, public health and housing to at least what was the average for the more inclusive Europe countries are nearest to us. The government that came to power in 2010 in the UK chose to try to spend a lower proportion of GDP on the public good than almost any other government in Europe. At one point it was even forecast to spend less than the US. It did not manage to do that, because UK debt repayments are too high, which are included in government spending. But The UK remains on course to cut public

spending to record lows. The Conservative government elected in 2015 clearly aims to get close to being that internationally minimal public provider by 2020. So how do we compare to our European neighbours when it comes to public spending and performance on housing, education and health?

## A Place Apart

Figure 1 shows how government spending rose rapidly, but differentially in different European countries to bail out the financial sector during the 2007-2013 financial crash. In 2016 public spending has often been higher than it was before the crash, partly due to debt repayments but also because public spending has to rise as a proportion of Gross Domestic Product (GDP) to avoid making cuts when GDP falls. The lines on the graph slope downwards into the future because government tell the International Monetary Fund (IMF) they plan to spend less in future. They do this because it is what the IMF likes to hear.

The figure also illustrates just how wide the range of choices are that affluent countries make in terms of public spending levels, and that range is set to become wider still by 2020. Some countries choose to tax and spend more collectively rather than individually. These tend to be the more economically equitable countries, such as Finland, France and Denmark. In contrast, the more unequal English-speaking countries, including Ireland and the US, stand out as being (or becoming) the lowest taxers and spenders.

According to these World Economic Outlook figures, produced annually by the

IMF, Finland is projected to spend 57 per cent of GDP on public services in 2020; France 54 per cent; Denmark, Belgium and Austria will spend 51 per cent; Sweden will spend 49 per cent; Italy 48 per cent; Portugal and Norway 47 per cent; Germany 43 per cent; the Netherlands 42 per cent; Greece 41 per cent; Japan 40 per cent; and Canada and Spain each 39 per cent. The latter two countries also spend more than the UK, or will do from 2016 onwards given planned cuts. As of September 2016, the UK government still aims to get spending down to 36 per cent of GDP; a post-war and European low, although there are some signs of austerity weakening. What this figure demonstrates is that the UK is not a high-taxing, high-public-spending nation, although there is ample conspicuous private consumption.

**Tax system**

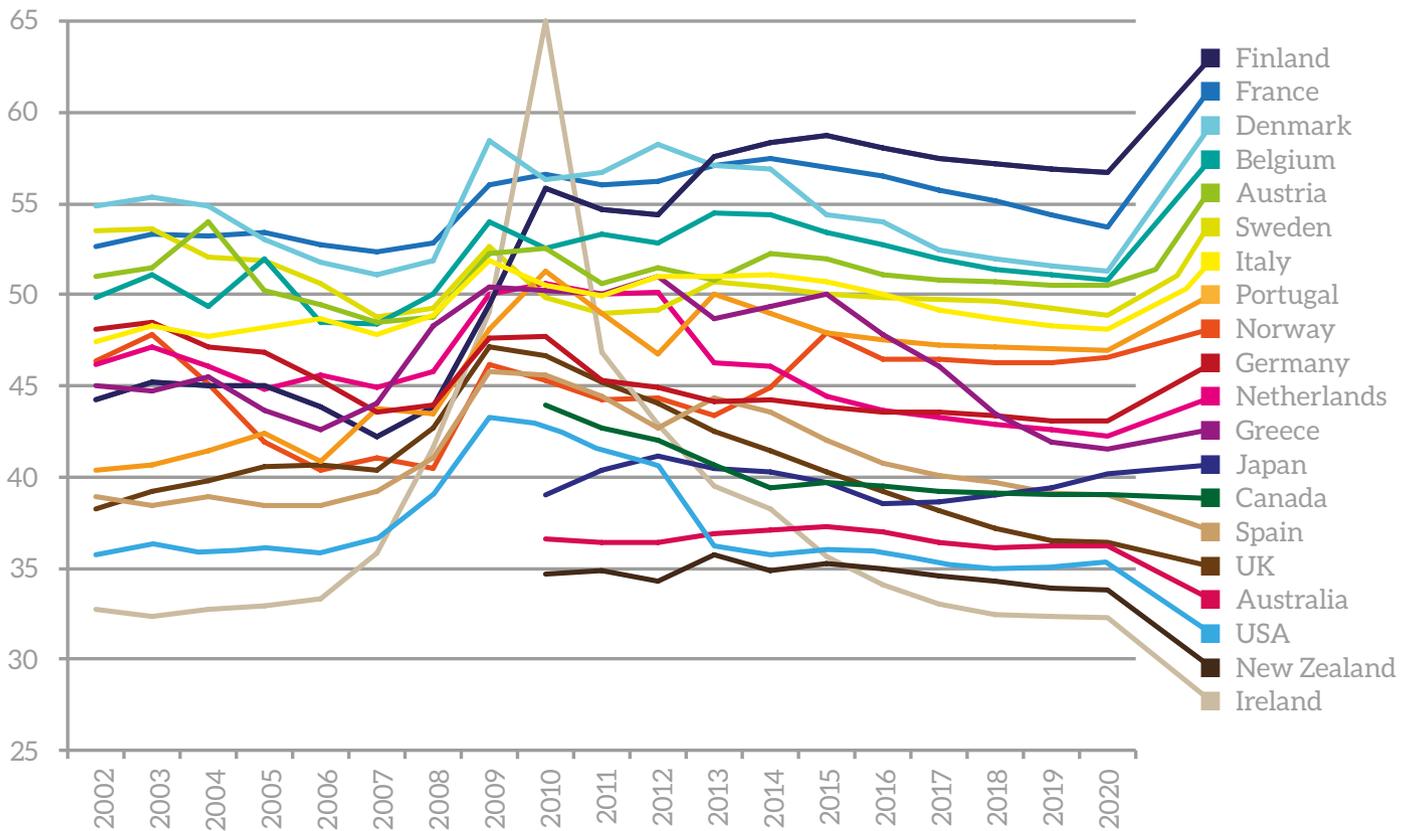
We clearly need a reappraisal of our tax system. Far greater sums of money are raised by taxation in countries where tax is made fairer, the rich are less exempt and the income distribution is less dramatically skewed. One conclusion to draw from the current housing crisis is that we need to move towards taxing property wealth on an annual basis, which would require a reform of council tax. Such a move would allow both the abolition of income tax for the very low paid ('making work pay') and the introduction of a basic income for all as discussed widely in recent years. This is a radical step that would require a change in our wider understanding of what is needed for an economy to work well.

Higher wealth and, especially, property taxation would have the effect of damping

down the housing market, but it would put more money into the real economy. An economy that was better balanced would raise employment in meaningful work. Wouldn't it be a good thing if fewer people worked as prison guards supervising a large section of the population, or as bankers sending money round in circles within the financial casino?

What would we spend tax income on if we taxed at the normal European level? We in the UK need to concentrate on our immediate problems more, such as housing. Very few of us are actually homeless, but what of future generations? A building programme is needed. We could use existing legislation that gave us the new towns of the 1960s and 1970s, but this time at least 250,000 (preferably carbon-neutral) homes need to be constructed over a four-year period,

Figure 1: State Spending as a proportion of GDP for 20 countries (2002-2020)



**Public Expenditure (%GDP)**

International Monetary Fund (IMF), World Economic Outlook Database for October, Washington, DC, IMF, 2010/2012/15  
<http://www.imf.org/external/pubs/ft/weo/2015/02/weodata/index.aspx>

with integrated energy generation, public transport infrastructure, and possibly even food production.

Along with new homes, built by councils or democratically constituted housing associations, we need new community structures, community buildings, public transport infrastructure, and workplaces. With fairer property taxation the uplift in the value of the land could be harnessed to make new building self-financing.

The state is needed to ensure that any development is coordinated. Only the state – us, working collectively – can see the wider picture. The esteemed American economist Robert Frank in his 2016 book *Success and Luck: Good Fortune and the Myth of Meritocracy* has raised these issues for a US audience this year. What was very recently seen as fanciful is now being proposed as policy in the mainstream.

### Education, Health and Inequality

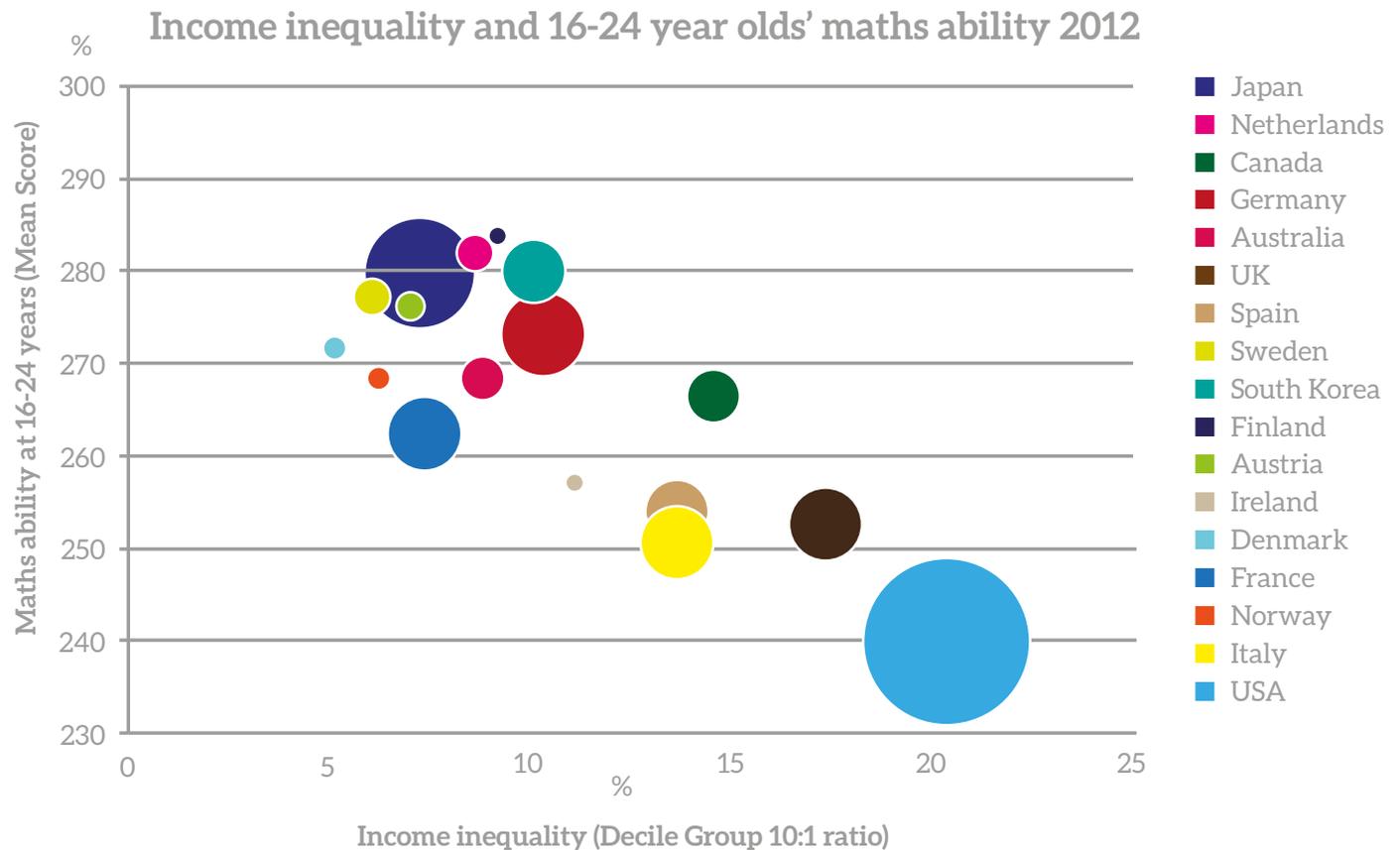
In 2008, 30.5 per cent of all educational expenditure in the UK was private, mostly on the 7 per cent of children who attend private schools. On average, between four and five times as much is spent on each privately educated child per year as is spent on each state-educated child's provision. The next highest private education spending in Europe was in Cyprus, where 17.3 per cent of education spending goes on a small minority. In contrast, private education spending is lowest in Norway (1.8 per cent), Finland (2.6 per cent) and Sweden (2.7 per cent). This includes monies spent on home tutors, pre-school education and tuition fees, so in these three countries, and in most of the rest of mainland Europe, there is hardly any private school education.

Overall, state spending on education in

the UK per child is lower than in most other Western European countries. This is not surprising, as when most of the elite who control national budgets, do not use state education for their own children, why would they care much about low rates of spending in state schools? If this system were beneficial, the UK would not be languishing, as it is, at the bottom of several education league tables when the richest 25 large countries of the world are compared. Figure 2 shows how income inequality maps onto academic performance. At age 16 children have a better superficial knowledge of maths in the USA and UK, but this has all but evaporated by 24. In these two countries we teach to the test – with terrible long-term results.

Turn from education to health. Our public health spending is still more efficient than in most other affluent countries, although its effectiveness is under threat. Of the 12

Figure 2



OECD Skills Outlook (2013) Survey of Adult Skills (PIAAC)

Data missing for Israel, Greece, Portugal, Slovenia, Belgium, New Zealand, Switzerland and Singapore

affluent nations compared in that figure, the UK is one of the very lowest in terms of its spending per person on health. Only Greece and Italy spend (slightly) less per person when private and state health spending are combined, and only then following extreme austerity. Health spending per person was twice as much in Switzerland as in the UK in 2013, and it was 81 per cent higher in Norway, 59 per cent higher in the Netherlands, 49 per cent higher in Germany, 41 per cent higher in Denmark, and 27 per cent higher in France. The UK commits less money per head than any comparable country to healthcare.

## Voting

People are beginning to notice this and ask why we can't have a better NHS. So how do we change things before it is too late? The referendum on independence in Scotland showed how many people, including 16- and 17-year-olds, would vote when presented with something they were passionate about. In the US, where huge numbers of people are imprisoned and unable to vote, recent research has shown that simply providing former prisoners with a small amount of information can increase by a huge proportion the likelihood of them both registering to vote and voting.

A third of the electorate did not vote in the May 2015 general election, and only a quarter of the UK electorate voted for the Conservative party. In 2005 it had been even worse, when just 20 per cent of the electorate voted for the Labour Party and yet that party still won a majority of seats. No other rich country has an electoral system that can deliver such undemocratic results. We need a proportional voting system for Westminster elections, but the UK's two largest political parties have been opposed to fair votes when they have held power.

Until we get fairer votes we need to understand better one aspect of electoral geography and how informal political pacts work. No tactical voting shenanigans will be necessary when the 'Westminster' UK parliament eventually has a fairer voting system of the kind that is usual in the rest of the world, in European elections in the UK, and already in London, Scotland, Wales and Northern Ireland.

## New politics

Something very new is happening in politics in the UK. It began in Scotland with the very close-run referendum result of 2014, and it is now reaching into England, where no one predicted Jeremy Corbyn would win so much support and be elected Labour leader in 2015 or that his party would win so many votes in the Oldham by-election later that year, or do as well as they did in the local elections in May, winning all four mayoral posts and then being re-elected as leader again in September 2016. It began earlier elsewhere in Europe when Green parties emerged as significant forces, winning the Austrian presidency in May 2016.

There is a new progressive politics growing worldwide, a yearning for greater equality and more stability. However, at the same time, the populism of the far right has also risen again, as illustrated by the Tea Party in the US and the popularity of Donald Trump as the potential US Republican presidential candidate in early 2016, by the rising popularity of close-to-fascist parties in France, Italy and in many smaller European states, and by the rise of Ukip in England and the EU referendum vote of a narrow 'Leave' majority. All these trends are also responses to rising economic inequalities, with the blame so often put on new poorer arrivals rather than on those who already take so much of the cake. The message of both recent trends – the progressivism that appears in so many new forms, and the alarming populism of the right – is that many people in many countries no longer want to accept things as they are.

When people look back on their lives, they often wish they had done things differently. They wish they had not had to amass such debts, especially in paying for education. They wish they had become a parent. They wish they had said goodbye to their loved ones properly before they died. And they wish that they had not had to worry so much through so much of their life about so many issues that they later realised were quite trivial. You need not be young to avoid regret, but if you are young you have more time and, perhaps, a greater incentive. If a better politics were

## Fairer Votes

Until we get fairer votes we need to understand electoral geography and how informal political pacts work. In 2015 in Sheffield Hallam constituency the Conservative party hardly campaigned at all, giving their potential voters the message they should vote for the Liberal Democrat leader Nick Clegg. They did not want Labour to win the seat if their voters voted Conservative. Clegg held his seat. At the same time, Labour won the city of Chester seat from the Conservatives when the Greens chose not to put up a candidate due to local concerns over fracking that the Conservatives were in favour of. Labour won Chester with a majority of 93 – the smallest majority in the country, after three re-counts.

No tactical voting shenanigans will be necessary when eventually the Westminster parliament has a fair voting system of the kind that is usual in the rest of the world, in European elections in the UK, and already in London, Scotland, Wales and Northern Ireland. Think a little further ahead and it is even possible to imagine the UK parliament not being in Westminster. When the Palace of Westminster has to undergo its ten-year renovation programme we could put parliament in Birmingham where the two planned high-speed rail lines from the North East and North West are due to converge before heading to London.

in the direct and obvious interest of the old, wealthy and powerful, it would already exist.

*This article is an edited extract from the book **A Better Politics: How Government Can Make Us Happier** written by Danny Dorling and Published by the London Publishing Partnership – a free low resolution PDF is available here which includes all the references to the facts given above: <http://www.dannydorling.org/books/betterpolitics/>*