The truth about the Spending Review 2010

Before we start - some key terms

**National debt**  The total amount of money the gov’t owes to the private sector and other purchasers of UK bonds.

**Deficit**  If government spends more than the revenue it receives during a fiscal year there is a deficit.

**Gross domestic product (GDP)**  The total value of a nation's output, income, or expenditure produced within its physical boundaries.
Spending Review 2010

• Deficit reduction of £110bn by 2015/16
• Made up 73% spending cuts, 27% tax increases
• Cuts (over 4 years) across gov’t depts - apart from health and overseas aid which are “protected”

Source: Institute of Fiscal Studies
http://www.ifs.org.uk/publications/5311

The Truth about the Spending Review 2010

Would it have been the same under Labour?
All figures below in £bn

- Con-Dems are making much bigger cuts than Labour
- Con-Dems raise more money from tax but is due to a VAT increase that hits the poor hardest

Data for graphs taken from slide in IFS report “Where Did the Axe Fall?” Oct 2010
http://www.ifs.org.uk/publications/5311
How do the spending cuts breakdown?
All figures below in £bn

<table>
<thead>
<tr>
<th></th>
<th>Capital (one off costs)</th>
<th>Revenue (ongoing costs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labour Mar 10 Budget</td>
<td>17.2</td>
<td>33.7</td>
</tr>
<tr>
<td>Con-Dem Jun 10 Budget</td>
<td>19.3</td>
<td>63.5</td>
</tr>
<tr>
<td>Con-Dem Oct 10 CSR</td>
<td>17.0</td>
<td>63.5</td>
</tr>
</tbody>
</table>

Con-Dems revenue spending cuts nearly twice the size of Labour

Breakdown of revenue spending cuts - (all figures £ bn)

<table>
<thead>
<tr>
<th></th>
<th>Labour Mar 10 Budget</th>
<th>Con-Dem Jun 10 Budget</th>
<th>Con-Dem Oct 10 CSR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt interest</td>
<td>27.0</td>
<td>42.8</td>
<td>35.7</td>
</tr>
<tr>
<td>Benefits</td>
<td>10.7</td>
<td>10.0</td>
<td>17.7</td>
</tr>
<tr>
<td>Public Services</td>
<td>7.0</td>
<td>10.0</td>
<td>10.0</td>
</tr>
</tbody>
</table>
The Chancellor said the review was....

- Unavoidable
- Fair
- And “we’re all in this together”

Let’s see if that is true.......
The Daily Mail say the welfare bill is “bloated” – are they right?

Let’s get past the spin and look at the facts. Below is a graph of the welfare costs (excluding pensions) as a per cent of GDP from 1950.

Q: Is the national debt too high?
A: No, not compared to historic levels

After the war the debt was high. But it paid for the NHS, the welfare state and lots of new infrastructure. Debt is not all bad.
How to lie with statistics – making the debt look worse

What happens if you only look at this bit of the graph?

It looks bad doesn’t it? Seems to have gone up lots. But it would be misleading to do that wouldn’t it?
But no-one would really do that, would they?

This was from Daily Telegraph 18 June 2009
Note the graph only shows ONE YEAR along the bottom

How to lie with statistics – what the Daily Telegraph did

This is what their graph showed
Another way to look at what The Telegraph did........

So, we’ve seen that the right wing media distort the facts about welfare and the national debt.

Now let’s look at the deficit ......
What is the deficit?

Current deficit
This was around £156 bn for 09/10 (in the 2009 budget it was predicted at £175 bn so it is better than expected)

Why has this happened?
Is it too much spending?
or
Is it not enough income?

Deficit got bigger in 2009/10 by £132bn

Increased tax receipts due to recession contribute to the deficit more than increased spending. Some of the extra spending is due to more benefit payments to the jobless. Tax receipts will go up and benefits costs will go down when the economy picks up.
At least health is protected!
Not really.......;
• Health - govt say 0.8% growth
• But health inflation 4–5%
• Cuts already happening. BMA survey of doctors in June 2010:
  • 62% said there was a recruitment freeze
  • 42% were limiting prescribing
  • 40% were limiting access to treatments

Schools’ spending is going up say the government.....
Schools’ spending incl pupil premium to grow by 0.1% pa
  – but total pupil numbers to increase by 0.7% per year
  – total schools spending per pupil cut by 0.6% per year

Assuming flat-rate pupil premium of £2,400
  – 60% of primary school pupils in schools where real funding falls
  – 87% of secondary school pupils in schools where real funding falls
  – Only 1 in 8 pupils in very deprived schools see increase of 5% or more

Info taken from slide in IFS report "Where Did the Axe Fall?" Oct 2010
http://www.ifs.org.uk/publications/5311
Alternative to spending cuts – raise income

- £30bn from a Robin Hood Tax on “casino banks”
- £4.7bn with a 50% tax rate on incomes over £100k
- £10bn by reforming tax havens and residence rules
- £14.9bn by stopping tax reliefs to subsidise incomes over £100k
- At least £1.5bn by bringing back windfall tax on bankers’ bonuses
- £4bn by cancelling Trident
- £5bn with an Empty Property Tax on vacant dwellings
- Maintaining public spending will support the economic recovery and eventually tax receipts will increase by well over £40bn when the economy picks up

Top economists who predicted the crash and now say cuts will damage the economy

In 2008 Prof David Blanchflower said “something horrible” was going to happen with the economy. Of the Spending Review he says:
“The austerity package is likely to turn out to be the greatest macro-economic mistake in a century.”

In October 2006 Nobel prize winner Joseph Stiglitz said there would be a crash “within 24 months.” Now he says:
“we’re now looking at a long, hard, slow recovery…. if everybody cuts back at the same time.”

Nobel prize winner Paul Krugman (who also predicted the crash) recently said:
“The British government’s plan is bold, say the pundits — and so it is. But it boldly goes in exactly the wrong direction….. What happens now? …..premature fiscal austerity will lead to a renewed economic slump.”
How will this affect jobs in the East Midlands?

PricewaterhouseCoopers (PwC) in Oct 2010 said the cuts would mean:

- £4bn lost from local economy
- 29,000 public sector job losses in the East Mids and the same number in the private sector!

<table>
<thead>
<tr>
<th>County (incl any unitary council)</th>
<th>Loss to economy (£ bn)</th>
<th>Public Sector job losses</th>
<th>Private Sector job losses</th>
<th>Total Job losses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Derbyshire</td>
<td>0.93</td>
<td>6,800</td>
<td>6,800</td>
<td>13,600</td>
</tr>
<tr>
<td>Leicestershire</td>
<td>0.85</td>
<td>6,200</td>
<td>6,200</td>
<td>12,400</td>
</tr>
<tr>
<td>Nottinghamshire</td>
<td>1.01</td>
<td>7,300</td>
<td>7,300</td>
<td>14,600</td>
</tr>
<tr>
<td>Lincolnshire</td>
<td>0.59</td>
<td>4,300</td>
<td>4,300</td>
<td>8,600</td>
</tr>
<tr>
<td>Northamptonshire</td>
<td>0.58</td>
<td>4,200</td>
<td>4,200</td>
<td>8,400</td>
</tr>
<tr>
<td>Rutland</td>
<td>0.03</td>
<td>200</td>
<td>200</td>
<td>400</td>
</tr>
<tr>
<td>Total</td>
<td>4.00</td>
<td>29,000</td>
<td>29,000</td>
<td>58,000</td>
</tr>
</tbody>
</table>

Data for East Mids taken from PwC report and then apportioned by population size. PwC report is here: [http://tinyurl.com/3ybjlgu](http://tinyurl.com/3ybjlgu)

So what does it mean?

- Some areas of public sector will vanish, other areas will be slashed
- Huge impact on private sector – 29,000 public sector job losses in the East Mids and the same number in the private sector
- Economic growth will be devastated and then more cuts
- IFS say “tightest squeeze on spending since World War 2.” Even Margaret Thatcher did not make cuts like these!
- Ordinary people will pay the price while the bankers who caused the crash will get off virtually scot free
- The cuts are politically driven – the deficit can be cut with a fair tax system and by waiting for the economy to recover
What can I do?

• If you work in the public sector, join UNISON: unison.org.uk/join

• Sign up to our Million Voices for Public Services campaign: unison.org.uk/million/

• Write to your MP – find your MP at: theyworkforyou.com/

• Keep up to date on the campaign in the East Midlands: unisoneastmids.blogspot.com/

• Attend the TUC mass demo in London on Sat 26 March 2011 to oppose these cuts: tuc.org.uk/mediacentre/tuc-18709-f0.cfm

Public Services
Don’t wait till they’ve gone to defend them