

## SUGGESTED TITLE “The Politics of Public Spending, Equality and Hope”

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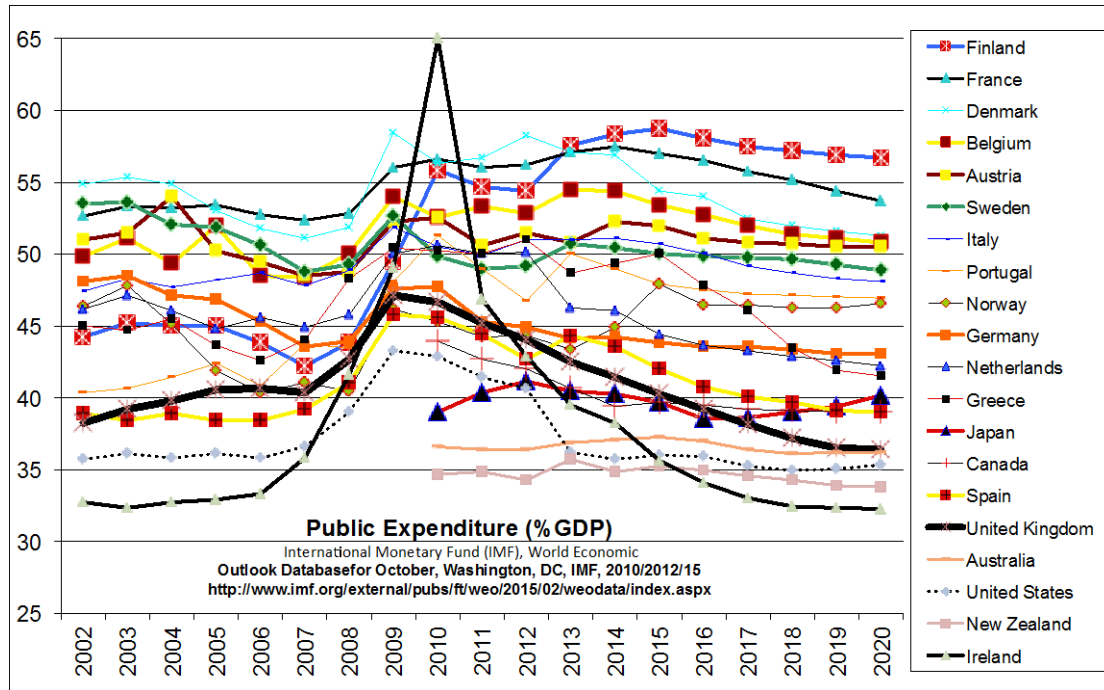
In October 2016, at her party’s annual Conference, the Prime Minister Teresa May set out a vision for a more inclusive Britain, at least for those who would still have a right to freely work in the UK. She promised many things, but what she did not mention was how we most differ from almost every other affluent country in Europe in terms of how little we spend on our public services, the only services that are truly inclusive.

The UK remains on course to cut public spending to record lows. 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. So maybe its time for a geography lesson? In recent years the UK as not compared itself enough with its European neighbours. So how do we compare when it comes to public spending and performance on housing, education and health?

Looking at how we govern ourselves from the perspective of what most matters to us, things appear in a very different light. It is not possible to give everyone a large financial windfall, but we can all be happier (without that) or even without high levels of economics growth. In recent decades in affluent countries, economic growth has tended to only benefit a few, especially when accompanied by low and often regressive taxation.

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 its successor government elected in 2015 clearly aims to get close to being that internationally minimal public provider by 2020.

### **State Spending as a proportion of GDP for 20 countries (2002-2020)**



The Figure above shows how government spending rose rapidly, but differentially in different countries to bail out the financial sector during the 2007-2013 financial crash. In 2016 is now often higher than it was before the crash because of debt repayments and public spending has to rise as a proportion of GDP to avoid making cuts when GDP falls. The lines on the graph slope downwards into the future because government tell the 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 is the range of choices 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 taxpayers and spenders.

According to these World Economic Outlook figures, produced annually by the IMF, Finland is projected to spend 57% of GDP on public services in 2020; France 54%; Denmark, Belgium and Austria will spend 51%; Sweden will spend 49%; Italy 48%; Portugal and Norway 47%; Germany 43%; the Netherlands 42%; Greece 41%; Japan 40%; and Canada and Spain each 39%. The latter two countries also spend more than the UK, or will do from 2016 onwards given planned cuts. After which UK public spending will be just 36% of GDP.

As I write (in September 2016) our government still aims to get spending down to 36% of GDP; a post-war and European low, although there are some signs of austerity weakening. What the figure above demonstrates is that the UK is not a high-taxing, high-public-spending nation, although there is ample conspicuous private consumption.

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 the 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, 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.

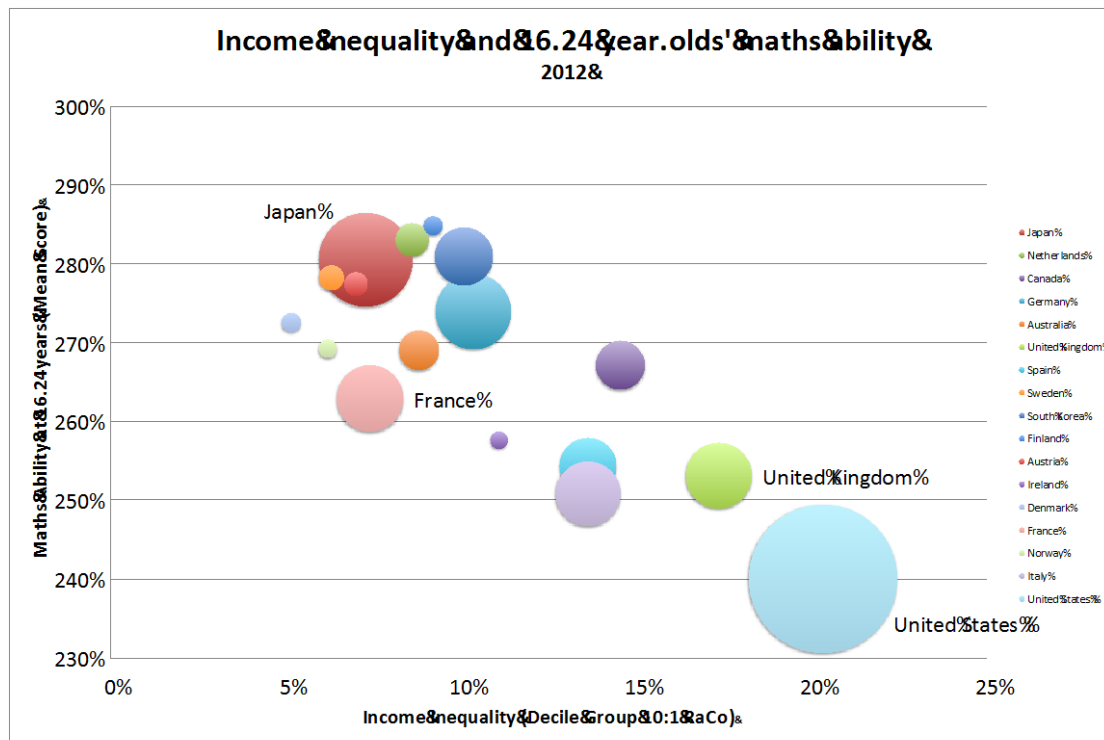
Of course there are some who think that all this talk of how much better things could be is fanciful. They think most people are fundamentally selfish, and that such selfishness can be tempered only a little.

In his book *How to Be a Conservative*, Roger Scruton uses the word ‘truth’ in eight of his chapter titles, so convinced is he that he knows what it is. None of us can know for sure what proportion of what we suggest will turn out to be misguided and where we might have hit the nail on the head. That is often only apparent in retrospect. But all of us can hope and dream and act and advocate. We can all look beyond our own shores to see if other people have made a better go of it than we have.

In 2008, 30.5% of all educational expenditure in the UK was private, mostly on the 7% 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% of education spending goes on a small minority. In contrast, private education spending is lowest in Norway (1.8%), Finland (2.6%) and Sweden (2.7%). This spending 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 twenty-five large countries of the world are compared. The Figure below shows on such ranking graphically and how it related to income inequality. The ranking is not so bad is done at age 16 as at that age children have a better superficial knowledge of maths in the USA and UK, just not one which they manage to hold onto by the age of 24. In these two countries we teach to the test – with terrible long-term results.



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

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

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 twelve 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. Elsewhere in Europe health spending per person was twice as much in Switzerland as in the UK in 2013, and it was 81% higher in Norway, 59% higher in the Netherlands, 49% higher in Germany, 41% higher in Denmark, and 27% higher in France.<sup>219</sup> The UK commits less money per head than any comparable country to healthcare.

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 sixteen- and seventeen 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 that won. In 2005 it had been even worse, when just 20% 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 (INSERT TEXT BOX HERE – IT IS BELOW) 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.

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 one particular relationship had not ended, or that they had been with someone else. 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 realized 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 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/>*

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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 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.<sup>i</sup> No tactical voting shenanigans will be necessary when eventually the “Westminster” UK 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.<sup>ii</sup>

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<sup>i</sup> Personal Communication (2015), Sheila Ramsay, Chester Labour Party, October.

<sup>ii</sup> Dorling, D. and Mullin, C. (2015) Should parliament move out of London? The Observer, March 7th, <http://www.theguardian.com/commentisfree/2015/mar/07/should-parliament-move-out-of-london>