Published on *Adam Smith Institute* (http://www.adamsmith.org)

Savage spending cuts [1]

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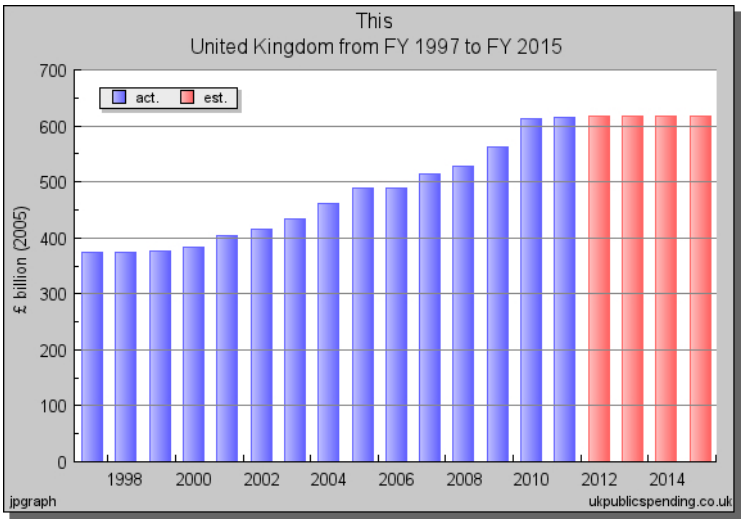

The chart above shows total UK public spending between 1997 and 2015 in constant 2005 £. Does that look like radical austerity to you?

This is hardly an original point, but it?s worth restating until people start to notice: Britain is not radically cutting public expenditure. As displayed on this chart, spending was £613bn in 2010 and £615bn in 2011; in 2012 and 2013 it will be £618bn, and in 2014 and 2015 it will be £617bn. Even in real terms, spending will be higher at the end of this parliament than it was at the beginning. It would be fair to characterize this as spending restraint, but it?s nothing more than that.

Why does public debate bear so little resemblance to this reality? In part, it?s down to the fact that the government is desperate to show bond markets that it is serious about deficit reduction, so that they can keep borrowing cheaply. This makes them dial up the austerity rhetoric, even when its not backed up by real spending cuts.

Another reason is the way the Treasury initially presented the coalition government?s austerity plan ? as a recipe for £80bn in cuts. But these are cuts against a baseline of projected increases, not actual reductions in spending. Moreover, these are only ?cuts? in Departmental Expenditure Limits (DELs). Annually Managed Expenditure (AME), the other half of Total Managed Expenditure (TME), which includes social security, public sector pensions, debt interest payments, and European Union Contributions, would continue to rise.

And then there?s the fact that the public sector has grown so used to huge annual rises in spending that it struggles to cope without them. When you are accustomed to profligacy, fiscal restraint can be a shock to the system. Indeed, many of the promises made to public sector workers were based on the assumption that spending could grow by 7 or 8 percent a year indefinitely. Now that?s been exposed as a cruel lie, their union representatives are prepared to make a lot of noise about it.

But whichever way you slice it, there is no radical austerity, no savage spending cuts, no public sector apocalypse. Someone ought to tell Paul Krugman [3].

P.S. Apologies for the fact that my chart is titled ?This?. For some reason, I couldn?t get ukpublicspending.co.uk[4]to produce anything else!

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