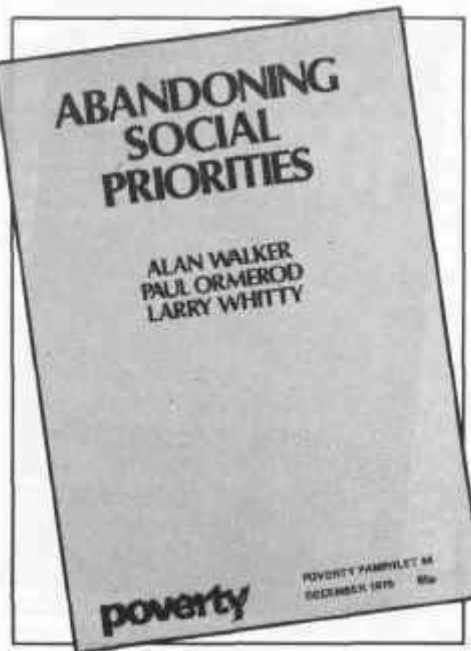


NOTES

Abandoning Social Priorities

Ruth Lister writes: As the grip of monetarist economic policies becomes tighter, it is becoming increasingly difficult publicly to challenge the conventional wisdom that public expenditure cuts are somehow 'necessary'. A recent pamphlet by Alan Walker, Paul Omerod and Larry Whitty, published by the Child Poverty Action Group attempts to do this in terms that can be understood by those unversed in the mysteries of economics.

The pamphlet examines the various arguments used to justify the public expenditure cuts and the income tax cuts that they are helping to finance: the common assertions that tax cuts are necessary to improve work incentives and thereby increase output and that high public spending prevents or 'crowds out' growth in the private sector, are, it is argued, no more than assertions unsubstantiated by facts. British experience does not suggest that a cutback in public spending stimulates the private sector. For example, 'between 1975-76 and 1978-79 private sector investment increased only from 8.8 to 9.5 per cent of total national expenditure, a rise of £1,400 million in contrast with a fall in public sector investment of £4,700 million. In other words, the private sector took up less than one-third of the room made for it by the cuts in public sector investment'. Similarly, the notion that governments, like individual households,



should not live beyond their means is shown to be based on a false analogy. Many households do live beyond their means through use of loans, credit cards etc, and, the authors argue, 'in an economy with plenty of spare capacity a substantial part of any increase in public expenditure is in fact self-financing' because 'a higher level of economic activity and employment means an increase in government income from taxation, both direct and indirect, and a

reduction in government expenditure on unemployment benefits and so on'.

It is also noted that in 1976, the latest year for which figures are available, the level of public expenditure in the UK as a proportion of GNP was below the EEC average and in 1975, before the era of cuts, the UK devoted 19 per cent of GNP to social services expenditure, compared with 22 per cent in France, 24 per cent in West Germany, 22 per cent in Italy, 26 per cent in the Netherlands and 27 per cent in Denmark.

In summary, the authors argue: 'Hard economic evidence based upon the actual experience of the UK economy suggests that further cuts in public expenditure will intensify the current recession. An economic miracle would be required, involving a reversal of all previously observed patterns of behaviour, if the cuts were to lead to more and not to less prosperity for the British people as a whole. At stake in this economic gamble are the living standards of millions of families and the future of the welfare state'.

As the pamphlet shows, the cuts have already meant a decline in the living standards of working people and claimants and the case is made for an increase in public expenditure, and in particular 'the social wage' 'in order to improve the quality of services, raise living standards for the majority and promote social justice'. £1.10 inc p & p from CPAG, 1 Macklin Street, London WC2.

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