

Gordon Brown's Billions: The Dilemmas of Spending Review 2004

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Public expenditure went out of fashion after the 1970s, and the Thatcher and Major Conservative Governments were committed to reducing the size of the state. Although privatisation in its many forms narrowed the scope of public functions, actual reductions in the public expenditure/GDP ratio were much less than political aspirations. Nevertheless, to win office in 1997, the Labour Opposition felt obliged to commit itself not to exceed the public expenditure levels in 1997-98 and 1998-99 embodied in Conservative plans. Ironically, public expenditure was almost certainly lower in those years than if the Conservatives had been re-elected in 1997. Prudence and fiscal responsibility became the mantra of Labour Chancellor of the Exchequer Gordon Brown, winning plaudits from the IMF and securing him the chair of its main ministerial committee. The UK public expenditure control system was revamped in 1998, leading to biennial Spending Reviews in 1998, 2000, 2002 and (shortly to be announced) July 2004. In 1998, relatively modest increases in public expenditure were over-spun by triple counting. But an avalanche of public expenditure increases came in SR 2000 and SR 2002, with real increases being higher than ever previously planned for. The crunch time has now arrived. The budget deficit is dangerously high, breaching the EU Stability and Growth Pact, notwithstanding a remarkable period of sustained economic growth. There is huge scepticism about whether the money increases are delivering commensurately better public services. Operating and cost conditions seem to be getting more difficult. Claims against the spending envelopes set for Total Managed Expenditure in Budget 2004 are pouring in – Iraq, asylum, crime, health, transport, schools and universities. This leads to many questions. Who will “win” and who will “lose” in the July 2004 settlement? Why are so many people and public sector organisations “unhappy” when the real resources put into public services have been increasing at an unprecedented rate? What will happen when growth slows, let alone stops or goes into reverse? And if – as widely reputed – the Labour Government has moved so far to the right, how come Gordon Brown will be spending so many extra billions?