

A time of rapid and major change: rewriting the contract between citizens and the state

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The Issue

- Britain (in common with other western democracies) has suffered a series of massive economic and political shocks in the past few years
 - Growing distance between those who govern and the governed
 - Banking crisis/credit crunch
 - Public sector boom and bust
 - MPs' expenses scandal
 - This summer's riots
 - Collapse of trust in MPs, other Establishment institutions
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Governments and public spending

- Public expenditure as % of GDP has moved up and down radically:
 - Up to 48% in early 1980s and today
 - Down to 38% at the end of the 1990s
 - Mrs Thatcher wanted to 'roll back the frontiers of the State'
 - 50% real terms growth in public spending between 2000 and 2010
 - Now planned to fall from 48% to 41 % between 2011-12 and 2015-16
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Spending impacts

- Local government has faced deeper reductions than central departments
 - Council employment down to levels in 2000
 - falling since 2007
 - NHS “real terms freeze” has led to very different pressures than the health service had been used to
 - 20% ‘efficiency’ savings
 - Little evidence from Gershon etc about realism of such efficiency efforts
 - Also, major reform of administration
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The period to 2015-16

- Evidence suggests deficit reduction will be even more difficult than originally envisaged
 - If growth falls to 0% to 1% this year than then remains below the trend (2.5%) figure, it is likely there will have to be either:
 - A further round of expenditure cuts and/or
 - Public sector austerity beyond 2015-16
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Longer-term impacts

- Britain will have experienced an 'Everest-shaped' public sector expansion and contraction between 2000 and 2016
 - Not 'Keynesian' at all
 - Boosting public spending during an economic boom, then cutting while growth is fragile
 - By 2016-17 and beyond, many services will feel stressed
 - Though spending still well above 2000 levels
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'The State' is a large and complex element affecting all of society

- ❑ Affecting the whole of the private and public sectors
 - ❑ Employing 6 million people
 - ❑ Imposing rights, duties, obligations, law etc
 - ❑ But also tangled in a longer-term political debate about freedom and democracy
 - ❑ Can the State be too big? Or too small?
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Questions about the State begged by the scale of deficit reduction

- How to avoid 'boom and bust' within the public sector?
 - Less central control by the Treasury and spending departments would undoubtedly help
 - How to sustain NHS spending in the longer term?
 - Real terms increases of 5%+ pa cannot be sustained indefinitely
 - Should local government be radically liberated so as to increase fiscal and spending discipline?
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Re-writing the contract between citizens and the State...

- The public will see falling spending with rising taxes for several years
 - The opposite of the period 2000 to 2010
 - This will/has prompted a debate about the longer-term purposes and size of the State
 - The public will have to assent to any long-term adjustment
 - Is this recession really different and more serious than all the others?
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