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Publication Monday 25 July 2005

Tax payers pick up the bill for the Chancellor's public spending spree. The UK needs parliamentary watchdog to analyse the true position, says Politeia's next study.

As Parliament prepares for its summer recess, the Chancellor of the Exchequer has come under fire for breaking his own golden rule (borrowing only to invest across an economic cycle and meeting all current spending from tax). But that is only part of the story as Politeia's next pamphlet *For Better, or For Worse? The Economic Record of the Labour Government*, explains. Far from proving the prudent custodian of the nation's finances, Mr Brown has squandered the enviable legacy of 1997. Though all major OECD economies face the problem of paying for high public spending when their populations are aging, Gordon Brown has aggravated Britain's long-term public expenditure challenge. Public spending has risen by over two thirds in cash terms, and taxes and borrowing have increased. Britain now has one of the largest structural budget deficits in the advanced industrial world.

Behind the spin and counter spin of politics, the figures tell a grim tale. In particular:

Public spending has gone up, with Total Managed Expenditure having increased in real terms since 1997 at an average annual rate of 4.1 percent, and, between 2001 and 2005, by 17.6 percent at an average annual rate of 4.4. percent.

Taxes too have risen sharply, with total public sector receipts up by 2.2 per cent and the figure projected to rise to over 40 percent of GDP during the course of this parliament. Even that measure is incomplete for it leaves out the tally of benefits, such as the (now renamed) Working Families Tax Credit. In fact taxes have grown at a bigger rate than peoples' income. Whereas national income grew by around 52 percent since 1996, tax receipts have gone up by 70 percent.

The victims are numerous: business, companies, pensioners and savers all face additional burdens. Brown's policy has particularly damaged saving. He abolished the tax credit on dividends, and we now see the impact as occupational pension schemes are threatened and final salary schemes are replaced by money purchase schemes. Total tax relief available for savers has gone down too. Under Gordon Brown the saving ratio has fallen to 4.2 percent, the lowest since 1963. Low paid workers suffer too. The number of people paying basic rate has risen from 16.2 million to 22.5 million and more and more people are becoming increasingly dependent on means tested benefits.

What can be done? The author proposes there must be a new approach to controlling public spending. Parliament should establish a body responsible for analyzing in detail public spending and tax – so that the public and their MP's have full access to the true economic consequences of government profligacy.

For Better, or For Worse? The Economic Record of the Labour Government* is published by Politeia on Monday 25th July 2005, and is available from Politeia, 22 Charing Cross Road, WC2H 0QP at £5.00. **The text will be available by e mail in advance to journalists on application by response to this message. Enquiries to Warwick Lightfoot on 020 7229 6041 or to Politeia on 0207 240 5070, e-mail, info@politeia.co.uk

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