

# The truth about The Spending Review 2010



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# Before we start - some key terms

**National debt**     The total amount of money the gov't owes to the private sector and purchasers of UK bonds

**Deficit**             If government spends more than the revenue it receives during a fiscal year there is a deficit

**Gross domestic product (GDP)**     The total value of a nation's output, income, or expenditure produced within its physical boundaries

# Spending Review 2010

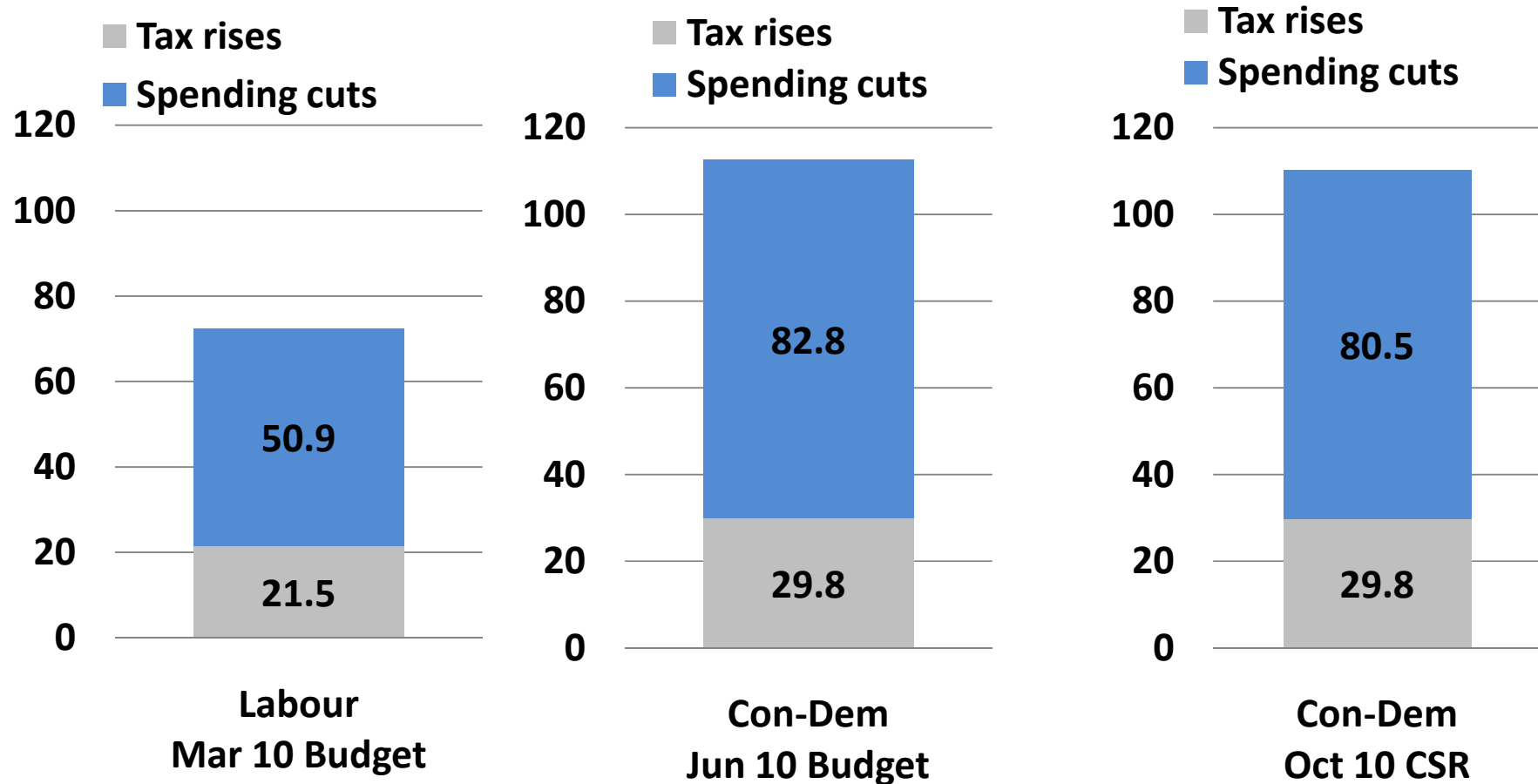
- Deficit reduction of £110bn by 2015/16
- Made up 73% spending cuts, 27% tax increases
- Cuts (over 4 years) across gov't depts - apart from health and overseas aid which are “protected”

Source: Institute of Fiscal Studies

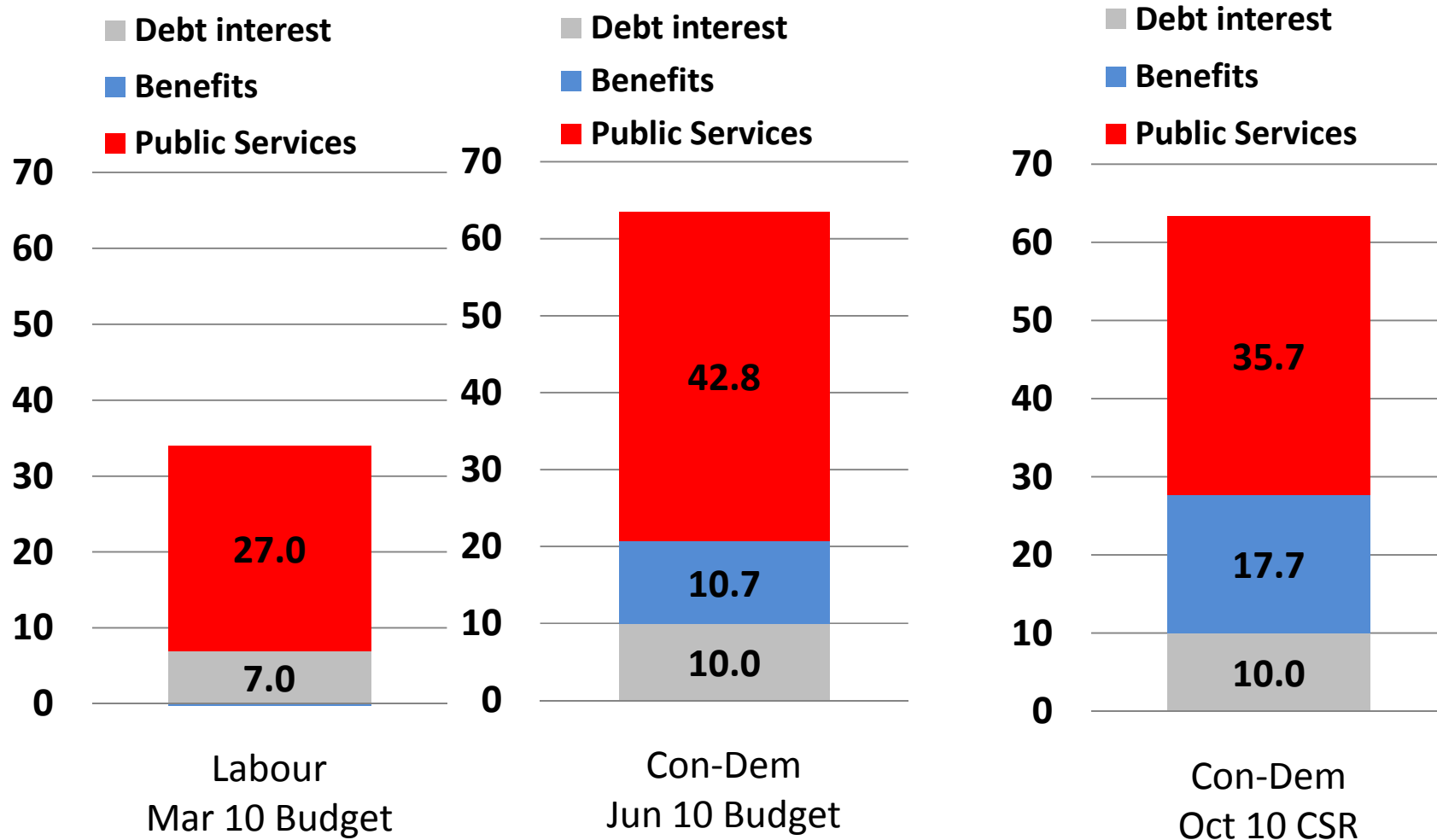
<http://www.ifs.org.uk/publications/5311>

# Would it have been the same under Labour?

All figures below in £bn



## Breakdown of revenue spending cuts - (all figures £ bn)



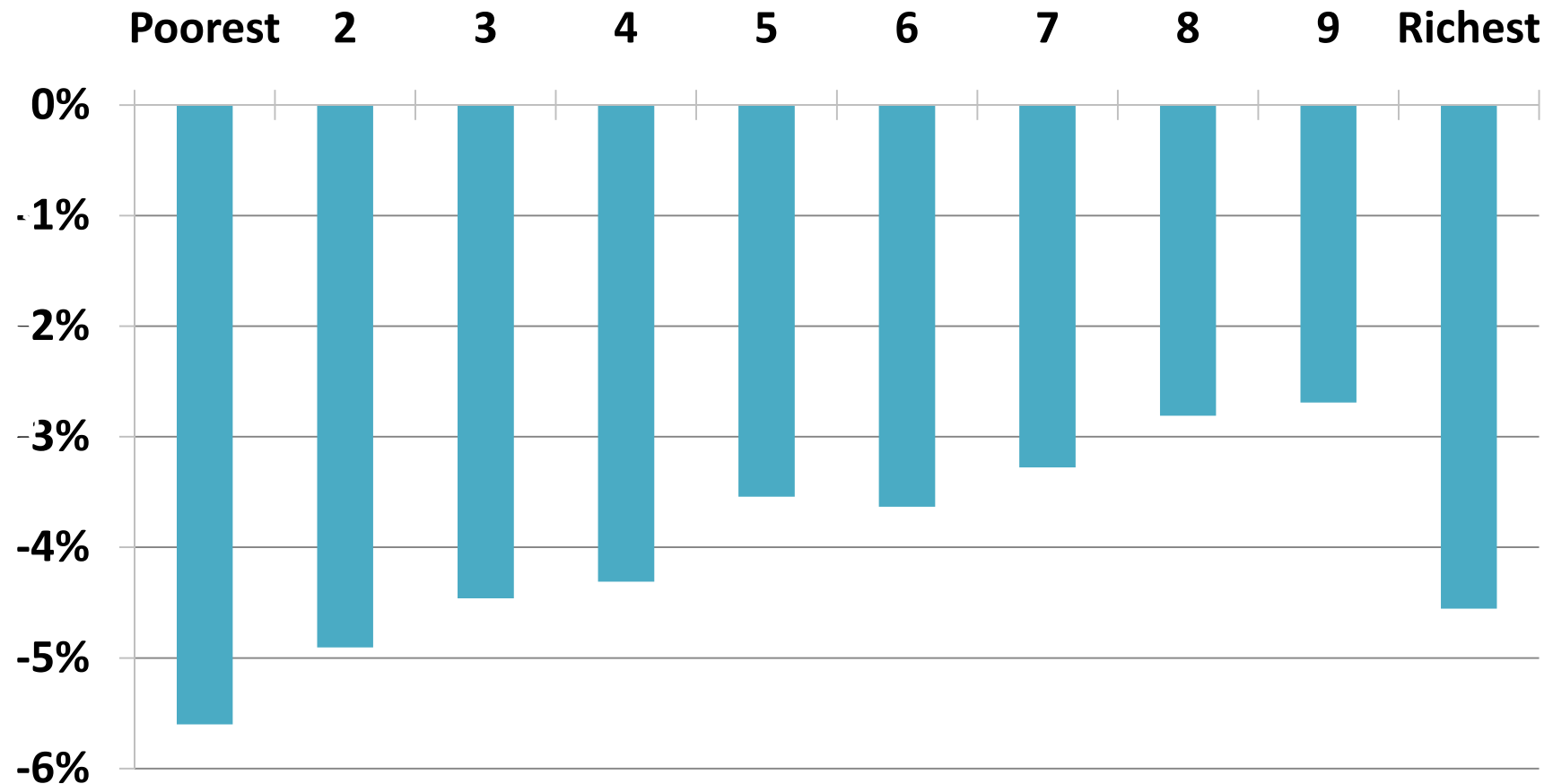
# The Chancellor said the review was....

- Unavoidable
- Progressive
- And “we’re all in this together”

Let’s see if that is true.....

## The regressive impact of tax and benefit measures in place by 2014–15

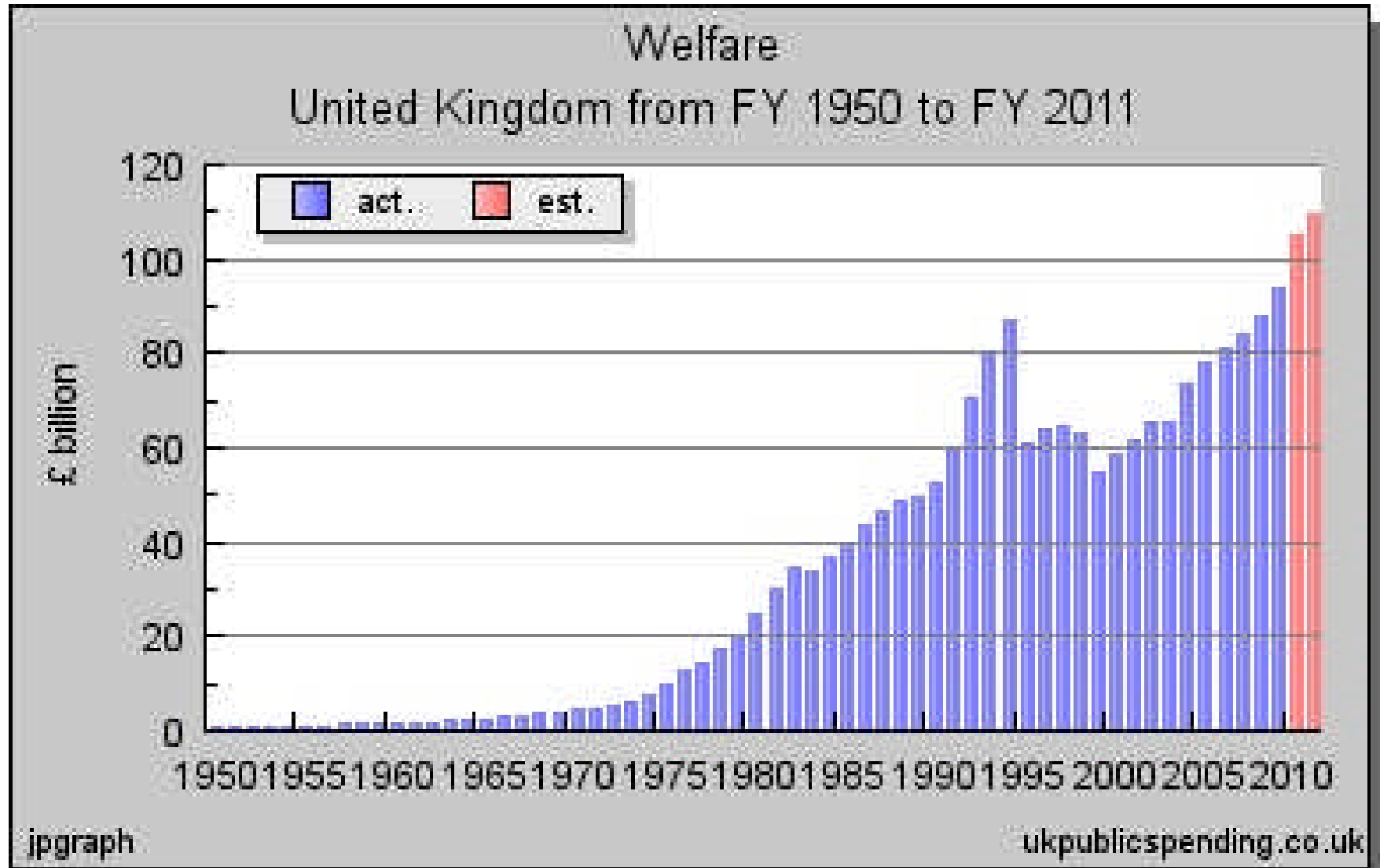
The graph below shows the % cost of tax and benefit changes as a proportion of each income decile. The left hand bar shows the bottom 10% of incomes, the right hand side shows the top 10% of incomes



Graph is based upon a slide from IFS presentation "Who Loses More from Public Service Cuts" Oct 2010

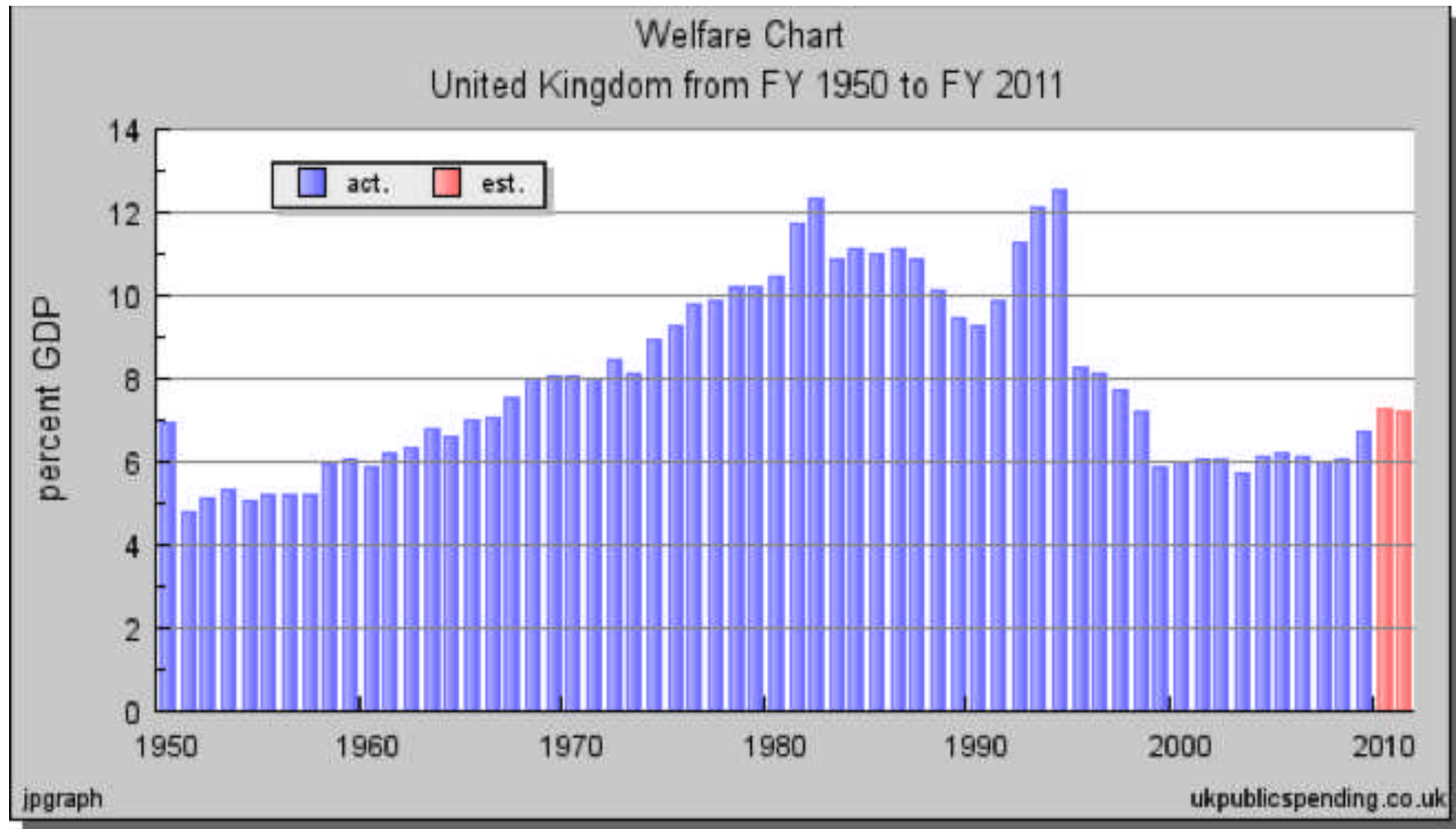
<http://www.ifs.org.uk/publications/5314>

# The Daily Mail say the welfare bill is “bloated” – are they right?



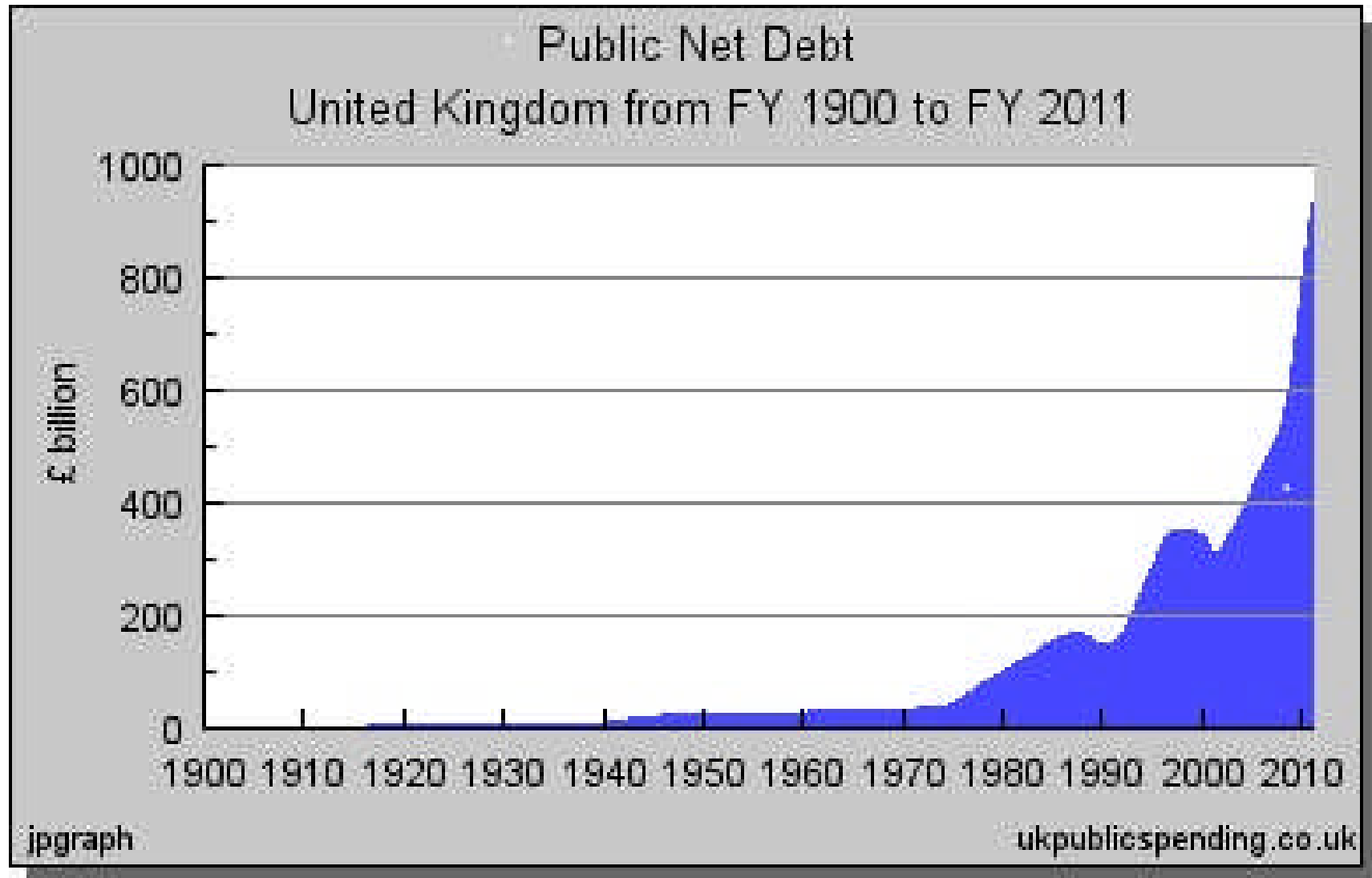
## A Better Way of Looking at Welfare Benefit Costs

Below is a graph of the welfare costs as a **per cent of GDP** – i.e. how much is spent on welfare as a proportion of the size of the economy



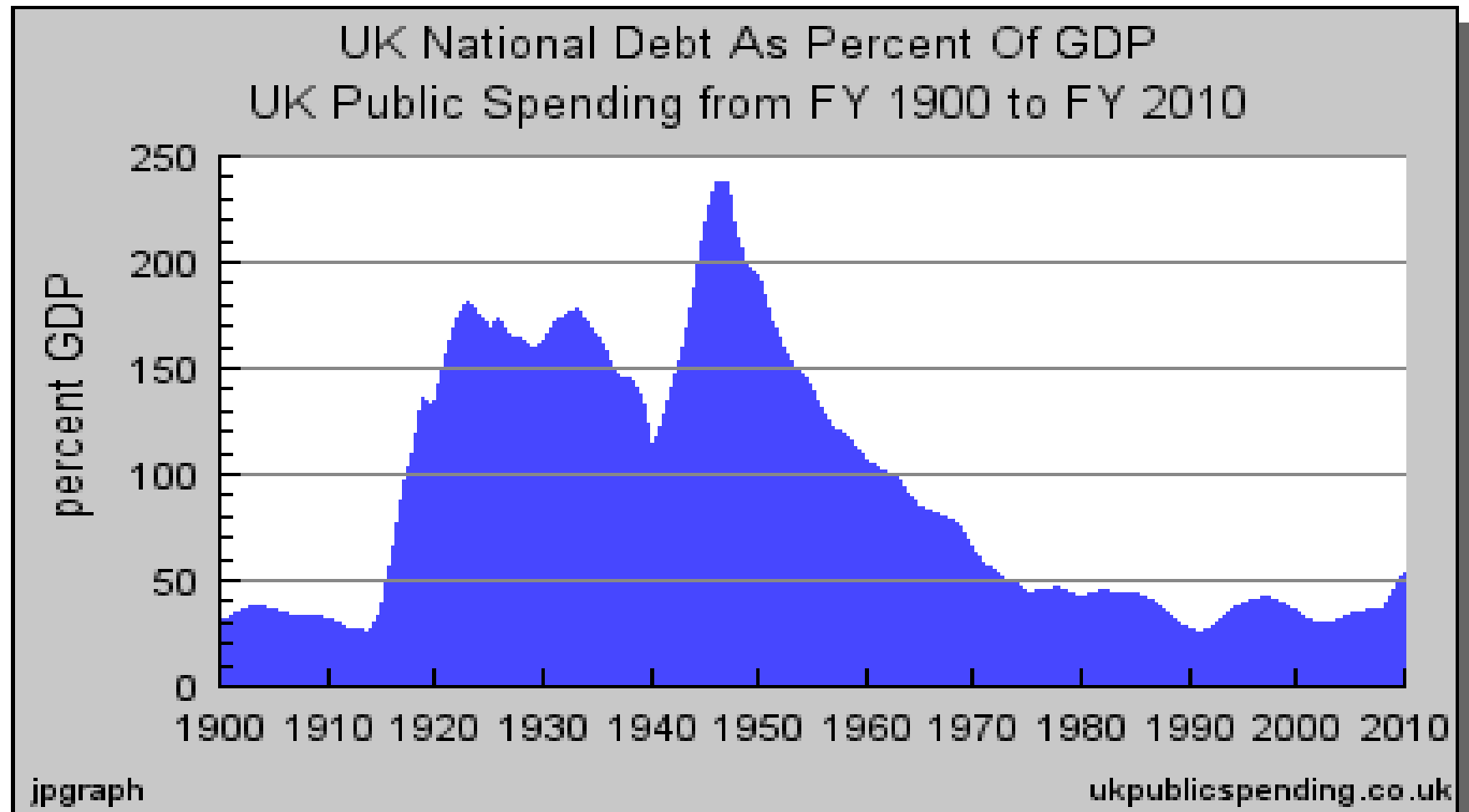
**Q: Is the national debt too high?**

**A: Looks like it is spiralling out of control**

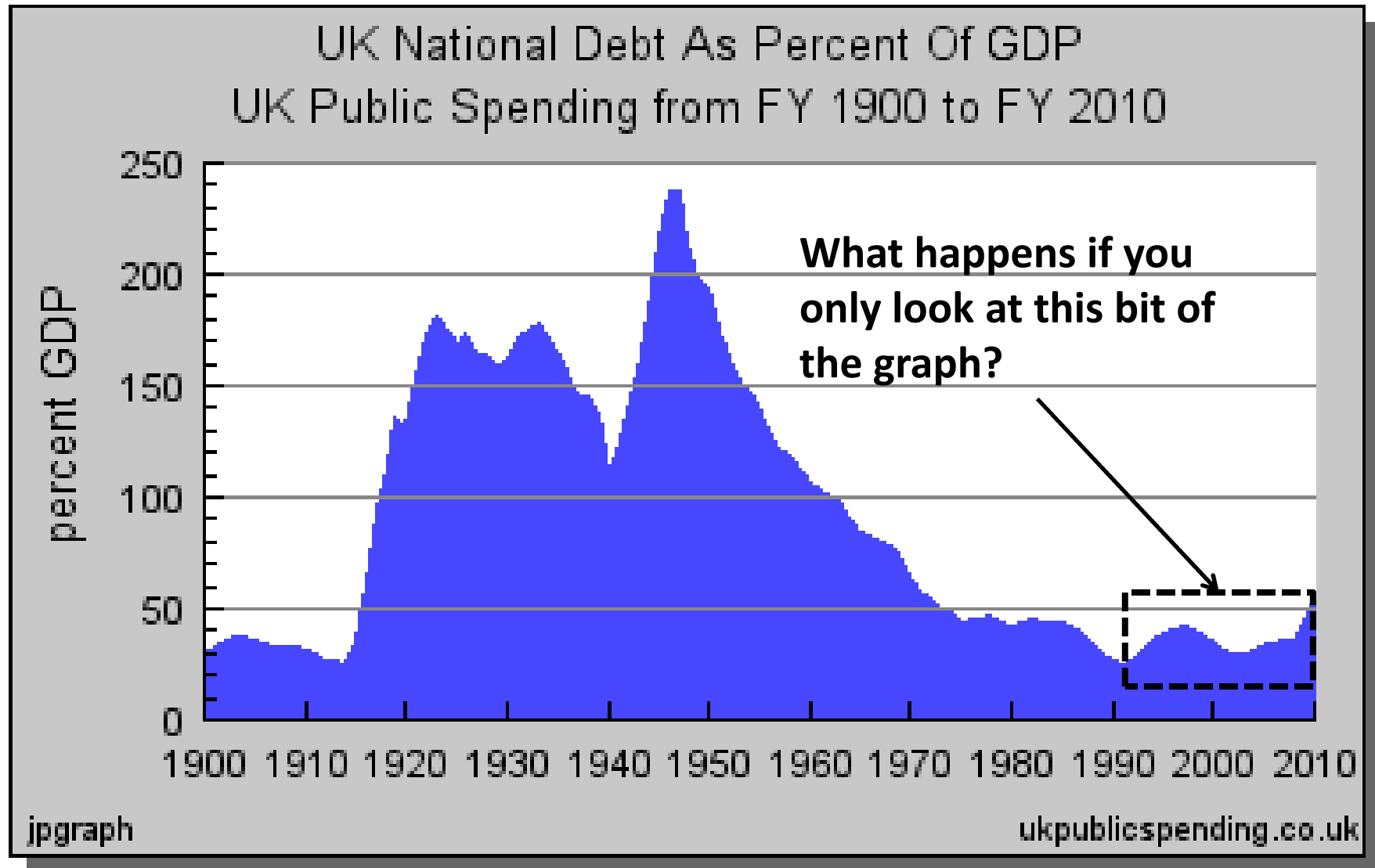


## Q: Is the national debt too high?

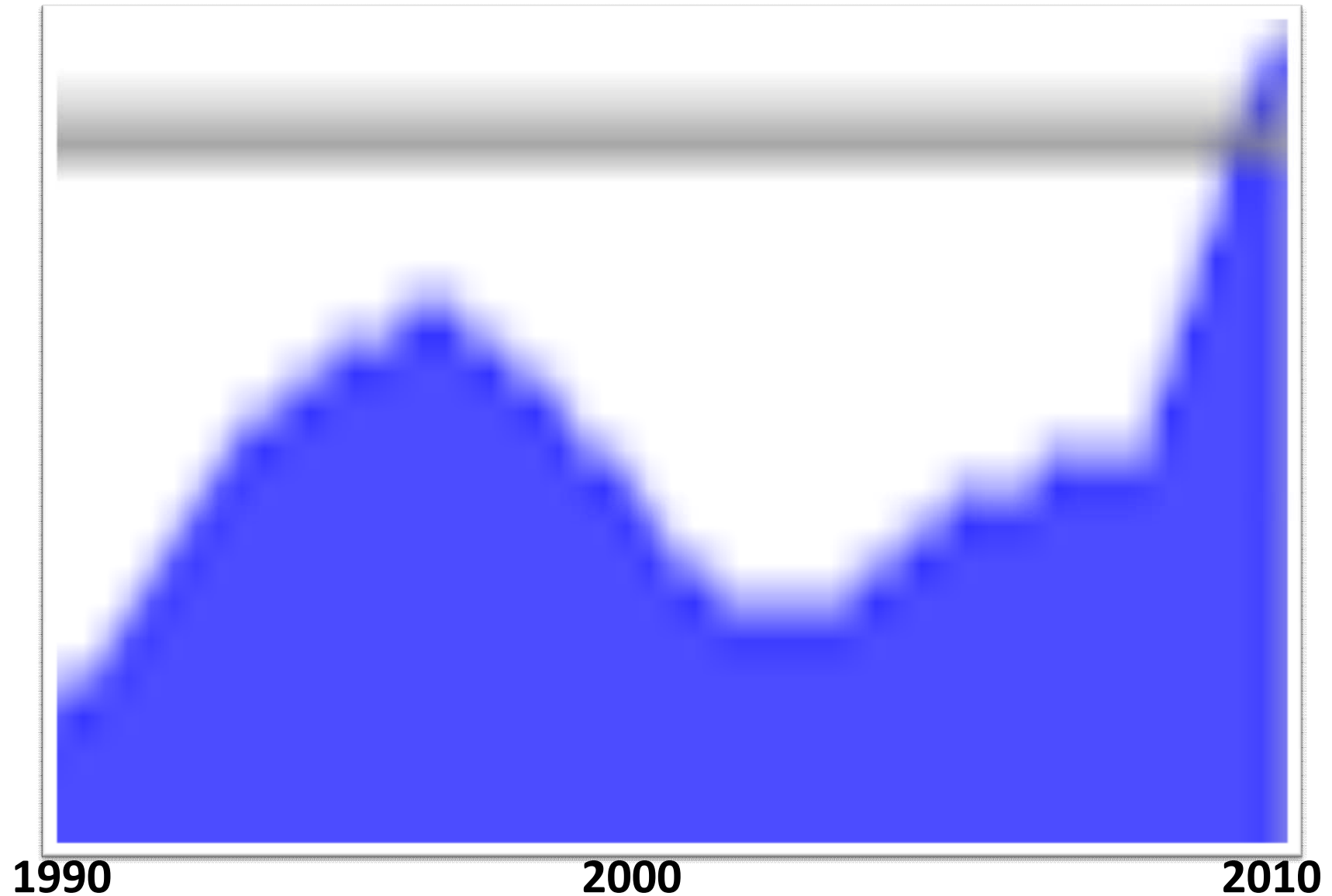
A: No, not if you look at it as a proportion of the size of the economy, i.e. as a % of GDP



# How to lie with statistics – making the debt look worse

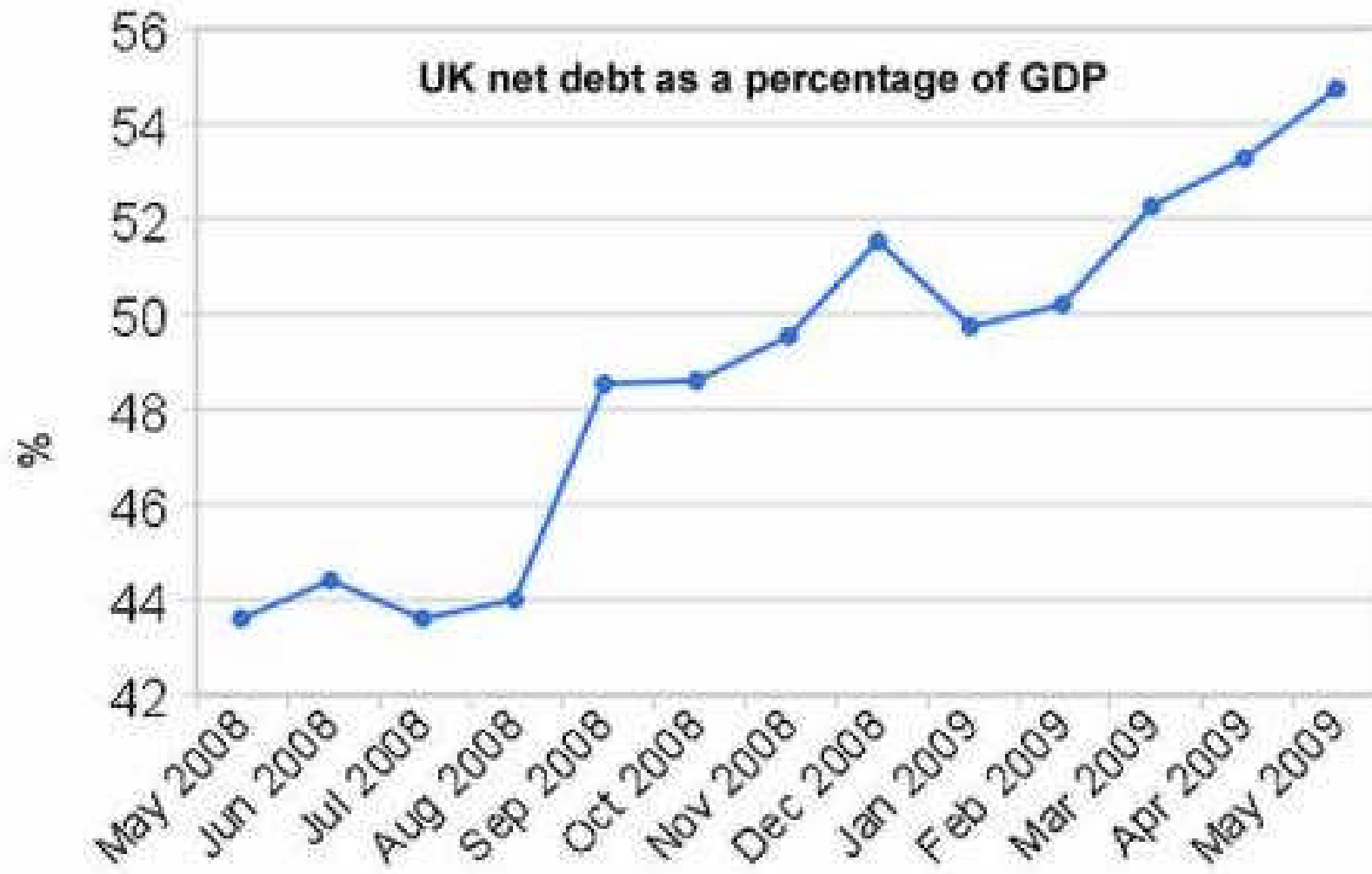


# How to lie with statistics – making the debt look worse

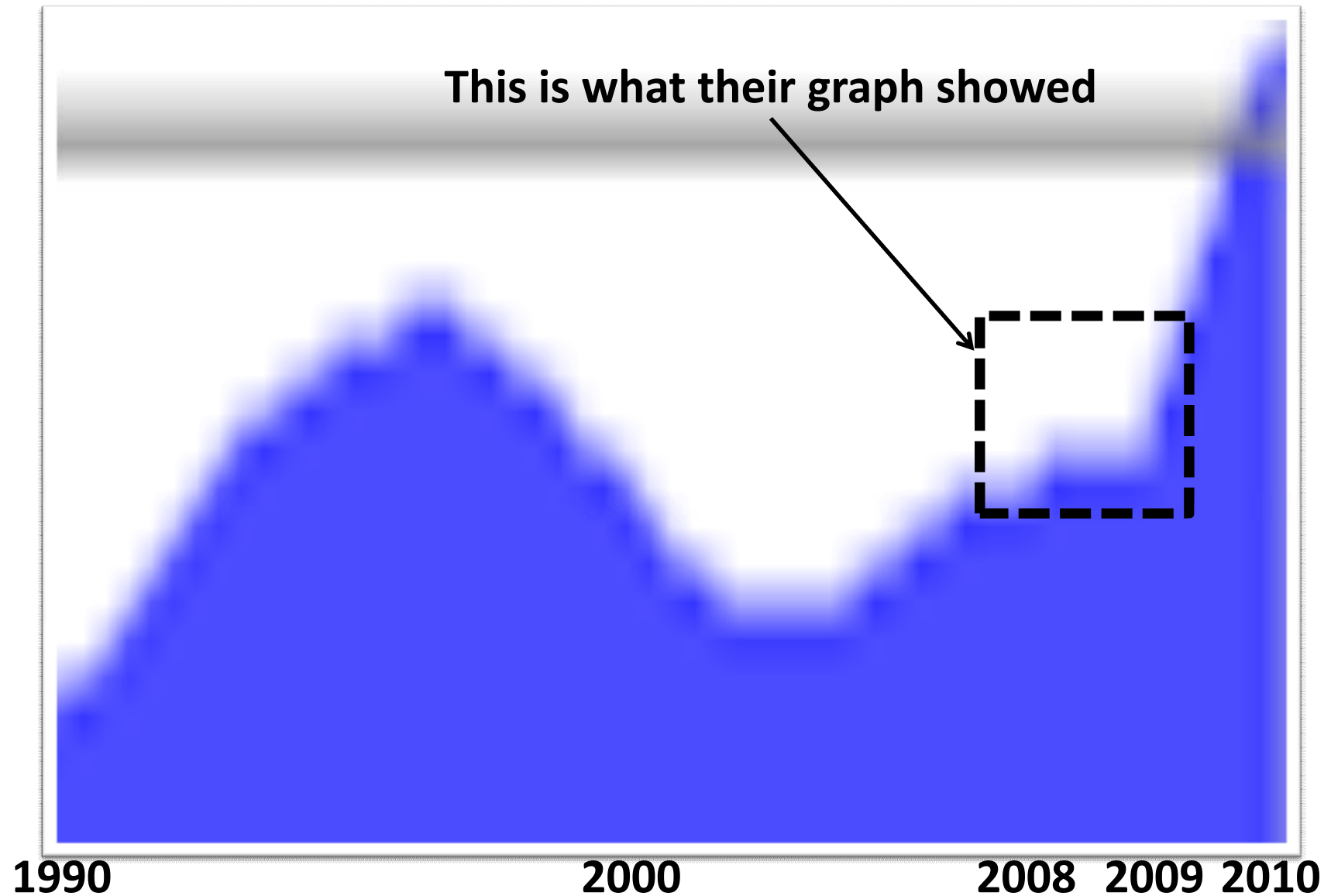


# But no-one would really do that, would they?

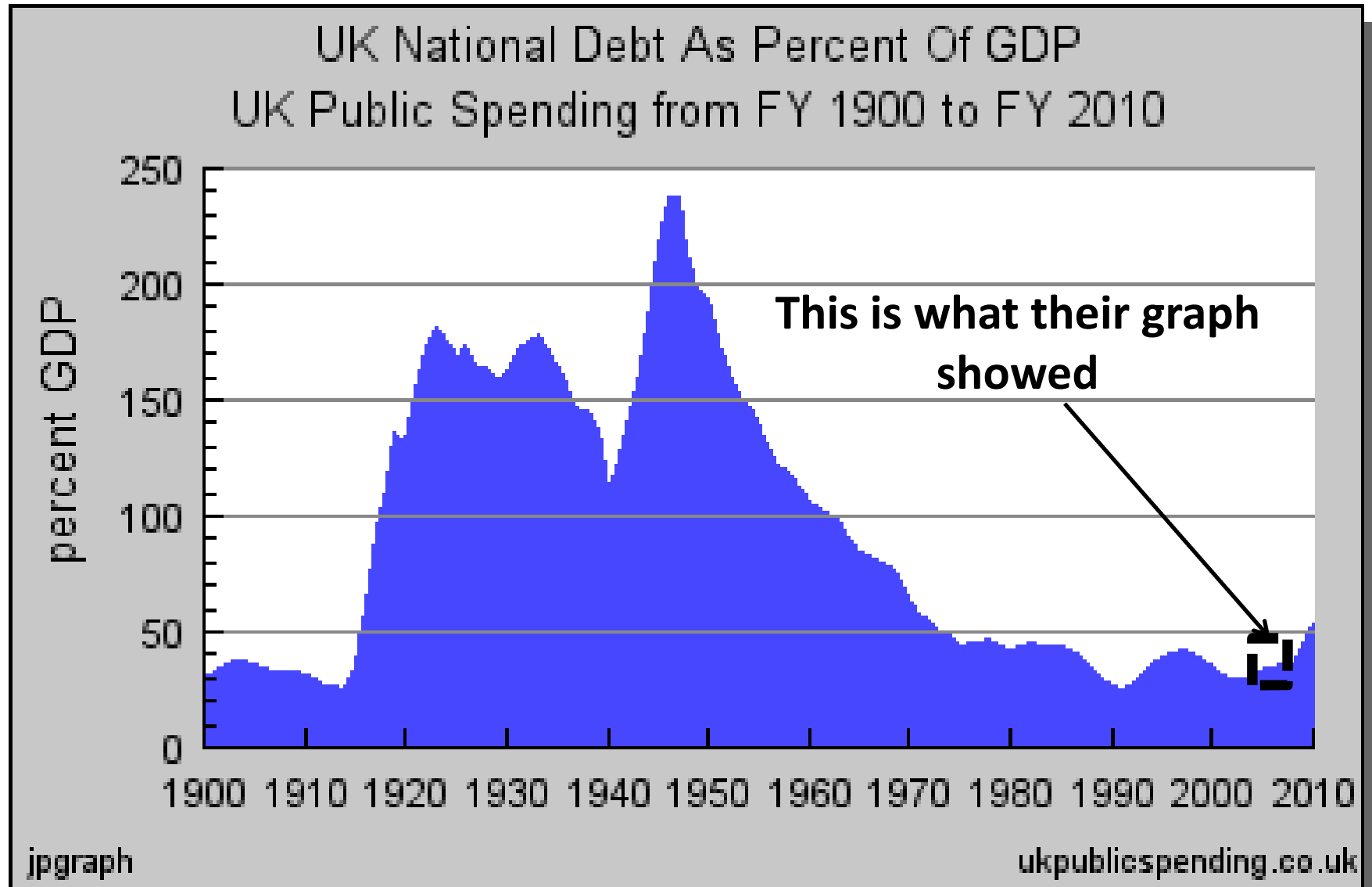
This was from Daily Telegraph 18 June 2009



# How to lie with statistics – what the Daily Telegraph did

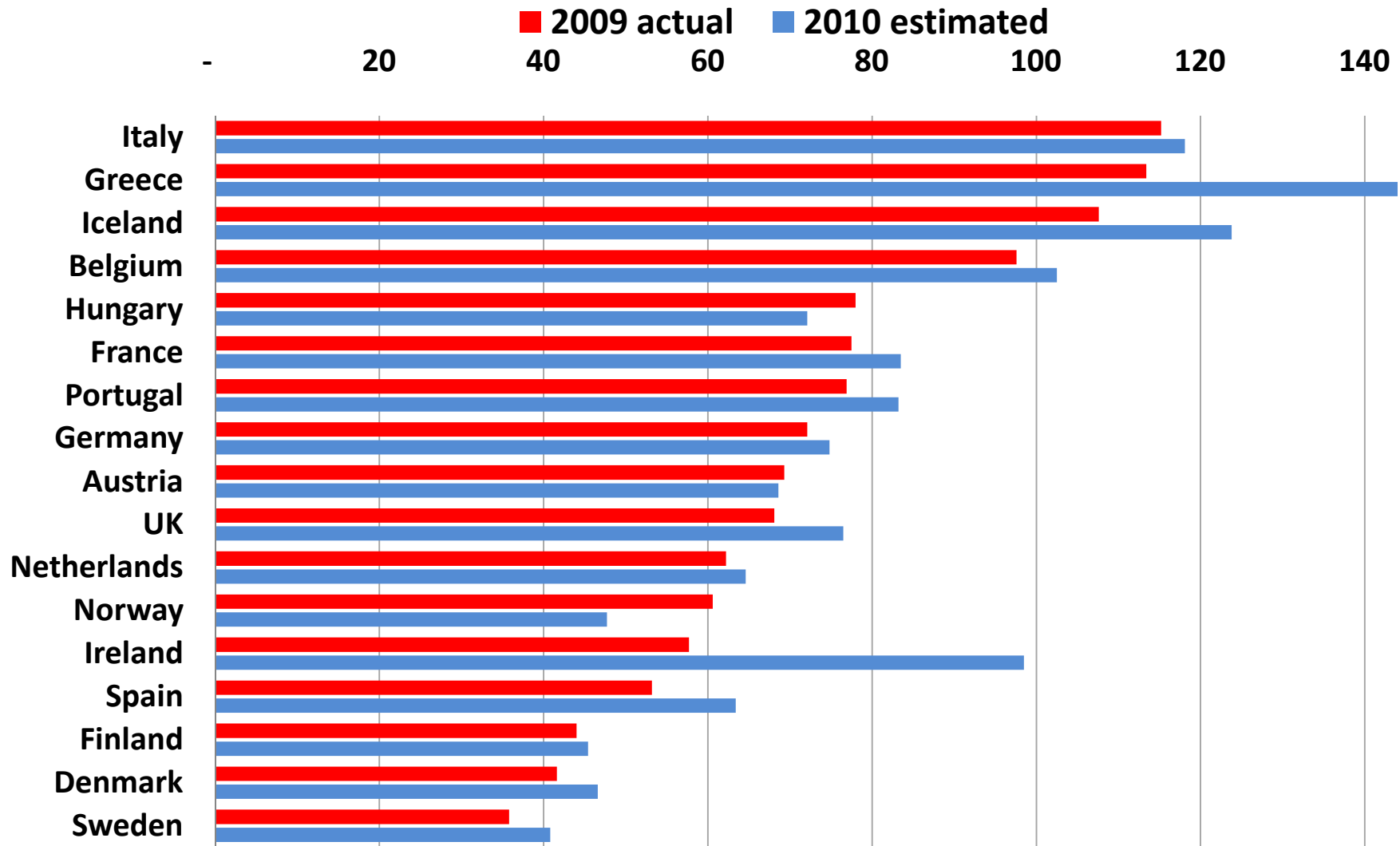


## Another way to look at what The Telegraph did.....



# But our debt is high compared to other countries isn't it?

## Debt as a % of GDP 2009 and 2010



**So, we've seen that the right wing media distort the facts about welfare and the national debt .**

**Now let's look at the deficit .....**

# What is the deficit?

**Current deficit**

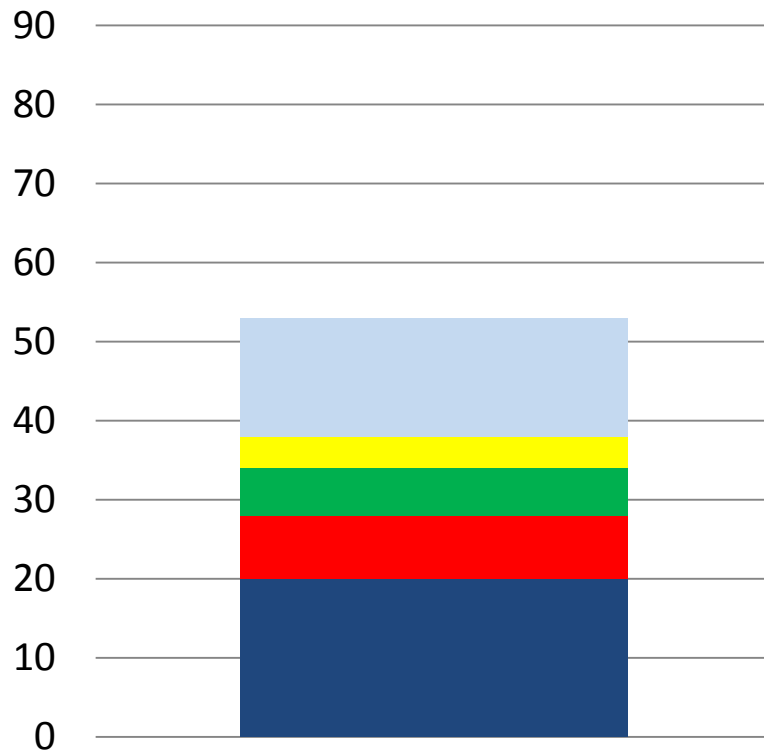
This was around £156 bn for 09/10 (in the 2009 budget it was predicted at £175 bn so it is **better** than expected)

**Why has this happened?**

Is it **too much spending?**  
or  
Is it **not enough income?**

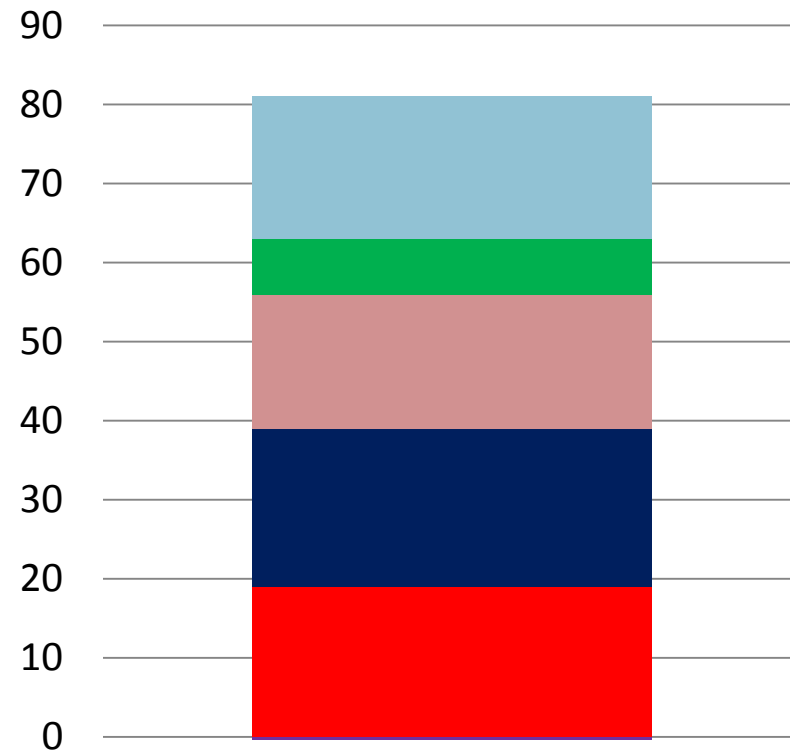
# Deficit got bigger in 2009/10 by £132bn

## Increase in spending (£53bn)



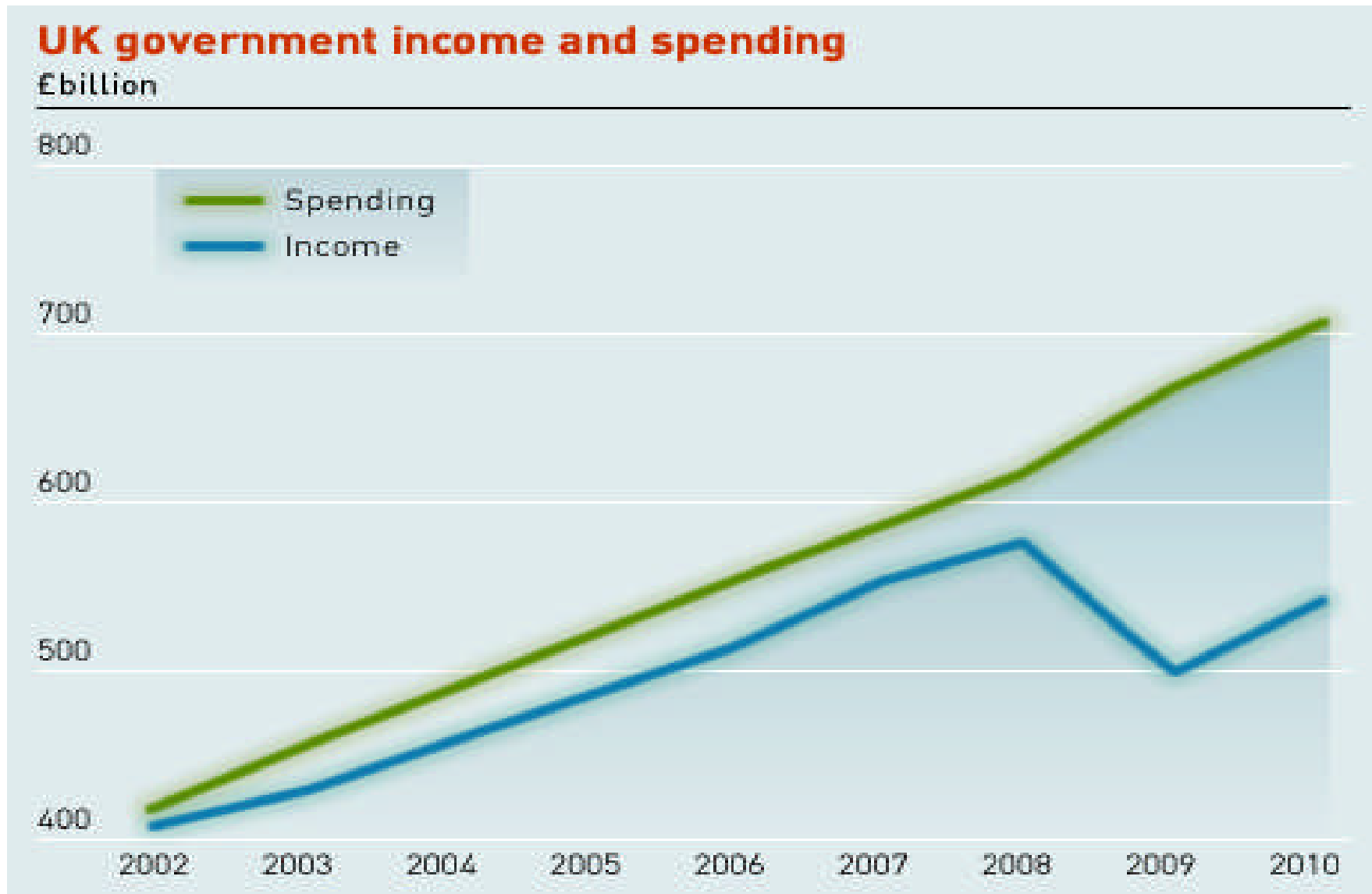
- Social protection
- Health
- Education
- Social Services
- Other

## Decrease in income (£79bn)



- Income tax
- VAT
- Corporation tax
- NI
- Excise duties
- Other

## Or look at it another way.....



# At least health is protected!

Not really.....

- Health - govt say 0.8% real terms growth
- But health inflation 4–5%
- There are thousands of frontline job losses in the NHS across the country – this hits patient care

## Alternative to spending cuts – raise income

- £30bn from a Robin Hood Tax on “casino banks”
- £4.7bn with a 50% tax rate on incomes over £100k
- At least £1.5bn by bringing back windfall tax on bankers' bonuses
- £4bn by cancelling Trident
- £5bn with an Empty Property Tax on vacant dwellings
- Deal with some of the tax avoidance & evasion that costs £90bn
- Maintaining public spending will support the economy and eventually tax receipts will increase by well over £40bn

# Top economists who say cuts will damage the economy..

In 2008 Prof David Blanchflower said “something horrible” was going to happen with the economy. Of the Spending Review he says:

***“The austerity package is likely to turn out to be the greatest macro-economic mistake in a century.”***

In October 2006 Nobel prize winner Joseph Stiglitz said there would be a crash “within 24 months.” Now he says :

***“we're now looking at a long, hard, slow recovery.... if everybody cuts back at the same time.”***

Nobel prize winner Paul Krugman (who also predicted the crash) has said:

***“The British government’s plan is bold, say the pundits — and so it is. But it boldly goes in exactly the wrong direction..... What happens now? ....premature fiscal austerity will lead to a renewed economic slump.***

## How will this affect jobs in the East Midlands?

Pricewaterhouse Coopers (PwC) in Oct 2010 said the cuts would mean:

- £4bn lost from local economy
- 29,000 public sector job losses in the East Mids
- **and the same number in the private sector!**

County (incl any unitary council)	Loss to economy (£ bn)	Public Sector job losses	Private Sector job losses	Total Job losses
Derbyshire	0.93	6,800	6,800	13,600
Leicestershire	0.85	6,200	6,200	12,400
Nottinghamshire	1.01	7,300	7,300	14,600
Lincolnshire	0.59	4,300	4,300	8,600
Northamptonshire	0.58	4,200	4,200	8,400
Rutland	0.03	200	200	400
<b>Total</b>	<b>4.00</b>	<b>29,000</b>	<b>29,000</b>	<b>58,000</b>

## What does this mean for UNISON members now?

- ❑ Around 8,000 jobs lost in next 2 months in **our** employers
- ❑ A few examples – around 1,000 voluntary sector jobs could go in Nottingham because of the cut to the “Supporting People” grant.
- ❑ Over 100 jobs at Derbyshire Police
- ❑ Around 1,000 jobs at Leicester City Council
- ❑ Leicester Univ Hospitals Trust – 700 jobs
- ❑ Over 300 jobs at Derbyshire Mental Health Trust
- ❑ Plus countless reorganisations and outsourcing
- ❑ IFS say “tightest squeeze on spending since World War 2.” Even Margaret Thatcher did not make cuts like these!

# Some reading if you are interested

- ***How to Lie with Statistics* – Darrell Huff** - simple guide to the use of numbers. (Health warning: the book is from 1950s so language is not equality proofed)
- ***Whoops* – John Lanchester** - a lay person's guide to how and why the credit crunch happened
- ***Freefall* – Joseph Stiglitz** - Nobel prize winner's very detailed but clear explanation about why the crash happened and how to fix things – very US centric but is relevant to the UK too.
- ***Financial Times*** – keeps you up to date on key economic issues

The mess was caused by:

- Greedy bankers wrecking global finances
- Resulting in a global recession
- Meaning less tax income for the gov't

To fix things we need economic growth but public spending cuts:

- Devastate those who lose their jobs
- Hit vulnerable people who rely on public services
- Damage economic growth
- While the bankers get off scott free