

2010-17 Huge increase in tax revenue, increase in public spending, deficit well down

The BBC want to peddle myths about austerity. On thursday I heard the World at One programme devoted to telling us there had been a big austerity drive in the public sector since 2010. They used the old Treasury figure that 80% of the adjustment to get the deficit down was made by public spending cuts, and 20% by increased taxes. The entire programme was devoted to this thesis, without any cash numbers for either revenue or spending being mentioned throughout!

So let me have another go at explaining what actually happened. There was a huge increase in tax paid which cut the deficit and allowed some increase in total public spending. Most of the tax rise came from growth in the economy, with some help from lower Income Tax rates. Judged by the numbers 100% of the deficit reduction came from more tax revenue. Of course some individual programmes were cut, but overall spending rose substantially in cash terms. The benefits bill is well up despite a good fall in unemployment. Health and education, large spending programmes, were protected from reductions. Payments to the EU and in Overseas Aid went up substantially.

In 2009-10 the state spent £669.7bn on current and capital public spending. it raised just £490.3 bn of this in tax. There were some additional receipts, leaving borrowing of a massive £156.4bn

In 2017-18 (Budget figures) the state spent £795.3bn. That is £125.6bn more than in 2009-10, a cash increase of 18.75%, a bit above inflation.

In 2017-18 the state collected a massive £692.8bn in tax revenue, an increase of £202.5bn or 41.3% above 2009-10 levels. As a result state borrowing fell to just £39.5bn, again after allowing for some other receipts.

In other words the deficit came down thanks to huge revenue increases.