

## Coalition Cuts

The previous Labour government's response to the financial crisis and recession was to increase massively government spending – both immediately and planned for almost the following decade. Under their plans, the borrowing by the government required to fund these will rise massively, to around 90% of GDP by 2015, from a more normal level of perhaps 20%.

### Cuts are not necessary

Labour have argued that this borrowing is necessary to fund expenditure which will both directly help society and individuals, and also stimulate the economy through spending money. They say that although no government would want to do this, at rare moments of crisis this is the right approach to take, following the well-established approach of Keynesianism, first espoused by John Maynard Keynes during the 1930s depression. This approach says that the government borrowing money to spend in the downward part of the economic cycle helps to stimulate the economic growth which is necessary to come out of recession, and the borrowing can be paid off in future times of strong economic growth. In addition, cutting spending will of course mean less government money spent on some of the poorest in society who depend on it.

### Cuts are necessary

The coalition government argues that borrowing to these historically unprecedented levels is another example of a Labour government living well beyond what the country can afford. If borrowing increases to the levels projected, as a country we will soon be spending more just on paying off interest on our loans than we are on major public services such as hospitals, schools or the nation's defence. In addition, having such high levels of national debt damages our national reputation for financial wisdom – and this is not just a matter of simple respect but risks severe further financial problems. If international markets do not believe the British government's spending plans are financially responsible, they will charge higher interest rates, making us pay even more for our borrowing. In all, debt at this incredibly high level is inherently unsustainable, and it is the unenviable but necessary duty of the new government to bring the country back to a sensible financial position.

### Questions to consider

#### Response to the deficit

1. Do we need to take action to reduce the deficit at all?
2. If we do, should the response be by cutting expenditure, or by a very big rise in tax?
3. Some cuts so far have been made without too much difficulty. Should we be prepared to accept 'real pain' from further cuts, to address the deficit?

#### Ringfencing

4. Despite making savings elsewhere, the government has said the NHS budget will grow in real terms every year of this Parliament. Should the NHS budget be ringfenced in this way?
5. Should spending on welfare benefits be ringfenced too?
6. Given that protecting spending in some areas means making deeper cuts elsewhere, should any areas be ringfenced?
7. If you had to choose one area to bear the brunt of the cuts what would it be? Really big-ticket items of government expenditure are health, welfare, education and defence.

#### Selecting where to make savings

8. Liberal Democrats are committed to making Britain fairer. What is the 'fair' way to identify which areas should have their spending cut back?
9. What other principles should the government use to identify where to scale back spending?

#### Changing public services

10. Some argue that rather than reducing spending in most areas by a bit, it's better to think about changing the way we deliver these services entirely. What big changes would you suggest are made, to change the whole way services are offered, rather than just individual changes?