ALL TOGETHER CAMPAIGN MYTH-BUSTER

FACTS NOT MYTHS

Deep spending cuts are dangerous, unfair and unnecessary.

This myth-buster sets out to expose some of the myths about government debt and the cuts – and arm campaigners with the facts.

This myth-buster draws on work by the Northern Region TUC and *Red Pepper* magazine

MYTH Government debt is the highest it has ever been

The UK's debt has been much higher in the past, and it is lower now than it was during most years of the twentieth century. Just 6p in every pound of spending went on paying off debt last year, compared to 8p in 1996.

At the moment UK debt is worth 70 per cent of GDP – but the country has spent 180 of the last 260 years with the national debt at above 80 per cent of GDP. Between 1920 and 1960 government debt never fell below 100 per cent. After the Second World War the national debt was far higher – around 250 per cent of GDP – but we invested in creating the National Health Service and building the welfare state.

MYTH Britain's debt is worse than other countries

Our debt is lower than many other countries, including France, Germany, Canada and the USA. In fact, figures from the International Monetary Fund show that Britain's debt as a proportion of GDP is the lowest in the wealthy G7 group of countries.

MYTH Government should balance its finances – just like a household

Margaret Thatcher said in the 1970s that public spending should be treated like a household budget, cutting back when there are tough times ahead.

But the government isn't a household. All governments borrow – and the recession would have been worse if the last government hadn't intervened. After a recession, when households and businesses cut back on spending, only the government can invest to create the demand to get the economy going again.

MYTH If we don't make massive cuts we will face economic disaster

In fact, there is a danger that the opposite could be true – deep cuts now could damage the fragile economic recovery. Workers who fear for their jobs will cut back on spending in local shops and businesses. Thirty-eight pence in every pound of public spending goes to the private sector through buying supplies and services – this will also be hit by deep cuts in public spending. And if unemployment rises, the government's tax take falls and benefit bills rise.

“Deep cuts now could damage the fragile economic recovery.”

ALL TOGETHER FOR PUBLIC SERVICES

MYTH-BUSTER

"Research for the TUC and UNISON found that cuts to services will affect the poorest thirteen times more than the richest."

MYTH Privatisation makes services more effective

The government is keen to get more private providers involved in our public services – including the NHS. They say that this will cut costs and increase efficiency, but in fact there is little evidence that this is the case. Private Finance Initiative (PFI) projects often go over budget and are inflexible, leaving public bodies with debts that are much bigger than the initial cost. Examples such as the sell-off of the railways show that privatisation can actually lead to poorer services and higher costs.

MYTH Cuts can be made without damaging 'frontline' services

In the 1980s communities saw the impact of cuts on public services as hospital waiting lists soared and children were taught in crumbling school buildings. The cuts risk turning back the clock.

As resources are stretched and people are asked to deliver services with less money and fewer staff, pressures will pile up on services. Increased workloads, stress and reduced resources will all have an effect on the quality of services.

Redundancies will lead to a loss of skills, knowledge and capacity that will damage service delivery. And pay freezes and worries about pensions and job security will damage morale.

Politicians have said that they will cut 'backroom' jobs that won't affect services. In reality, the staff who book appointments, process medical test results and ensure that wages and bills are paid on time are essential to the effective running of public services, allowing teachers, nurses and others on the 'frontline' to do their work.

MYTH The cuts will be fair

The cuts are already hitting the poorest people in society far harder than the richest. They will also hurt women more than men and be worse for some parts of the UK than others.

The Institute for Fiscal Studies (IFS) looked at the impact of the coalition's changes to benefits and tax credits and found that low income households of working age would lose out the most. They called the coalition's June 2010 Budget 'clearly regressive'.

Research for the TUC and UNISON found that cuts to services will affect the poorest thirteen times more than the richest.

The cuts will also hit some regions much harder than others, and these will tend to be the areas with fewer well-off people, including the North-East, Wales and Northern Ireland. This is because people there tend to rely more on public services, and the public sector employs more people there too.

MYTH-BUSTER

ALL TOGETHER FOR PUBLIC SERVICES

> “Tax avoidance by big companies and the super-rich is more than £40bn a year.”

MYTH **There is no alternative to cuts**

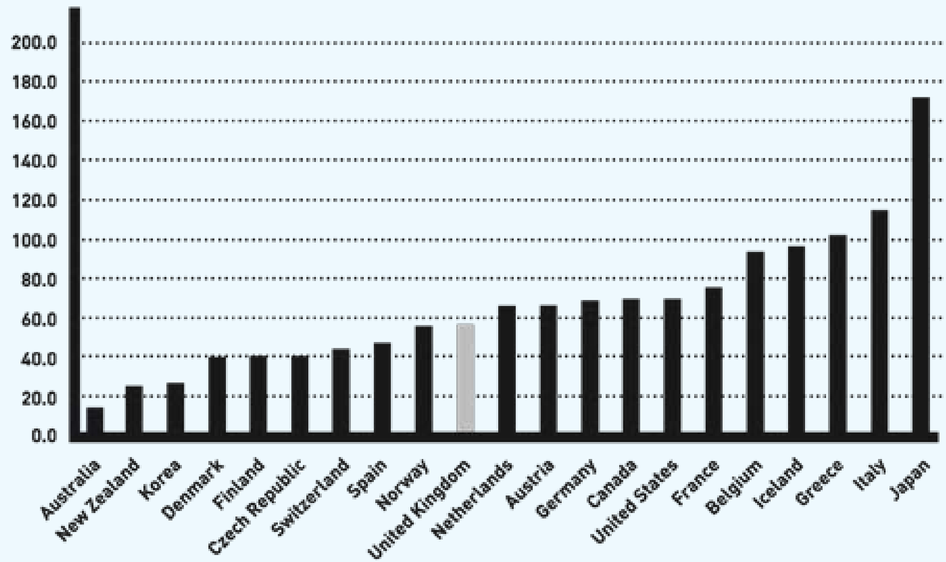
There is an alternative. One based on fair taxation and investment in growth, not deep, rapid cuts.

A Robin Hood Tax
A tiny tax on big financial transactions between banks, known as the Robin Hood Tax, could raise £20bn a year. There is growing international support for the idea of a global Robin Hood Tax including France, Japan, Germany and Spain, and the International Monetary Fund (IMF) has said it could work.

Cracking down on tax avoidance
Tax avoidance by big companies and the super-rich is more than £40bn a year. Recruiting an extra 20,000 staff to work on tax collection could bring in an extra £20bn per year

Invest in growth
Long-term, sustainable growth is the best way to build a strong economy. Investing in science, technology and skills and supporting businesses will lay the right foundations for a more sustainable return to growth and a greener economy, which will be less reliant on financial services than in the past.

Our debt is lower than in many other countries including France, Germany, Canada and the United States.



The graph above is taken from the TUC booklet *Cuts Are Not The Cure,* which provides counter arguments and alternatives to the government’s plans. Single copies are free from 020 7467 1294.

More at key websites:
tuc.org.uk/alltogether
falseeconomy.org.uk
touchstoneblog.org.uk
strongerunions.org.uk