Funding the Future

The IFS says the next government will fail because it w...

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The FT features a headline this morning that says:

UK government spending + Add to myFT

Next UK government faces historic challenge to curb debt, report finds

Keir Starmer accuses Tories of 'trying to salt the ground' as think-tank warns of tough choices for future chancellor

This refers to a new Institute for Fiscal Studies report on the likely fiscal inheritance of a new government whenever it might be elected this year.

The premise of the IFS report is threefold. First, it notes this Institute of Government report that audited the state of key UK public services in 2023 and concluded in this grid:

Table **Service performance ratings, October 2023**

Service	Performance on the eve of pandemic vs 2009/10	Performance now vs on the eve of pandemic	Funding adequate to... Return to pre-pandemic performance levels by the end of 2024/25	Funding adequate to... Maintain performance levels between the end of 2024/25 and 2027/28
General practice	Much worse	Worse	No	Yes
Hospitals	Much worse	Much worse	Maybe	Yes
Adult social care	Much worse	Worse	No	Maybe
Children's social care	Worse	About the same	Yes	Maybe
Neighbourhood services	Worse	Worse	No	Maybe
Schools	Better	Worse	No	Maybe
Police	Worse	Worse	Yes	No
Criminal courts	Worse	Much worse	No	No
Prisons	Much worse	Worse	No	No

Source: Institute for Government analysis, supported by CIPFA. See table overleaf for method of categorisation.

In summary, things are bad or very bad and there is little sign of improvement in the horizon. In other words, there is a lot more for government to do.

Then, the IFS notes:

Taxes are at record levels for the UK (though remain lowto-middling by European standards).

It then noted that whilst tax design in the UK is dire, changing taxes when times are tough is very hard (which is nonsense, as the Taxing Wealth Report 2024 shows).

After that, they said:

The next government is likely to face some of the most difficult economic and fiscal choices the UK has faced outside of pandemics and major crises.

So why did they say that? Because they suggested:

Further tax rises and further cuts for most public services are built into current plans. But on official forecasts, this is only just enough to stabilise government debt as a fraction of national income.

This will be a thorny inheritance for whoever is in office after this year's general election. Both Labour and the Conservatives have promised to reduce debt as a fraction of national income.

In other words, assuming we must stabilise debt then everything else must be sacrificed to that goal.

And therein lies the whole problem of the IFS.

Did it ask why we must stabilise debt? No, of course not.

Did it suggest why there is a problem with people wanting to save with the government? No, not once.

Did it accept interest rates as a given and not within government control? Of course, it did.

And did it suggest that if rates fell - as they not only could but should - much of the problem it has noted would disappear? No, of course not.

So, this is a report intended to make clear that the priorities of neoliberal capitalism that demand a small state and much higher tax on those more lowly paid than is charged upon those with high pay, in proportionate terms, should continue.

As an analysis, this paper is useless because its prior assumption is that the government must fail - which is, of course, the whole objective of neoliberal thinking. It will, however, get massive coverage. And so the debacle goes on.