

Much of the increase in public sector debt does have a sound economic basis as the inevitable consequence of a massive financial bailout. It is also true that in a historical perspective, the current level of debt in the UK is by no means unprecedented as Stephanie Blankenburg points out. Further, in comparison to other developed countries, debt relative to the size of the economy is not massive.

Nor does public debt mean that Britain is bankrupt. Much of the debt is taken up by British institutions, so the interest payments represent a transfer of income within Britain, from taxpayers to the holders of the debt such as pension funds.

So given these sound arguments, why are Centre-Left parties doing so badly, not just in the UK but in most of the Western world?

The purely technical macroeconomic points ignore completely the political economy not just of public sector debt but of public expenditure.

To many of those present at the initial New Political Economy group meeting, higher public spending is axiomatically a Good Thing. And if this requires higher taxes to pay for it, so be it.

The simple fact is that since 1997 much of the massive increase in public spending has gone not on improvements in public services, on better consumption of public goods and services, but on increasing the private consumption of those employed in the public sector.

There are many low paid people in the public sector, but there is an even greater proportion in the private sector. Average earnings in the two are roughly similar, the private sector average being boosted by extremely high earnings of a small number of people. But for the typical worker, public sector pay is 15 per cent higher than in the private sector. If we take the level of pay at which half of the workers get more and half get less, the public sector is 15 per cent better off.

When Brown started to throw a wall of money at the public sector in the late 1990s, this outcome was inevitable. Pay increases, re-gradings, extra promotions to manage the huge increase in staff – all these put money into the private pockets of public sector workers.

And this is to say nothing of the massive social injustice which has been created by the huge gulf between public and private sector pension provisions. From an egalitarian perspective, this is a scandal even bigger than the bankers' bonuses. In the 1997 budget, Brown wrecked private pensions. Gold plated public sector ones remain unreconstructed.

Millions of workers in the private sector have had to take pay cuts in the recession. Yet they see their public sector counterparts moaning that their increases are not big enough.

A whole series of official audits now reveals what most people on the ground have known all along. The improvement in public services which has taken place is completely dwarfed by the increase in spending. Yes, they acknowledge improvements in some areas, but equally they know that some water sticks even in a leaky bucket.

Public spending has become associated with waste, inefficiency, and the privileges of the *nomenklatura* on a truly Soviet scale. It needs to re-invent itself completely to re-connect with socially desirable aims. The environmental movement, for example, offers the appeal of local jobs and a potential way of regenerating depressed areas. It probably needs the kick-start of public support to really get it off the ground. This is just a possible example. But however it is done, public spending needs to be seen not as the cushy bureaucratic job, the golden handshake, the petty interference with everyday life, but as something whose primary purpose is to deliver activities which benefit the public at large.

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