

The Return of the State?

The pandemic has revealed the bankruptcy of austerity ideology, says **Patrick Allen**

The COVID-19 emergency has exposed many weaknesses in our economy caused by ten years of austerity, increased privatisation, and the concept of just in time delivery. Having spare capacity in hospital beds or court rooms was considered inefficient by the government.

Prudent businesses have long had disaster recovery plans to cope with severe emergencies no matter how unlikely but it seems that the country did not have one for this pandemic.

In the criminal justice system, waiting lists for trials had built up before the pandemic following cuts to the MoJ budget which had led to closure of courts. With all jury trials cancelled in March we now face an unprecedented crisis with a backlog of 40,000 trials.

The MoJ has trumpeted the creation of 'Nightingale' courts to tackle the backlog, but ten temporary courts cannot make up for the hundreds of courts that have been closed.

Five years ago, I highlighted the damage done to civil legal aid and the justice system by spending cuts introduced by George Osborne in 2010 which he said was necessary to reduce UK public debt following the 2008 global financial crisis ('The end for civil legal aid?', 165 *NLJ* 7660, p6). Let's see if it was all worth it.

Cuts

The Ministry of Justice experienced some of the deepest cuts of any Whitehall department. They were planned to be 40% but are now *only* 25%. In 2010 the UK spent £10.5bn on justice which fell to £ 7.9bn in 2020. So justice has been short changed by £19bn in the last 10 years in the cause of austerity.

Some results of the cuts:

- ▶ 164 English and Welsh magistrates' courts have closed since 2010 out of 320 and many county courts. With judicial sitting time cut, this has caused unacceptable waiting lists and delays.
- ▶ A 14% real terms cut in prison funding since 2009/10. From 2010–17 the number of prison staff was cut by 30%. This has led to dangerous rates of overcrowding. Self-harm and assaults



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in prisons are at record highs.

- ▶ The number of police in England and Wales has been cut 20,600 since 2010. This has left police numbers close to being at their lowest levels since the early 1980s.
- ▶ Spending on legal aid has fallen by 37% between 2010 and 2017–18 (from £2.5bn in 2010 to £1.55bn in 2017). Many people have nowhere to turn to get legal advice.
- ▶ The probation service was subjected in 2013 to a botched and ill-considered privatisation. Lack of proper supervision led to higher reconviction rates. The privatisation is to be fully reversed by 2021.

Now the effects on public debt

In 2010 the UK debt to GDP ratio was 64%. In 2020, after 10 years of austerity (before the pandemic) it had risen to 80.7%. So it has gone up not down but this was no surprise to economists.

Basic level economics confirms that public spending cuts to reduce the deficit (the annual difference in government spending and receipts which is not the same as public debt) is self-defeating when the economy is in recession.

The reason is that public expenditure is the largest single part of the economy at 40% of GDP. Cuts reduce public sector jobs, those unable to find work claim benefits and spend less. There is a multiplier effect so that each £1 cut reduces demand by around £1.50. Government tax receipts fall, its expenditure on benefits increases and its debt increases.

By contrast, if lack of demand in the economy and unemployment is targeted by a government spending plan, the economy grows, unemployment falls, the benefit bill falls and tax receipts increase.

Keynes was correct in saying 'look after unemployment and the budget will look after itself'. The deficit was the wrong target. The austerity policy reduced the deficit but increased government debt, but the plan was also to shrink the role of the state, something the right has always wanted to do. Thus politics was irretrievably mixed up with economics and the damaged justice system is one of the consequences of the policy.

There are some signs of a crack in the ideology. In March 2020 the new chancellor indicated that the spending taps were to be turned on with a major spending plan not unlike that proposed by Labour in its 2019 manifesto. No longer was the government saying that it can't afford to spend. If this is true now, it was true in 2010 which means that whole austerity plan was unnecessary despite us being told the opposite. Then COVID-19 arrived and suddenly the myth that there is no money to spend has been exploded. The government has been paying the wages of 25% of the workforce and the sky has not fallen in. Debt to GDP has risen to 100% but the markets are not unhappy. The purpose of the spending is reasonable and that debt will reduce one day when things return to some kind of normal as long as there is time to pay.

So the pandemic has revealed the bankruptcy of austerity ideology, we now know better the value of public services, and that governments can spend for a proper purpose without a collapse of the public finances. The damage to public health, the increase in poverty, hunger and early deaths caused by austerity will take years to reverse but we can start now.

The justice budget should be restored at least to where it was in 2010 so we have enough prison officers, policemen, judges, courts probation officers and legal aid lawyers for a properly functioning system.

Governments must spend to provide essential services for its citizens. We can afford it and it would be money well spent. Many jobs would be created and the public benefit would be enormous.

Perhaps the pandemic will be the turning point as the public and politicians start to appreciate the value of public services and the proper role of public finances. Welcome to the return of the state.

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