



EDITORIAL — Mother, keep your purse shut tight!

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U.K. politicians are considering “loosening the belt” of fiscal restraint in our Mother country. They would be wise to think again.

Eager to curry favor with voters, Conservative and Labour parties both have been dangling the juicy possibility of spending increases before salivating bureaucrats. They argue that the country is suffering from “austerity fatigue” and that more public spending is the only cure.

But the truth is their very use of the term “austerity” is a misnomer: In fact, government spending has grown by an average of 1.6 percent annually since 2010, according to a recent analysis from economist Dan Mitchell, a senior fellow at the Cato Institute who specializes in fiscal policy, and an editorial board member of our sister publication, Cayman Financial Review. (See column on right.)

Even so, by restraining growth in government spending below the much more robust growth of the private economy (in other words, reducing the burden of government), U.K. officials have paved the way for a number of positive trends.

Mr. Mitchell’s analysis, not surprisingly, has found positive correlations between spending restraint and deficit reduction, economic growth, employment and higher wages. And while he is careful to note that correlation is not causation – that is, the association of two events does not necessarily mean that one is the cause of the other – fiscal restraint clearly is a key factor in economic growth. Rather than succumb to the temptation to splurge taxpayer dollars, lawmakers should continue to show restraint – something too many politicians find it difficult to do.

There are those who would argue that given recent economic growth, Mother England has too tight a grip on her purse strings. But fiscal restraint is not only a proper response to crisis, it is in and of itself good policy.

As the London Times reports, “Ministers are pushing to delay or abandon a series of tax cuts to fund an increase in public sector pay At a meeting of the political cabinet last week, Jeremy Hunt, the health secretary, Justine Greening, the education secretary, and Sir Patrick McLoughlin, the party chairman, are understood to have called for more money for public sector workers.”

The Wall Street Journal weighed in: “The Prime Minister’s Tories now want to abandon their claim to fiscal discipline. Rather than blame a feckless campaign, wobbly Tory leaders have

decided that voters are exhausted with ‘austerity’ and government employees are happy to step in with spending demands.”

The very use of the term “austerity” provides a clue as to their motivations and inclinations – setting the expectation that routine increases in spending should be the norm, checked only in times of emergency. “Austerity” is a buzzword, much like the “Affordable Care Act” (aka “Obamacare”). It fits neatly into a headline or on a bumper sticker, but bears little resemblance to factual reality.

Warns economist Mr. Mitchell: “Opening the spending spigot would be a terrible mistake. Especially to finance higher pay for bureaucrats.”

We hope Premier Alden McLaughlin, Finance and Economic Development Minister Roy McTaggart and Minister for Financial Services and Home Affairs Tara Rivers shared a few wise words with “Mother” during their Joint Ministerial Council trip in London. The U.K. may be charged with overseeing Cayman’s financial affairs, but this may be one instance when the “child” is wiser than the “parent.”

Living within one’s means should not be a radical concept – for individuals, households or nations. Rather than listening to bureaucrats looking for second helpings, ministers should familiarize themselves with the benefits of fiscal fitness.

Politicians may love to spend, but taxpayers should always remember it is their money the government is spending.