

Britain's Public Finances: Past, Present and Future

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Why do governments tax, spend, lend and borrow? At a time when fiscal management is under intense scrutiny around the world, **Robert Chote**, Chairman of the Office for Budget Responsibility (OBR), will explore this fundamental question for understanding the nation's public finances, when he presents the Royal Economic Society's annual public lecture at the University of Birmingham today, Thursday 15 December.

The lecture will first discuss the key reasons why governments tax and spend – to provide 'public goods' such as defence and criminal justice; to replace 'missing markets' in such areas as unemployment and incapacity insurance; to influence behaviour, for example, by discouraging social 'bads', such as smoking and encouraging social 'goods' such as putting money into pensions; and to redistribute resources via taxes and benefits.

Robert will then look at reasons why governments borrow – because of inevitable errors in revenue and spending forecasts; to support inter-generational fairness; to stabilise tax rates; to implement macroeconomic management; and finally, for political expedience as voters typically like having money spent on them more than paying taxes.

The lecture will then provide a snapshot of Britain's public finances today, explaining the OBR's latest forecasts for public sector spending, revenues, borrowing and net debt in 2011/12 as presented in the November 2011 *Economic and fiscal outlook*. It will also consider 'Whole of Government Accounts', a newly available measure of the public sector's financial health, which makes it possible to take account of future debts that will arise because of past government actions.

Finally there will be a discussion of the impact of the financial crisis and the recession on Britain's public finances, the scale of the repair job, the economic backdrop to the current policy debate – 'Plan A versus Plan B' – and finally the role of the OBR itself as the UK's independent fiscal watchdog.

Professor Rob Elliott Head of the University of Birmingham's Department of Economics comments: *"There has rarely been a time when the state of the UK's public finances has been under such scrutiny or the subject of such fierce debate. The Office of Budget Responsibility has a unique position in analysing the UK's public finances and as such, their analysis of the latest forecasts for public sector spending, are hugely influential and demand close attention."*

ENDS

Notes for editors: 'Britain's Public Finances: Past, Present and Future' by Robert Chote, the 2011 Royal Economic Society (RES) Public Lecture, will be delivered at the Bloomsbury Theatre, University College London at 5pm on Wednesday 14 December and at the University of Birmingham at 5pm on Thursday 15 December.

Robert Chote is Chairman of the Office for Budget Responsibility, the UK's independent fiscal watchdog – responsible for producing forecasts for the economy and the public finances, judging progress towards the government's fiscal targets and reporting on long-term fiscal sustainability.

The Royal Economic Society was founded in 1890. Now in its second century, the RES is one of the oldest economic associations in the world. Currently, it has over 3,300 individual members, of whom 60% live outside the UK.

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