



EMBARGOED UNTIL 00:01 SUNDAY 22 JULY 2007

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RESEARCH NOTE 15 **COST OF GOVERNMENT DAY**

Cost of Government Day 2007: Monday 23 July

This note extends the concept of Tax Freedom Day, long championed by the Adam Smith Institute and now an established part of the political calendar (in 2007 it fell on 1 June) and provides an estimate of the Cost of Government Day. This is the date in the calendar year on which the average person has earned enough gross income to pay off his or her share of government **spending** and **regulation**. The result for 2007 is as follows:

- The average person must work for **204 days** of the year to pay off his or her share of government spending and regulation.
- The Cost of Government Day in 2007 is **23 July**.

Cost of Government Day 2007: Spending

According to the OECD, total government expenditure will be 44.9 per cent of GDP this year. This means that for 2007:

- The average person must work for **164 days** of the year to pay off his or her share of government spending.
- The average person was free of the cost of government spending in 2007 on **13 June**.

Cost of Government Day 2007: Regulation

The Better Regulation Task Force (now the Better Regulation Executive), which is sponsored by the Government, has estimated that the cost of government regulation is between 10 and 12 per cent of GDP. Taking a mid-point of 11 per cent of GDP means that the cost of government regulation in 2007 is almost £150 billion. This means that for 2007:

- The average person must work a further **40 days** of the year to pay off his or her share of government regulation.
- The average person must work from **13 June** to **23 July** just to pay off the cost of government regulation.

Rationale

The Cost of Government Day is an important concept to develop as it captures the hidden costs of government, which encompass far more than stealth taxes:

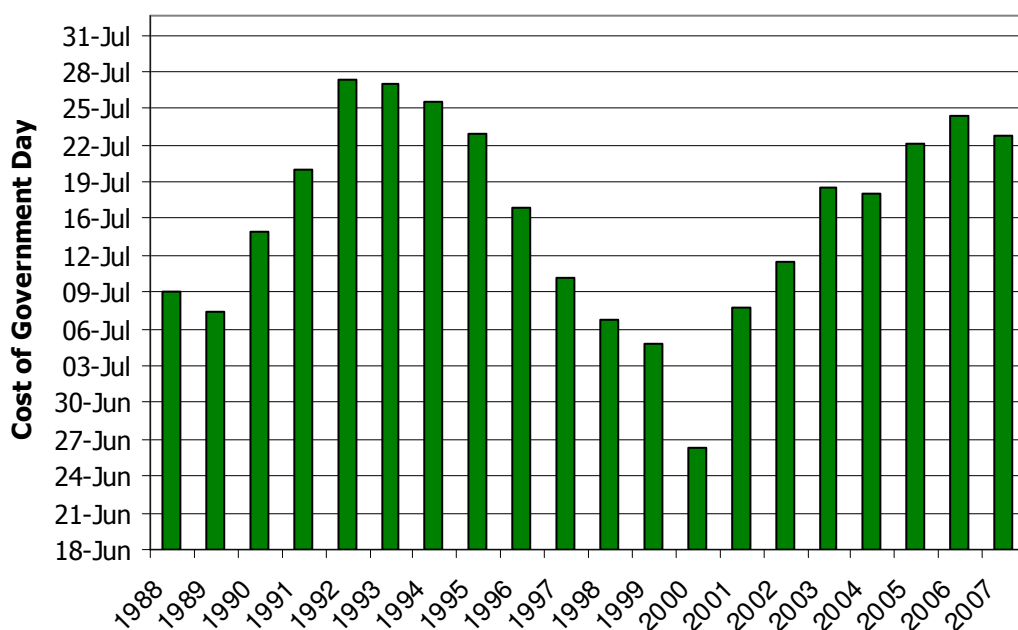
- Under Gordon Brown, government spending has for a number of years been higher than government receipts. The resultant government borrowing will have to be paid off by taxpayers eventually – the future bill is being accrued this year.
- The cost of government regulation on the economy is even murkier, but it will eventually fall on taxpayers in the form of lower wages, higher prices and fewer jobs.

Cost of Government Day over the last 20 years

The cost of government fell each year from 1993 to 2000, but since 2000 has risen inexorably. The Cost of Government Day is now as late as it was in the recession of the early 1990s.

- In 2000, the Cost of Government day fell on **26 June**, almost a **full month** earlier than this year's date.
- This means that the average person must work almost a **month extra** to pay for the Government's recent spending rises.

Chart 1: Cost of Government Day over last 20 years



Cost of Government Day in other countries

Much of the inspiration for attempting a Cost of Government Day calculation in Britain comes from the excellent Americans for Tax Reform Foundation in Washington DC, which has been calculating the Cost of Government Day in the US for a number of years.

- In 2007, Cost of Government Day fell on **11 July in the US**, a full **12 days earlier** than Britain.¹
- Cost of Government Day estimates for other OECD countries are below:

Table 1: Cost of Government Day in other OECD countries

Country	Cost of Government Day
Korea	30 May
Australia	13 June
Ireland	15 June
Switzerland	17 June
Slovak Republic	20 June
Japan	21 June
Greece	22 June
Spain	01 July
Luxembourg	01 July
Canada	02 July
New Zealand	04 July
Norway	09 July
Czech Republic	11 July
<i>United States</i>	<i>11 July</i>
Iceland	14 July
Poland	14 July
Germany	22 July
United Kingdom	23 July
Portugal	25 July
Netherlands	31 July
Finland	04 August
Italy	04 August
Belgium	05 August
Austria	05 August
Denmark	12 August
Hungary	14 August
France	23 August
Sweden	26 August

NB: United States calculation taken from Americans for Tax Reform, op. cit., therefore is not fully comparable with the other OECD countries.

¹ *Cost of Government Day Report: Calendar Year 2007*, Americans for Tax Reform Foundation, July 2007 <http://www.atr.org/content/pdf/2007/july/070907ot-cogd2007.pdf>



- The Cost of Government Day in 17 OECD countries falls earlier than in Britain in 2007 (this includes the US calculation made by Americans for Tax Reform, as noted above).

Comment from the TaxPayers' Alliance

Corin Taylor, Research Director at the TaxPayers' Alliance, said:

"Calculating the Cost of Government Day allows taxpayers to see clearly how much of the year they have to work for the state, before they can begin working for themselves.

It will be of great concern that taxpayers in Britain have to work longer in the year than even German taxpayers to pay off the costs of government spending and regulation."

Matthew Elliott, Chief Executive of the TaxPayers' Alliance, said:

"Ordinary people are having to work more than half the year to pay for government spending and regulation. This will not do. Britain needs less government spending, fewer regulations and lower taxes to compete with the fast-growing economies of the East.

In the last few years, the situation has got worse. People are having to work a month longer to pay for Brown's massive spending rises that have delivered little. Alistair Darling urgently needs to change course."

Sources and method of calculation

1. The calculation is based on several figures:

- Government outlays as a percentage of GDP is taken from Annex table 25, OECD Economic Outlook No.79, June 2006, and Annex table 25, OECD Economic Outlook No.81, June 2007.
http://www.oecd.org/document/61/0,3343,en_2649_201185_2483901_1_1_1,00.html
- The cost of government regulation of 10-12 per cent of GDP is taken from *Regulation – Less is More*, Better Regulation Task Force, March 2005. A mid-point of 11 per cent is assumed for the purposes of this calculation. NB: Since 2005, the Better Regulation Task Force has changed its name to the Better Regulation Commission and is now, following Gordon Brown's recent reshuffle, known as the Better Regulation Executive.
<http://www.brc.gov.uk/upload/assets/www.brc.gov.uk/lessismore.pdf>

2. The total cost of government is calculated by:
 - Adding government regulation as a percentage of GDP to government outlays as a percentage of GDP to give the total cost of government as a percentage of GDP.
 - Applying that percentage to the number of days in the year to give the number of days an average person must work for the government each year.
 - Giving that number as a date in the calendar, assuming that the first part of the year is worked for the government and the second part for the individual.
3. The same methodology has been employed to estimate the Cost of Government Day in other OECD countries, with the exception of the US for which the calculation made by Americans for Tax Reform was used (see *Cost of Government Day Report: Calendar Year 2007*, Americans for Tax Reform Foundation, July 2007 <http://www.atr.org/content/pdf/2007/july/070907ot-cogd2007.pdf>). The same OECD source for spending as a share of GDP has been used, making the number directly comparable with the UK, and the same regulatory assumption has been employed.
4. There is no estimate of the overall cost of regulation for previous years. This calculation has therefore assumed that the cost of regulation has remained constant as a share of GDP. Given the huge increases in regulation of the past few years, this is a very cautious assumption, meaning that the recent Cost of Government Days are conservative estimates. This is frustrating, but the UK lacks an official time-series on the overall cost of regulation, while the best private sector estimate, the British Chambers of Commerce's annual *Burdens Barometer*, only records the cumulative cost of new regulations, and so neither adds the enormous cost of existing regulations nor subtracts the smaller cost of regulations that have expired.
5. An excel spreadsheet with full details is available on request.

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APPENDIX

Table A1: Cost of Government Day in recent years

Year	Government outlays, % of GDP	Regulation, % of GDP	Total cost of government, % of GDP	Days in year	Total cost of government outlays, number of days	Total cost of government regulation, number of days	Total cost of government, number of days	Cost of Government Day
1988	41.1%	11%	52.1%	366	150.6	40.3	190.8	9 July
1989	40.8%	11%	51.8%	365	149.0	40.2	189.1	8 July
1990	42.4%	11%	53.4%	365	154.7	40.2	194.9	14 July
1991	44.1%	11%	55.1%	365	161.0	40.2	201.2	20 July
1992	46.0%	11%	57.0%	366	168.5	40.3	208.8	27 July
1993	46.1%	11%	57.1%	365	168.3	40.2	208.5	27 July
1994	45.4%	11%	56.4%	365	165.7	40.2	205.9	25 July
1995	44.9%	11%	55.9%	365	164.0	40.2	204.2	23 July
1996	43.1%	11%	54.1%	366	157.7	40.3	198.0	16 July
1997	41.6%	11%	52.6%	365	151.9	40.2	192.0	11 July
1998	40.4%	11%	51.4%	365	147.4	40.2	187.5	7 July
1999	39.8%	11%	50.8%	365	145.4	40.2	185.5	5 July
2000	37.5%	11%	48.5%	366	137.4	40.3	177.7	26 June
2001	40.9%	11%	51.9%	365	149.3	40.2	189.4	8 July
2002	42.0%	11%	53.0%	365	153.2	40.2	193.3	12 July
2003	43.4%	11%	54.4%	365	158.5	40.2	198.7	18 July
2004	43.7%	11%	54.7%	366	159.9	40.3	200.1	18 July
2005	44.7%	11%	55.7%	365	163.3	40.2	203.4	22 July
2006	45.1%	11%	56.1%	365	164.6	40.2	204.8	24 July
2007	44.9%	11%	55.9%	365	164.0	40.2	204.1	23 July

Table A2: Cost of Government Day in other OECD countries

Country	Government outlays, % of GDP	Regulation, % of GDP	Total cost of government, % of GDP	Days in year	Total cost of government outlays, number of days	Total cost of government regulation, number of days	Total cost of government, number of days	Cost of Government Day
Korea	30.1%	11%	41.1%	365	109.9	40.2	150.0	30 May
Australia	34.0%	11%	45.0%	365	124.0	40.2	164.2	13 June
Ireland	34.4%	11%	45.4%	365	125.7	40.2	165.9	15 June
Switzerland	35.0%	11%	46.0%	365	127.8	40.2	167.9	17 June
Slovak Republic	36.0%	11%	47.0%	365	131.3	40.2	171.5	20 June
Japan	36.0%	11%	47.0%	365	131.6	40.2	171.7	21 June
Greece	36.4%	11%	47.4%	365	132.9	40.2	173.1	22 June
Spain	38.7%	11%	49.7%	365	141.4	40.2	181.5	01 July
Luxembourg	38.7%	11%	49.7%	365	141.4	40.2	181.6	01 July
Canada	39.1%	11%	50.1%	365	142.8	40.2	183.0	02 July
New Zealand	39.8%	11%	50.8%	365	145.1	40.2	185.3	04 July
Norway	41.0%	11%	52.0%	365	149.8	40.2	189.9	09 July
Czech Republic	41.6%	11%	52.6%	365	151.9	40.2	192.0	11 July
<i>United States</i>					<i>130.2</i>	<i>61.8</i>	<i>192.0</i>	<i>11 July</i>
Iceland	42.3%	11%	53.3%	365	154.5	40.2	194.6	14 July
Poland	42.3%	11%	53.3%	365	154.5	40.2	194.7	14 July
Germany	44.7%	11%	55.7%	365	163.0	40.2	203.2	22 July
United Kingdom	44.9%	11%	55.9%	365	164.0	40.2	204.1	23 July
Portugal	45.5%	11%	56.5%	365	166.2	40.2	206.3	25 July
Netherlands	47.2%	11%	58.2%	365	172.3	40.2	212.5	31 July
Finland	48.2%	11%	59.2%	365	175.8	40.2	216.0	04 August
Italy	48.3%	11%	59.3%	365	176.3	40.2	216.4	04 August



Country	Government outlays, % of GDP	Regulation, % of GDP	Total cost of government, % of GDP	Days in year	Total cost of government outlays, number of days	Total cost of government regulation, number of days	Total cost of government, number of days	Cost of Government Day
Belgium	48.5%	11%	59.5%	365	177.1	40.2	217.2	05 August
Austria	48.6%	11%	59.6%	365	177.3	40.2	217.4	05 August
Denmark	50.5%	11%	61.5%	365	184.2	40.2	224.3	12 August
Hungary	51.0%	11%	62.0%	365	186.3	40.2	226.5	14 August
France	53.4%	11%	64.4%	365	194.9	40.2	235.1	23 August
Sweden	54.1%	11%	65.1%	365	197.5	40.2	237.6	26 August

NB: United States calculation taken from Americans for Tax Reform, op. cit., therefore is not fully comparable with the other OECD countries.