



Institute for
Fiscal Studies



Filling the hole: how do the three main UK parties plan to repair the public finances?

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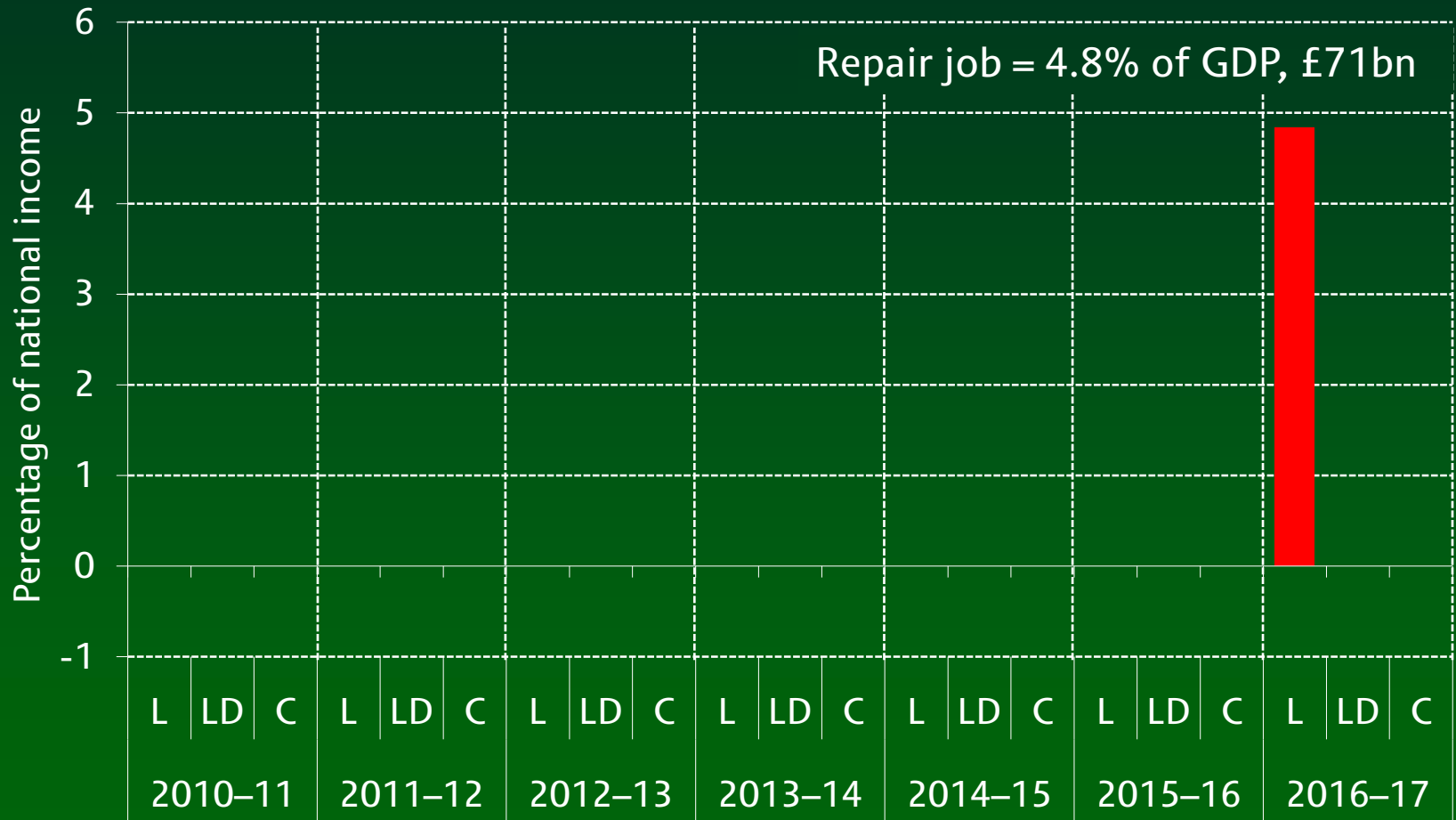
Summary (1/2)

- Large fiscal tightening required by all three parties
 - Conservatives plan to start and finish sooner
 - 2010–11 to 2016–17: Conservatives would borrow 6% less than Labour & the Liberal Democrats would
 - debt to return to 40% of GDP in 2031–32 under all three parties
- Bigger differences in planned ratio of spending cuts to tax rises
 - Labour 2:1; Liberal Democrats (eventually) 2½:1 and Conservatives 4:1
 - two 1993 Conservative Budgets planned for 1:1 ratio
 - Labour and Conservatives plans imply further tax raising measures

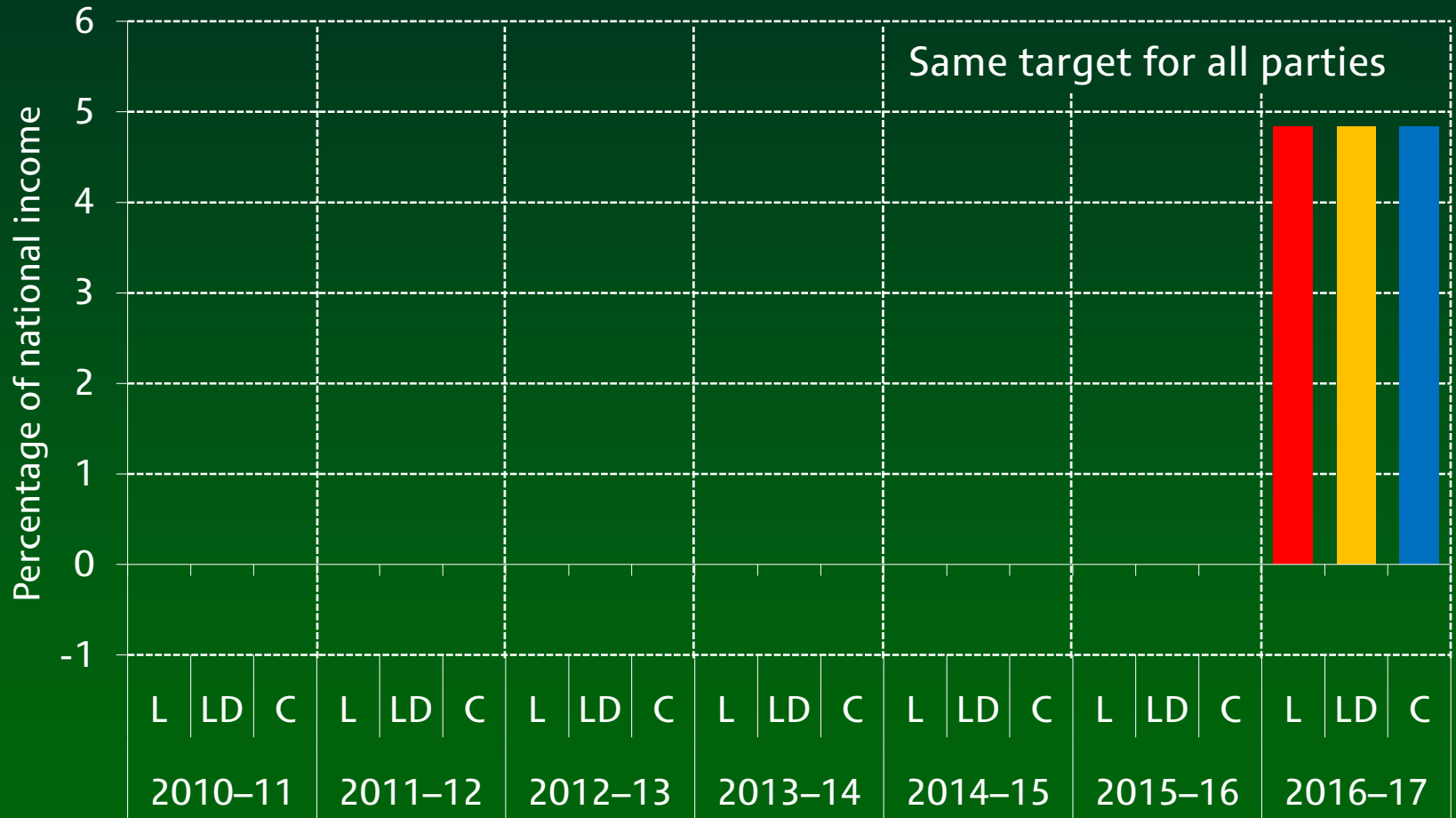
Summary (2/2)

- All plans imply deep cuts to spending on public services
 - Labour & Liberal Democrat plans imply tightest sustained squeeze since April 1976 to March 1980
 - spending cuts as deep as Conservative plans imply not delivered over any sustained period since Second World War
- Very little detail from any of the parties
 - Liberal Democrats slightly less bad on this score than the other two
 - but they would have the most to find in 2015–16 and 2016–17
- Would any of the parties deliver cuts to public services on this scale?
 - alternative is significant tax increases and/or welfare cuts

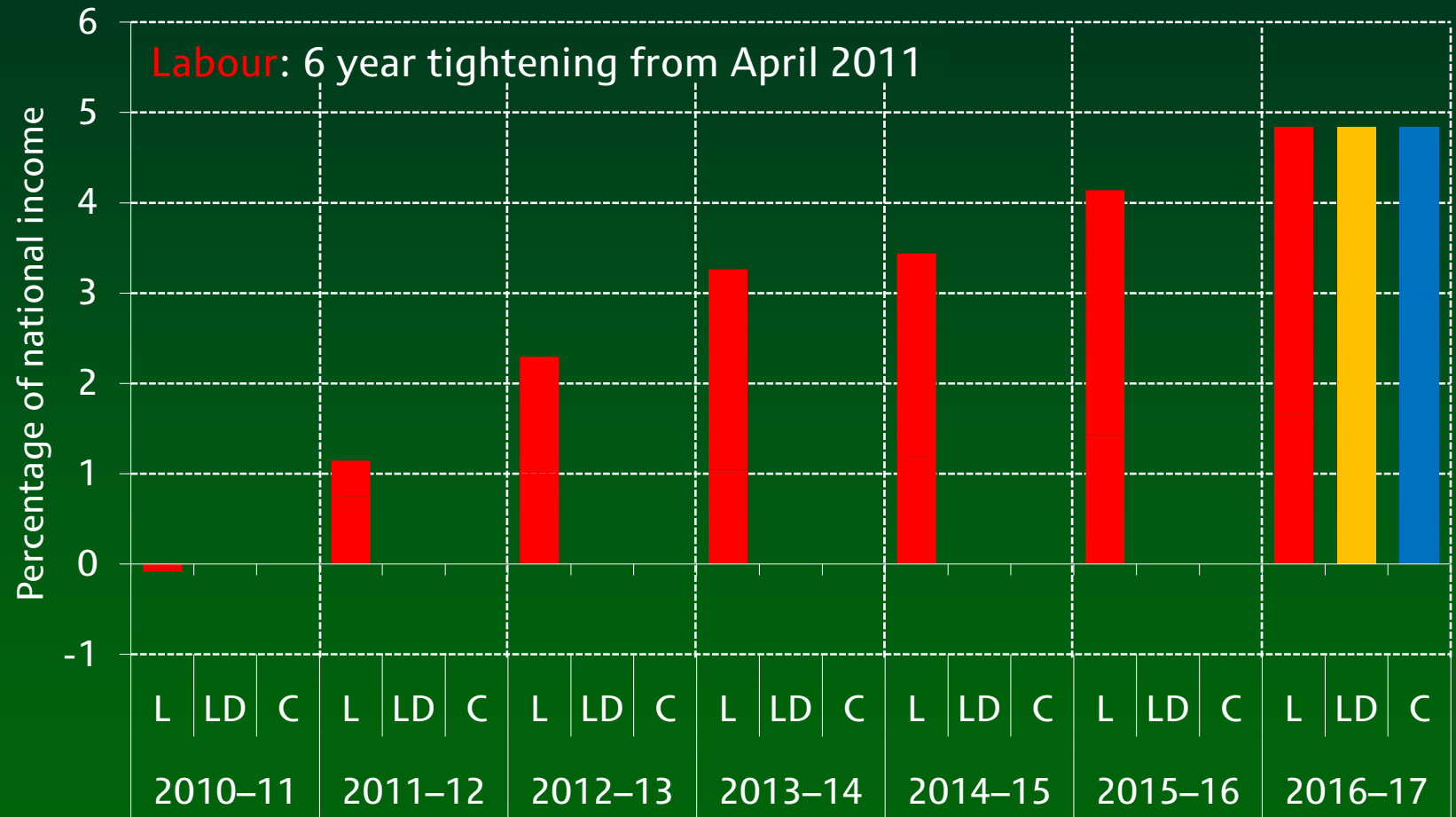
Timing and size of the fiscal tightening



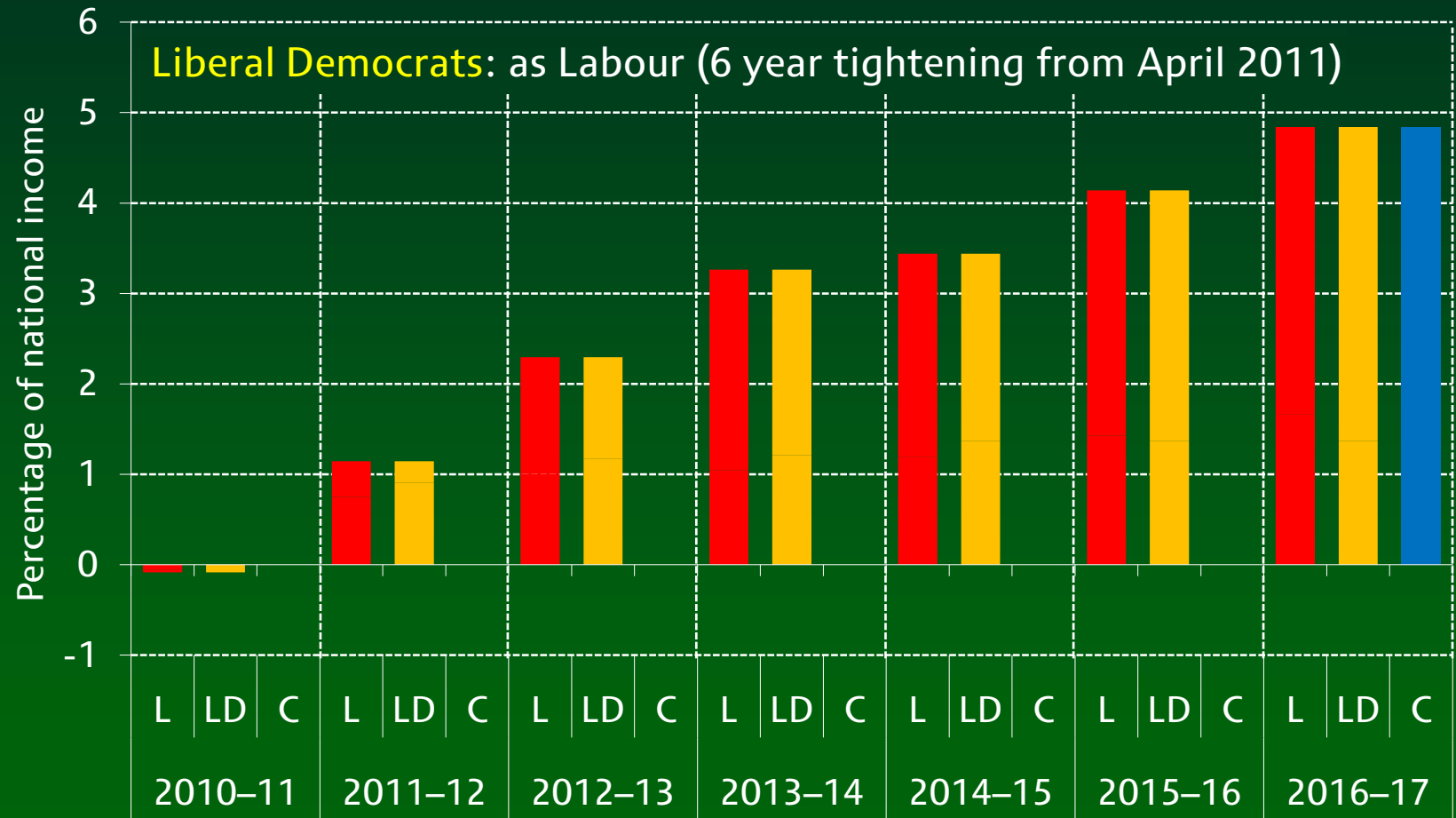
Timing and size of the fiscal tightening



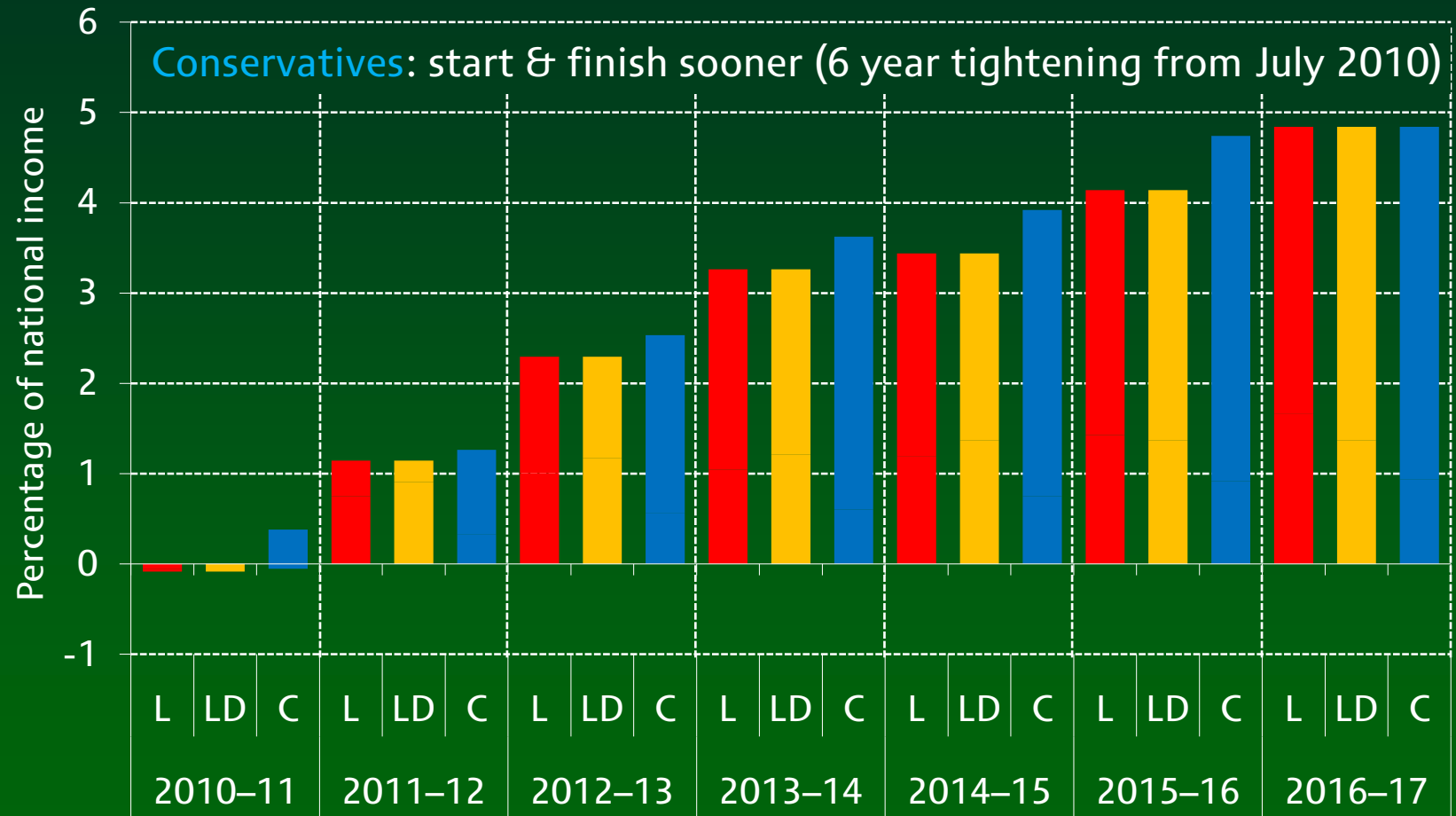
Timing and size of the fiscal tightening



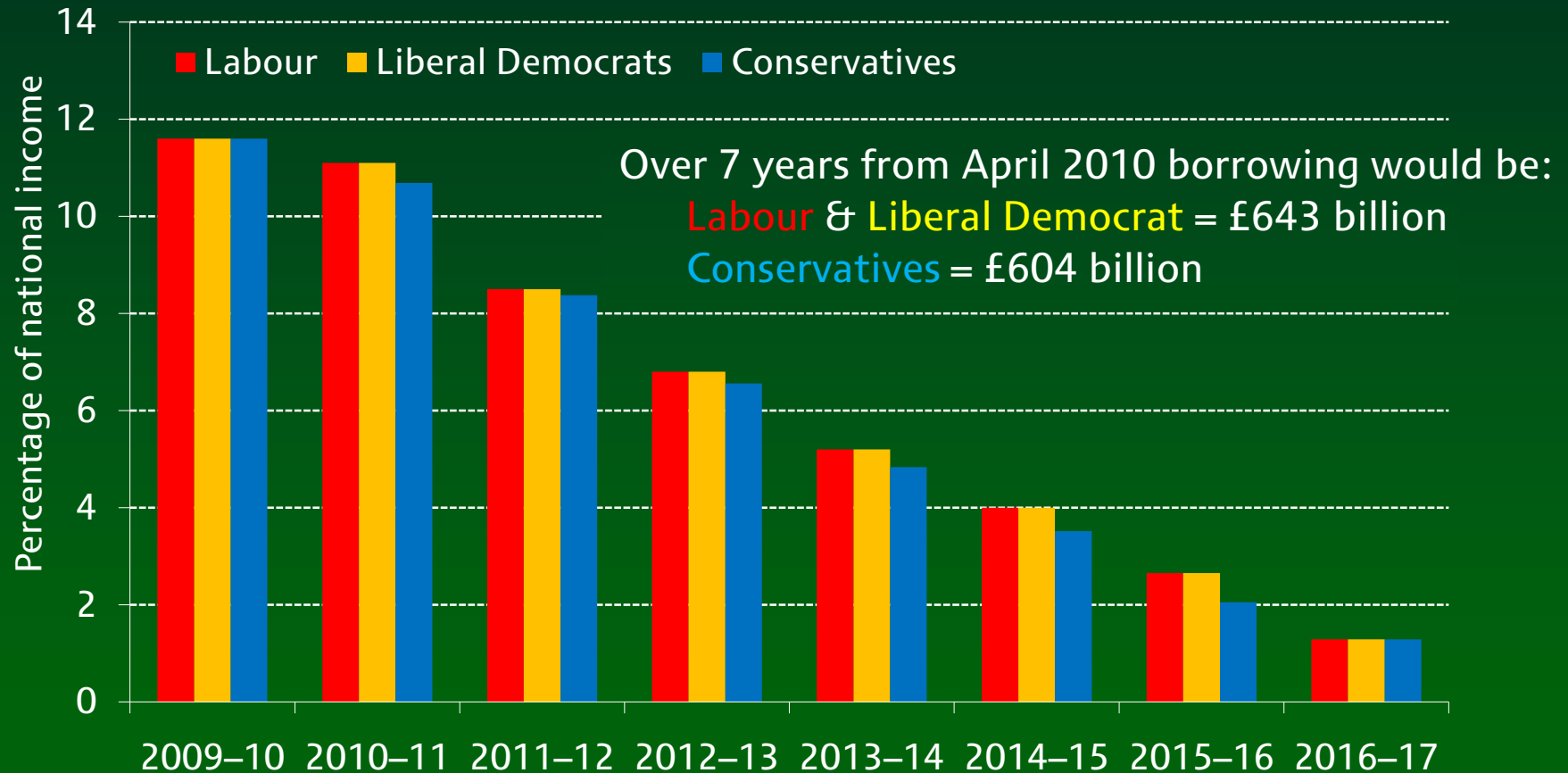
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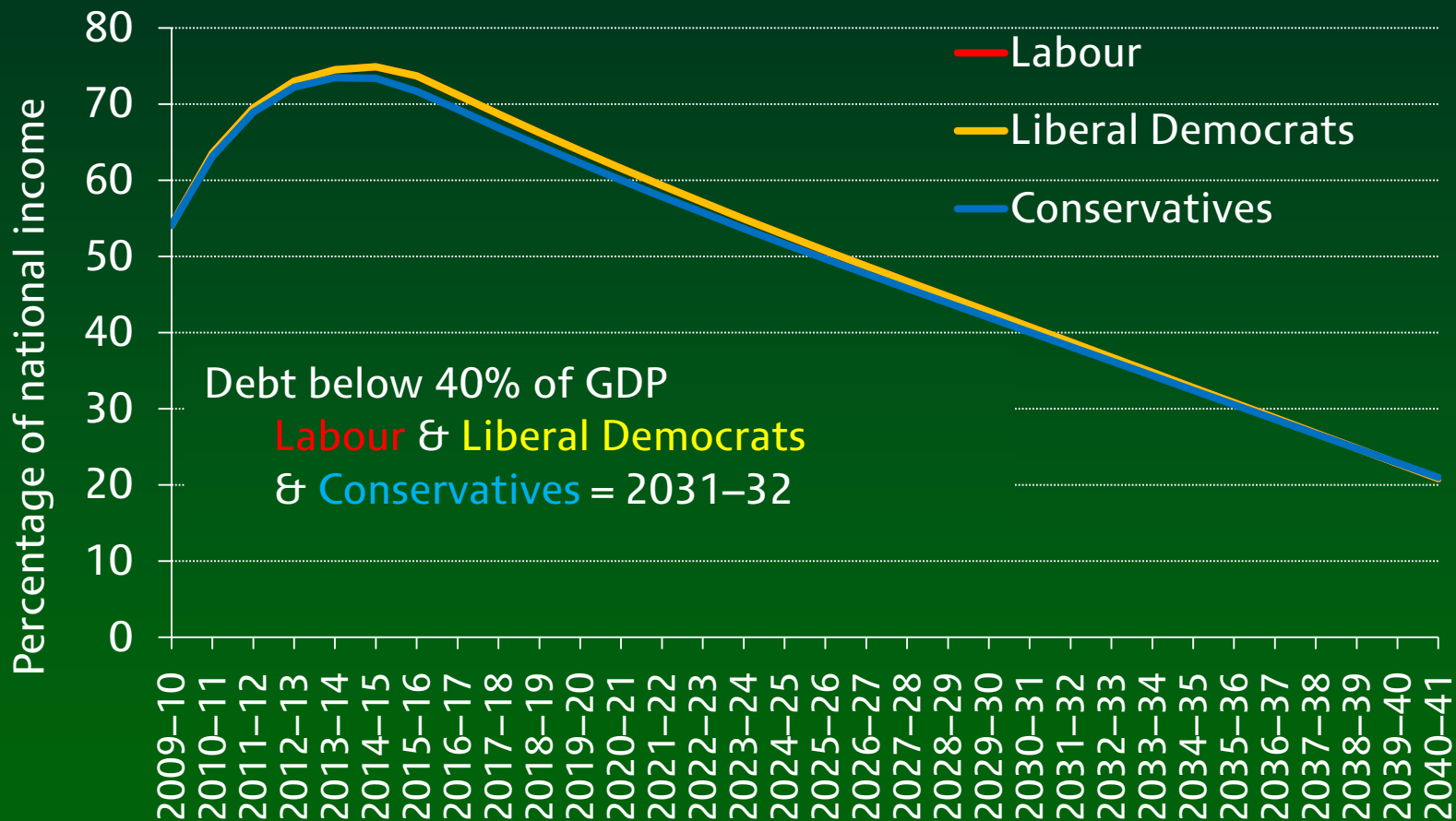
Timing and size of the fiscal tightening



Public sector net borrowing profiles

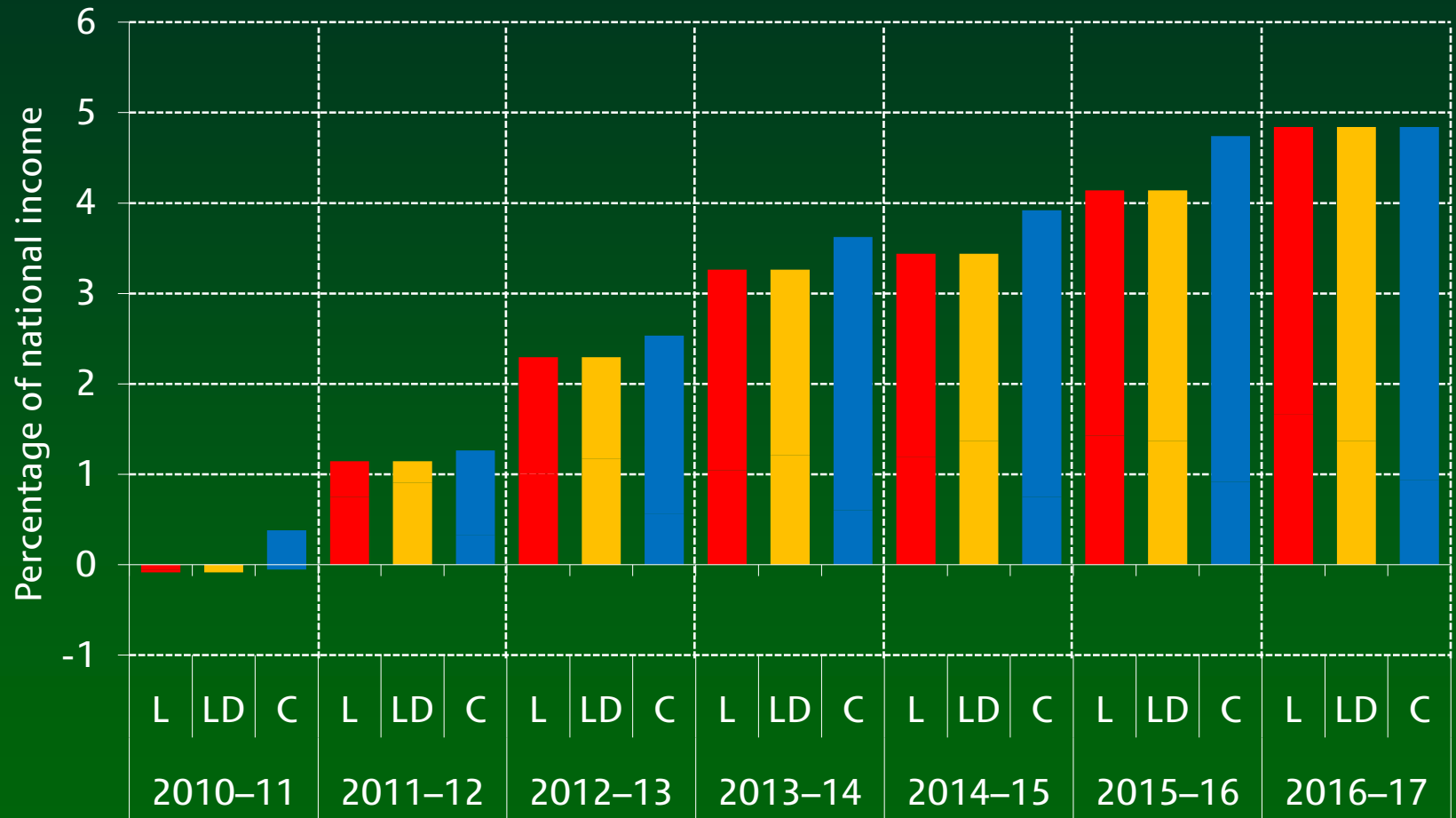


Debt high for a generation

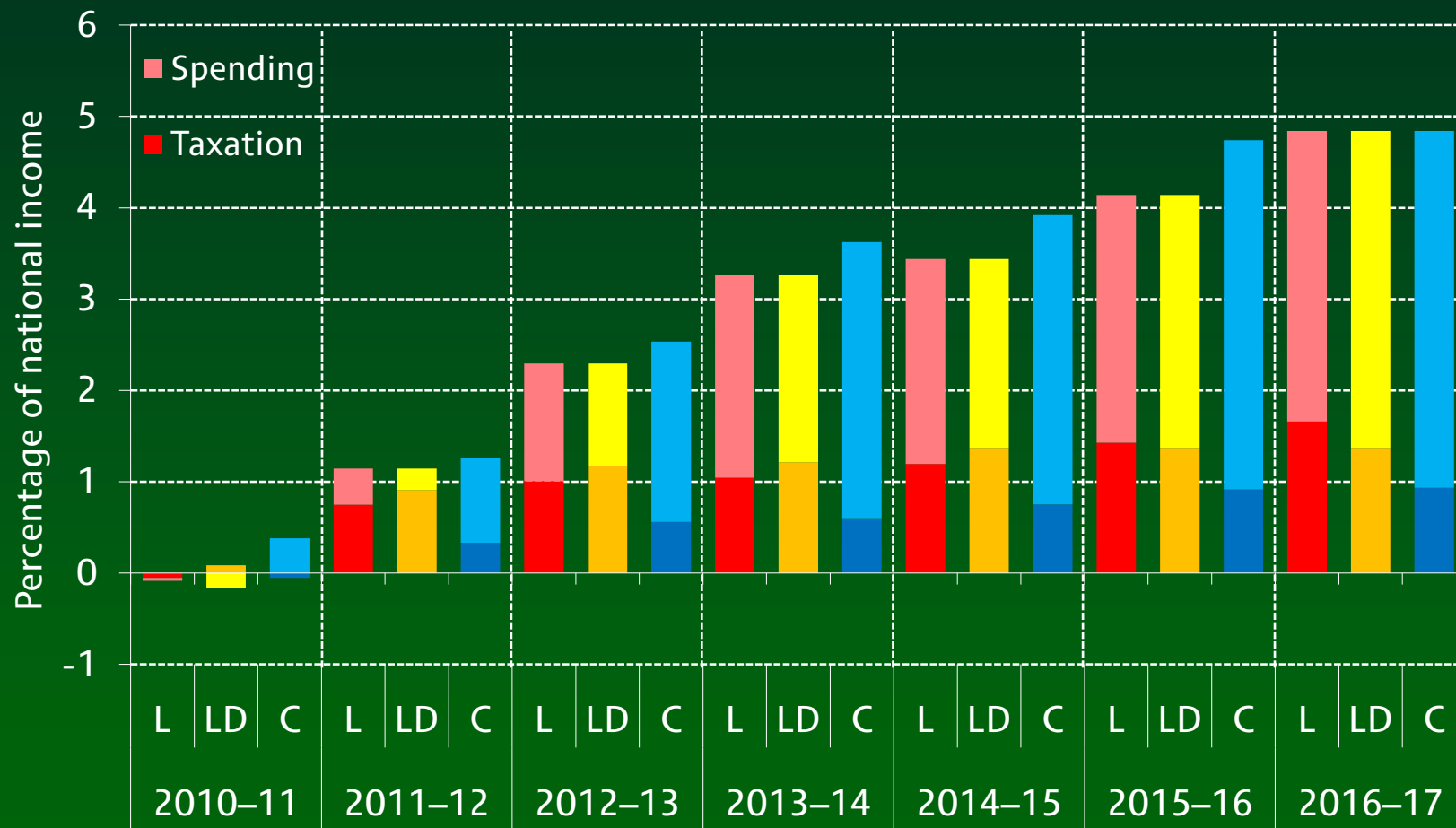


Debt below 40% of GDP
Labour & Liberal Democrats
& Conservatives = 2031-32

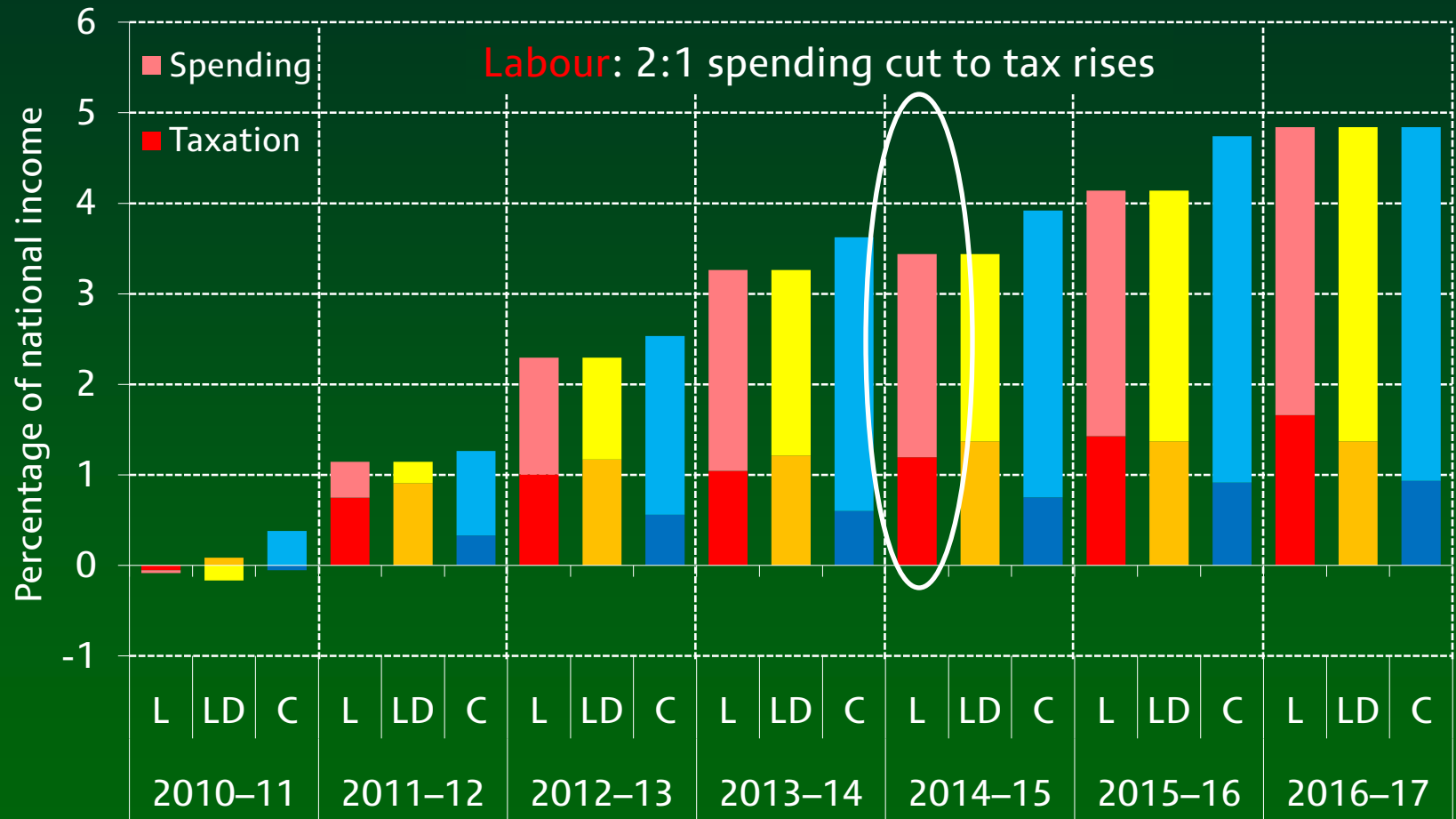
Composition of discretionary fiscal tightening



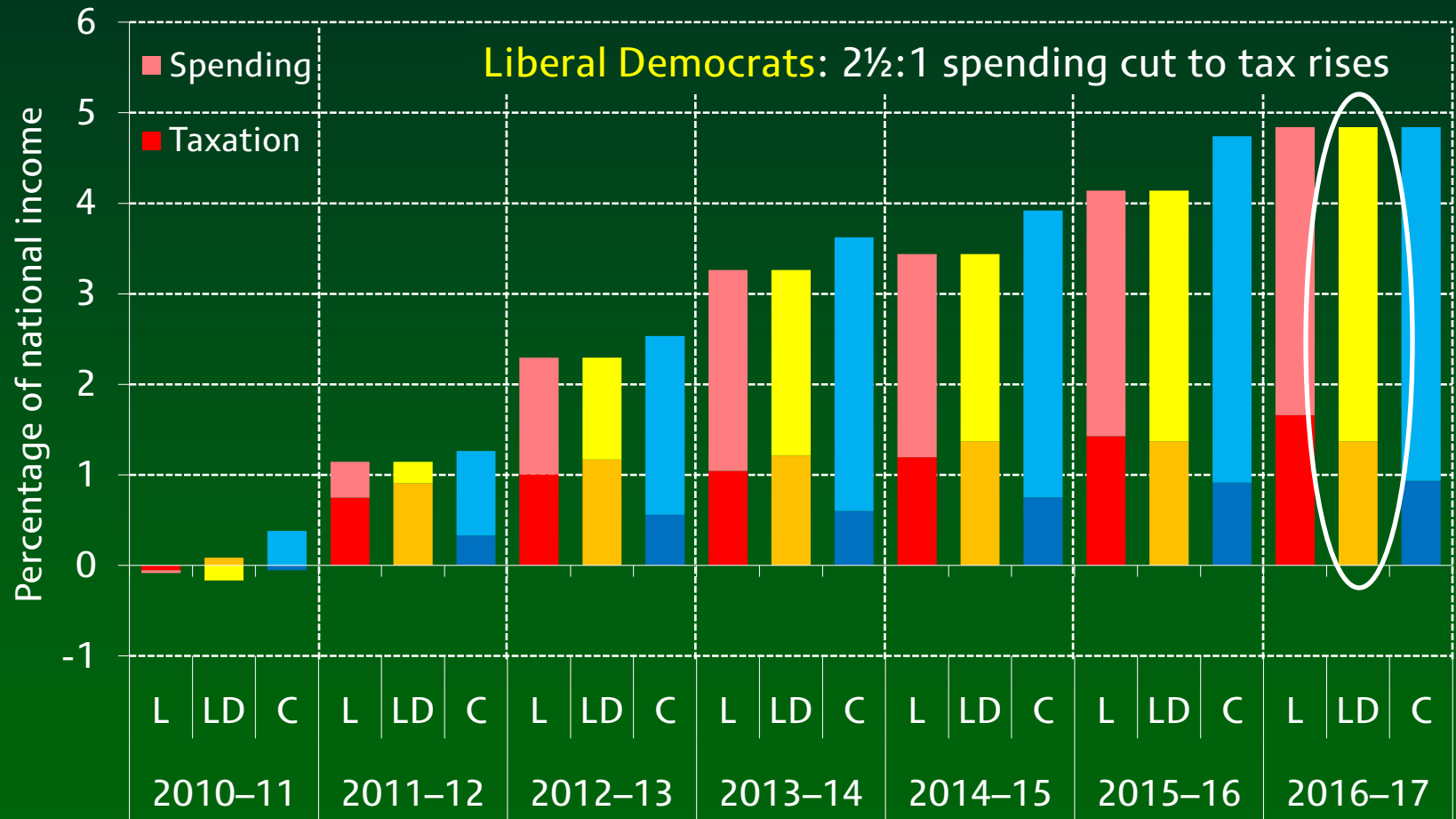
Composition of discretionary fiscal tightening



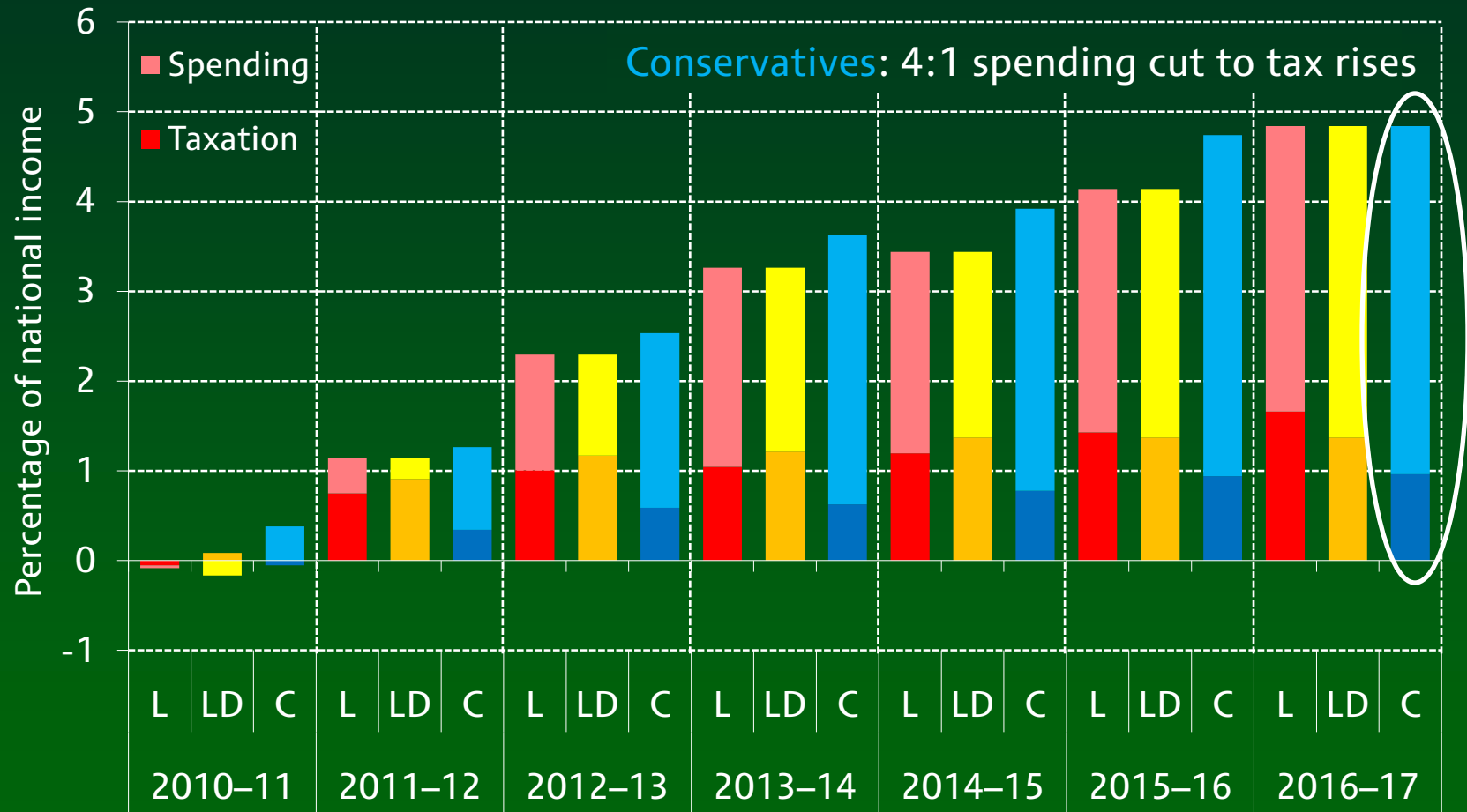
Composition of discretionary fiscal tightening



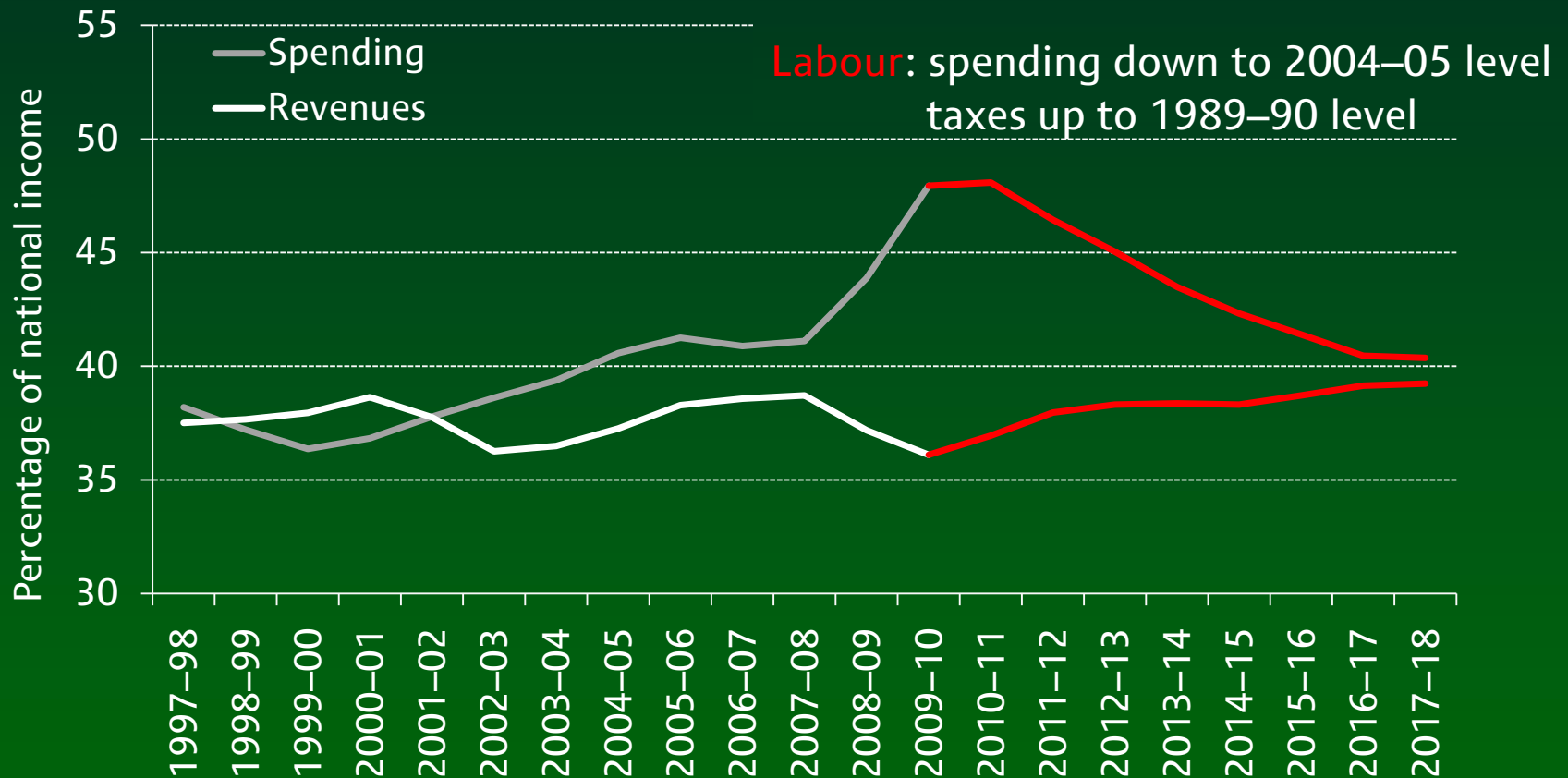
Composition of discretionary fiscal tightening



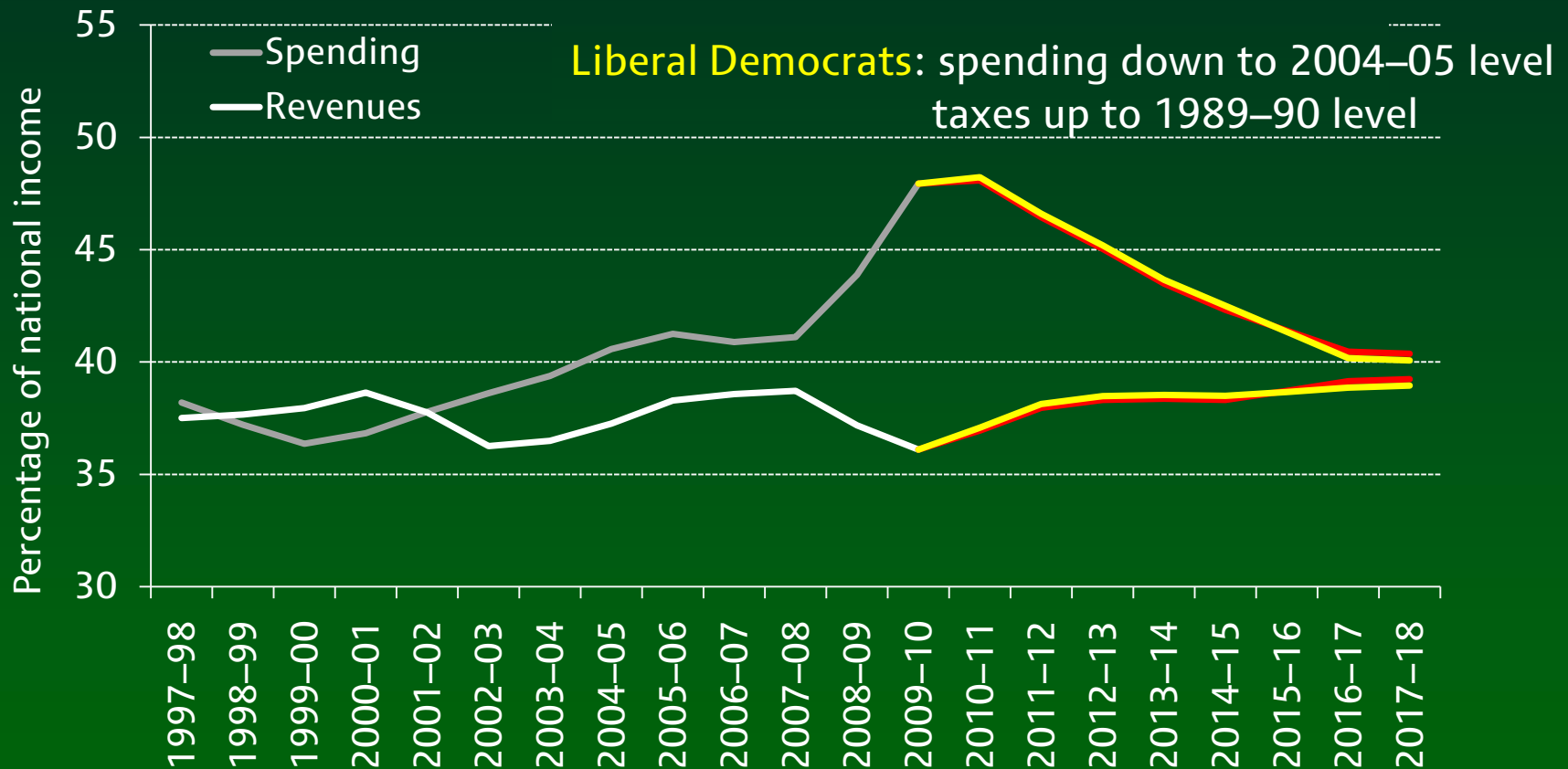
Composition of discretionary fiscal tightening



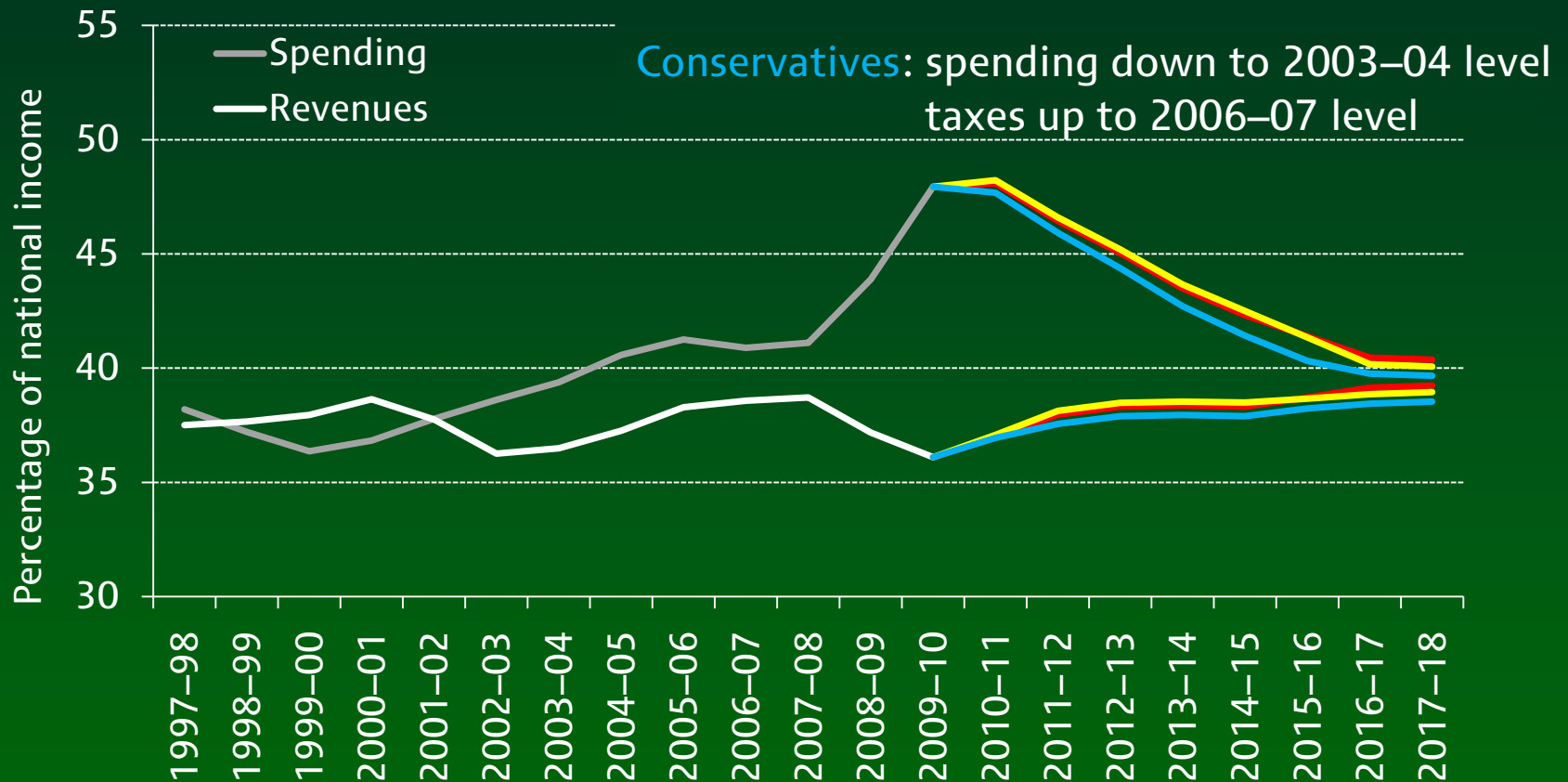
Total spending and revenues



Total spending and revenues



Total spending and revenues



No more tax rises?

- Labour
 - £17 billion tax increase in pipeline (April 2010 to March 2014)
 - further £7 billion required by 2016–17
- Conservatives
 - £6 billion net tax cut on top of the increases in the pipeline
 - would need to reverse £3 billion of this by 2016–17
- Liberal Democrats
 - £3 billion net tax increase on top of the increases in the pipeline
 - might not need to do anything further