Not filling the hole

Gemma Tetlow
Growth in components of spending: 2011–12 to 2014–15

Total Managed Expenditure

Of which:
- Debt interest
  - 2011–12: 12.7%
  - 2012–13: 12.7%
  - 2013–14: 12.4%

- Social security
  - 2011–12: 1.1%
  - 2012–13: 1.1%
  - 2013–14: 1.0%

- Other AME
  - 2011–12: 3.1%
  - 2012–13: 2.8%
  - 2013–14: 2.7%

Departmental Expenditure Limits

- 2011–12: -3.1%
- 2012–13: -2.8%
- 2013–14: -4.0%

Note: Increases are expressed relative to Labour’s planned 2010–11 spending levels
Source: Figure 6.1 and Tables 6.1, 6.2 and 6.3
© Institute for Fiscal Studies
Departmental spending

Note: Increases are expressed relative to Labour’s planned 2010–11 spending levels
Source: Figure 6.5

© Institute for Fiscal Studies
Departmental spending

£ billion, 2010-11 prices

Index (Labour 2010-11 = 100)

Note: Increases are expressed relative to Labour’s planned 2010–11 spending levels
Source: Figure 6.5
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- £47.0bn, -11.9%
Departmental spending

£ billion, 2010-11 prices

Index (Labour 2010-11 = 100)

Note: Increases are expressed relative to Labour’s planned 2010–11 spending levels
Source: Figure 6.5

© Institute for Fiscal Studies
**Departmental spending**

Note: Increases are expressed relative to Labour’s planned 2010–11 spending levels

Source: Figure 6.5

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Cuts required to DELs by 2014–15

Note and sources: Figures 6.2, 6.3, 6.4 and 6.5.
Cuts required to DELs by 2014–15

<table>
<thead>
<tr>
<th>Party</th>
<th>2yr protect</th>
<th>4yr protect</th>
<th>Lib Dem</th>
<th>Conservative</th>
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<tbody>
<tr>
<td>Labour</td>
<td>47.0</td>
<td>47.0</td>
<td>42.7</td>
<td>59.4</td>
</tr>
<tr>
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<tr>
<td>Conservative</td>
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</tr>
</tbody>
</table>

Note and sources: Figures 6.2, 6.3, 6.4 and 6.5.
But ‘protection’ of some areas make cuts required elsewhere larger...

Additional £3.8bn ODA spending

- **2yr protect**
  - Labour

- **4yr protect**
  - Labour

- **Lib Dem**

- **Conservative**
  - Additional money for ODA
  - Cut to total DEL

Note and sources: Figures 6.2, 6.3, 6.4 and 6.5.

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But ‘protection’ of some areas make cuts required elsewhere larger...

**Labour**: increase parts of education budget by £1.6bn if ‘protect’ for 4 years

- Increase some education spending
- Additional money for ODA
- Cut to total DEL

**Note and sources**: Figures 6.2, 6.3, 6.4 and 6.5.
But ‘protection’ of some areas make cuts required elsewhere larger...

**Conservatives**: £0.5bn additional NHS spending (if increase by 0.1% a year in real terms)

- Increase NHS spending
- Increase some education spending
- Additional money for ODA
- Cut to total DEL

Note and sources: Figures 6.2, 6.3, 6.4 and 6.5.
Cuts required to ‘unprotected’ DELs by 2014–15

<table>
<thead>
<tr>
<th></th>
<th>Labour 2yr protect</th>
<th>Labour 4yr protect</th>
<th>Lib Dem</th>
<th>Conservative</th>
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</thead>
<tbody>
<tr>
<td>2010-11 prices</td>
<td>£50.8</td>
<td>£52.4</td>
<td>£46.5</td>
<td>£63.7</td>
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</table>

- Increase NHS spending
- Increase some education spending
- Additional money for ODA
- Cut to total DEL

Note and sources: Figures 6.2, 6.3, 6.4 and 6.5.
Cuts required to ‘unprotected’ DELs by 2014–15

£ billion, 2010–11 prices

<table>
<thead>
<tr>
<th></th>
<th>2yr protect</th>
<th>4yr protect</th>
<th>Lib Dem</th>
<th>Conservative</th>
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<tbody>
<tr>
<td>Labour</td>
<td>50.8</td>
<td>52.4</td>
<td>46.5</td>
<td>63.7</td>
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</table>

Note and sources: Figures 6.2, 6.3, 6.4 and 6.5.
Cuts required to ‘unprotected’ DELs by 2014–15

<table>
<thead>
<tr>
<th></th>
<th>Labour 2yr protect</th>
<th>Labour 4yr protect</th>
<th>Lib Dem</th>
<th>Conservative</th>
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<tr>
<td>£ billion, 2010-11 prices</td>
<td>46.2</td>
<td>47.8</td>
<td>41.4</td>
<td>59.1</td>
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Cuts required to ‘unprotected’ DELs by 2014–15

<table>
<thead>
<tr>
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<th>£ billion, 2010-11 prices</th>
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<tr>
<td>2yr protect</td>
<td>Labour: 46.2</td>
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<tr>
<td></td>
<td>Conservative/LibDem cuts: 55.9</td>
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<tr>
<td>4yr protect</td>
<td>Labour: 47.8</td>
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<tr>
<td></td>
<td>Lib Dem: 39.0</td>
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<tr>
<td>Conservative</td>
<td></td>
</tr>
</tbody>
</table>

Note and sources: Figures 6.2, 6.3, 6.4 and 6.5.
Cuts required to ‘unprotected’ DELs by 2014–15

- Labour: £45.7 billion (2yr protect), £47.3 billion (4yr protect), £37.9 billion (Lib Dem), £55.1 billion (Conservative)

Note and sources: Figures 6.2, 6.3, 6.4 and 6.5.
Cuts required to ‘unprotected’ DELs by 2014–15

<table>
<thead>
<tr>
<th></th>
<th>£ billion, 2010-11 prices</th>
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<tbody>
<tr>
<td>2yr protect</td>
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<tr>
<td>Labour</td>
<td>44.1</td>
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<td>4yr protect</td>
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<td>Labour</td>
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<td>Lib Dem</td>
<td>34.4</td>
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<td>52.5</td>
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Cuts required to ‘unprotected’ DELs by 2014–15

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<td>86.9%</td>
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<tr>
<td>£ billion, 2010-11 prices</td>
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<td>2yr protect</td>
<td>44.1</td>
</tr>
<tr>
<td>Labour</td>
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<td>4yr protect</td>
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<tr>
<td>Labour</td>
<td></td>
</tr>
<tr>
<td>Lib Dem</td>
<td></td>
</tr>
<tr>
<td>Conservative/LibDem cuts</td>
<td></td>
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<tr>
<td>Public sector pay</td>
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<tr>
<td>Public sector pensions</td>
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<td>Conservative</td>
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</table>

Note and sources: Figures 6.2, 6.3, 6.4 and 6.5.
Cuts required to ‘unprotected’ DELs by 2014–15

From a total available budget of:

<table>
<thead>
<tr>
<th>Budget</th>
<th>Labour (2yr protect)</th>
<th>Labour (4yr protect)</th>
<th>Lib Dem</th>
<th>Conservative</th>
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<tbody>
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<td>£378bn</td>
<td>44.1</td>
<td>45.8</td>
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<td>£241bn</td>
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</tbody>
</table>

Note and sources: Figures 6.2, 6.3, 6.4 and 6.5.

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Deep cuts to public services required (1)

• Cuts to total DELs, 2010–11 to 2014–15
  – Conservatives: £59.4bn
  – Labour: £47.0bn
  – Liberal Democrats: £42.7bn

• Deepest cuts to public service spending for decades
  – Labour & Liberal Democrats: April 2011 to March 2015 set to be tightest four-year period since April 1976 to March 1980
  – Conservatives: April 2010 to March 2015 set to be tightest five-year period since (at least) World War II

• ‘Protection’ for some areas makes cuts required elsewhere larger
  – Conservatives: £63.7bn
  – Labour: £50.8bn (or £52.4bn if ‘protect’ for 4 years)
  – Liberal Democrats: £46.5bn
Deep cuts to public services required (2)

• None of these parties has given much detail on these cuts
  – Liberal Democrats slightly less bad on this score than the other two

• Cuts to spending after 2014–15
  – Comparisons over years to 2014–15 flatter Liberal Democrats: they are leaving more of the spending cuts to later years
  – Conservatives set for smallest spending cut after 2014–15

• By 2017–18, spending set to be...
  – Lowest under Conservatives (39.7% of GDP)
  – Highest under Labour (40.4% of GDP)
  – Liberal Democrats’ plans imply will fall to 40.1% of GDP
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

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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