Tax and Spend: Letter to the Telegraph

Sir:

As Matt illustrated very nicely on your front page today, the numbers in the tax and spend debate are far from simple. Let me clarify our assessment of the Conservative proposals.

Relative to Labour’s plans in 2007-08, the Conservatives are proposing new spending of £23 billion, tax cuts of £4 billion and a cut in government borrowing of £8 billion. These are affordable, but only if the Conservatives also deliver their promised £35 billion of efficiency and other savings in that year. This comprises the £21½ billion that Labour claims to have found through the Gershon Review, plus the £13 billion extra that David James claims to have found for the Tories themselves.

We are not in a position to judge with confidence whether the Conservatives could deliver the £35 billion of savings they promise (nor Labour the £21½ billion it has promised) on time and with as little impact on the quality of public services as they claim. Experience with past efficiency drives suggest one should be wary.

Labour is wrong to claim that the Gershon savings have already been spent, but they are right to point out that the same money cannot be spent twice. The Conservative spending commitments do not constitute a “black hole” as long as the savings are delivered, but Labour could presumably point out what it would do with the money if re-elected and therefore suggest what the Conservatives might have to forego.

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ENDS