Post-election Austerity: Parties’ Plans Compared

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23 April 2015, Institute for Fiscal Studies, London

http://election2015_ifs.org.uk/
Post-election Austerity: Act I

Carl Emmerson
The challenge: public sector net borrowing

% of national income

Financial year

Notes and sources: see Figure 1.1 of Post-election Austerity: Parties’ Plans Compared.
What have we done: Conservatives

• Have not been completely explicit about exactly what level of borrowing they would want to achieve in each year
  – balanced structural current budget in 2017–18, overall balance from 2018–19
  – ensure that debt keeps falling as a share of national income

• But they have provided specific plans for public spending and proposed changes to the tax system

• Our Conservative scenario:
  – has borrowing falls by 5.2% of national income between 2014–15 and 2018–19, with a surplus of 0.2% of national income in that year
  – is consistent with the above two statements
What have we done: Labour

• Labour has provided disappointingly little information on what they would borrow if they to form the next government
  – national debt falling and a surplus on the current budget as soon as possible in the next Parliament
  – cuts to unprotected departments each year until this is achieved
• We assume Labour would
  – stick to government plans for 2015–16 and then freeze unprotected departments, achieving a current budget balance in 2018–19
  – keep to government investment plans and borrow to finance this
• Our Labour scenario
  – leads to borrowing falling by 3.6% of national income between 2014–15 and 2018–19, reaching 1.4% of national income
  – is consistent with the above two statements, but would have debt rising in 2016–17
What have we done: Liberal Democrats

- Have been more transparent than other parties about their overall fiscal plans through to 2017–18
- And have provided two medium-term objectives:
  - over the cycle they will borrow only to “invest in the things that will help our economy grow”
  - debt to fall in every year from 2017–18, except during a recession
- We assume the Liberal Democrats would
  - keep to their plans through to 2017–18, and thereafter maintain borrowing at around 1% of national income
- Our Liberal Democrat scenario
  - leads to borrowing falling by 3.9% of national income between 2014–15 and 2017–18 reaching 1.1% of national income
What have we done: SNP

• Have not been completely explicit about exactly what level of borrowing they would want to achieve in each year
  – ‘our proposal would see public sector borrowing and public sector net debt falling in every year as a share of national income’

• But they have provided specific plans for public spending and proposed changes to the tax system
  – in particular increasing total public spending in real terms by the equivalent of 0.5% of departmental spending each year

• Our SNP scenario:
  – has borrowing falls by 3.6% of national income between 2014–15 and 2019–20, reaching 1.4% of national income
  – consistent with falling borrowing in all years, but would have debt rising in 2016–17 (and falling thereafter)
Public sector net borrowing: profiles compared

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<th>Outturn</th>
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Notes and sources: see Figure 2.1 of Post-election Austerity: Parties’ Plans Compared.
Public sector net debt: profiles compared

Outturns
Conservatives; 0% annual borrowing post 2019–20
Labour; 1.4% annual borrowing post 2019–20
Liberal Democrats; 1.1% annual borrowing post 2019–20
SNP; 1.4% annual borrowing post 2019–20

% of national income

Financial year

Notes and sources: see Figure 2.2 of Post-election Austerity: Parties’ Plans Compared.
Tax policies

• Conservatives’ specific policies amount to a net tax cut of just under £4 billion
  – including largely unspecified anti-avoidance measures leads to a net tax increase of £1 billion

• Labour’s specific policies amount to a net tax rise of about £6 billion
  – including largely unspecified anti-avoidance measures leads to a net tax increase of about £12 billion

• Liberal Democrats’ overall specific policies amount to a net tax rise of about £3 billion
  – including largely unspecified anti-avoidance measures leads to a net tax increase of about £12 billion

• SNP’s overall specific tax policies revenue neutral
  – would seek additional revenues from anti-avoidance, commendably have predicated fiscal plans on them
Tax revenues: profiles compared

% of national income

Financial year

Outturn
Conservatives
Labour
Liberal Democrats
SNP

Notes and sources: see Figure 3.1 of Post-election Austerity: Parties’ Plans Compared.
Public spending: profiles compared

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Notes and sources: see Figure 4.2 of Post-election Austerity: Parties’ Plans Compared.
SNP rhetoric check

SNP manifesto, page 8

“We reject the current trajectory of spending, proposed by the UK government and the limited alternative proposed by the Labour Party”
Public spending: profiles compared

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Notes and sources: see Figure 4.2 of Post-election Austerity: Parties’ Plans Compared.