



Institute for
Fiscal Studies



Post-election Austerity: Parties' Plans Compared

Rowena Crawford, Carl Emmerson, Soumaya Keynes and Gemma Tetlow

23 April 2015, Institute for Fiscal Studies, London

<http://election2015.ifs.org.uk/>

[twitter.com\TheIFS](https://twitter.com/TheIFS)



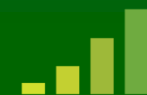
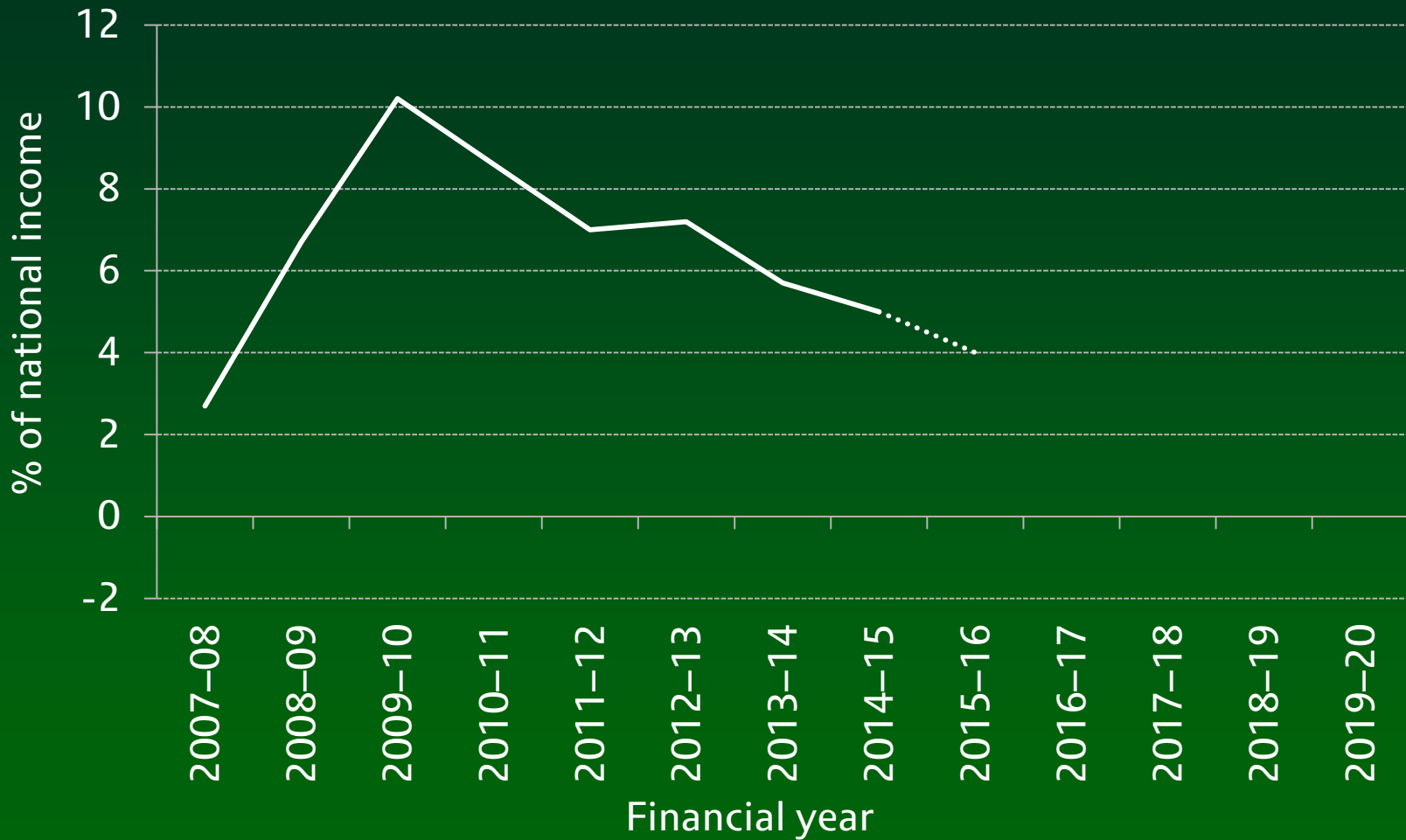
Institute for
Fiscal Studies



Post-election Austerity: Act I

Carl Emmerson

The challenge: public sector net borrowing



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



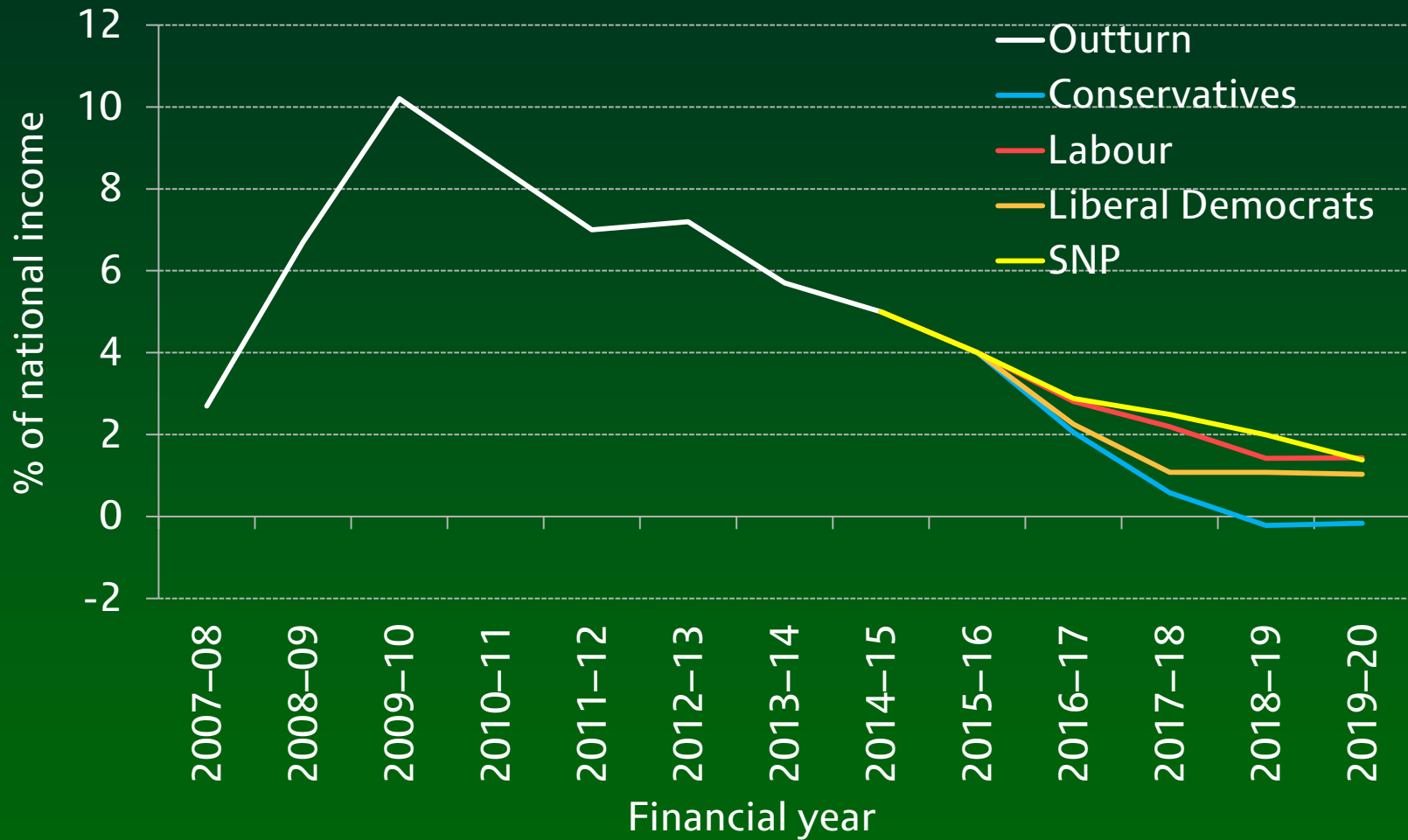
What have we done: Liberal Democrats

- 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

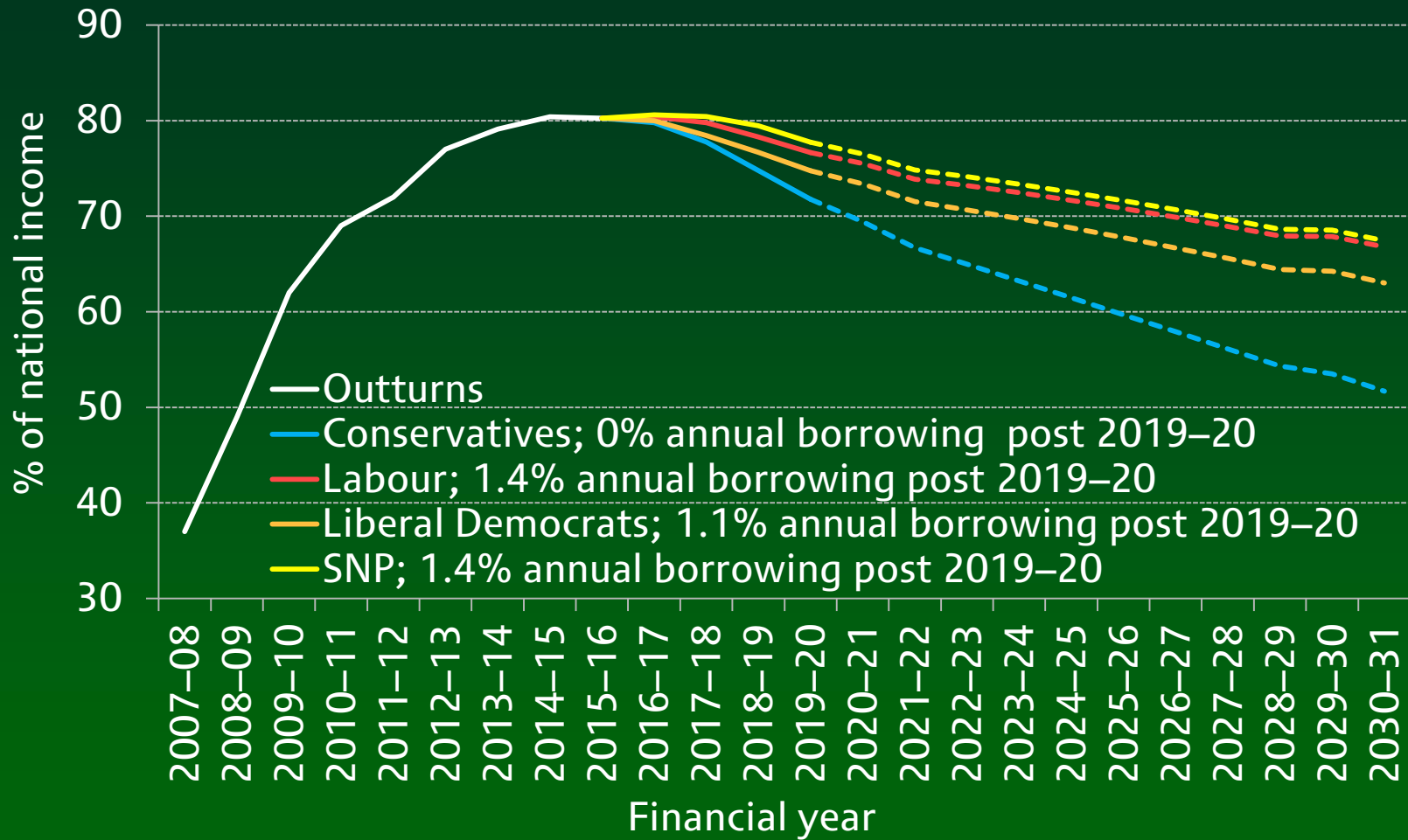
What have we done: SNP

- 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



Public sector net debt: profiles compared

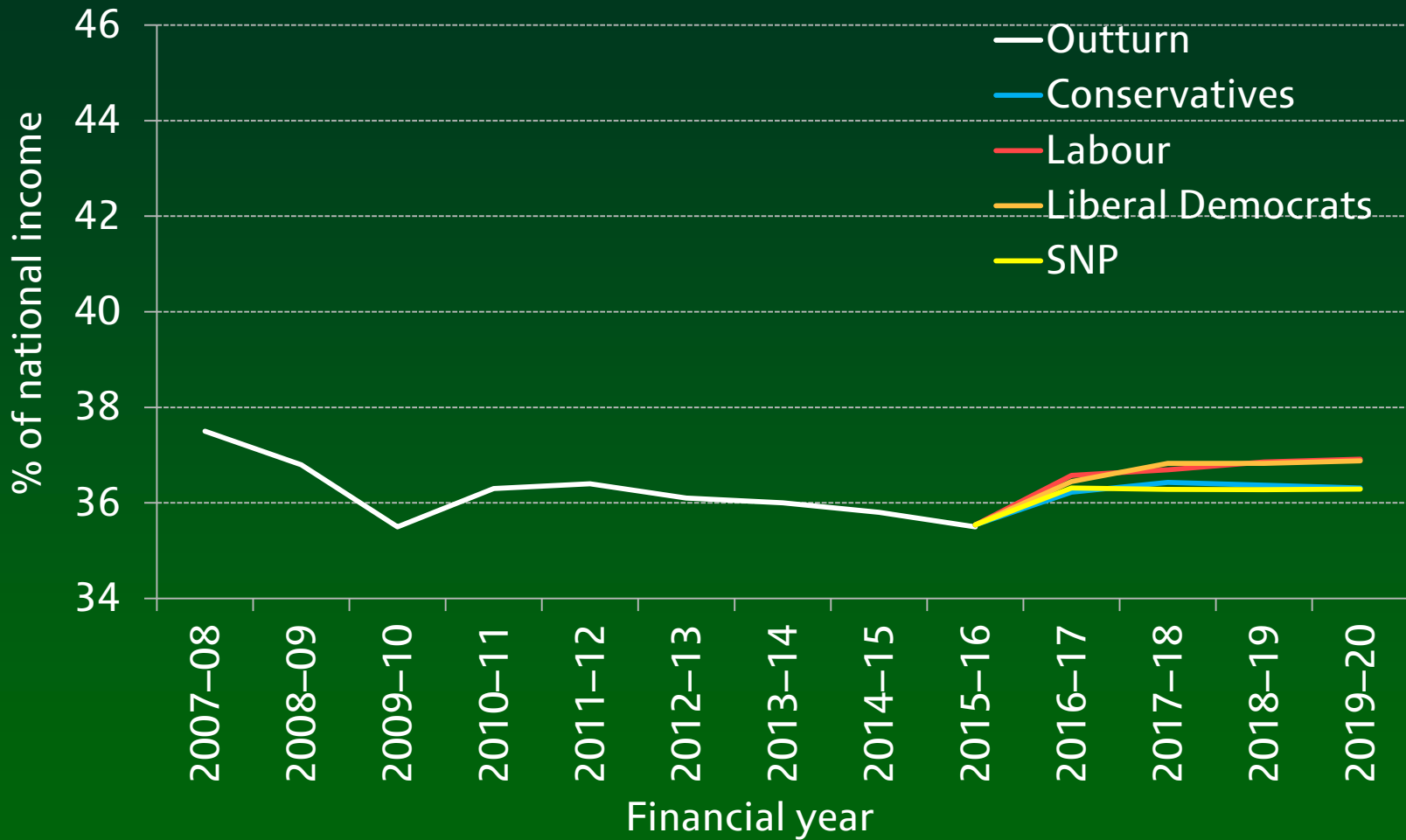


Tax policies

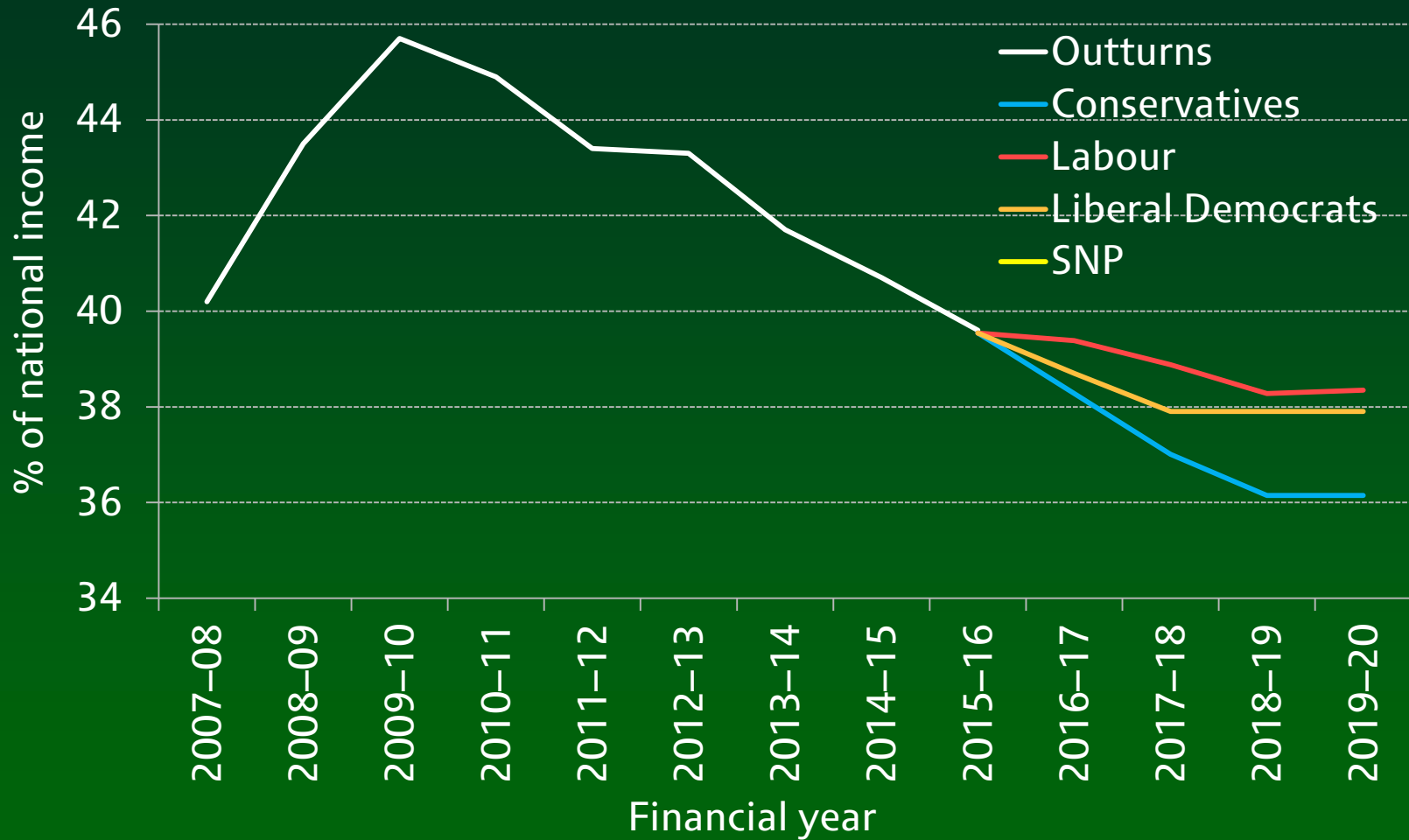
- Conservatives' specific policies amount to net tax cut of just under £4 billion
 - including largely unspecified anti-avoidance measures leads to a net tax increase of £1 billion
- Labour's specific policies amount to a net tax rise of about £6 billion
 - including largely unspecified anti-avoidance 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



Public spending: profiles 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

