

The public finances

Election 2005

Institute for Fiscal Studies

www.ifs.org.uk/election/index05.php

Liberal Democrats

- Giveaway policies
 - Abolition of council tax
 - Stamp duty threshold increased to £150k
 - Enhanced citizen's pension for those aged 75+
 - Free personal care for those aged 65+
 - Abolition of tuition fees
- In 2007–08 this equates to £8.1bn of spending increases and £23.7bn of tax cuts

Liberal Democrats

- Takeaway policies
 - 49p rate of income tax on incomes >£100,000 pa
 - New local income tax on incomes up to £100,000 (set at lower level than current council tax)
 - Large cuts to business subsidies, abolition of child trust fund and eurofighter, plus others
- In 2007–08 this equates to £5.7bn of spending cuts and £26.6bn of tax increases

The parties compared: 2007–08

	Liberal Democrats
Net change in tax	+£2.9bn
Net change in spending	+£2.4bn
Net change in borrowing	–£0.5bn

Liberal Democrats

- Risks:
 - 49p rate might not raise as much as expected
 - Spending commitments might cost more than expected
- But margin averaging £1.0bn a year over first 4 years could cover any shortfall

Conservatives

- Giveaway policies
 - Cutting council tax of some pensioners
 - Increased support for pension saving
 - Stamp duty threshold increased to £250k
 - Earnings-indexation of the basic state pension
 - Slightly more spending on police and defence
- In 2007–08 this equates to £1.3bn of spending increases and £4.0bn of tax cuts

Stamp duty land tax

- Rationale for taxing property transactions unclear
 - Abolition would probably increase economic efficiency
 - Increases in threshold moves towards abolition
- Primary gainers owners of properties
 - Unless cutting stamp duty increases the property stock

Conservatives

- Takeaway policies
 - Gershon efficiency savings
 - James Review
- In 2007–08 this equates to £13.3bn of spending cuts (and no tax increases)

The parties compared: 2007–08

Conservatives

Net change in
tax –£4.0bn

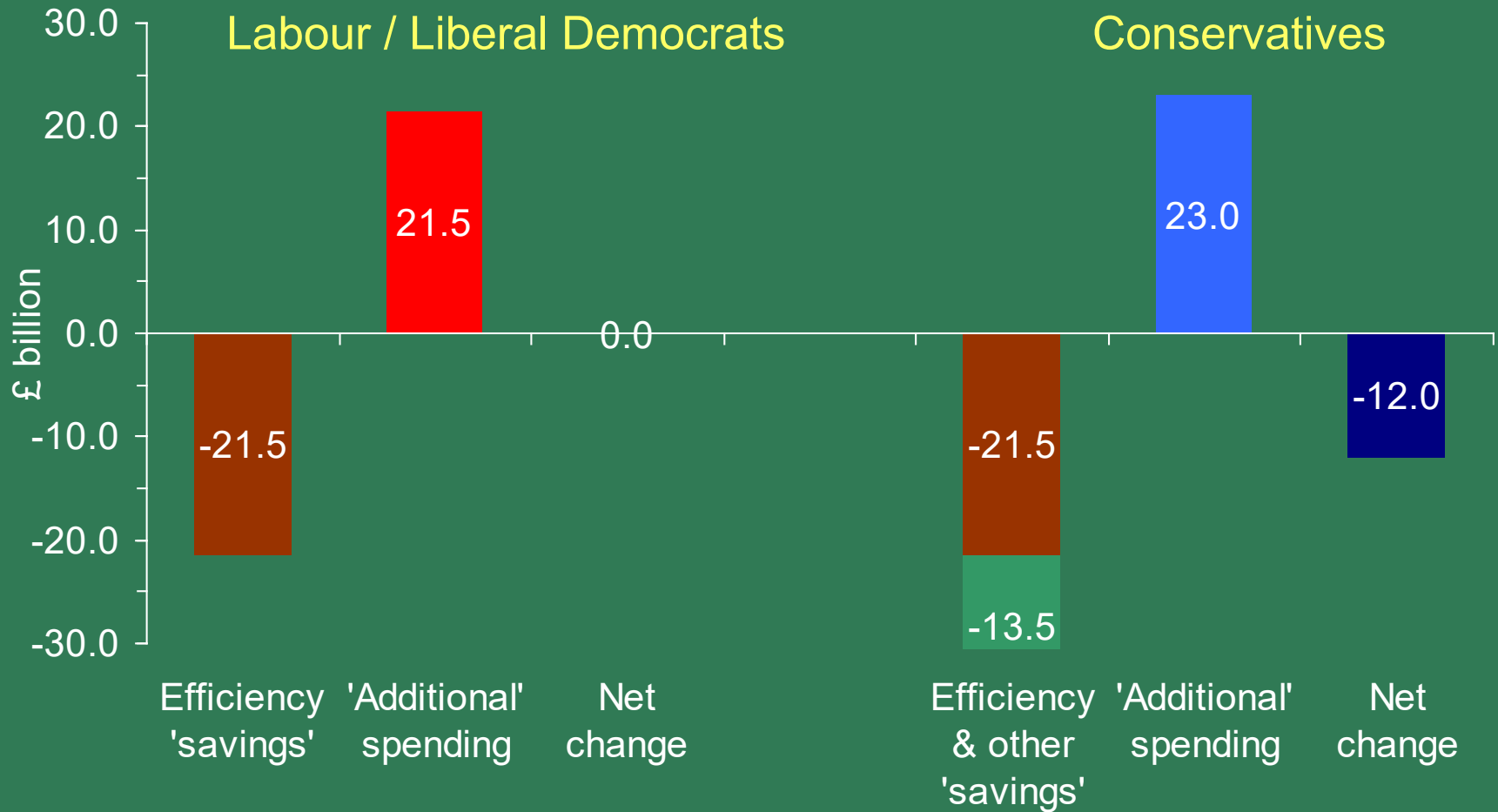
Net change in
spending –£12.0bn

Net change in
borrowing –£8.0bn

Conservatives

- Risks:
 - Spending cuts might not be deliverable in planned timescale
 - Spending plans might lead to lower than expected quality of public services

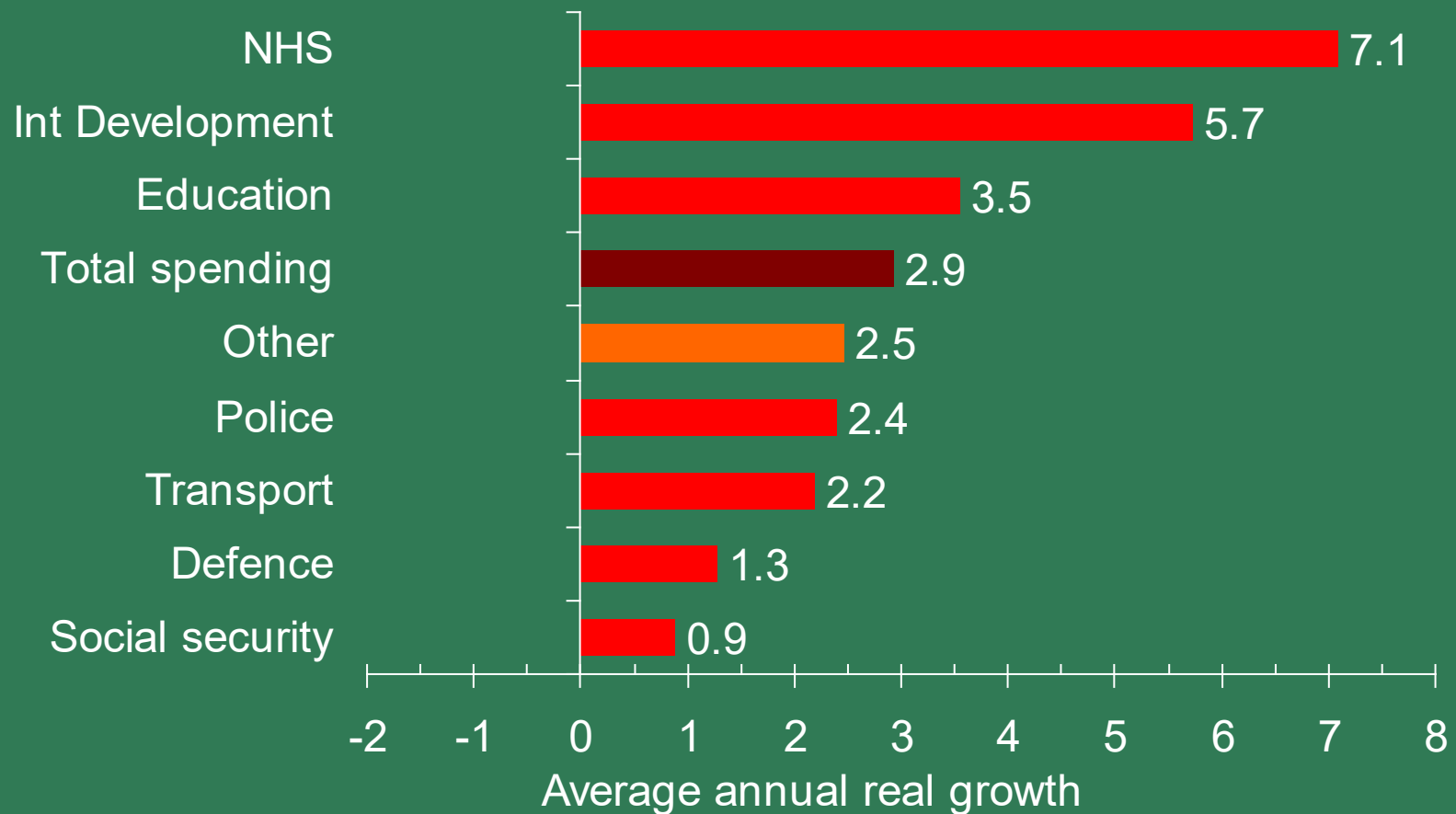
Redistributing 'savings'



Note: Figures rounded to nearest £½ bn

Spending growth: Labour

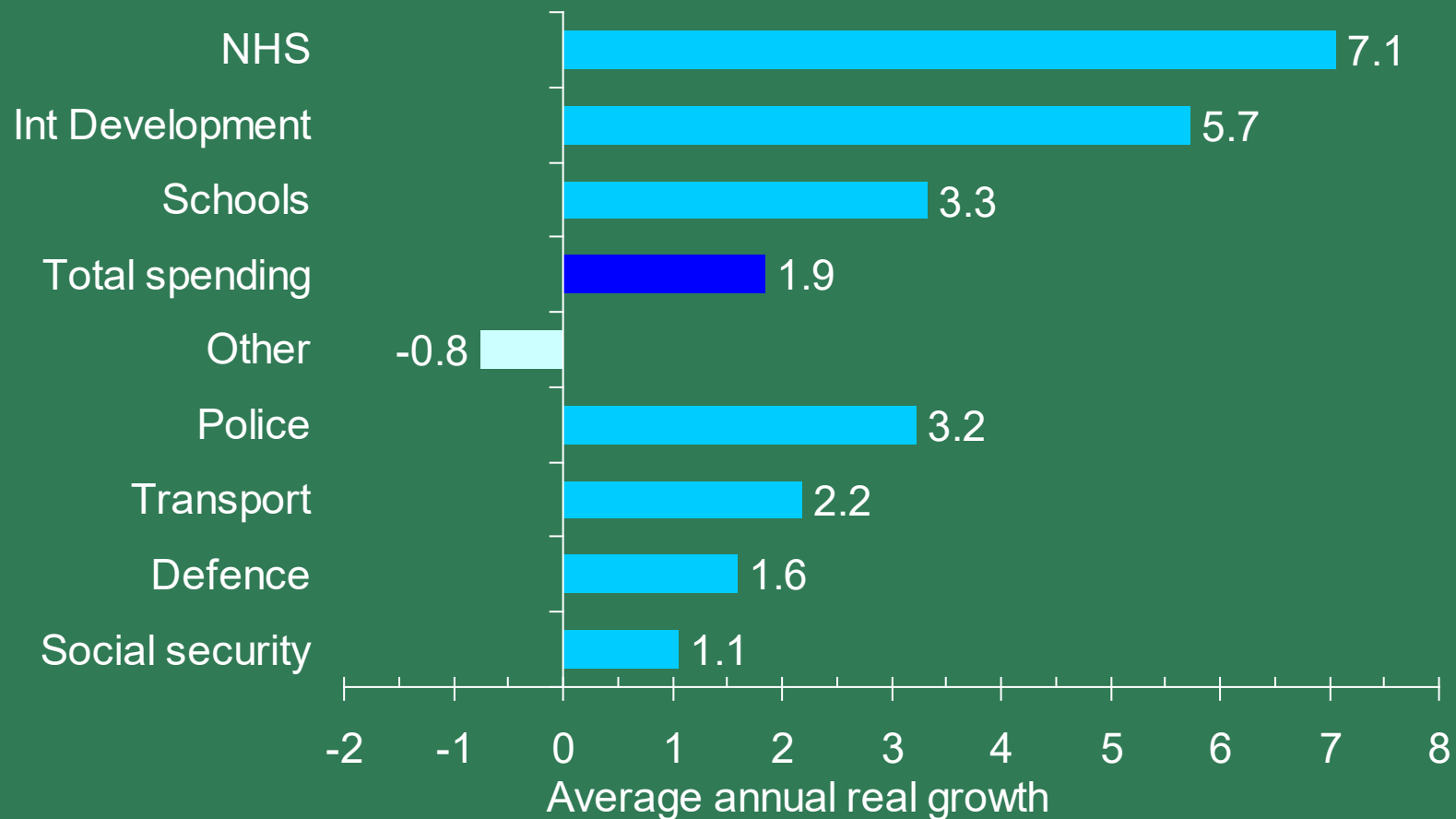
Average annual real growth in spending, April 2006 to March 2008



Note: Real growth estimated using GDP deflator

Spending growth: Conservatives

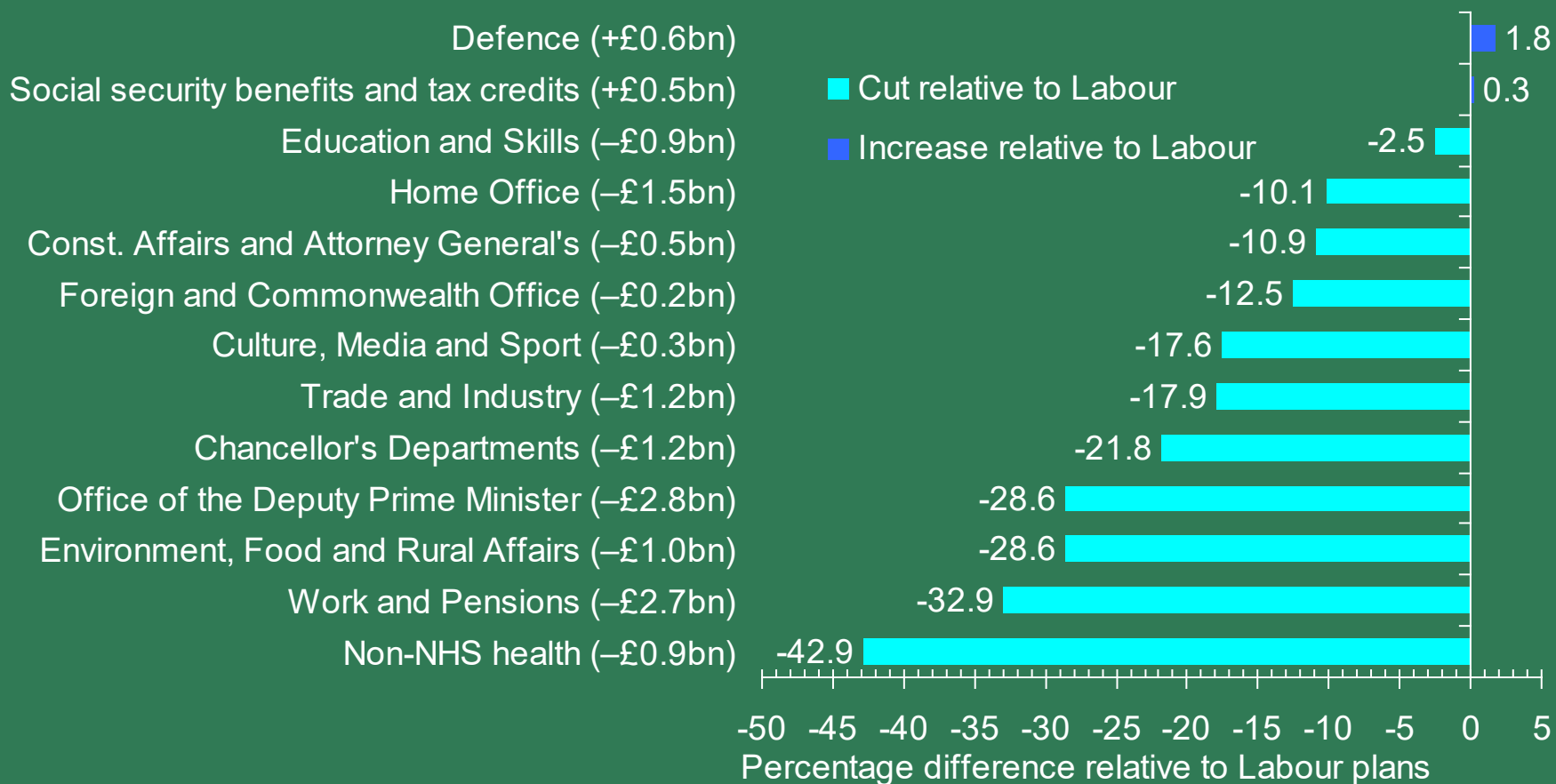
Average annual real growth in spending, April 2006 to March 2008



Note: Real growth estimated using GDP deflator

Planned differences in 2007–08

Spending in 2007–08 by the Conservatives relative to Labour



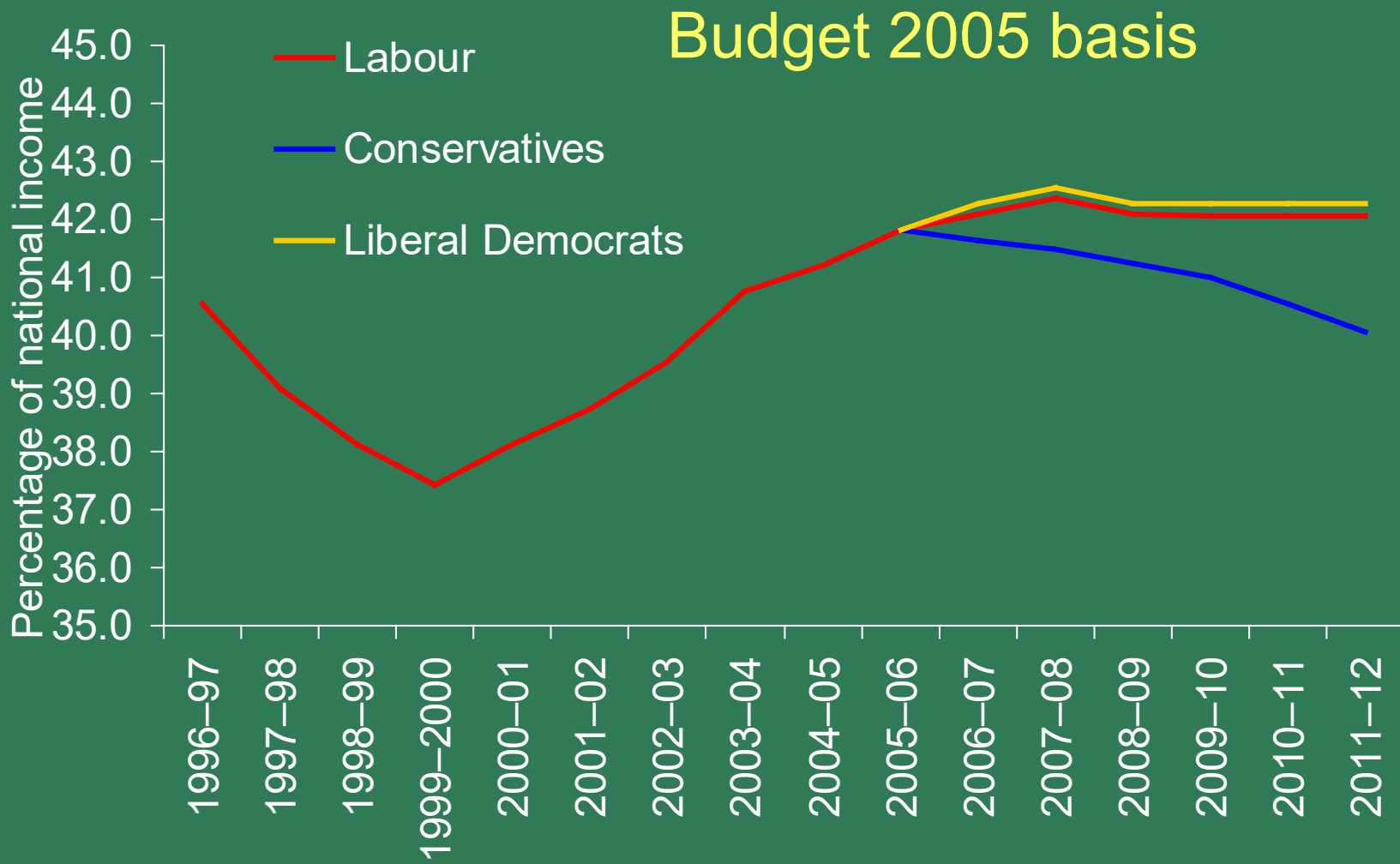
The parties compared: 2007–08

	Conservatives	Liberal Democrats
Net change in tax	–£4.0bn	+£2.9bn
Net change in spending	–£12.0bn	+£2.4bn
Net change in borrowing	–£8.0bn	–£0.5bn

The parties compared: 2007–08

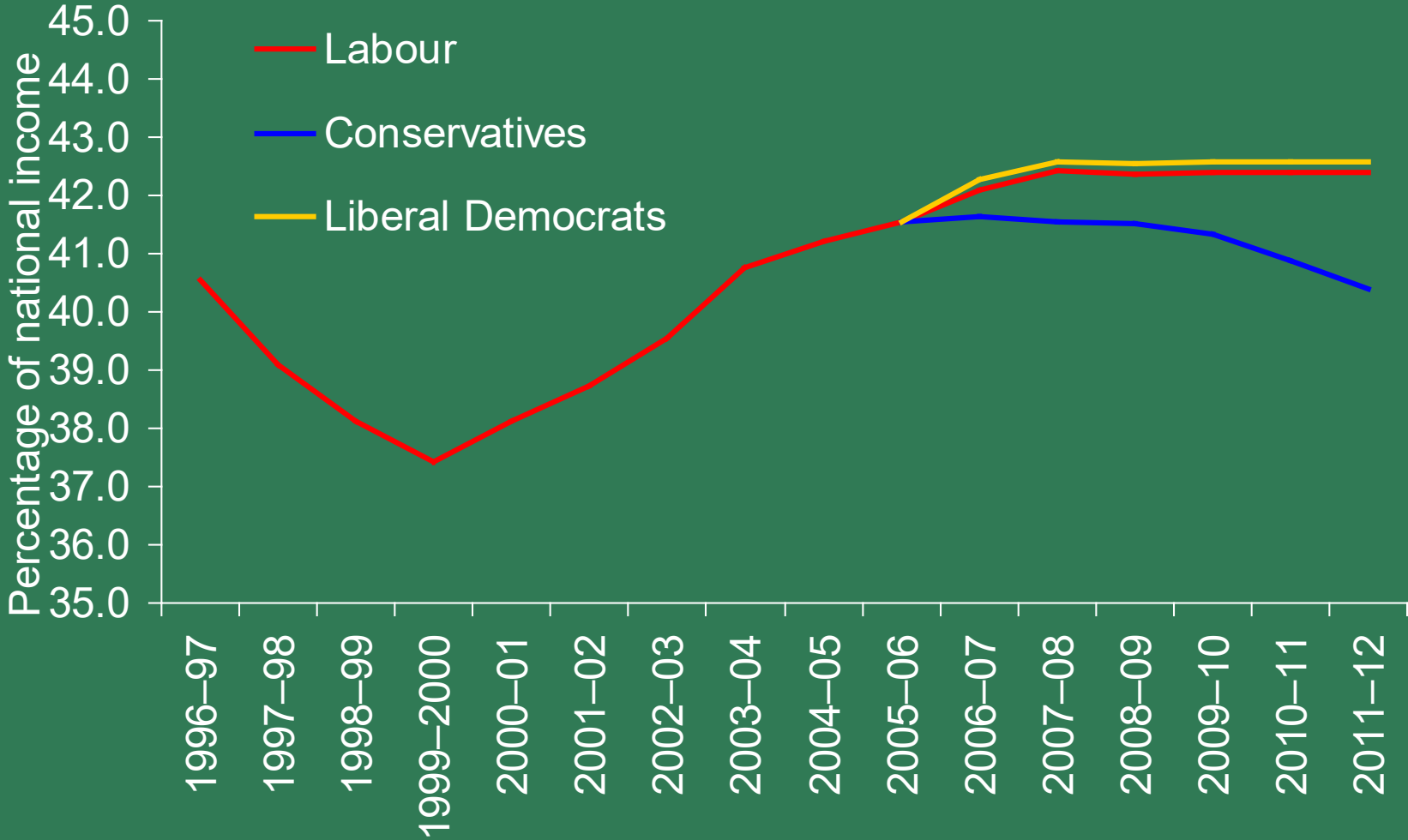
	Conservatives	Liberal Democrats	<i>Labour baseline plans</i>
Net change in tax	–£4.0bn	+£2.9bn	+£14bn
Net change in spending	–£12.0bn	+£2.4bn	+£5bn
Net change in borrowing	–£8.0bn	–£0.5bn	–£8bn

Total public spending



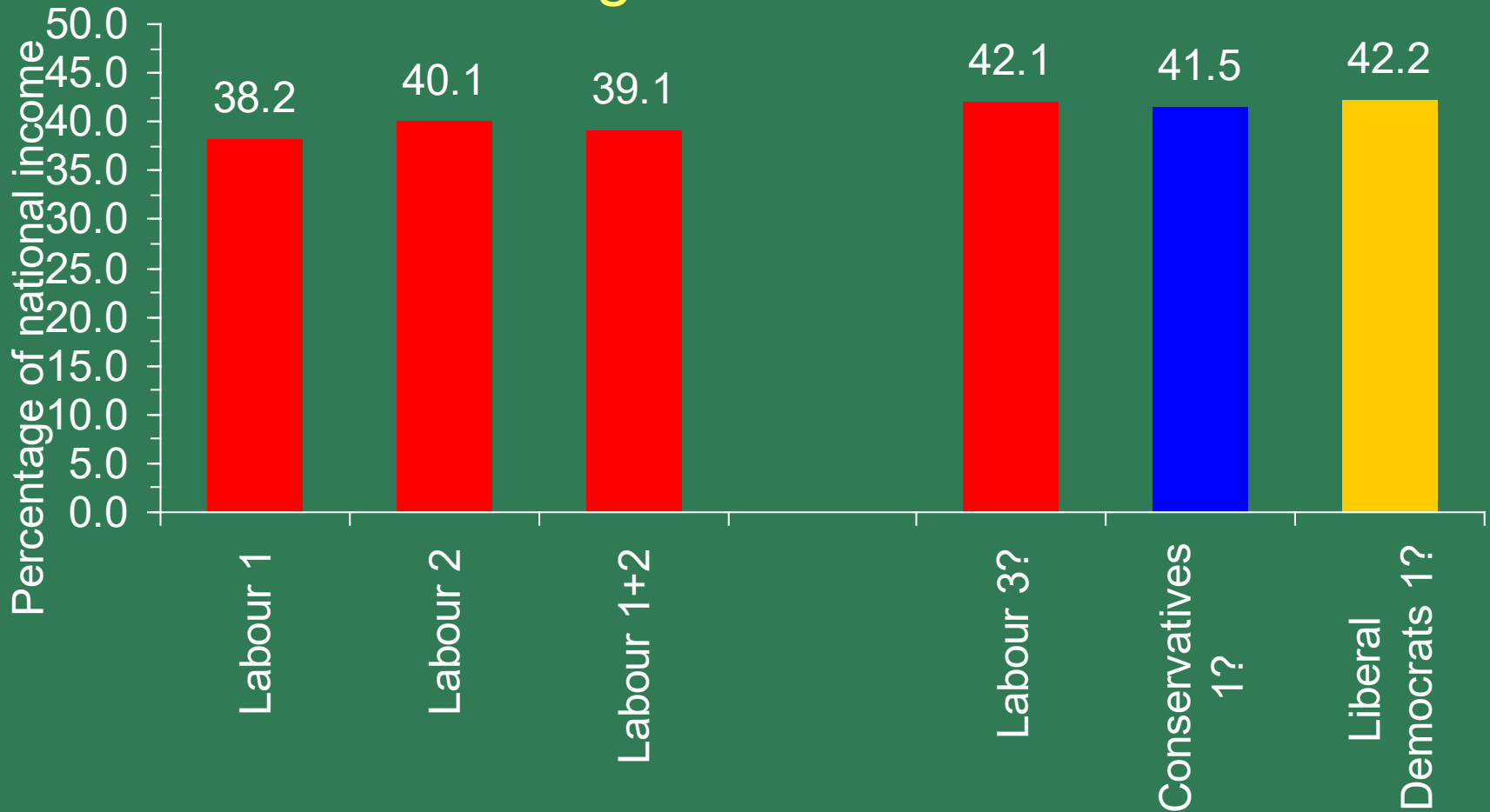
Total public spending

IFS Green Budget 2005 basis



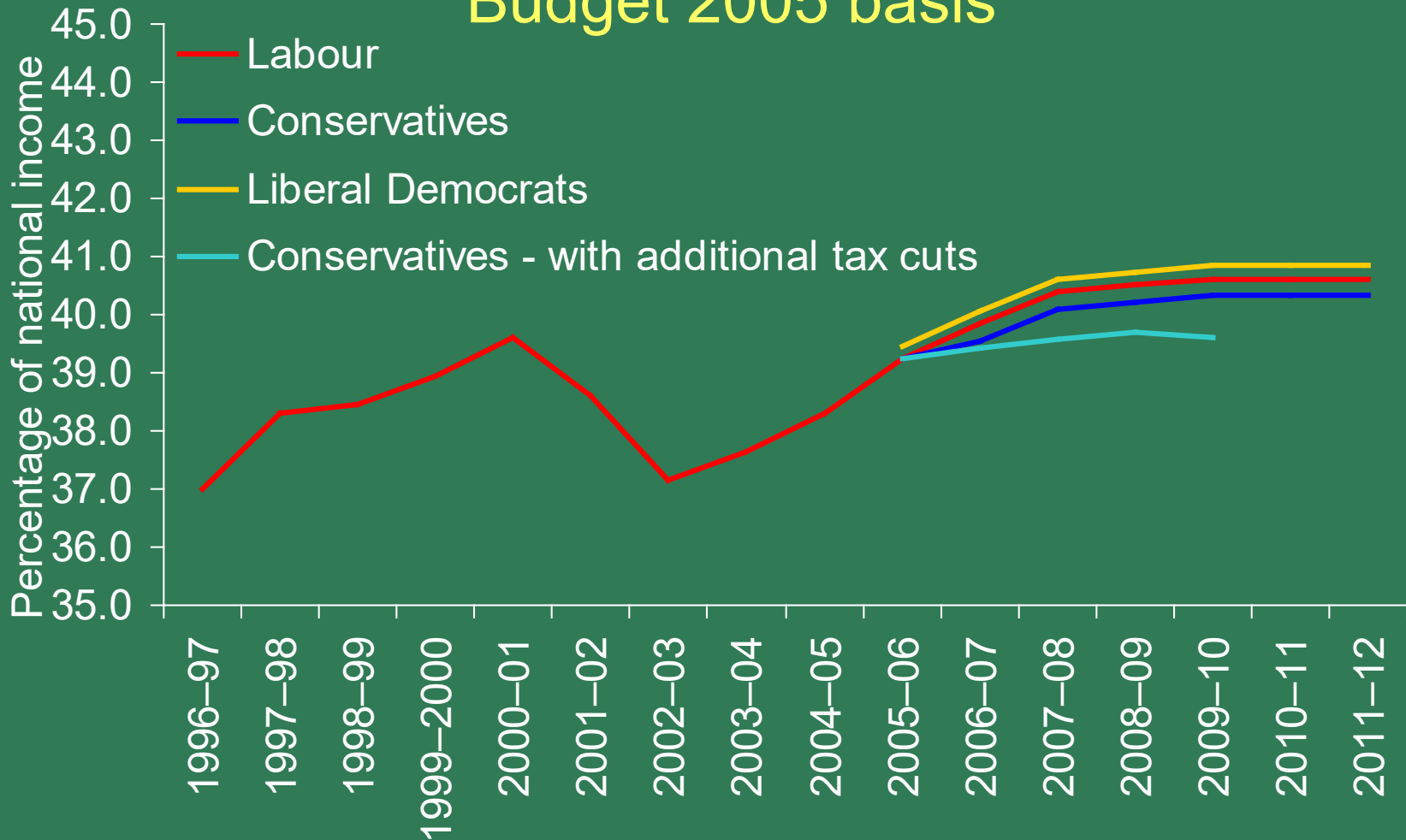
Average public spending

Budget 2005 basis



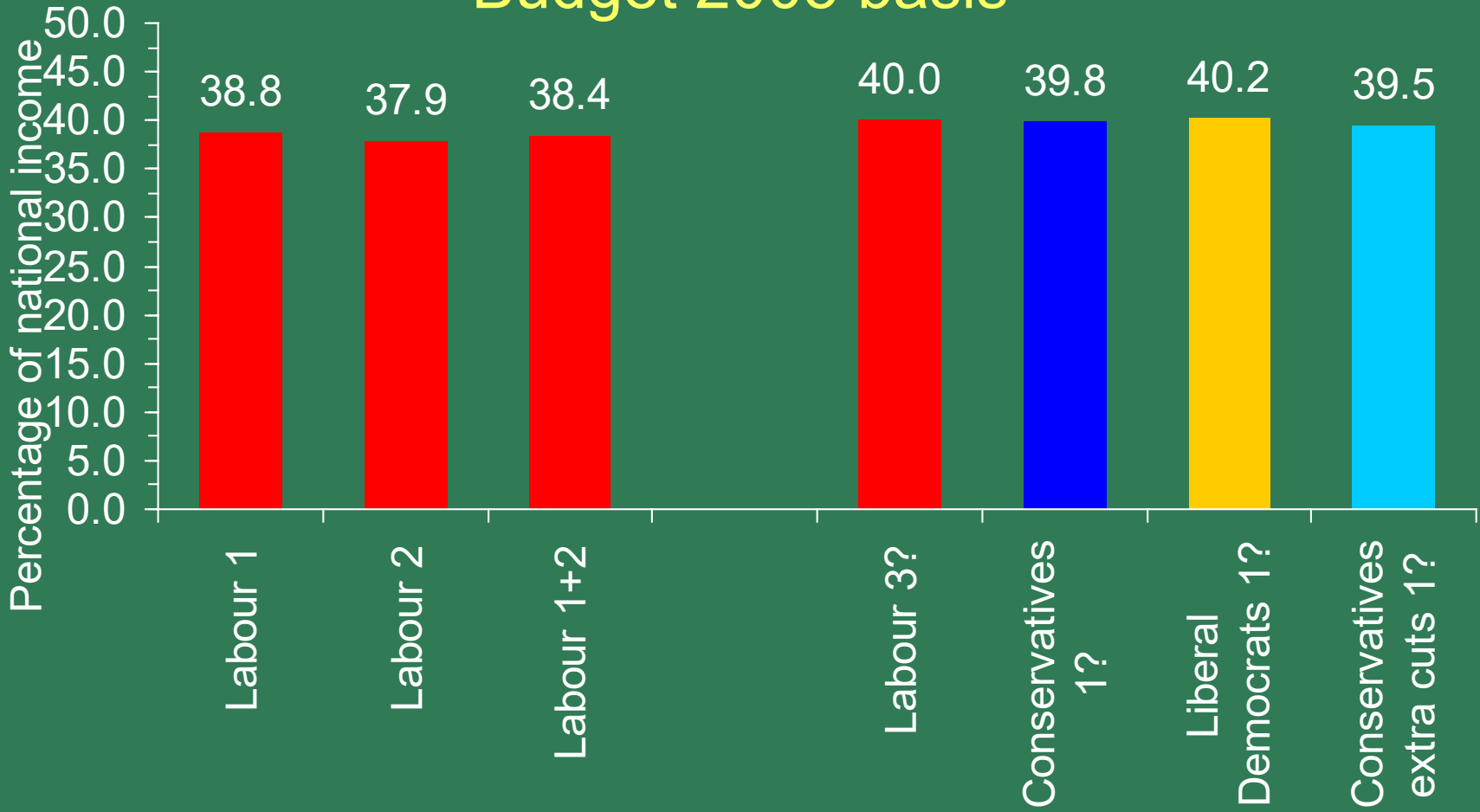
Total current receipts

Budget 2005 basis



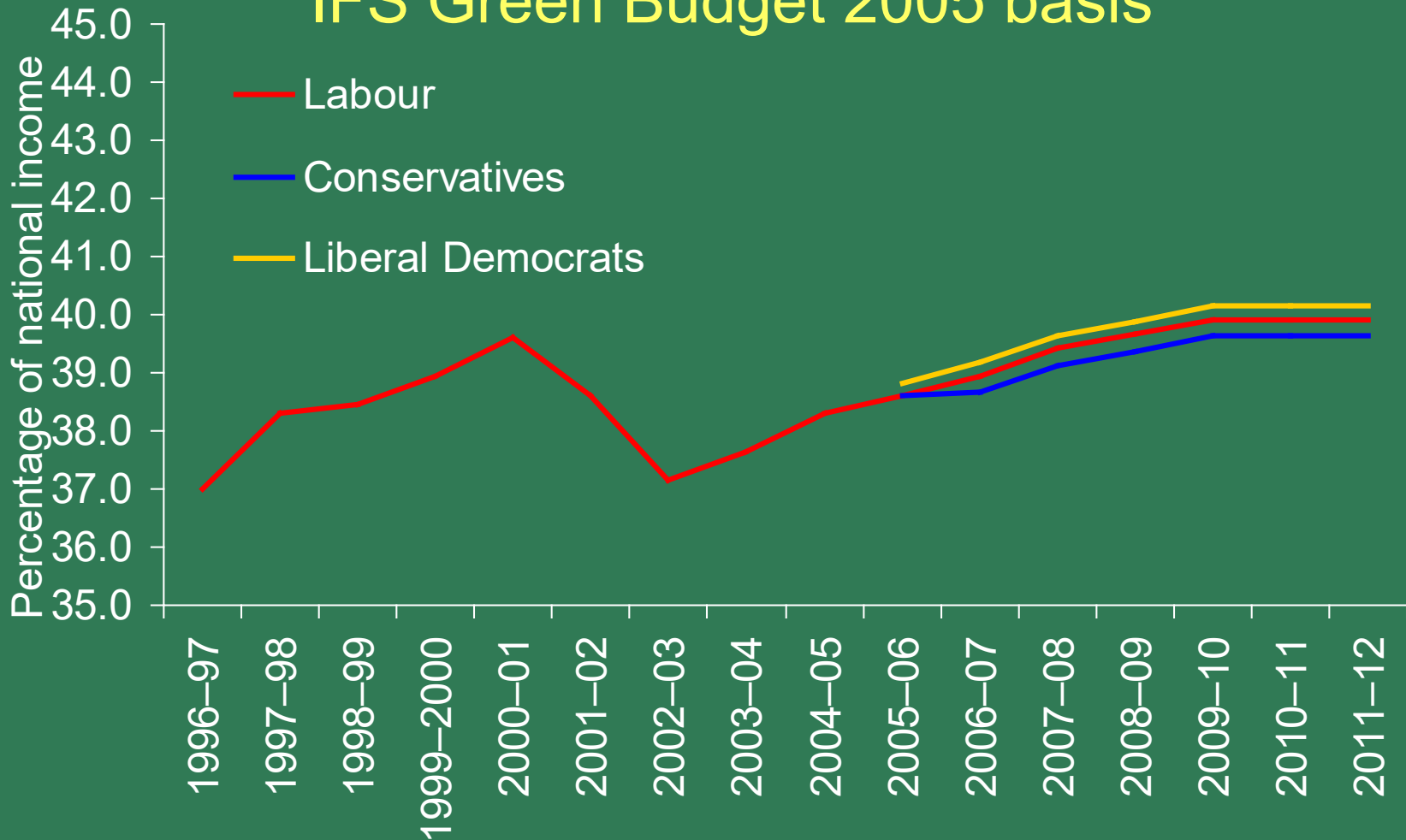
Average Government receipts

Budget 2005 basis



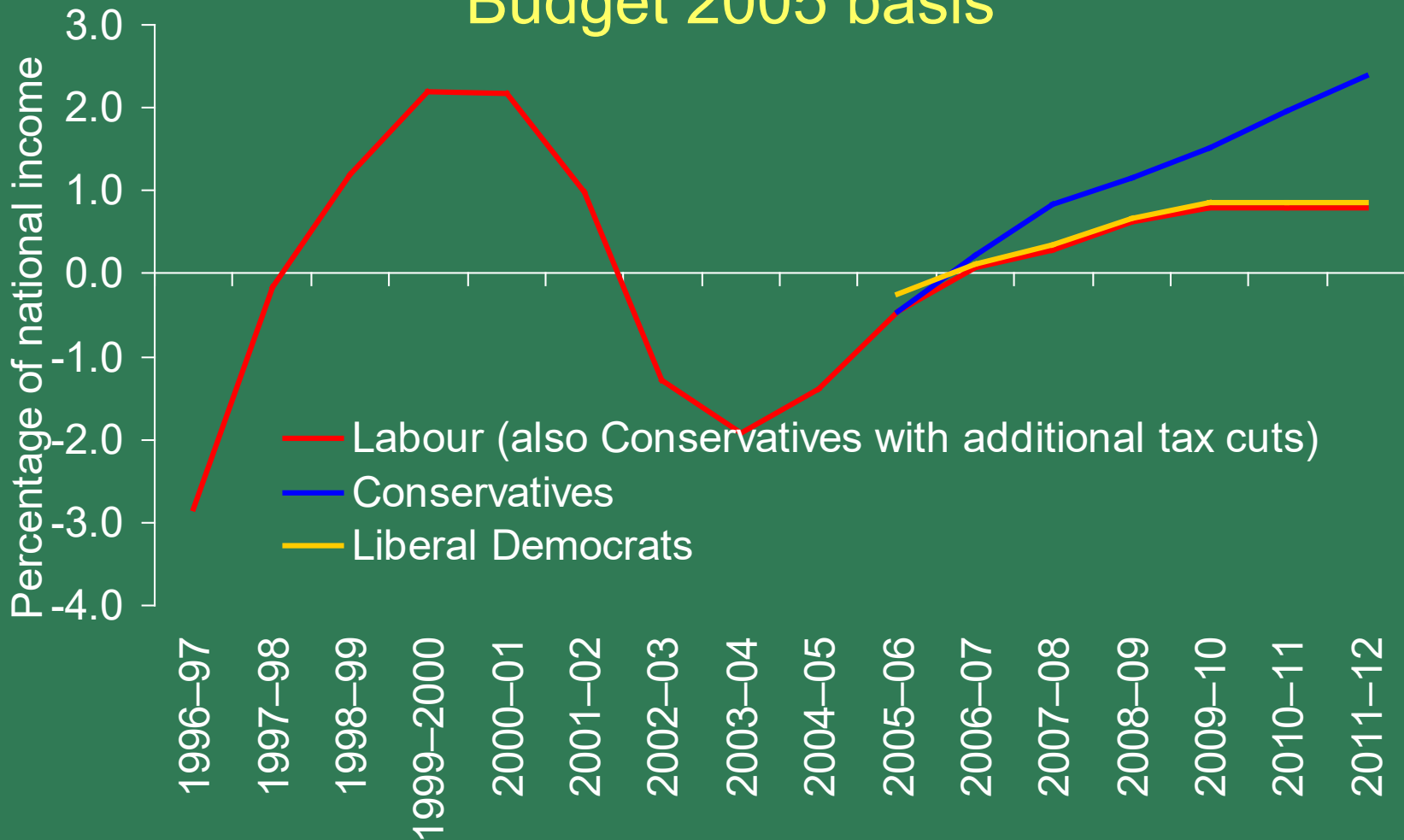
Total current receipts

IFS Green Budget 2005 basis



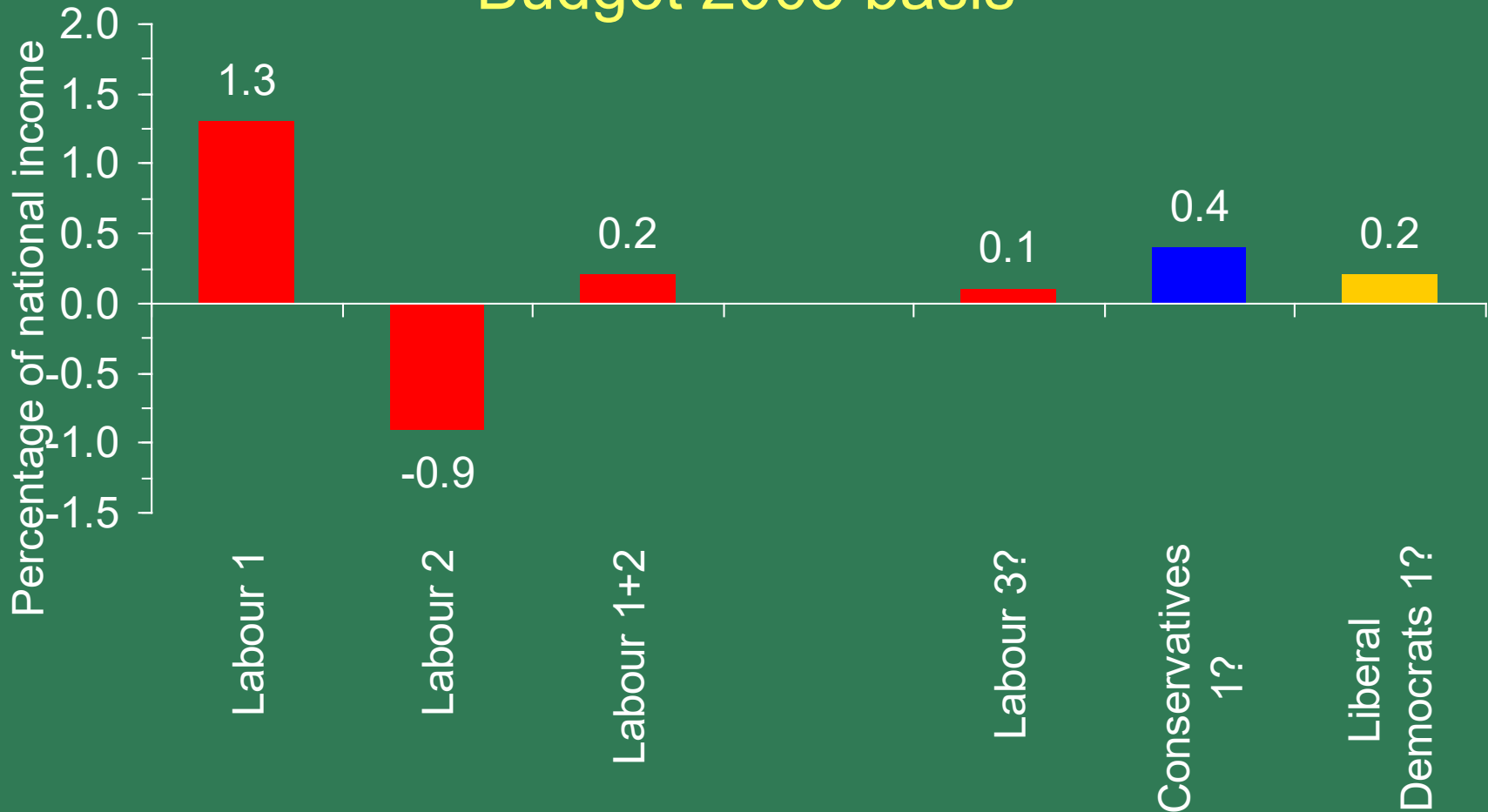
Current budget surplus

Budget 2005 basis



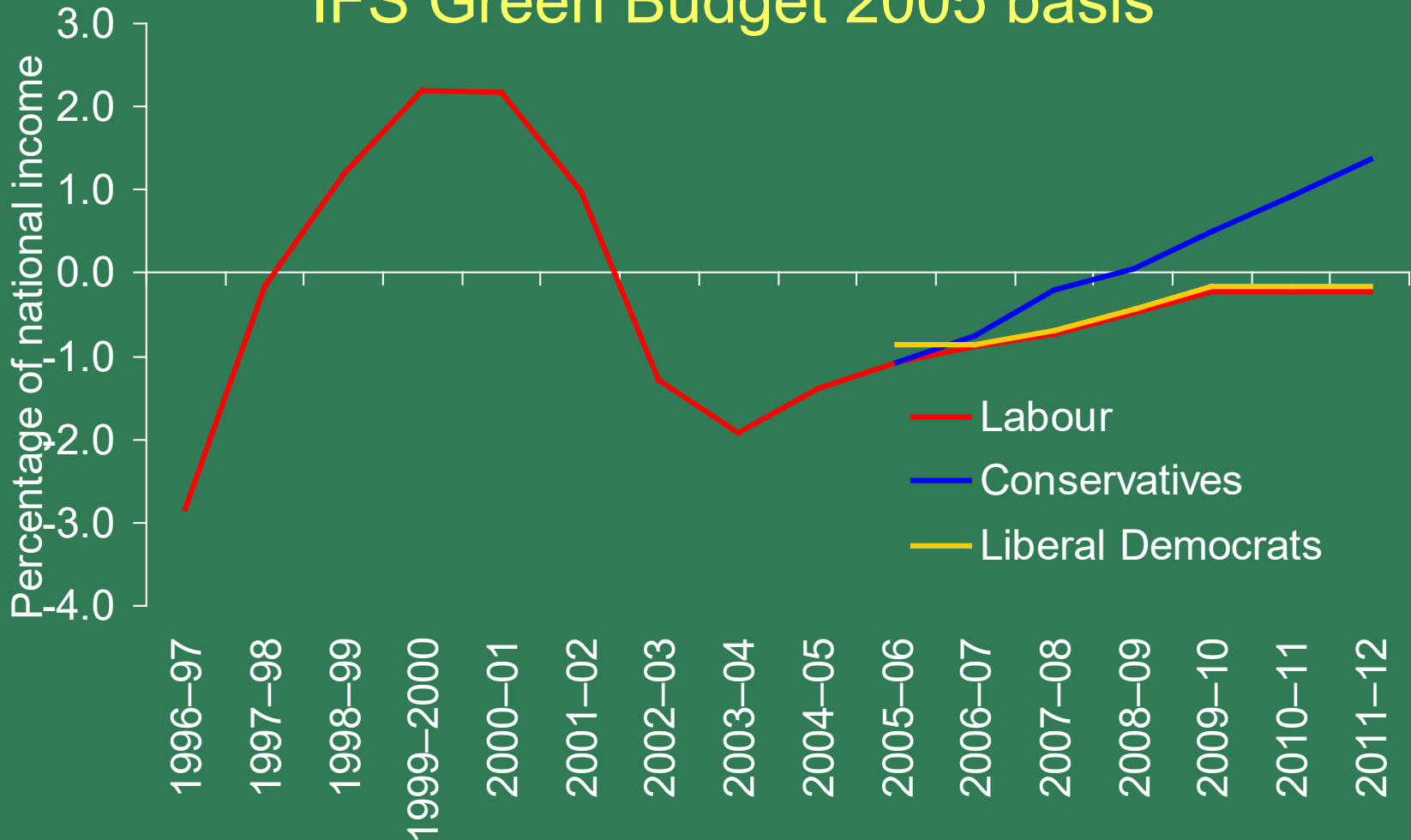
Average current budget surplus

Budget 2005 basis



Current budget surplus

IFS Green Budget 2005 basis



Average current budget surplus

IFS Green Budget 2005 basis



The public finances

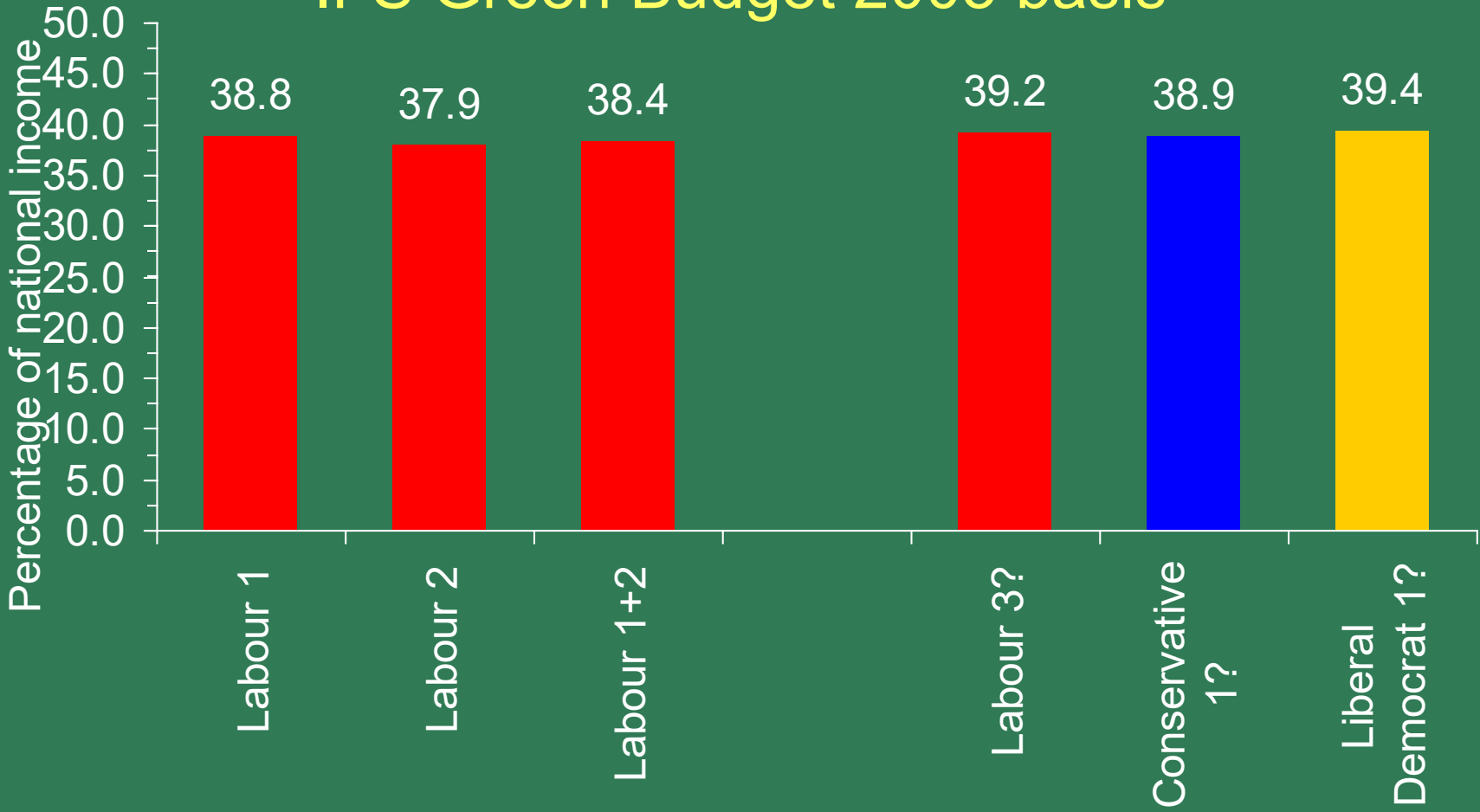
Election 2005

Institute for Fiscal Studies

www.ifs.org.uk/election/index05.php

Average Government receipts

IFS Green Budget 2005 basis



The public finances

Election 2005

Institute for Fiscal Studies

www.ifs.org.uk/election/index05.php