

WORKING PAPER

‘Where’s the money coming from?’

Tracing the history of manifesto costings in UK elections, 1955-2019

Peter Sloman

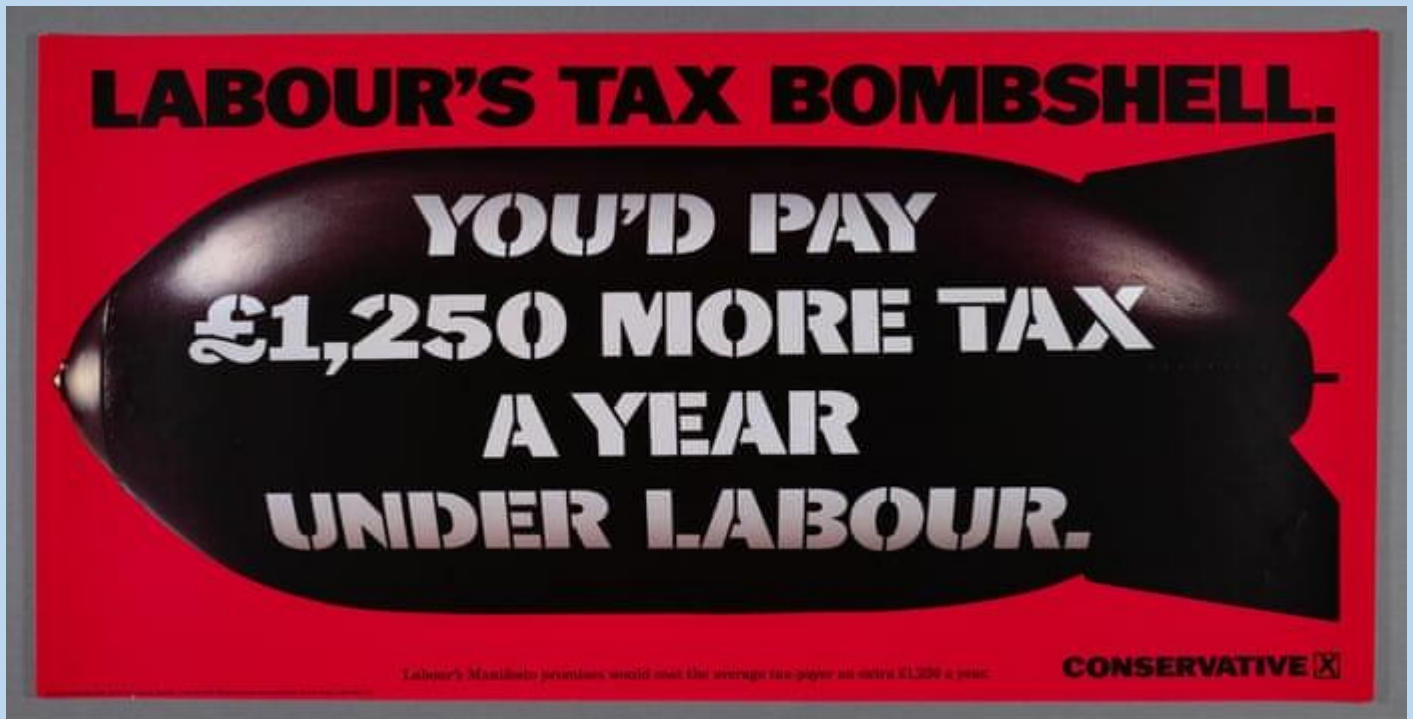


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Author’s Note

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Introduction

Tuesday 5 November – the day before the 2019 general election campaign officially kicked off – was pencilled in on the Conservative grid as tax bombshell day. [According to the *Financial Times*](#), Sajid Javid briefed the Cabinet that Treasury officials had spent two weeks analysing Labour's spending plans, and their work would show that Jeremy Corbyn's policies would cost 'hundreds of billions of pounds'. *The Times* set the scene for the Tory assault with [a front-page story based on work by the Centre for Policy Studies](#), which claimed that John McDonnell's plans for reducing the average working week to 32 hours would add at least £17 billion a year to the public-sector pay bill. On the Tuesday afternoon, however, it became clear that Cabinet Secretary Sir Mark Sedwill had vetoed the publication of the Treasury figures, which he feared would breach civil service impartiality. The Conservatives responded by issuing [their own costing of Labour's plans](#) – which they put at £1.2 trillion over five years – and ensuring that it ran as [a front-page story](#) in three Sunday papers. Tory strategists are [reported to be 'pleasantly surprised'](#) by the attention which the £1.2 trillion figure has gained.

For political commentators of a certain age, the attempt to put a price tag on Labour's spending plans immediately brings back memories of the 1992 election, when John Major and Chris Patten relentlessly warned voters that a Labour government would mean a £35 billion 'tax bombshell' – the equivalent of '£1,000 more tax a year for the average taxpayer'. The experience of this assault left a deep mark on Tony Blair and Gordon Brown, shaping their decision to commit to follow Conservative spending plans for two years after the 1997 election and contributing to New Labour's caution on tax throughout its thirteen years in office. Yet attempts to cost opposition policies and warn voters of 'black holes' and 'tax bombshells' date back to the 1950s, and both Conservative and Labour ministers have sought to involve Treasury officials in the process. This working paper uses archival research to trace how manifesto costings have developed over time and so set the current fiscal debate in a historical context.

The tax and spending figures which British parties exchange on the hustings have always been essentially performative. Even the most careful costings depend on a range of assumptions about economic growth and patterns of demand, and parties have rarely been able to resist the temptation to exaggerate the stakes involved in electoral choices. Nevertheless, it is not difficult to see why these attacks have been so powerful. Warnings of higher tax bills or cuts to public services are particularly well placed to achieve 'cut-through' with voters, especially if they are framed in simple terms and amplified by media coverage. They also exploit a disposition towards loss aversion and status quo bias which has been widely documented by psychologists such as Daniel Kahneman. More broadly, tax and spending plans can act as a proxy for parties' wider economic competence. If a party cannot make its own numbers add up, voters may have doubts about its ability to govern.

Inventing the 'tax bombshell', 1953-1959

Centre-right parties around the world have traditionally presented themselves as defenders of sound finance and stable economic management, and the British Conservative Party is no

exception. From the late nineteenth century onwards, British Conservatives laid claim to the Gladstonian ‘fiscal constitution’ – based on the gold standard, low taxation, and public economy – and portrayed radical Liberals and socialists as a threat to private property.¹ The rise of mass democracy and the Labour Party reinforced middle-class voters’ fears of redistribution, and allowed the Conservatives to take over much of the old Liberal vote during the 1920s and 1930s. At local government level, middle-class ratepayers were repelled by Labour councillors’ efforts to increase the generosity of poor relief (‘Poplarism’) and subsidise rents for council tenants. At national level, the collapse of Ramsay MacDonald’s minority government over the spiralling cost of unemployment benefit in 1931 helped cement perceptions that Labour was unfit to govern.

Fiscal policy has always been central to British election campaigns, but up to the mid-twentieth century, programmatic competition was restrained by the tradition of ‘Treasury control’, which established budget-making as a strict Treasury prerogative.² Elections were generally fought over the fiscal policies of the outgoing administration (such as the 1846 repeal of the Corn Laws, or David Lloyd George’s 1909 ‘People’s Budget’) rather than future tax and spending plans, and opposition parties tended to confine themselves to general principles instead of setting out proposals in detail. Indeed, the most famous departures from this norm – Joseph Chamberlain’s 1903-6 tariff reform campaign and the Liberal Party’s 1929 proposal to ‘conquer unemployment’ through £250 million of loan-financed public works – were notably unsuccessful. As late as 1950, Winston Churchill resisted pressure to commit to tax reforms as leader of the opposition by arguing that taxation was ‘a matter which should be studied by the Chancellor of the Exchequer, and not a subject for an election campaign’.³ Under his leadership, Churchill insisted at the 1949 party conference, the Conservatives would not publish ‘detailed rigid programmes’ or ‘try to get into office by offering bribes and promises of immediate material benefits to our people’.⁴

These restraints on fiscal competition weakened in the 1950s, as British electoral politics became increasingly programmatic – a trend which [David Thackeray and Richard Toye have recently noted](#). In the context of sustained economic growth and closely-fought, high-turnout elections, the main parties competed to deliver rising living standards and new forms of welfare provision. The Conservatives set the pace in 1951 by setting out plans to build 300,000 houses a year, and Labour hit back in 1955 and 1959 by attempting to outbid the Tory government on pensions. In 1959, for instance, Labour promised to raise the basic state pension immediately to £3 a week (a 20 per cent increase) and eventually provide ‘half-pay on retirement for the average wage-earner’ through Richard Crossman’s National Superannuation plan. Labour leader Hugh Gaitskell was convinced that this material appeal offered the best chance of winning voters from the Conservatives: ‘What people want to hear is how little they will pay and how much they will get from our scheme.’⁵ Harold Macmillan was similarly keen to campaign on forward-looking ‘retail’ policies, as his instructions to colleagues preparing the 1959 Conservative manifesto show:

¹ Martin Daunton, *Trusting Leviathan: The Politics of Taxation in Britain, 1799-1914* (Cambridge, 2001).

² G.C. Peden, *The Treasury and British Public Policy, 1906-1959* (Oxford, 2000), pp. 6-11.

³ British Library of Political and Economic Science, Rhys-Williams papers, J11/5, Winston Churchill to Juliet Rhys-Williams, 17 Jan. 1950.

⁴ Speech to Conservative Party conference, 14 Oct. 1949, reported in *The Times*, 15 Oct. 1949, p. 4.

⁵ *The Backbench Diaries of Richard Crossman*, ed. Janet Morgan (1981), p. 768.

Take certain precise and definite proposals, and try and make contrast in that way with verbiage of the Labour Party. Go about it that way. Then get from Ministers of Departments and find out what we could safely say. Then put things you think you could top up a bit.⁶

Macmillan thought that 'Fear and hope are the themes of General Elections – fear of what they would do, and hope from us'.⁷ Michael Fraser of the Conservative Research Department (CRD) agreed that the Tories should exploit 'the one great advantage the Govt. Party has – that you can say you are going to do something and you know the facts'.⁸

The Conservatives carried out a costing of the 'Socialist Programme' as early as 1929, and claimed that it would 'cost well over £200 millions of new taxation', of which Labour's proposed 'surtax' on unearned incomes would cover less than a quarter.⁹ Central Office even used the calculation in a [poster](#) portraying Ramsay MacDonald as a highwayman. The fully-fledged 'tax bombshell' strategy, however, seems to have been devised by Michael Fraser and Iain Macleod in the run-up to the 1955 election. CRD published a detailed costing of Labour's mid-term policy statement *Challenge to Britain* (1953), drawing on incautious statements by Labour MP Jim Griffiths and the party's economic adviser Thomas Balogh to put the cost at between £1.76 and £2.68 billion.¹⁰ Fraser was keen to get 'speakers to use an agreed figure when speaking of the cost of Socialist proposals', though senior Tory ministers such as the Chancellor R.A. Butler were reluctant to commit to 'any figures which cannot be firmly based in quotations from the Socialists themselves'.¹¹ When the election campaign began, moreover, the Labour manifesto turned out to be a much more cautious document, and CRD struggled to cost the specific pledges at more than £210 million.¹² The Financial Secretary to the Treasury, Henry Brooke, asked Treasury officials to check these figures, and Sir Herbert Brittain confirmed that the total was of the right order of magnitude, though the Tories had conflated the cost of repaying post-war credits (which was 'chargeable "below the line"... and for one year only') with plans for increased spending on health, education, and pensions which would build up over time.¹³

In the end, the Conservatives decided to stick with the *Challenge to Britain* calculation, on the basis that this still represented Labour's longer-term programme.¹⁴ Iain Macleod used a speech at Huddersfield on 18 May 1955 to claim that Labour would impose 'on average

⁶ Bodleian Library, Oxford, Conservative Party Archive (CPA), CRD 2/53/34, draft minutes of Steering Committee meeting, 29 Apr. 1959.

⁷ CPA, CRD 2/53/34, draft minutes of Steering Committee meeting, 5 Nov. 1958.

⁸ CPA, CRD 2/53/34, draft minutes of Steering Committee meeting, 29 Apr. 1959.

⁹ Conservative Party, *Hints for Speakers*, no. 8 (21 Feb. 1929), pp. 7-8.

¹⁰ Conservative Party, *Notes on Current Politics*, no. 9 (10 May 1954), pp. 10-12.

¹¹ CPA, CRD 2/4/10, Michael Fraser to General Director, 'The Cost of Socialist Policy', 28 Oct. 1954.

¹² The National Archives (TNA), T223/1153, 'The Cost of Socialist Proposals. "Forward with Labour"', by Brendon Sewill, 29 Apr. 1955.

¹³ TNA, T223/1153, 'Comments on "The Cost of Socialist Proposals"' by Sir Herbert Brittain, 3 May 1955.

¹⁴ In particular, the Conservatives seized on a statement by Labour Party secretary Morgan Phillips that the manifesto was 'a statement of priorities with things as they are', but 'does not rule out the adoption of other parts of *Challenge to Britain* if a Labour Government finds them advisable': CPA, CCO 4/6/123, 'Questions for Opponents' Meeting' (Appendix "A" to Conservative Party Election Memorandum No. 9), May 1955.

another £2 per family per week in extra taxes', and speculated about how the Shadow Chancellor might raise the money:

Mr. Gaitskell is coy about his plans, but here is one way of raising the wind. A bob on Income Tax - £200 million; 50% on all rates of Purchase Tax - £160 million. A bob extra on the price of Beer - £350 million. 1/3d. extra on twenty cigarettes - £300 million. 1/3d. extra on the price of a gallon of petrol - £150 million. For good measure take every penny of every income over £2000: that might bring in £100 million. Total £1260 million and Mr. Gaitskell might just about scrape through with that.¹⁵

Gaitskell attempted to rebuff this allegation in a television broadcast, complaining that the Conservatives had 'thought of a number and multiplied it by 10': so long as the economy grew steadily, Labour would not need to put up taxes, and if anything he hoped there would be 'some margin to enable them to reduce taxes on lower incomes'.¹⁶ Nevertheless, the Tory attack hit home, and was seen as a major factor in Anthony Eden's victory. Even the *Manchester Guardian* complained that Labour had made a 'Santa Claus' appeal, and tried to appeal to voters through 'bribes and gifts', and David Butler felt that Macleod's attack had 'helped to foster the image of the Labour Party as wildly extravagant'.¹⁷

Hugh Gaitskell and Harold Wilson tried to pre-empt a similar attack in 1959 by emphasizing the resources that could be generated through faster growth, arguing that 'Labour's programme for controlled expansion will make it possible to complete our full welfare programme without raising the general level of taxation'.¹⁸ Once the campaign began, however, Conservative Party chairman Lord Hailsham began to claim that Labour's plans for improving pensions, abolishing NHS charges, reducing class sizes, and municipalizing private rented houses would cost at least £1 billion a year, which 'could only be made good at the expense of inflation and higher taxation'.¹⁹ Gaitskell apparently heard rumours that the Conservatives would accuse Labour of planning to put up income tax by 2s 6d in the pound, and moved to head this off by pledging 'no increase in the standard or other rates of income tax so long as normal peacetime conditions continue'.²⁰ Harold Macmillan immediately pounced, commenting that the pledge was 'a very queer one for a professional economist and an ex-Chancellor of the Exchequer' and demanding to know what Labour would do about other taxes.²¹ After the Conservatives were re-elected with a majority of 100, Richard Crossman concluded that Gaitskell's income tax gambit had been a turning point: a 'fatal stumble which enabled the Tories to revive all the suspicion of our disunity, insincerity, financial dishonesty, and so tip the Don't Knows back into the Government camp'.²² David Butler and Richard Rose agreed that the pledge was the 'biggest story of the campaign', and

¹⁵ CPA, CRD 2/48/64, 'Mr. Iain Macleod, Minister of Health, at Huddersfield Wednesday May 18th at 9.0 p.m. £2 per family per week – perhaps!'

¹⁶ Philip Williams, *Hugh Gaitskell* (1979), p. 353.

¹⁷ *Manchester Guardian*, 28 May 1955; D.E. Butler, *The British General Election of 1955* (1955), p. 84.

¹⁸ Labour Party, *The Future Labour Offers YOU* (1958), quoted in Conservative Research Department, *Notes on Current Politics*, no. 1 (19 January 1959), p. 28.

¹⁹ Churchill Archives Centre, Cambridge, Hailsham papers, HLSM 3/2/28, speech at Oxford, 21 Sept. 1959.

²⁰ D.E. Butler and Richard Rose, *The British General Election of 1959* (1960), p. 59.

²¹ *Ibid.*, pp. 59, 60.

²² *The Backbench Diaries of Richard Crossman*, p. 787.

'helped the Conservatives in their vigorous counter-attack to exploit misgivings about Labour's financial competence'.²³

The politics of tax and spend, 1959-1974

By 1964, the context of fiscal policy had been transformed by the development of the PESC system for managing public spending allocations and the adoption of national economic growth targets. In effect, the Conservatives followed through with the logic of R.A. Butler's 1954 claim that the UK could double its standard of living within twenty-five years, and adopted the growth-oriented approach which Labour had championed in 1959. Indeed, the December 1963 White Paper *Public Expenditure in 1963-64 and 1967-68* set out plans for real spending increases of 4.1 per cent a year over the next five years, marginally above the government's 4 per cent target for overall economic expansion. In the face of mid-term discontent (symbolized by the March 1962 Liberal by-election victory at Orpington), Tory strategists concluded that swing voters expected the government to deliver better public services as well as private 'affluence', and sought to take credit for launching multi-year school-, hospital, and road-building programmes.²⁴ This posed a new kind of challenge for Labour, since it left little scope for further public-sector expansion; indeed, Shadow Chancellor Jim Callaghan admitted that the Conservatives' investment plans 'could not be exceeded by any Party with any degree of responsibility'.²⁵ At a time of full employment and buoyant tax revenues, the constraints largely related to real resources and the impact on the balance of payments rather than to public borrowing costs.

Sir Alec Douglas-Home attempted to repeat the tax bombshell strategy in 1964 by describing the Labour programme as 'a menu without prices' and challenging Harold Wilson to give his own estimate of the cost.²⁶ (At one point, he even offered to lend the Labour leader his box of matchsticks.²⁷) The Chancellor and Chief Secretary to the Treasury, Reginald Maudling and John Boyd-Carpenter, costed Labour's policies at £900 million, and claimed that the figures had been produced by CRD – though, in fact, much of the work had been commissioned from the Treasury, and complaints from unhappy civil servants filtered out to journalists such as Samuel Brittan and Anthony Sampson.²⁸ 'Where's the money coming from?' was again one of the Conservatives' main attack lines, though Maudling held back his estimate of Labour's tax rises until two days before polling day, which David Butler and Anthony King thought was a mistake: 'this theme which many thought very effective should have been given more time to reverberate through the constituencies'.²⁹ Wilson rebuffed the assault by challenging

²³ Butler and Rose, *The British General Election of 1959*, pp. 111, 199.

²⁴ Andrew J. Taylor, "'The record of the 1950s is irrelevant": The Conservative Party, electoral strategy and opinion research, 1945-64', *Contemporary British History*, 17 (2003), 81-110; Rodney Lowe, 'The replanning of the welfare state, 1957-1964', in Martin Francis and Ina Zwieniger-Bargielowska (eds.), *The Conservatives and British Society, 1880-1990* (Cardiff, 1996), pp. 110-35.

²⁵ Hansard, H.C. Deb., vol 691, 11 March 1964, col. 477.

²⁶ *The Times*, 14 Sept. 1964, p. 6.

²⁷ Bodleian Library, Oxford, MS. Wilson c. 1367, 'Premier ignores Profumo taunts' (undated telegram).

²⁸ D.E. Butler and Anthony King, *The British General Election of 1964* (1965), p. 118; TNA, T320/311, T.H. Caulcott to Mr Raphael, 'Costing of the Labour Party Manifesto', 2 Oct. 1964, and T218/684, F.G. Burrett to Mr Petch, 'Labour Party Manifesto: Costing', 15 Sept. 1964.

²⁹ Butler and King, *The British General Election of 1964*, pp. 133, 149.

Home to a televised debate on tax and spending, which Home ignored, and pointing to uncosted proposals in the Tory manifesto – such as the promise to ‘give preferential treatment to older pensioners’, which Home condescendingly described as a ‘donation’.³⁰ More broadly, Labour argued that the Conservatives’ election-year boom was unsustainable, and that any government would need to take tough action to deal with the growing balance of payments deficit. Wilson told Robin Day in a BBC interview that would ‘not hesitate’ to raise taxes if necessary, but that ‘over the period of a Parliament’ he did not think the Labour programme would require ‘any general increase in taxation’.³¹

Despite Wilson’s reassurances, Labour’s 1964 victory was quickly followed by significant tax increases: £215 million in November 1964, including £85 million to pay for increased pensions, and a further £346 million in Jim Callaghan’s March 1965 budget, which introduced corporation tax.³² The new government claimed that these levies were necessary on grounds of both social equity and economic management, but the Conservatives immediately accused Wilson of breaking his promises and sought to cultivate dissatisfaction with Labour’s record. Wilson, in turn, was determined to turn the tables on the Tories by taking credit for savings from defence cuts, such as the decision to scrap the TSR2, HS681, and P.1154 aircraft projects in 1965, which was projected to save £600 million over ten years.³³ Between 1964 and 1970 Wilson repeatedly pressed ministers, special advisers, and officials for costings of opposition policy statements, though the Permanent Secretary at the Treasury, Sir Douglas Allen, refused to involve PESC in this ‘party political’ exercise.³⁴ In the end, the Chief Secretary John Diamond had to write directly to his ministerial colleagues to collate an estimate of the cost of the 1970 Conservative manifesto.³⁵

In the March 1966 election campaign, Wilson succeeded in using the issue of ‘comparative costs’ to put new Conservative leader Edward Heath on the defensive. As Richard Crossman recorded in his diary, he and Wilson decided ‘that the thing to do throughout the first week was to sustain a constant challenge to Heath and Maudling to cost their programme’: ‘We shall smash Heath as Macmillan smashed Gaitskell by constantly asking how much his promises cost.’³⁶ The price tag of ‘£800-850 million... in additional public expenditure (or a loss of revenue)’ which Labour placed on the Tory manifesto involved some questionable assumptions, as Jim Callaghan and Thomas Balogh recognized, but Heath’s difficulty in juggling demands for spending increases and tax cuts meant that the government was able

³⁰ Ibid., p. 112, 113.

³¹ Quoted in Hansard, H.C. Deb., vol. 701, 12 Nov. 1964, col. 1207.

³² These figures are based on current prices in a full year and are taken from Treasury budget documents: see R.W.R. Price, ‘Budgetary policy’, in F.T. Blackaby (ed.), *British Economic Policy, 1960-74* (Cambridge, 1978), pp. 135-217, at pp. 156-7.

³³ TNA, PREM 13/787, ‘Costing the Front Bench Opposition Attitude’, June 1965.

³⁴ See correspondence in TNA files PREM 13/787, PREM 13/3116, and IR 40/17496; for Allen’s view, see IR 40/17496, Douglas Allen to Mr Hancock, ‘Paymaster General’s Request for Costings of Opposition Commitments’, 24 Apr. 1969.

³⁵ TNA, PREM 13/3116, Peter Mountfield to D.H. Andrews, ‘Costing the Conservative Party Manifesto’, 21 May 1970.

³⁶ Richard Crossman, *The Diaries of a Cabinet Minister. Volume One: Minister of Housing 1964-66* (1975), pp. 478-9.

to make it stick.³⁷ Labour also attacked Conservative plans to ‘concentrate better care and the biggest benefits on those most in need’, claiming that this would involve a major expansion of means-testing.³⁸

In many ways, the Conservatives’ position was made harder rather than easier by the policy development process which Heath launched between 1965 and 1970, as Martin Daunton and Adrian Williamson have noted.³⁹ Heath was keen to demonstrate the party’s intellectual vigour by developing a radical tax reform agenda, but the party’s Economic Policy Group struggled to find ways of paying for over £1 billion of income tax cuts. Plans for a wealth tax and payroll tax were floated but dropped; proposals for replacing purchase tax with VAT and cutting agricultural and housing subsidies were more attractive to Tory policy-makers, but internal analysis showed that they would have regressive effects, raising the cost of living for many low and middle-income voters.⁴⁰ Incautious promises to abolish Labour’s Selective Employment Tax (which raised £600 million a year by 1970) and reverse the decision to withdraw British troops from East of Suez (which Denis Healey costed at £300 million) made the gap in the Conservatives’ fiscal plans even bigger.⁴¹ Iain Macleod attempted to sidestep the problem by taking refuge in Keynesian analysis: rising unemployment meant that there was scope for a fiscal stimulus, which would be partly offset by an increase in personal savings.⁴² This macroeconomic approach was consistent with the way the Treasury reached its ‘budget judgment’ during the high Keynesian era, but it formed a striking contrast with the more demanding fiscal yardstick which Macleod had applied to Labour in the 1950s.⁴³

Edward Heath and his colleagues considered publishing their tax and spending plans in the run-up to the 1970 election, but ultimately decided against it, since ‘although it would make our policy more credible it would open our tax proposals to criticism as being too regressive’.⁴⁴ The Conservative manifesto steered clear of detailed pledges on VAT and spending cuts, in an attempt to avoid giving Labour ‘footholds’ for an attack, though the party

³⁷ TNA, PREM 13/787, R.G. Lavelle to Peter Le Cheminant, 15 March 1966, and Peter Le Cheminant to Prime Minister, 15 March 1966; CAB 147/2, T. Balogh to Harold Wilson, ‘Costing of the Tory Manifesto’, 7 March 1966.

³⁸ 1966 Conservative manifesto; D.E. Butler and Anthony King, *The British General Election of 1966* (1966), pp. 72, 85, 116.

³⁹ Martin Daunton, *Just Taxes: The Politics of Taxation in Britain, 1914-1979* (Cambridge, 2002), pp. 302-28; Adrian Williamson, *Conservative Economic Policymaking and the Birth of Thatcherism, 1964-1979* (Basingstoke: Palgrave Macmillan, 2015), pp. 60-3.

⁴⁰ CPA, CRD 3/7/6/3, minutes of Economic Policy Group meeting, 27 June 1968, and ‘Computer Tax Exercise – Interim Report’, by Brian Reading, 21 Oct. 1968.

⁴¹ CPA, CRD 3/9/95, ‘Conservative Research Department. Report on the 1970 General Election’, by Brendon Sewill, 17 July 1970; LCC 4/3, ‘Shadow Cabinet Conference. Note of Seventh Session held at Selsdon Park Hotel, Surrey, on Sunday 1st February 1970, at 10.30 a.m.’.

⁴² CPA, CRD 3/7/6/4, ‘Conservative Economic Policy. General Review’, by Brian Reading, 6 June 1969; CRD 3/9/95, ‘Conservative Research Department. Report on the 1970 General Election’, by Brendon Sewill, 17 July 1970.

⁴³ During the 1960s and 1970s, the annual budget was shaped by a ‘Keynesian assessment of how much... needs to be “given away” or taken back in tax changes in order to provide economic stability at a high level of employment’; the Cabinet made spending plans separately in the summer or autumn, but their choices were ‘heavily conditioned by the previous spring’s revenue decisions’: Hugh Heclo and Aaron Wildavsky, *The Private Government of Public Money: Community and Policy inside British Politics* (second edition, 1981), pp. 179-80.

⁴⁴ CPA, CRD 3/9/95, ‘Conservative Research Department. Report on the 1970 General Election’, by Brendon Sewill, 17 July 1970.

leaked some of its plans to sympathetic journalists.⁴⁵ Instead, Heath and Macleod plugged away at Labour's record in a populist fashion, accusing Harold Wilson of putting up taxes by £3 billion and breaking his promise of 'no general increase in taxation'.⁴⁶ New psephological research by Charles Goodhart and Rajendra Bhansali also encouraged the Tories to focus on exploiting dissatisfaction with Labour's management of the economy.⁴⁷ The resulting Conservative victory seemed to confirm that voting behaviour was primarily shaped by retrospective evaluations of the government's record, qualified only partly by judgments on the credibility of opposition policies.⁴⁸

A similar pattern was visible in February 1974, when the cost of Labour's programme attracted surprisingly little attention. During 1972 and 1973, Shadow Chancellor Denis Healey had become increasingly alarmed by the scale of the public spending plans emerging from Labour Party policy committees, including the headline commitment to raise the state pension to £10 a week for a single person and £16 for a married couple – at a net cost of about £1.4 billion a year – which the party had agreed with the TUC.⁴⁹ *Labour's Programme 1973* was accompanied by a costings document which outlined spending proposals worth £6.6 billion a year, and Terry Pitt of the Labour Research Department claimed that this 'went much further than anything previously published by a political party, in spelling out all the options in the field of public expenditure and taxation'.⁵⁰ In fact, the costings were based on the optimistic assumption that the economy would continue to grow by between 2.75 per cent and 4.5 per cent, and Healey warned that the pensions commitment would leave 'very little over the first year or so' for other policy areas such as education and the National Health Service.⁵¹

Despite these problems, Labour managed to get through the February 1974 campaign by focussing attention on the Conservative government's record. Harold Wilson told BBC interviewer Ludovic Kennedy that he would 'not flinch' from raising taxes if necessary to control the rising cost of living, and would begin by reversing the £500 million of tax cuts that Anthony Barber had 'handed out to the mainly wealthy'; Labour would also cut defence spending and cancel *grands projets* such as the proposed airport at Maplin Sands in Essex.⁵² The Tories were hampered by the popularity of many of Labour's key pledges, especially higher pensions and new benefits for the disabled, and also by Barber's own refusal to rule out post-election tax rises, which meant that his costing of Labour's plans gained little traction.⁵³ Indeed, when the nation returned to the polls in October 1974 the Conservatives

⁴⁵ Ibid.; Robert Shepherd, *Iain Macleod* (1994), p. 484; *The Times*, 11 May 1970; *The Economist*, 13 June 1970.

⁴⁶ MS. Wilson, c. 1404, speech by Edward Heath at Northfleet, Kent, 13 March 1970.

⁴⁷ C.A.E. Goodhart and R.J. Bhansali, 'Political economy', *Political Studies*, 18 (1970), 43-106; CPA, LCC 4/4, 'Thoughts on the Polls', by James Douglas, 8 Jan. 1970.

⁴⁸ CPA, SC 9, 'Current Political Situation and Outlook', by Sir Michael Fraser and James Douglas, 7 May 1971.

⁴⁹ Patrick Bell, *The Labour Party in Opposition, 1970-1974* (Abingdon, 2004), p. 182; Labour History Archive and Study Centre, Manchester, Labour Party Archive (LPA), Finance and Economic Affairs Sub-Committee minutes (Box 100), RD776, 'Financing Labour's Programme. Report by the Finance and Economic Affairs Subcommittee to the NEC and Home Policy Committee (2nd Draft)', April 1973.

⁵⁰ *The Times*, 20 Sept. 1973, p. 20, and 27 Sept. 1973, p. 21.

⁵¹ *The Times*, 20 Sept. 1973, p. 20.

⁵² MS. Wilson, c. 1432, 'Election Forum. Sound recorded from BBC-1. 1845, 13th February 1974.'

⁵³ David Butler and Dennis Kavanagh, *The British General Election of February 1974* (1974), p. 141; MS. Wilson, c. 1432, 'Party Election Broadcast Given on Behalf of the Conservative and Unionist Party' by Anthony Barber, Radio 4, 16 Feb. 1974.

explicitly stated that they were prepared to put up income tax in order to pay for extra spending in 'three vital priority areas': housing, pensions, and domestic food production.⁵⁴ It was thus more difficult than it had been in the 1950s to contrast Conservative prudence with the cost of Labour's proposals.

The 'new realism' and the tax revolt, 1974-1997

From the mid-1970s onwards, the climate of fiscal policy changed sharply in Britain for two main reasons. Within Whitehall, the Keynesian analysis of the post-war 'golden age' gave way to a 'new realism' which emphasized the need for budgetary restraint.⁵⁵ The sharp increase in the budget deficit – from 1 per cent of GDP in 1971/72 to 6.3 per cent in 1975/76, the highest figure since the late 1940s – fostered perceptions that public spending had run out of control and increased the government's dependence on the financial markets.⁵⁶ From 1976 onwards, the Treasury published targets for the Public Sector Borrowing Requirement (PSBR) in order to reassure lenders and overseas investors that it was committed to reducing the deficit.⁵⁷ Margaret Thatcher gave this approach a monetarist gloss by emphasizing the links between the PSBR and the money supply, but many erstwhile Keynesians also accepted the need for budgetary restraint. The 1976 IMF Crisis and the Mitterrand government's experience in France in 1981-3 seemed to confirm this diagnosis. Treasury officials were increasingly sensitive to 'the narrow margin between successful deficit financing and a collapse into inflationary expectations spiralling upwards, and confidence spiralling downwards'.⁵⁸

The shift in the Treasury's approach to fiscal policy was reinforced by the growth of tax resistance among both middle- and working-class voters. Between 1960/61 and 1975/76, the income tax paid by a married man on an average wage rose from about one-tenth to one-quarter of his earnings: partly because of 'fiscal drag', but also because the 1964-70 and 1974-79 Labour governments raised income tax to pay for their spending commitments, especially improvements in pensions.⁵⁹ By the late 1970s, Labour politicians were increasingly aware that the party's traditional strategy of making income tax more 'progressive' was running out of steam, as Richard Whiting has shown.⁶⁰

The Conservatives found it easier than Labour to adapt to this new context, but cutting the direct tax burden was still politically challenging. Unlike Ronald Reagan in the United States, Thatcher was determined to reduce the PSBR for macroeconomic reasons, so income tax cuts

⁵⁴ Robert Carr at a Conservative press conference, 3 Oct. 1974, quoted in Conservative Research Department, *Daily Notes*, No. 13 (5 Oct 1974), p. 190.

⁵⁵ Williamson, *Conservative Economic Policy-Making and the Birth of Thatcherism*, p. 3.

⁵⁶ Leo Pliatzky, *Getting and Spending: Public Expenditure, Employment and Inflation* (Oxford, 1982), pp. 122-75.

⁵⁷ A.J.C. Britton, *Macroeconomic Policy in Britain, 1974-1987* (Cambridge, 1991), pp. 203-11.

⁵⁸ TNA, T371/528, 'TURU Economic Appraisal No. 22. Are Financial Constraints Unreal?' Note by D.A.C. Heigham, 16 Feb. 1978 (copy).

⁵⁹ Pliatzky, *Getting and Spending*, p. 131.

⁶⁰ Richard Whiting, *The Labour Party and Taxation: Party Identity and Political Purpose in Twentieth-Century Britain* (Cambridge, 2000), pp. 214-58.

would have to be offset by higher indirect taxes or public spending cuts.⁶¹ As in 1970, the Conservatives worked out a detailed tax package in the run-up to the election, but gave voters only a broad sense of their intentions – promising to ‘cut income tax at all levels to reward hard work, responsibility and success’, including by cutting the top rate to the European average (about 60 per cent).⁶² Thatcher promised to spend more than Labour on defence and law and order, to maintain the state pension in real terms, and to accept the Clegg Commission’s proposals for public sector pay, but otherwise did her best to avoid costly pledges. Indeed, on one occasion she reputedly suggested that the ideal manifesto would fit on the back of a postage stamp.⁶³

Thatcher’s caution was well-judged, because Jim Callaghan had commissioned Treasury officials ‘to identify and cost any proposals which have been made by the Opposition which would involve substantial additional public expenditure’.⁶⁴ Indeed, by 1978 the Treasury’s General Economic Policy (GEP) division was keeping a running tally of Conservative plans, and Labour Party and TUC policy documents were also costed.⁶⁵ Civil servants struggled to quantify the proposals which the Conservatives set out in *The Right Approach to the Economy* (1977), but Labour ministers seized on an article by *Guardian* journalist Peter Jenkins which suggested that Thatcher would attempt to reduce public spending by £5 billion in real terms by 1981/82 in order to return the tax burden to its 1973/74 level.⁶⁶ The Chief Secretary to the Treasury, Joel Barnett, thought ‘it would be impossible for the Conservatives to reconcile planned increases [in defence and Home Office budgets] with net cuts of £5 billion in the total of public expenditure’ without making painful cuts to social security, education, and the NHS, as well as withdrawing subsidies from housing and industry.⁶⁷ When the election came, Callaghan challenged the Conservatives to explain how they would pay for their tax plans, and this forceful assault ‘seems to have caught the Conservatives off guard’.⁶⁸ Barnett accused Thatcher of planning to double VAT, whilst Shirley Williams used a blackboard to illustrate what £150 million of education cuts would mean for schools.⁶⁹ Although the Conservatives won a majority of 43, strategists believed that Labour’s defensive campaign had helped to limit the scale of the outgoing government’s losses and deflect attention away from Labour’s record in office.⁷⁰

Once the Conservatives were back in power, they exploited to the full the advantages which incumbency gave the governing party. The Treasury maintained a rolling ‘Checklist of

⁶¹ Duncan Needham, ‘Fentiman Road: Drawing the Conservative Fiscal Policy Threads Together in 1978’, working paper, 17 Jan. 2012, available online at <https://www.margaretthatcher.org/document/114053> (accessed 11 Nov. 2019).

⁶² 1979 Conservative manifesto.

⁶³ *The Guardian*, 30 June 1978, p. 12.

⁶⁴ TNA, T380/638, Philip Wood to F.K. Jones, 24 Feb. 1978 (copy).

⁶⁵ TNA, T380/638, A.J.C. Edwards to all Assistant Secretaries with public expenditure responsibilities, ‘Opposition’s Policy Pronouncements on Public Expenditure’, 16 Aug. 1977 (copy), and ‘Opposition Policy Pronouncements on Public Expenditure’, circular by F.E.R. Butler, 9 Feb. 1978 (copy); T371/528, T. Killick to Mr Saunders, ‘Labour Party Proposals on Public Expenditure’, 30 Mar. 1978.

⁶⁶ *The Guardian*, 30 June 1978, p. 12.

⁶⁷ TNA, PREM16/1598, Brian Morris to Nigel Wicks, ‘Costing the Conservative Party Programme’, 10 July 1978 (copy).

⁶⁸ David Butler and Dennis Kavanagh, *The British General Election of 1979* (1980), p. 188.

⁶⁹ *Ibid.*, p. 188.

⁷⁰ *Ibid.*, pp. 324-6.

Alternative Economic Policies' proposed by opposition parties and other outside groups, and ministers used this as a starting point for pre-election costings of the Labour and SDP/Liberal Alliance programmes.⁷¹ The Cabinet Secretary, Sir Robin Butler, set out the ground rules in a 1986 minute and summarized them in 1989 memorandum:

Departments are asked from time to time, under Governments of either party, to cost the policies and pledges of their political opponents. Since Departments would provide factual answers (subject to the limits on disproportionate costs) to questions from MPs about the costs of identifiable changes in activities or benefits, there is no objection to officials providing such factual information. The basis should be that Ministers, assisted if they wish by their special advisers, should be responsible for identifying the text of commitments together with any further interpretations or assumptions necessary to allow the commitments to be costed... When the factual material has been provided, it is for Ministers (assisted by their special advisers) to determine the form of presentation, although it is legitimate for departments to check the presentation for factual accuracy and consistency.⁷²

The Conservatives used Treasury costings as the basis for dossiers on Labour's spending plans in the run-up to the 1983, 1987, and 1992 elections, though the figures quoted were sometimes 'higher than those circulated in the Treasury'.⁷³ (Indeed, one official thought that the 1983 exercise, completed during the campaign itself, was 'probably not one to emulate'.⁷⁴) The party also hit the Alliance hard over its plans for tax increases on the middle class, particularly in 1986-7.⁷⁵

By 1991, Treasury special advisers had developed a standard basis for the calculation. Officials were instructed to estimate the annual cost of Labour's plans in the fifth year of a Labour government, over and above the existing level of public expenditure, with and one-off costs (such as nationalization) divided equally over the five years, and '[n]o account... taken of statements that policies will only be implemented as fast and as far as resources allow'.⁷⁶ The 1987 and 1992 costings (like the 2019 one) were released before the Labour manifesto came out, and bore little relation to its contents. However, the Conservatives were able to point to Clause V of the Labour Party constitution, which stated that any 'proposals of legislative, financial or administrative reform' which a party conference adopted by a two-thirds majority would form part of the 'Party Programme'.⁷⁷

⁷¹ The costing was maintained by Economic Briefing (EB) division until 1986, and General Economic Policy (GEP1) thereafter: TNA, T579/69, 'Costing the Policies of Opposition Parties', memorandum by F.E.R. Butler, 29 May 1986.

⁷² TNA, T579/69, 'Costing of the policies of opposition parties. Draft paragraph for Heads of Department Handbook', by Sir Robin Butler, 6 June 1989.

⁷³ TNA, T579/69, S.J. Flanagan to Sir Terry Burns, 'Role of Officials in Costing Opposition Policies', 12 June 1991.

⁷⁴ Ibid.

⁷⁵ University of Essex Special Collections, Social Democratic Party papers, Box 43F, 'Policy Committee 10th September 1986. Press Coverage of Tax/Benefit Proposals', by Wendy Buckley, 5 Sept. 1986.

⁷⁶ TNA, T545/1080, David Mellor to Tony Newton, 17 May 1991 (copy), with 'Explanatory Notes on Method'.

⁷⁷ Labour Party, *Labour's Programme for Britain: Annual Conference 1973* (1973), p. 6.

The programmatic culture of Labour policy-making which developed during the 1970s and 1980s made it particularly vulnerable to attacks of this kind. As Mark Wickham-Jones has shown, Labour's National Executive Committee presided over the development of a complex nexus of policy committees and working groups, which published comprehensive policy programmes in 1973, 1976, and 1982 with support from the Labour Research Department.⁷⁸ Alongside nationalization proposals (which involved a transfer of assets rather than a straightforward charge on the Exchequer), the most costly commitments came in social security, where the trade unions and the party's social policy advisers were committed to tackling poverty by raising universal benefits. For instance, Labour adopted a target of raising the state pension to half average earnings for a married couple and one-third of average earnings for a single person, which Treasury officials costed at £5.5 billion in 1980.⁷⁹ Later in the decade, Labour's social security spokesman Michael Meacher became notorious for floating new ideas 'without any coherent idea of how they could be financed – or even whether they are approved by his colleagues'.⁸⁰ Neil Kinnock and the Shadow Treasury team had to work hard to instil greater discipline and bring Labour's spending commitments under control.

As in the 1950s, the Conservatives sought to focus attention on 'how [Labour's] pledges will affect individuals' by making speculative claims about the tax implications, 'particularly the effect on the basic rate' of income tax.⁸¹ In 1983, Sir Geoffrey Howe claimed that Labour's plans would cost an extra £35 billion a year by the end of a Parliament, plus £5-6 billion in one-off spending and £20 billion for nationalization. Even if the economy grew by 9%, Labour would have to raise 'at least £22 billion a year in higher taxes' – the equivalent of 'income tax going up by 20p in the pound, or a tripling of VAT'.⁸² Four years later, the Chief Secretary John MacGregor put the cost of Labour's plans at £34 billion, which would mean doubling the basic rate of income tax.⁸³ In 1992, Norman Lamont and David Mellor started out by warning of a £1,000 a year 'tax bombshell' before revising the figure upwards to £1,250 when the campaign began.

The Labour leadership sought to defend the party against accusations of financial profligacy in two main ways. Firstly, it began to publish its own costings (as it had done for the first time in 1973) and attempted to draw a clear distinction between immediate priorities and longer-term objectives or aspirations. In 1983, for instance, the Labour manifesto centred on a £11 billion 'Emergency Programme of Action', financed by extra borrowing and designed to reduce unemployment by 500,000 in the first twelve months. The timing of the rest of the party's programme – which the Conservatives costed at between £36 billion and £43 billion – would depend on the pace of economic growth later in the Parliament. Four years later,

⁷⁸ Mark Wickham-Jones, *Economic Strategy and the Labour Party: Politics and Policy-Making, 1970-83* (Basingstoke, 1996).

⁷⁹ TNA, T380/1213, 'Draft Labour Manifesto 1980: Costing of Proposals', July 1980.

⁸⁰ TNA, T545/723, Nicholas True to Mr Laurance, 'Labour Policy on Health and Social Security', 19 Feb. 1986 (copy).

⁸¹ TNA, T447/1673, A.G. Tyrie to Chancellor, 'Labour's Spending Plans', 8 Jan. 1987 (copy).

⁸² Churchill Archives Centre, Adam Ridley papers, RDLY 3/2/9/4, 'What Will Labour's Plans Cost You? Speech by The Rt. Hon. Sir Geoffrey Howe, QC, Chancellor of the Exchequer and Conservative Candidate for East Surrey, at Lingfield Middle School, Lingfield, Surrey, at 8 p.m. on Wednesday, 1st June.' Conservative Party press release, 1 June 1983.

⁸³ Hansard, H.C. Deb., vol. 112, 18 Mar. 1987, col. 964.

Shadow Chancellor Roy Hattersley published a £6 billion jobs programme and a £3.6 billion anti-poverty programme, and warned that these were 'the only two items of extra expenditure to which we are firmly committed during our first 2 years in office'.⁸⁴

Secondly, Labour sought to reassure voters that the party had no intention of raising the tax burden across the board in the way that Conservative propaganda suggested. Kinnock and Hattersley thus insisted that Labour's 1987 programme could be paid for by reversing the tax cuts which the Conservatives had given to the richest 5 per cent since 1979, though this line unravelled in the final week of the campaign under pressure from Nigel Lawson.⁸⁵ John Smith went further in 1992 by using a computerized tax-benefit model which Tony Atkinson and Holly Sutherland had developed at the LSE to simulate the distributional effects of Labour's tax and benefit changes, and promised that his 'Shadow Budget' would make eight out of ten taxpayers better off, including every employee earning less than £22,000. Kinnock and Smith hoped that these detailed figures would allow them to rebut the Conservatives' back-of-the-envelope costings and appeal to the economic self-interest of low- and middle-income households.

The unhappy fate of Labour's 1992 campaign revealed the limitations of these two strategies. On the one hand, the attempt to show how Labour would balance the books made it hard to promise improvements in public services, especially when so much of the additional tax revenue was committed to social security spending. For instance, the £3.3 billion cost of the party's pensions and child benefit pledges meant that it could only promise an extra £1 billion spread over 22 months for the National Health Service, an increase of less than 2 per cent. On the other hand, the admission that some taxes would rise created an opening for Conservative attacks and allowed the government to 'rekindle public concern about just who would be paying Labour's extra taxes'.⁸⁶ Labour's carefully constructed 'family prosperity package' was destabilised by Norman Lamont's March 1992 budget and overwhelmed by the tax bombshell message. As the Conservative Party's communications director Shaun Woodward recalled after the election, 'prolonged media coverage of our costing of Labour's spending proposals... ensured that the agenda was transformed from health to public spending and the economy'.⁸⁷ The hard-hitting campaign thus provided 'supporting evidence' for the Major government's core argument that 'You Can't Trust Labour'.⁸⁸

It was this experience of being placed on the back foot over financial issues, not just in 1992 but during the previous decade, that prompted New Labour's relentless 'strategy of reassurance' on tax in the run-up to the 1997 election.⁸⁹ Tony Blair and Gordon Brown ruled out increases in income tax rates and promised to stick to the Conservative government's spending plans for the first two years of the next Parliament, with the exception of a 'New Deal' welfare-to-work package paid for by a 'windfall levy' on the privatised utilities. All of the party's other pledges, such as reductions in primary school class sizes and NHS waiting lists,

⁸⁴ TNA, T447/1673, Speech by Roy Hattersley to Labour Solidarity Campaign, 15 Feb. 1987.

⁸⁵ Nigel Lawson, *The View from No. 11: Memoirs of a Tory Radical* (1992), pp. 702-4.

⁸⁶ Shaun Woodward, 'The Conservative Party's strategy', in Ivor Crewe and Brian Gosschalk (eds.), *Political Communications: The General Election Campaign of 1992* (Cambridge, 1995), pp. 21-35, at p. 33.

⁸⁷ *Ibid.*, p. 30.

⁸⁸ *Ibid.*, p. 33.

⁸⁹ Philip Gould, *The Unfinished Revolution: How the Modernisers Saved the Labour Party* (1998), p. 283.

would be financed by reallocating resources within existing budgets. Blair and Brown, of course, succeeded where Hugh Gaitskell's income tax pledge had failed: partly, no doubt, because New Labour's spending plans were much more modest, but also because they had laid the groundwork before the campaign began. Brown had announced his tax plans in a carefully choreographed speech in January 1997 and had spent years lambasting the Major government for '22 Tory tax rises'.

Fiscal rules and 'deficit deniers': Debating the fiscal baseline, 1997-2019

'Tax bombshell' attacks have been less prominent in British elections since the 1990s, perhaps partly because New Labour was so effective at neutralizing tax as an issue. Indeed, ONS data suggests that the overall tax burden on households fell slightly during its thirteen years in office.⁹⁰ Nevertheless, fiscal policy has remained at the heart of British political debate, and tensions over the size and scope of the state have become particularly intense since the 2008 financial crisis. Both Gordon Brown and George Osborne have attempted to use [fiscal rules](#) to frame public perceptions of 'responsible' tax and spending levels, placing the onus on opposition parties to justify departures from this baseline. During the 2000s, this helped Labour secure political consent for increased spending on health, education, and welfare; since 2010, it has allowed the Conservatives to revive older allegations of Labour's fiscal profligacy. The archival record is, of course, much sparser than for earlier periods, but the [Institute for Fiscal Studies](#) (from the early 1980s) and the Resolution Foundation (from the late 2000s) have become authoritative and influential sources of fiscal commentary. Jim Tomlinson has also traced the contested politics of fiscal narratives in his recent book *Managing the Economy, Managing the People* (2017).⁹¹

The fiscal rules which Gordon Brown established in 1997 provided a basis for reassuring voters and financial markets that a Labour government could maintain control of public spending. In particular, Brown's 'golden rule' stated that the government would only use borrowing to finance capital investment over the course of an economic cycle. Tight spending control during Labour's first two years in office allowed Brown to set out plans for major increases in health and education funding in the 2000 Comprehensive Spending Review, and by the time of the 2001 election the government was committed to raising public spending [from 38.9 per cent to 40.3 per cent of GDP](#) over the next three years. This presented William Hague with the mirror image of the challenge which Labour had faced in opposition: struggling to satisfy Tory activists' demands for tax cuts whilst reassuring floating voters that the party would not dismantle the public services.⁹² The 2001 Conservative manifesto proposed to hold the public spending ratio down to 39.6 per cent of GDP, matching Labour's spending plans on health, education, and policing up to 2003/04 whilst making room for £8 billion of tax cuts. Although the figures were relatively small in relation to total public spending, Brown used the issue to raise fears about the Tories' intentions, especially after Shadow Chief Secretary Oliver Letwin suggested that the cuts could rise to £20 billion a year by the end of the Parliament. Labour

⁹⁰ See Adam Corlett's recent Resolution Foundation report, *The Shifting Shape of UK Tax: Charting the Changing Size and Shape of the UK Tax System* (2019), p. 26, Figure 13.

⁹¹ Jim Tomlinson, *Managing the Economy, Managing the People: Narratives of Economic Life in Britain from Beveridge to Brexit* (Oxford, 2017), pp. 110-33.

⁹² Tim Bale, *The Conservative Party from Thatcher to Cameron* (second edition, Cambridge, 2016), pp. 114-5.

repeated the tactic in 2005, claiming that the £35 billion a year of efficiency savings that the Conservatives proposed 'were equivalent to sacking every teacher, nurse and GP in the country'.⁹³

Exploiting voters' fears of 'Tory cuts' was again central to Labour's strategy in 2010, when debate focussed on the question of how to reduce the mounting budget deficit. Although David Cameron and George Osborne promised to ring-fence spending on the NHS and schools, the Labour campaign sought to highlight the 'risks' of Conservative spending plans at two levels. Firstly, Gordon Brown argued that the Conservatives' plans for £6 billion of spending cuts in 2010/11 would put the economic recovery at risk in macroeconomic terms, and that deficit-reduction should wait until the recovery from the 2008-9 recession was secure. Secondly, Labour challenged the Conservatives to explain what their plans might mean for particular services, and used direct mail to claim that the Conservatives would scrap cancer waiting-time targets and cut child tax credits. [According to Catherine Haddon](#) of the Institute for Government, Labour ministers commissioned Treasury officials to carry out 38 costings of Conservative policies between 2008 and 2010, though not all of these were completed. As in 1979, Labour's defensive strategy appears to have shored up its vote, but its impact was weakened by the government's own loss of fiscal credibility. The 2008 financial crisis had left Brown's fiscal rules in tatters, and Labour Chancellor Alistair Darling had himself set out plans for tax increases and spending cuts in his 2009 and 2010 budgets. For the first time in a decade, the Conservatives could plausibly claim that they were better placed than Labour to protect voters' personal finances.

Andrew Gamble has persuasively argued that George Osborne's deficit-reduction strategy should be seen as a form of 'statecraft': an 'attempt to redefine the terms of the debate on economic policy in the UK' and 'to create a new dividing line which had Labour on the wrong side of it, as the party that had got the country into the mess in the first place'.⁹⁴ Indeed, Osborne [tightened his fiscal rules in the 2014 autumn statement](#) in order to squeeze Labour's room for manoeuvre in the run-up to the 2015 election, and unveiled [a dossier](#) accusing Labour of planning £21 billion more borrowing in the first year of the next Parliament. Under Ed Miliband's leadership, Labour struggled to reconcile its critique of austerity with the perceived need to reassure voters that it could manage the public finances responsibly. The 2015 Labour manifesto began with a pledge to reduce the deficit year-on-year (which it called a 'Budget Responsibility Lock') whilst also promising to invest an extra £2.5 billion a year in the NHS and abolish university tuition fees. Although Miliband and Ed Balls worked hard to ensure that these policy commitments were credible, the costings were less explicit than in 1992 and 1997, partly because it was so difficult to reconcile Labour's conflicting political imperatives.

The contrast with Labour's experience in the 2017 general election is thus particularly striking. The conventional wisdom which had developed since the 1980s suggested that Jeremy Corbyn's plans for £49 billion of tax and spending increases would be an electoral albatross; instead, Labour sharply increased its vote and deprived Theresa May of her majority. To Labour strategists' surprise, the Conservatives put little energy into attacking the Labour manifesto or exploiting gaps in the costings: for once, the 'tax bombshell' was left

⁹³ Dennis Kavanagh and David Butler, *The British General Election of 2005* (Basingstoke, 2005), p. 60.

⁹⁴ Andrew Gamble, 'Austerity as statecraft', *Parliamentary Affairs*, 68 (2015), 42-57, at 47.

undropped.⁹⁵ The Tory campaign seems to have been hampered by May's deteriorating relationship with Philip Hammond and by the failure to publish the Conservatives' own costings. There were also signs that voters were becoming more concerned about public services after almost a decade of austerity, especially if billions of pounds could be raised by reversing cuts to corporation tax, as Labour argued, and income tax rises confined to the top 5 per cent – those with incomes over £80,000.

The early moves in the 2019 campaign suggest that Tory strategists have learnt the lessons of 2017 and are determined to avoid similar mistakes this time around. Sajid Javid proclaimed 'the end of austerity' and announced plans for a 4.1% increase in departmental budgets in the [September 2019 spending review](#), backing up Boris Johnson's pledge to recruit 20,000 new police officers. The Conservatives' [new fiscal rules](#) will also allow an extra £22 billion a year of public sector net investment, whilst promising to balance the current budget by the middle of the next Parliament. At the same time, the Conservatives are hitting Labour hard over its 'uncosted' and 'irresponsible' promises – just as they did from 1951-64 and 1979-97. Iain Macleod and Harold Macmillan would instantly recognize this Tory playbook.

Conclusions

It should be clear from this historical survey that manifesto costings have been a ritual feature of British general elections for more than sixty years. Tax and spending lie at the heart of British political debate, and recent contests in other Westminster democracies – such as Australia and Canada – show a similar pattern. The Westminster model of majoritarian, single-party government forces parties to aggregate their policies before each election and draws the electorate into the budgetary process.

It is clear that British party strategists believe that fiscal plans are an important determinant of voter choice, and that the *comparative* assessment of tax and spending proposals offers particular advantages to the incumbent party. Whereas retrospective assessments of economic performance can be difficult for governing parties to control, as Jane Green and Will Jennings have recently noted, debates over future policy take place on more favourable terrain, since opposition parties must persuade voters that there are good reasons for departing from the established fiscal baseline.⁹⁶ This structural asymmetry between government and opposition may be one reason why the UK has moved into an era of long electoral cycles since 1979, in which incumbent governments normally win re-election. On the other hand, warnings of 'tax bombshells' or 'Tory cuts' are not always successful. Governments may find it harder to appeal to voters' sense of fiscal prudence when they have themselves allowed the budget deficit to rise (as in 1964, 1974, and 2010) or have been forced to introduce unpopular tax increases or spending cuts which disappoint voters' expectations.

Ed Balls sought to level the playing field ahead of the 2015 election by proposing that the Office for Budget Responsibility (OBR) should provide 'independent scrutiny and certification of costings' of all parties' manifestos. Public officials carry out either a simple financial audit or more detailed analysis of party policies in Australia, Canada, Ireland, Belgium, and the Netherlands, as [a recent study by Alan Renwick and Michela Palese](#) of the Constitution Unit

⁹⁵ Philip Cowley and Dennis Kavanagh, *The British General Election of 2017* (2018), p. 193.

⁹⁶ Jane Green and Will Jennings, *The Politics of Competence* (Cambridge, 2017).

has shown. The proposal is a compelling one, and would build on the efforts of the IFS and other think-tanks to improve the quality of public debate around fiscal policy. Unsurprisingly, however, George Osborne rebuffed the idea. Governing parties are bound to be wary of a reform which would enhance the perceived fiscal credibility of their opponents.

As a result, the 2019 campaign is taking place in a fiscal fog, exacerbated by the postponement of the November budget and the [decision not to publish](#) the OBR's latest fiscal forecasts. The UK economy has [only narrowly escaped recession](#) – with 0.3% growth in July-September after a 0.2% fall in GDP in April-June – and [the IFS has estimated](#) that the 2019/20 deficit is likely to be almost twice as large as the OBR predicted in March, partly because of the economic slowdown, partly because of spending increases, and partly because of a reclassification of student loans in the national accounts. As [Adam Corlett of the Resolution Foundation](#) has noted,

the election debate is being played out against the backdrop of economic and fiscal forecasts that are eight months old, and so are out of date. Throw the uncertainty surrounding Brexit into the mix and it's clear that commentators and voters alike are likely to have a harder than usual time working out just how to judge the various election pledges set out in the different parties' manifestos.

After a decade of often painful austerity, and with [long-term trends](#) towards higher health, social care, and pension spending as a result of an ageing population, the next Parliament is likely to be a period of net tax rises rather than tax cuts. Brexit is also likely to make the UK more vulnerable to pressures from the financial markets. It remains to be seen whether any of the parties is prepared to take the risk of confronting voters with the realities of these fiscal choices.

Appendix: List of manifesto costings

Table 1: Conservative Party costings of Labour policies in opposition, 1955-2017

	Costing of Labour programme	Tax implications
1955	<i>Challenge to Britain</i> (1953) was costed at between £1.76 billion and £2.68 billion, and the manifesto at over £1 billion	£2 per family per week
1959	At least £1 billion	
1964	£900 million	Equivalent to 9d. in the £ on income tax, 6d. on a gallon of petrol, 4d. on 20 cigarettes, 1d. on a pint of beer, 3s. on a bottle of spirits, and 6s. on the National Insurance contribution
1974	£4 billion a year	Equivalent to 13p in the £ on income tax, or raising VAT to 25%
1983	Between £36 billion and £43 billion, plus £20 billion for nationalisation	£20 per household per week, equivalent to 20p in the £ on income tax or trebling VAT
1987	£34 billion	Equivalent to doubling the basic rate of income tax
1992	£38 billion	£1,250 more tax a year for the average taxpayer
1997	£30 billion	£1,200 extra tax for the average family
2015	£21 billion increased borrowing	£3,000 tax rise for the average working family
2017	No specific costing	

Table 2: Labour Party manifesto costings in opposition, 1983-2017

	Labour's immediate programme	Labour's presentation of the tax implications
1983	£11 billion of public investment, social security increases, and job creation measures	No specific pledge, though the emergency programme would be financed by borrowing
1987	£6 billion jobs package (financed partly by borrowing) and £3.6 billion social security package (financed by taxation)	Reversing the tax cuts received by the richest 5 per cent since 1979, and the 2p cut to the basic rate of income tax in Nigel Lawson's 1987 budget
1992	£6.8 billion additional spending on pensions, Child Benefit, health, education, and public investment	Every employee earning up to £22,000 would be better off

1997	A 'New Deal' for the long-term unemployed, financed by a 'windfall levy' on the privatised utilities	No increase in the basic or higher rates of income tax during the 1997 Parliament
2015	Priority spending commitments on health (£2.5 billion), reducing tuition fees (£2.7 billion), education, and free childcare	Returning the higher rate of income tax to 50p on incomes over £150,000, and introducing a mansion tax on properties worth over £2 million. No increase in the basic or higher rates of income tax.
2017	£48.6 billion a year of additional current spending by 2021/22	Tax revenue largely raised from reversing corporate tax cuts and clamping down on tax avoidance. Income tax increases for the top 5 per cent of the population (those with incomes over £80,000).

Table 3: Conservative Party manifesto costings in opposition, 2001-2010

	Conservative Party proposals	Labour Party characterisation of Conservative proposals
2001	Matching Labour's spending plans for health, education, and police, and using £8 billion of savings in other areas to make £8 billion a year of tax cuts by 2003/04	£20 billion a year of spending cuts by the end of the Parliament
2005	£35 billion a year of efficiency savings by 2007/08 (£12 billion more than the Labour government's plans), allowing £8 billion of deficit reduction and £4 billion of tax cuts	£35 billion a year of spending cuts
2010	£6 billion of cuts to 'wasteful departmental spending' in 2010/11, as part of a plan to 'eliminate the bulk of the structural deficit over a Parliament'	£34 billion 'black hole' in Conservative tax and spending plans

About the author

Author biography

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Peter's research focusses on electoral politics, political ideas, and public policy in modern Britain. His first book, *The Liberal Party and the Economy, 1929-1964* (Oxford, 2015) explored how British Liberals engaged with economic thought in the era of John Maynard Keynes and William Beveridge. His second book, *Transfer State* (Oxford, 2019), examines how the idea of a guaranteed minimum income has shaped British social policy over the last century.

Peter has also published articles in *Political Studies*, the *Journal of Social Policy*, *Historical Research*, *Twentieth Century British History*, *Contemporary British History*, and *Political Studies Review*, and has contributed to the *Oxford Dictionary of National Biography*. He is Chair of the Management Committee for Cambridge's History and Politics Tripos (2016-20) and directs studies for History and Politics students at Churchill College.

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