

Under scrutiny...

A magnifying glass is positioned over the text 'Doing nothing'. The lens of the magnifying glass is circular and contains the text in a blue, sans-serif font. The handle of the magnifying glass is visible on the right side, extending outwards. The background is a plain, light-colored surface.

Doing
nothing

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Summary

- Labour are taking action to help families and businesses now and for the future. For all their vague talk of possible tax cuts in recent days, the Conservatives remain firmly rooted to doing nothing.
- By opposing the fiscal stimulus, the Conservatives have set themselves against providing real help now for families and businesses. They are committed not just to spending less in a time of need but also to spend less in the future. By doing nothing, they would deepen the downturn and delay the recovery, just as they did in the recessions of the 1980s and 1990s. They would make Britain weaker not stronger for the future.
- Tory inaction would cost Britain more. Had they taken the action we are taking now, with a timely fiscal stimulus at the beginning of the last recession, they could have helped 300,000 fewer jobs from being lost. A deeper and longer recession would also have an impact on the public finances with lower tax receipts and higher social security bills; for example, after the 1981 recession, unemployment remained over 2 million for most of the 1980s. As today, their ideology was to do nothing and to believe that unemployment is a price worth paying.
- Not only are the Tories not prepared to help people through the downturn, but they are now abandoning their attempts at moving towards the centre ground.
- David Cameron tried to change the Tories image to get away from their identity as 'the nasty party' as Theresa May described them. He pledged to match Labour's spending plans and show they were no longer obsessed with cutting public services. George Osborne said that abandoning Labour's spending plans was to 'head off onto the margins of the political debate and reduce spending growth further for the sake of a short term argument'.
- Today, under pressure they have abandoned this attempt to move toward the centre ground. They have ruled out spending any more to help people and help the economy now, returning to the past strategy of abandoning people when times are tough. And in closing weeks of 2008, they have gone further and said they will abandon their pledge to match Labour's spending plans in the future and go back to making spending cuts to public services as they did in the past.
- The Tories have tried to distract from their 'Do Nothing' Strategy with five measures they repeat whenever possible. But under scrutiny all of them unravel or turn out to be empty promises they cannot pay for:
 - The National Loan Guarantee Scheme would cost billions in government funding yet the Conservatives have specifically ruled out any extra borrowing to pay for it. Either it is another empty promise because they cannot pay for it, or they will have to set charges to business so high that it will be untenable.
 - The council tax freeze was sold as helping all families but would in fact only apply to qualifying councils that are prepared to make cuts which even Conservative run councils have balked at- despite it also requiring big cuts to national public safety campaigns.
 - Cameron's promise of a '£10 billion VAT boost' suggests a Conservative giveaway to businesses. In fact, the Conservatives promise is only to delay VAT for six months

maximum for companies. This is far less generous than the Labour offer to let struggling businesses defer a wide range of taxes - such as PAYE, self-assessed income tax, national insurance, corporation tax, and VAT - and spread their repayments over a timetable they can afford.

- The promised jobs plan would do nothing for anyone out of work for less than three months . And they have miscalculated how much it would save, leaving the scheme largely unfunded. Unless they are prepared to reverse their commitment to providing no additional public spending to pay for it, it remains just another empty Tory promise.
- The Conservative have admitted their proposals to cut National Insurance would be paid for as part of a £4 billion tax rise on business investment, hitting manufacturing hardest - what they give with one hand they are forced to take with the other because of their opposition to a fiscal stimulus.
- Abandoning any attempt at a coherent economic policy, George Osborne now claims he may offer new additional tax cuts. But as the Conservatives lurch from one headline to the next in an attempt to distract from their failure to respond to the global financial crisis, they are stretching the credibility of their economic plans. George Osborne's vague plans for tax cuts are just more empty promises, reaffirming the Conservative strategy to say anything to disguise the fact that they would do nothing to help families and businesses now and for the future.

Opposing real help now

- The Conservatives are firmly opposed to the action Labour is taking to stimulate the economy.

Andrew Marr: If you're against an unfunded fiscal stimulus, you're presumably determined to vote against an unfunded fiscal stimulus?

*David Cameron: Everyone knows exactly where we stand
AM Show, 23 November 2008*

"I think it's very unconvincing and I'm not sure it will be particularly stimulating so I'm very sceptical."

David Cameron, AM Show, 23 November 2008

"I think that is a great mistake."

David Cameron, Monthly Press Conference, Q&A, 18 November 2008

"What we have said is we think this approach is the wrong approach."

David Cameron, Monthly Press Conference, Q&A, 18 November 2008

The Conservatives also voted against reducing VAT from 17.5% to 15% from 1 Dec until the end of next year (Source: *Hansard, December 17 2008*).

- The Conservatives oppose Labour's fiscal stimulus package and ruled out finding the money to pay for it or any other help to people during the downturn. That means that they oppose:

The £20bn fiscal stimulus - worth 1% of GDP

- £145 income tax cut for basic rate taxpayers through raised personal allowances
- £60 extra payment in the New Year for 12.5m pensioners and 2.5m other vulnerable people
- Bringing forward Child benefit and child tax credit uprating
- £100m increase in the Warm Front programme to help insulate people's homes and cut heating costs
- Reduction in VAT from 17.5% to 15% from 1 Dec until the end of next year (this is the equivalent of the Government giving back £12.5bn to consumers)
- Bringing forward £3bn public investment (reprofiling existing spending plans, which can be effected quickly, rather than initiate new projects)
 - £700m to increase motorway capacity and to accelerate the delivery of 200 new rail carriages
 - £775m brought forward on housing (improving energy efficiency in 28,000 council homes, delivering 2,000 more social rented homes, major repairs to council stock)
 - £50m brought forward through the Warm Front programme - on top of the £100m new Warm Front money (20,000 homes benefiting more quickly from energy efficiency and heating measures)
 - £800m brought forward on schools, including on the primary school estate, the adaptation of 2,000 secondary school classrooms, energy saving measures in 140 secondary schools, building kitchens in 300 primary schools, the conversion of rooms for mother and baby groups in 800 primary schools;
 - £442m brought forward to improve facilities at Higher Education institutions
 - £100m to upgrade up to 600 GP surgeries to training practices
 - £20m investment on flood defences;

- £20m on technology systems to enhance intelligence gathering against serious organised crime
- In addition, the Conservatives also oppose helping homeowners with the new Homeowners Mortgage Support Scheme will help people to stay in their homes if they experience a redundancy or significant loss of income by reducing their monthly payments to a more manageable level. By allowing these homeowners to defer a proportion of the interest payments on their mortgage for up to two years, homeowners will have the breathing space to get their finances back on track.

Why are the Conservatives opposing extra help for pensioners and the increases in child benefit and child tax credit?

Why are the Conservatives opposing the cuts in income tax proposed by the Government?

Why are they opposing bringing forward capital investment in schools, GP surgeries and in infrastructure?

Why are they opposing extra protection for homeowners?

- As the CBI's Martin Broughton has said, "this fiscal stimulus is going to cost the Government less than doing nothing because of the impact of unemployment" (*Radio 4, November 24 2008*). The cost of inaction is more jobs lost.
- In fact, the Treasury forecasts that the £20 billion fiscal boost means that Gross Domestic Product will be 0.5% higher than would otherwise have been the case, protecting hundreds of thousands of jobs. By contrast, if a timely fiscal stimulus, with a similar impact on GDP, had been applied at the beginning of the 1990s recession, around 300,000 jobs might not have been lost.

How many more jobs do the Conservatives accept will be lost as a cost of their inaction?

- David Cameron and George Osborne are almost totally isolated in their belief that government should do absolutely nothing to help. We are able to borrow to support people and the economy because we paid down debt. We still have a lower level of debt than the US, Germany, Japan, France - all of the major economic competitors in the G7 except Canada.
- All over the world—in the United States, France, Germany, Italy, Japan, China, Spain, Mexico, Australia, New Zealand, Sweden, South Korea and Portugal—Governments are supporting action to help their economies at a time when they are all being affected by a global recession.
- In the US, both the Republican president and the next Democrat president recognise the need for a fiscal stimulus despite having a higher debt level than the UK.

"Well, look, I think what's interesting about the time that we're in right now is that you actually have a consensus among conservative Republican-leaning economists and liberal left-leaning economists. And the consensus is this: That we have to do whatever it takes to get this economy moving again. That we're gonna have to spend money now to stimulate the economy. And that we shouldn't worry about the deficit next year or even the year after. That, short term, the most important thing is that we avoid a deepening recession "

President-Elect Barack Obama, 60 Minutes, CBS news, November 16 2008

President George Bush, speaking after the G20 meeting: "All of us committed to continue to work on pro-growth economic policies. It's phrased different ways -- fiscal plans -- but the whole point was, was that we recognize that, on the one hand, there's been a severe credit crisis, and on the other hand, our economies are being hit very hard. And so there was a common understanding that all of us should promote pro-growth economic policy." (*President George W. Bush, Press Conference, November 15 2008*)

- And the fiscal Stimulus is widely supported by international institutions:

The IMF Managing Director said: "If there has ever been a time in modern economic history when fiscal policy and a fiscal stimulus should be used, it's now." (*Dominique Strauss-Kahn, IMF Managing Director, Press Briefing, November 15 2008*).

When asked where fiscal stimulus was needed, he said: "Everywhere. Everywhere where it is possible." (*Dominique Strauss-Kahn, IMF Managing Director, Independent, November 17 2008*).

"It is time for co-ordination. I welcome the emphasis on fiscal stimulus, which is now essential to restore global growth." (*Dominique Strauss-Kahn, IMF Managing Director, Independent, November 17 2008*)

- Germany has also introduced a fiscal stimulus of comparable size to the UK package. And Angela Merkel, along with the rest of Europe's leaders, unanimously agreed the EU economic recovery plan, which will see €200bn of funding - equivalent to 1.5% of the EU total output - put into supporting the European economies. A fiscal stimulus across Europe at the same time reinforces each country's actions to generate a greater overall impact.
- It was a measure of just how desperate the Conservatives are to find someone who agrees with them that they seized on the words of one strand of thinking in the German coalition.

Why does the Conservative Party disagree with the leaders of almost every developed economy in the world and oppose a fiscal stimulus?

Can the Conservatives name three world leaders who share their position of opposing a fiscal stimulus at the current time?

- This year's Nobel Prize winner for economics, Paul Krugman, took on the specific complaint the Conservatives often make:

"The bottom line, then, is that people who think that fiscal expansion today is bad for future generations have got it exactly wrong. The best course of action, both for today's workers and for their children, is to do whatever it takes to get this economy on the road to recovery."
Paul Krugman, New York Times, Deficits and the Future, December 1, 2008

Why do the Conservatives reject the advice of the 2008 Nobel Laureate in Economics that "the best course of action, both for today's workers and for their children, is to do whatever it takes to get this economy on the road to recovery?"

Five ways to disguise doing nothing

- To conceal the fact that the Conservatives would take no action to help people or the economy, George Osborne and David Cameron have come up with five measures which the Conservatives repeat whenever questioned on the economy.

“Let us freeze the council tax for two years for every family in the country. Let us give small businesses a £10 billion VAT boost by letting them pay their bills late. Let us cut national insurance for the very small companies so that they do not have to fire people. Let us have a £3 billion jobs plan to use the money that will be spent on unemployment benefit to get people off the dole. Above all—and this is absolutely fundamental, although the Prime Minister does not understand it—let us have a truly massive Government-backed insurance scheme to get the money out of the banks and into small businesses. Those are five good reasons—perhaps the hon. Gentleman will listen to them and cross the Floor so that he does not have to lose his seat.”
David Cameron, Queen's speech debate, Hansard, 3 December 2008

- These five proposals unravel under scrutiny as empty promises:
 - The National Loan Guarantee Scheme would cost billions in government funding yet the Conservatives have specifically ruled out any extra borrowing to pay for it. Either it is another empty promise because they cannot pay for it, or they will have to set charges to business so high that it will be untenable.
 - The council tax freeze was sold as helping all families but would in fact only apply to qualifying councils that are prepared to make cuts which even Conservative run councils have balked at— despite also requiring big cuts to national public safety campaigns.
 - David Cameron's promise of a '£10 billion VAT boost' suggests a Conservative giveaway to businesses. In fact, the Conservatives promise is only to delay VAT for six months maximum for companies. This is far less generous than the Labour offer to let struggling businesses defer a wide range of taxes - such as PAYE, self-assessed income tax, national insurance, corporation tax, and VAT - and spread their repayments over a timetable they can afford.
 - The promised jobs plan would do nothing for anyone out of work for less than three months. And they have miscalculated how much it would save, leaving the scheme largely unfunded. Unless they are prepared to reverse their commitment to providing no additional public spending to pay for it, it remains just another empty Tory promise.
 - The Conservative have admitted their proposals to cut National Insurance would be paid for as part of a £4 billion tax rise on business investment, hitting manufacturing hardest - what they give with one hand they are forced to take with the other because of their opposition to a fiscal stimulus.

1. National Loans Guarantee Scheme

National Loans Guarantee Scheme - "a truly massive Government-backed insurance scheme to get the money out of the banks and into small businesses"	
Headline	"CAMERON CALLS FOR LOANS BOOST TO HELP SMALL BUSINESSES" <i>The Evening Standard, 28 November 2008</i>
Under scrutiny	Either it is another empty promise because they cannot pay for it, or they will have to set charges to business so high that it will be untenable.

- The Conservatives have proposed a £50 billion loans guarantee scheme. They have tried to suggest it has no cost to government and "does not add to public expenditure" (*George Osborne, House of Commons 18 December 2008*)
- In fact, such schemes require public spending at the point any participating firm defaults and the bank calls in the guarantee from government.
- Historically, the default rate for firms involved in such schemes since 1981 has averaged 28 per cent.
- However, the Conservatives have pledged not to spend any additional money supporting people through the recession.
- As a result, either this scheme is another empty promise, which they cannot actually do because they won't spend the money.
- Or they will have to try to pay for it by charging a penal interest rate, making the scheme:
 - Useless to most firms due to the uncompetitive cost
 - Only attractive to the most desperate firms, who would be most likely to default. Thus driving up the default rate and cost to taxpayers.
 - Much more expensive for any firm using it – making it harder for them to stay competitive and stay in business.

Are the Tories proposing to borrow the billions of pounds necessary to fund this scheme?

What default rate are they assuming?

How high are they prepared to raise interest rates to try to avoid borrowing money to properly fund it?

2. Council tax

Promise to "freeze your council tax for at least two years"	
Headline	"COUNCIL TAX TO BE FROZEN FOR TWO YEARS UNDER TORIES" <i>Daily Mail, 30 September 2008</i>
Under scrutiny	Their plan would only apply to councils that are prepared to make cuts which even Conservative run councils have balked at. It would require cuts to frontline services which the Conservatives have failed to identify, while cutting advertising campaigns, such as those on drink driving, which save lives.

- George Osborne announced in his annual conference speech that "your council tax" would be frozen for two years under the Conservatives:

"I can tell you today that the next Conservative Government will freeze your Council Tax for at least two years."

George Osborne, Speech to Conservative Party Conference, 29 September 2008

- David Cameron and George Osborne have promised every family a council tax freeze.

"I am assuming 100 per cent take-up. I cannot believe there will be a council when offered this deal, which will not take it up."

George Osborne, The Herald (Plymouth), 29 September 2008

"For families that are suffering we will freeze council tax for two years"

David Cameron, Yorkshire Post, 12 November 2008

- In fact the scheme would only apply to council taxpayers in those areas where the council had agreed to take part in the scheme to cut local investment.

"Each council will be completely free to accept or reject the contract. Councils that reject the contract will be free to set their own council tax levels."

Conservative press release: A Two Year Council Tax Freeze, 29th September 2008

- The qualification for any local authority wanting to participate is a council tax increase of not more than 2.5 per cent. Even Conservative council leaders balked at this straight away, pointing out this would inevitably mean vicious cuts to frontline services.

"We could look for savings, but in the years I've been doing this if there are any savings to be had, I've found them. The only things left would be closing libraries, leisure centres and things. If that gets us down to the 2.5 per cent increase and the government pays the rest, people would say 'where's my library?'"

Paul Bettison, Conservative Leader Bracknell Forest council, Bracknell Standard, 2 October 2008

Can George Osborne still promise every taxpayer a council tax freeze?

3. VAT holiday

Promise to "to allow small and medium-sized enterprises to defer their VAT bills."	
Headline	"CAMERON OUTLINES IDEAS TO CUT SMALL BUSINESSES' BILLS" <i>The Western Mail, 21 October 2008</i>
Under scrutiny	The Conservatives promise is only to delay VAT for up to six months for companies. This is far less generous than the Labour offer to let struggling businesses delay taxes owed to central government – including PAYE, self-assessed income tax, corporation tax, national insurance and VAT – and spread their tax payments on a timetable that they can afford.

- The Conservatives have proposed helping small businesses by allowing them to defer their VAT bill for six months.

"Today we are calling on the government to allow small and medium-sized enterprises to defer their VAT bills for up to six months."
David Cameron, The Observer, 19 October 2008

- However, David Cameron has opposed the far more generous and comprehensive package of support in Labour's Pre-Budget Report which is offering small businesses the opportunity to spread their tax payments on a timetable that they can afford.
- In the Pre-Budget Report Labour announced a Business Payment Support Service which allows businesses in difficulty to defer their tax payments which includes:
 - VAT
 - Corporation Tax
 - PAYE
 - Income Tax
 - National Insurance
- Labour's Pre-Budget Report also announced support to business including:
 - Deferring the planned increase in the small companies rates of corporation tax.
 - Launching the 'Small Business Guarantee Facility' - new temporary guarantee scheme enabling up to £1 billion of new Government-supported lending by banks. Allowing businesses to borrow any sum, from £1,000 to £1 million, at cheaper rates and for a longer period.
 - A further £1 billion temporary guarantee scheme providing smaller exporters with better access to short-term working capital.
 - Extending loss carry back from 1 to 3 years for up to £50,000 of losses. 90% of businesses should now be able to fully offset their losses.
 - Exempting empty properties with rateable values of up to £15,000 from business rates. It is estimated that 70% of empty properties will pay no business rates in 2009/10.

- Working with Regional Development Agencies to provide loan schemes to help businesses experiencing difficulty.
- Launching Business Link, a new easily accessible web portal, to direct credit-worthy SMEs who are experiencing problems accessing credit to the scheme most appropriate for them.

Do the Conservatives accept that they are only offering one area where businesses can defer payment compared to Labour's Business Payment Support Service which includes VAT, corporation tax, PAYE, income tax and National Insurance Contributions?

Why do the Conservatives think its better for businesses to only be given 6 months to pay, rather than longer if needed as the Government propose?

4. National Insurance cut

Promise to "cut employers' national insurance by one percent"	
Headline	"CAMERON WOULD GIVE TAX BREAKS TO SMALL FIRMS" <i>The Herald, 21 October 2008</i>
Under scrutiny	Their plan far from being a tax break would be funded by a £4 billion tax hike on business investment, hitting manufacturing hardest.

- David Cameron has promised cutting national insurance contributions by one percent for small firms with less than five employees.

"We would cut employers' national insurance by one percent for the smallest firms."
David Cameron, Speech to the CBI Annual Conference, 24 November 2008

"Under the proposal businesses with less than 5 employees would have the rate of employers' national insurance that they pay cut by 1p for at least six months. A small business with 4 employees and an annual wage bill of £150,000 would save more than £100 a month or more than £600 over six months."
Conservative Party News Release, 20 October 2008

- The Conservatives would fund their proposal by raising £4 billion in taxes on business investment by abolishing reliefs and allowances that make businesses investment more commercially viable.

"The cut would be paid for from within the Conservatives' existing fully-funded plan to cut the small companies rate of corporation tax to 20p, funded by abolishing complex reliefs and allowances introduced by Gordon Brown."
Conservative Party News Release, 20 October 2008

- In particular, these increases would discourage investment by capital intensive sectors such as manufacturing. The Conservative plan would be funded by:
 - Abolishing £50,000 annual investment allowance
 - Reducing general plant and machinery capital allowances to 12.5 per cent
 - Reducing long life plant and machinery capital allowances to 6 per cent

Abolish £50,000 annual investment allowance

- 95 per cent of businesses invest less than £50,000 a year. Labour's policy of giving a £50,000 investment allowance means that those businesses can write off all of their investment (excluding cars) in the year in which the investment is made.
- The Conservatives have pledged to scrap this allowance, penalising businesses that invest (Source: Conservative Party Policy Document, "A 21st Century Employment Strategy" 15 July 2008). The Conservatives estimate this would increase tax on business investment by £815 million in 2009-10.

Reduce general plant and machinery capital allowances to 12.5 per cent

- Under Labour this allowance is now 20 per cent. This more closely matches the economic depreciation of assets in this bracket, in order to make investment decisions more efficient.

- The Conservatives have pledged to reduce this allowance to 12.5 per cent (Source: Conservative Party Policy Document, "A 21st Century Employment Strategy" 15 July 2008).
- The Conservatives estimate this would increase tax on business investment by £3 billion in 2009-10.

Reduce long life plant and machinery capital allowances to 6 per cent

- In Budget 2007, the Government increased this allowance from 6 to 10 per cent. A 6 per cent rate, which the Conservatives advocate returning to, was distorting because it did not match the rate of economic depreciation for these long life assets, such as electricity generation equipment. A 10 per cent rate acts as an incentive for long term investment, while the Conservative policy would, according to their estimates, increase tax on business investment by £335 million in 2009-10.

Why are the Conservatives planning a £4 billion tax hike on business investment by cutting reliefs and allowances which would hurt business across the piece and particularly hit British manufacturing?

How much investment do the Conservatives estimate would be discouraged by increasing tax on business investment by £4 billion in this way?

5. National insurance recruitment subsidy

Cut national insurance for firms hiring unemployed people	
Headline	"TORIES PLAN TAX HOLIDAY FOR FIRMS THAT TAKE ON JOBLESS" <i>Daily Mail, 11 November 2008</i>
Under Scrutiny	The Conservatives seriously overestimate the savings from taking someone off Job Seekers' Allowance after three months, using a figure which only applies to people taken off Job Seekers' Allowance for a year. Without additional public funding, which the Conservatives have ruled out providing, the scheme would not be feasible. Just another empty Tory promise.

- The Conservatives have promised businesses a £2,500 credit against National Insurance Contributions for each employee a business hires who has been unemployed for over three months. The Conservatives claim that this proposal would be self funding because "every time" someone who has been on Job Seekers' Allowance for three months gets into work, they save £8,100 for the Exchequer.

"We know from the Freud report that every time someone leaves benefits and goes into work it saves the government, saves the taxpayer over £8,000 a year."
David Cameron, Press Conference, 11 November 2008

- Their application of this savings figure does not stand up to scrutiny. The independent Social Market Foundation has exposed the problems with the Tories applying this figure in their modelling. The £8,100 figure in the Freud review applies only to those who would have been unemployed for a whole year – not just three months.

"The Social Market Foundation questioned the Tories' calculations. It said that the £8,100 saving identified in the Freud report covered someone claiming JSA benefit for a whole year. But about 60% of JSA claimants received cash for less than three months. This meant that the government was not spending £8,100 a year for every JSA claimant - hence the black hole.
Ian Mulheirn, the foundation's director, said: "The implication of this is that the saving isn't £8,100 per person but around a quarter of that . . . so while the savings are relatively small the cost of the credit remains £2.6bn. The policy is therefore not revenue neutral."
The Guardian, November 12 2008

"The fiscal gain of a year-long move into employment by a claimant on one of the three main benefits is substantial. My preliminary estimates of the gross saving to the Department of moving an average recipient of incapacity benefit into work is £5,900, with wider exchequer gains (offsetting direct and indirect taxes paid with additional tax credits) raising this figure to £9,000. The equivalent figures for Jobseeker's Allowance are £4,100 and £8,100 respectively."
David Freud, Reducing Dependency, Increasing Opportunity: Options for the Future of Welfare to Work, 5 March 2007, pg 68

Do the Tories accept that 9 out of 10 people who go onto Job Seekers Allowance come off it in less than a year so would never accrue the £8100 figure the Tories need to save?

- Without additional public funding, which the Conservatives have ruled out, the scheme would therefore be unworkable, as the savings would not meet the full cost of the proposed subsidies. Just another empty Tory promise.

The end of the rebranding experiment

- Not only are the Tories not prepared to help people through the downturn, but they are now abandoning their attempts at moving towards the centre ground.
- David Cameron tried to change the Tories image to get away from their identity as 'the nasty party' as Theresa May described them. A major plank of this was to say they wouldn't abandon people as they had in the 1980s. They would talk about issues like society.
- Key to this approach was the attempt not to stop being continually preoccupied with cutting spending on public services. David Cameron wanted to show he was really trying to change. He committed to matching Labour's spending plans. And George Osborne said that abandoning Labour's spending plans was to 'head off onto the margins of the political debate and reduce spending growth further for the sake of a short term argument'. David Cameron and George Osborne made clear that this was vital to their political strategy; saying that only by matching Labour's spending totals could the Conservatives demonstrate that "the charge from our opponents that we will cut services becomes transparently false".

"The result of adopting these spending totals is that under a Conservative Government there will be real increases in spending on public services, year after year. The charge from our opponents that we will cut services becomes transparently false."

George Osborne, The Times, September 3 2007

"We do have a choice. We can either: stick with our long term course; stick with the commitment I made to spending growth of 2.1% for the coming three years; review the final year when we know the state of the public finances; and understand that in an economic slowdown this will mean tight spending plans and difficult decisions about government priorities. Or we can head off onto the margins of the political debate and reduce spending growth even further for the sake of a short term argument"

George Osborne, Speech to Policy Exchange, 15 February 2008

- Today, under pressure they have abandoned this attempt to move toward the centre ground. They have ruled out spending any more to help people and help the economy now, returning to the past strategy of abandoning people when times are tough.
- And in closing weeks of 2008, they have gone further and said they will abandon their pledge to match Labour's spending plans in the future and go back to making spending cuts to public services as they did in the past.
- The Government already had tough spending plans which even the Tories acknowledged were 'tight' and 'tough'.

"Remember they are spending plans that are quite tough, they are 2% increases each year for the next three years."

David Cameron, Monthly Press Conference, 4 March 2008

"This is why we are sticking to Labour's spending totals. Taken alone, these are tight. With rising inflation and unemployment creeping upwards, they will become tighter still."

David Cameron, Speech to CBI, 15 July 2008

- In the November Pre Budget Report, the Government has committed to go even further with efficiency savings and deliver another £5 billion of efficiency savings in 2010 to get as much value for money as possible. But the Tories have said they will abandon their pledge to match Labour's spending plans and go back to making spending cuts to public services as they did in the past. David Cameron made this commitment to abandon the key element of his attempt to reform the Conservative Party in a speech on 10 December.

"We will not match Labour's new spending plans for 2010 and beyond."
David Cameron, Speech to the LSE, 10 December 2008

- Even though earlier that year George Osborne admitted that further tightening of the Government's spending plans "was probably unachievable in a slowdown". And as recently as September, David Cameron was adamant that disingenuous promises to cut Labour's spending plans were "the lightweight thing to do".

"We do have a choice. We can either: stick with our long term course; stick with the commitment I made to spending growth of 2.1% for the coming three years; review the final year when we know the state of the public finances; and understand that in an economic slowdown this will mean tight spending plans and difficult decisions about government priorities. Or we can head off onto the margins of the political debate and reduce spending growth even further for the sake of a short term argument. Never mind that it would probably be unachievable in a slowdown, when tax revenues fall and welfare spending rises."
George Osborne, Speech to Policy Exchange, 15 February 2008

"The lightweight thing to do would be to make unrealistic promises about slashing Labour's spending levels, promising give away tax cuts and expecting people to believe you."
David Cameron, Channel 4 News, 30 September 2008

- The Tories have now retreated back to the Thatcherite strategy of the past: abandon people to sink or swim when times are tough, cut vital public services and stop trying to pretend that they are not the 'nasty party'.

Where will the Conservatives spend less than Labour?

Was George Osborne right to say that spending less than Labour "would probably be unachievable in a slowdown"?

Does David Cameron still believe that it is "unrealistic" to promise to give away tax cuts based on slashing Labour's spending levels?

Under scrutiny...

Doing nothing