

# This was a Tory budget from a Tory Chancellor

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**Tim Leunig** *analyses today's budget and argues that this was a case of the Tories looking after their own, particularly with regards to the 50p tax rate. The budget also saw an end to claims to be a tax reforming government, although there were positive moves on pensions and income taxes for those on minimum wage.*



This was very much a Tory budget, from a Tory Chancellor. George Osborne cut the top rate of income tax, and did so on the grounds it wasn't raising much money. The reason it didn't raise much money is because people were able to avoid it, mainly by taking income before it was introduced, or delaying taking it until after it was abolished.

This is a very strange message for governments to put forward. They are saying that because rich people were able to avoid paying the tax, they would abolish it. Yet we don't find them cutting cigarette tax just because lots of poor people buy smuggled cigarettes. The Chancellor had another alternative: the "Warren Buffett" tycoon tax recently proposed by Nick Clegg. This would have simply imposed a minimum tax, say 30%, on anyone with an income of more than £150,000. At that point loopholes lose their allure, and the 50p tax rate would be more likely to bite.

There is nothing necessarily undemocratic about this outcome. More people voted Conservative than voted Liberal Democrat. There are more Conservative MPs than Liberal Democrat MPs. The prime minister is a Conservative, and so is the Chancellor. They are behaving as Conservatives do, on this and other issues. On the one hand, the budget announced a £10bn cut in the welfare budget, while saying that families with incomes of £45,000 to £60,000 will not see child benefit cut line with previous announcements. Whatever government may say about all being in it together, governments always look after their own.

We also saw an end to any real claims to being a tax reforming government. There were no moves towards making the tax system greener, for example. Indeed, the Chancellor announced that there would be no above inflation rises in petrol prices, unless oil prices fell below \$75 a barrel. That figure appears to be stated in nominal terms, which means that prices have to come down by \$50 a barrel from their current level before the Chancellor would even consider raising fuel duty by more than inflation. That is not the action of "the greenest government ever".

Similarly, ideas supported by both radical elements of the Conservative party, such as Tim Montgomerie, and by the Liberal Democrats, to move the tax system from taxing income to wealth came to nothing. Stamp duty on a handful of very expensive properties has been raised, and stamp duty avoidance has been tackled, but there was no move whatsoever towards a wealth tax.

Nor is there any move to localise taxation. We have a somewhat bizarre announcement that the Chancellor will be paying for cycle lanes in London. London is the richest part of Britain: wouldn't it be more sensible to give the Mayor of London greater tax-raising powers and then have him held accountable to his voters for how he uses them? The idea that the Chancellor of the Exchequer should be deciding whether London should have more or fewer cycle lanes is pretty preposterous, and can easily be seen as a Tory government shoring up support for a Tory mayor shortly before he faces reelection.

There were also the usual gimmicks. The Chancellor pledged that he was in favour of tax simplification, while announcing a very complex new system of means testing for child benefit, and new tax loopholes for television and animation. All politicians since Lawson have been as bad as each other, but there was no return to Lawsonian simplification today.

Of course there are things to support: halving the amount of income tax paid by minimum wage worker is a pro-employment, progressive measure. Cutting through the thicket of state pensions by creating a flat rate pension for future pensioners make sense. Abolishing the additional pension tax allowance for future pensioners does simplify the system, although it does so by hitting pensioners on low to middle incomes, rather than the richest pensioners. A much more progressive tax simplification measure would have been to have further limited, or even abolished, the tax-free lump sum given to pensioners on retirement. This goes overwhelmingly to the richest pensioners.

The best line, however, was that sorting out our education system will achieve more than any budget for the economy. Sadly, the Chancellor didn't appear to mean it. He announced new money for faster broadband, rail electrification, and other things, but not a penny of new money for schools. No money for areas where the number of children has increased and need classrooms, and now money to recruit better teachers in areas where teacher quality and results are both poor. Words are wonderful things, but it is actions, not words, that can improve our education and thus our economy.

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