

Budget 2011: Fiscally neutral, and some 'radical' planning changes, but the devil is definitely in the detail

<http://blogs.lse.ac.uk/politicsandpolicy/2011/03/23/2011-budget-devil-detail/?pfstyle=w p>

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Tim Leunig of LSE Economic History, and Chief Economist, CentreForum, gives his first reactions to the budget – while it seems to be fiscally neutral much of the specifics remain to be revealed.

Budgets are great theatre – and pity the leader of the opposition who has to reply instantly. But the devil is in the detail, and here two details need to be flushed out.

First, the fiscal position. There were lots of give aways: Corporation tax down (and banks get the benefit after one year, as well), £370 million rate relief for small businesses, a £250 million bung for developers, via a complex shared ownership scheme for first time buyers, water bills subsidised for people in the South West, more for railways, more for the Green Investment Bank, bigger charity tax breaks, lower fuel duty, and the big rise in the personal allowance. Yet it is fiscally neutral. The IFS will no doubt have their sliderule out, and we await what horrors they find. Over the long term raising the tax thresholds more slowly (CPI not RPI) will increase revenue, but there must be more than the bank levy and oil levy here now.

Second, planning. The growth review, published today, commits the government to “radical changes to the planning system to support job creation by introducing a powerful presumption in favour of sustainable development; opening up more land for development.” (p. 7) Some in government tell me that you can build anything anywhere so long as it is sustainable, and the land that is not Green Belt, a national park, and so on. That would open up almost all of Hampshire, for example, and much of Surrey as well. Others tell me that this will make development even harder, because houses will now have to meet ever more expensive environmental standards. Which is right? We will only know what that means when the National Planning Policy Framework is published in May.

This particular split mirrors a long running division in the Conservative party, between small-c conservatives who want to keep Britain as it is, and free marketeers, who want to see development wherever it is profitable. My sense is that all is still to play for on this one...