

The return of the 'mini-budget'? Reflections on George Osborne's political quid pro quo Autumn Statement



The Autumn Statement is not a Budget; it can only deal with tax and revenue raising issues if they don't involve new powers from Parliament – that is the reserve of the Budget in March. What the Chancellor can do is tinker with public spending at the margins – cuts, squeezes and trimmings to pay for politically exciting announcements. This felt like a mini-budget where the Chancellor strayed further into taxation issues – promising from April 2015, employers will not pay National Insurance on employees under the age of 21, affecting 1.5 million employees.

This was a political quid pro quo statement, showing the emergence of a new politics of semi-transparent bargaining on public spending and taxation at the margins. The Lib Dems 'secured' free school meals and additional spending on school kitchens, and a preservation of much of the ecological charges and programmes. The Tories 'won' a freeze on the rise in business rates, and small businesses will have an extension of rate relief for a further year. In addition he has capped rises on business rates to two percent. The biggest Tory win was a windfall for small local retailers on the high-street who will get a £1000 rebate off their rates bill if their rateable value is £50,000 or less.

It was also a Statement that could have been shorter as many of the announcements were leaked in the days leading up to today. This 'drip-drip-drip' of information has become a tried and tested political tool. Bad news is got out of the way and good news looks like it is cascading like nectar from an energetic, committed and beneficent Treasury. We already knew about the mix of measures to reduce energy bills; a freeze in the increase in Business rates; free school meals and extra money for school kitchens and dining rooms; the tax allowance transfer for married couples and civil partners; even the freeze on fuel duties. Yesterday we learned that these would be paid for by £3billion in cuts to the plans of Whitehall departments. But even this had a smoke and mirrors quality about it as £1billion would be found from spending unused reserves (a reduction in £1billion in the Contingency Reserve.) The remaining 'savings' are to be found by a combination of 'efficiency savings' and reductions in unprotected programmes at DWP, Business, the Home Office and Justice.

The aim today was to clear the way for setting the political economic agenda on the bigger picture – growth, employment and 'rebalancing the economy'. It was an attempt to recapture the political agenda lost in recent weeks to Labour's successful campaign on energy pricing. The highly political nature of the statement was evidenced firstly by the Chancellor's decision to introduce next year a new Charter for budget responsibility to reduce debt as a proportion of GDP; secondly, to cap welfare spending over the course of a parliament, and if the cap is breached, a vote in the House of Commons will be required. This represents a further codification of austerity after the next general election. The chancellor also announced that he is giving powers to the Bank of England to spot asset bubbles and to take action if the property market is overheating, to avoid a repeat of the credit crisis.

This was a pre-General Election Autumn Statement. The battle lines are being drawn: nailing the previous labour government for the high borrowing and credit crisis, challenging opposition parties to cap welfare spending, debating how the cost of living crisis can be best addressed and by whom, and which party is most credible on managing the public finances. Will middle-England accept that the pain has been worth the gain over the course of this parliament?

[Professor Colin Thain \(staff/profiles/government-society/thain-colin.aspx\)](#), *Professor of Political Science*, **[Department of Political Science and International Studies \(/schools/government-society/departments/political-science-international-studies/index.aspx\)](#)**, *University of Birmingham*