

(A) THE STANDARD OF LIVING

Inflation

Rising prices are the greatest enemy of living standards. Inflation – at 4.6 per cent in the year to March – is now at its lowest level for nearly 15 years, and set to fall further. This time it will stay down because it owes nothing to artificial pay and price controls.

Interest Rates

Lower inflation has led to lower interest rates. Bank base rates have now fallen about 6 per cent since the autumn of 1981. As a result, the person with the average mortgage is about £40 a month better off.

Take-home Pay

Under Labour real net take-home pay (i.e. pay after inflation and tax) fell for households on average earnings. Under the present Conservative Government, by contrast, it is likely to have risen by 5.5½ per cent, as the table shows:

Real net take-home pay: percentage increases

	Labour 1973-4 – 1978-9	Conservative 1978-9 – 1983-4
Single person	-2.9	+5.3
Married couple	-0.8	+4.9
Married couple with two children	+0.5	+5.5

(Source: *Hansard*, 6th May 1983, Col. 163)

Thus it can be shown that the standard of living for those in work has, on average, gone up significantly in the last four years. Moreover, under Labour take-home pay for those on lower earnings (75 per cent of average earnings) rose by only 2 per cent if they were married with children; 0.3 per cent if they were a married couple; and actually fell by 2.2 per cent if they were single. Under the Conservatives, the respective increases are 4.4 per cent, 4 per cent and 4.8 per cent.

Taxation

Heavy taxation crushes living standards.

- * Under Labour, basic rate income tax reached 35 pence in the pound. Under the present Government it has been cut to 30 pence.
- * Under Labour, higher rates reached 83 per cent on earned income. The Conservatives have cut them to 60 per cent.
- * Under Labour, income tax thresholds, compared with prices, fell by 20 per cent for a single person and 5 per cent for a married couple. The Conservatives have increased thresholds 6 per cent faster than prices.

Social Security

Living standards have also risen for those dependent on social security benefits, many of whom do not pay tax as their income is too low.

Pensions. Between November 1978 and November 1982 the single retirement pension went up from £31.20 to £52.55 per week, an increase of 68.5 per cent compared with a rise in prices of 61 per cent.

The disabled. In the four years to November 1982, the attendance allowance paid to 440,000 disabled people increased by 68 per cent, from £15.60 to £26.25 a week at the higher rate. Over the same period the mobility allowance rose from £10 to £18.30 a week, an increase of 83 per cent – well ahead of prices.

Supplementary benefits. These are the 'safety net' for some 7 million pensioners, disabled and unemployed people. Adult rates have been increased by 65 per cent in the four years to November 1982, compared to price increases of 61 per cent. Rates for children under 5 have been virtually doubled, from £4.40 to £8.75 a week.

(B) HIGHER TAXES UNDER LABOUR

The Labour Party has now made clear beyond doubt that a Labour government would put taxes up. During discussions with the Government on the enactment of essential legislation before the dissolution of Parliament on 13th May, the Labour Party insisted on the withdrawal of certain Budget changes which would have benefited pensioners, home-owners and middle management.

Labour made their support for the accelerated passage of the Finance Bill – necessary to maintain the Government's revenue-raising powers during the election – conditional upon the abandonment, among other things, of three vital tax measures.

First, the Budget proposed a 14 per cent rise in the thresholds for all income tax bands, basic as well as higher rates. Labour allowed the increase in the basic rate starting point, but blocked the increase in the starting points for income tax at the higher rates. Once again, Labour have exhibited their crude ideological hostility to middle management. A married couple now find themselves liable to income tax at the upper rates on an income of no more than £16,000. In all, Labour's amendments would bring another 300,000 people into the higher income tax bands.

Second, the Budget proposed an increase in the limit for tax relief on mortgage interest from £25,000 to £30,000. Labour have blocked this, yet in London alone about a quarter of first-time buyers have mortgages over £25,000. By insisting that the upper limit remain £25,000, Labour have made explicit their hostility to people trying to buy their own homes. 150,000 people are likely to be affected.

Third, the Budget proposed to raise the threshold for the investment income surcharge by the same 14 per cent, i.e. from £6,250 to £7,100. Labour have blocked this increase, thereby increasing the tax burden on many pensioners who are living off their lifetime savings, or off the capital proceeds of selling their interests in a small business they have built up. An extra 45,000 people, many of them pensioners and widows, are likely to be affected.

Under the rules of the tax system, the benefits of the Budget tax changes have already taken effect and even if Labour's petty obstruction were made a reality by a Labour victory at the election, these tax reductions could not be reversed before July. Quite clearly, Labour's purpose was not to affect the amount of money people will be getting but simply to revive the politics of envy. **Mr Leon Brittan**, Chief Secretary to the Treasury, has pledged that one of the first acts of an incoming Conservative Government will be to reinstate the sensible provisions of the 1983 Budget, which were widely welcomed when announced only two months ago (BBC Radio 4, 11th May 1983).

DH/TK