



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

21 July 2015

Andrew Tyrie MP
House of Commons
London SW1A 0AA

Distributional Analysis

I am writing to share with you the draft distributional analysis produced on the methodology adopted for comparisons in the previous Parliament, as you requested at the Treasury Select Committee hearing.

As I set out in the committee hearing, the Summer Budget distributional analysis was produced setting out the distribution of public spending and taxes that affect households both before and after the policy changes we have made since 2010. That analysis shows that the richest fifth of households will be paying a greater proportion of taxes in 2017-18 than in 2010-11 as a result of government policy – and more than all the other households put together – and that the proportion of spending received by households in each quintile has not changed since 2010-11, with around half of all spending on welfare and public services is still going to the poorest 40% of households.

The Treasury produced draft analysis as part of the preparation of the Summer Budget on the previous methodology, comparing to previous plans financed by unsustainable levels of borrowing. The Treasury will not be producing analysis of this kind for future fiscal events, because it presents spending funded by additional borrowing as an unequivocal gain to households, and measures to reduce borrowing as an unequivocal loss. That is plainly not a useful way to consider the distributional impact of economic policy, when we know that without sound public finances there is no economic security for working people, and that those who suffer when governments run unsustainable deficits are not the richest but the poorest.

Nevertheless the draft analysis continues to show, as it did throughout the last parliament, that those with the highest incomes are contributing the most to the consolidation. The Treasury are publishing the draft analysis along with this letter today.

GEORGE OSBORNE