

1.2 Looking to the future

Once we have balanced the books, we will ensure that overall public spending grows again in line with the economy. This will ensure we can improve key public services and enable public sector workers to receive fair and affordable increases in their pay. We understand that public services depend upon high-quality and dedicated staff.

We will follow two new fiscal rules.

Our first fiscal rule is that, from 2017/18, debt must fall as a proportion of our national income every year – except during a recession – so it reaches sustainable levels around the middle of the next decade.

Our second fiscal rule is that over the economic cycle we will balance the overall budget, no longer borrowing to pay for everyday expenditure. We will make one significant exception to enable us to invest in the things that will help our economy grow. Provided the debt rule is met, the government will be able to borrow for capital spending that enhances economic growth or financial stability, enabling us to increase this productive investment.

In our Spending Review we will set out long-term plans for capital expenditure, and ensure that investment in infrastructure, including in housing and energy efficiency, continues to rise both in absolute terms and as a share of the economy.

Our plan to finish the job and balance the books

- ♦ Aim to balance the structural current budget by 2017/18.
- ♦ Set a course to reduce debt as a share of national income.
- ♦ Make deficit reduction fair by ensuring the richest pay their fair share and corporations cannot avoid their tax responsibilities.
- ♦ Set new fiscal rules to balance the budget while allowing borrowing for productive investment.
- ♦ Increase public spending again in line with the economy once the budget is balanced.