

# Britain's pro-business mini-budget means no real concessions on either fuel taxes or pensions

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In the run-up to Labour's mini-budget statement on Wednesday, the Blair government had warned that it would not cave in to "self-interest groups" seeking reductions on fuel taxes. With road hauliers and farmers threatening to renew their anti-fuel tax protest Friday, Blair said the demand for a 26 pence across the board reduction in fuel tax would threaten public spending.

Pensions played highly in the government's pre-budget hype. There had been outrage earlier this year when Labour had awarded a meagre 75 pence increase in the basic state pension. This had been compounded by figures showing that pensioners account for one of the largest groups in poverty in Britain, rising under Labour from 2 million to 2.4 million.

With a projected budget surplus forecast at £16.6bn for this year and a General Election forecast in May, Chancellor Gordon Brown had to be seen to make some recompense for the government's earlier insult. But pensions were also an essential part of a concerted propaganda campaign—to be backed up with law and order measures—to undermine widespread public support for a reduction in British fuel taxes—currently the highest in the world.

In the event, Brown made some token concessions on pensions and fuel, whilst much of his £4.3 billion "give-away" was aimed at satisfying the only "self-interest group" that matters to the government—the City of London.

Whilst the media largely praised the budget for ensuring a "little for everyone", the reality is very different. In his budget preamble, Brown had stressed to the representatives of big business that Labour held their interests most dear to its heart. Accordingly the

Chancellor pledged that the budget surplus would be used to repay the national debt—£28 billion out of the £314 billion total. There are to be consultations on three major corporation taxes aimed at "boosting business"—including abolishing withholding tax and a low tax rate on company share holdings—and a "radical reform" of tax incentives to help entrepreneurs. Brown also rejected calls to levy a windfall tax on the oil companies, which have announced significantly increased profits in the last month.

In contrast the much-vaunted increase in the basic state pension amounts to just £5 a week for single pensioners and £8 for married couples from next year, and by £3 and £4.80 respectively the following year. More importantly, the paltry rise is in place of renewing the index linking of pensions to average earnings, which was ended by the previous Conservative government in an effort to cut public spending and force people into private pension schemes. Many had hoped that Labour's election in 1997 would restore the link, helping to prevent the growth in pensioner poverty.

Instead Labour is to establish a means-tested minimum "guaranteed income" for pensioners of £92.15 for individuals and £140.55 for couples from next year, rising to £100 and £154 by April 2003. Also in 2003 a pension credit is to be introduced, available only to those with incomes below £135, if single, and £200 a week for couples.

Ann Redston, tax partner at Ernst & Young, dismissed claims that the new measures—the full details of which have yet to be revealed—were a boost for the state pension. The Chancellor is "effectively abolishing the state pension", Redston said, by moving towards

means-tested benefit. "All the new money is going into top ups for those on low incomes and that is a very big policy shift."

Labour claimed that the choice was either to "give an across the board increase to everybody, rich and poor alike, or you can give more than an earnings link to those people who are on very low pensions."

Rhetoric aside, the new scheme amounts to legal plunder. As in all social policy matters, the government has drawn a dividing line between the virtually destitute and everyone else—whom it incredibly deems to be "rich". On this basis millions of people who have regularly paid national insurance to finance their old age are to be denied any real increase in their pensions, forcing them into private pension or saving schemes—a lucrative bonanza for the City. The alternative is to face the fate of millions more pensioners, existing at subsistence levels, who are to receive a rate that will effectively maintain them in that state.

The principle of selective targeting ran throughout the budget. Rejecting a cross-the-board cut in fuel taxes, Brown announced that from next year until April 2002, there is to be a freeze on excise duty on all fuels; a cut on "green" friendly low-sulphur petrol and diesel duties—2 pence and 3 pence respectively; a freeze on farming diesel duty and a 50 percent cut on truck excise duty. There is also to be a £55 reduction in vehicle taxes, applicable to cars up to 1,500cc.

Other measures announced continue government policy of running down social spending. An additional 150,000 single parents are to be included in the so-called "New Deal" or workfare package introduced under Labour—reducing welfare rolls and pushing many into low paid employment.

Primary and Secondary schools are to receive lump sum payments of between £4,000 and £7,000 and £10,000 and £30,000 respectively. Another paltry payment, which is to be made directly to head-teachers, it is aimed at reinforcing the division of schools into individual, competing units responsible for their own budgets.

Brown's sleight-of-hand has not placated widespread discontent, however. Meeting following the budget announcement, 80 organisers of the People's Fuel Lobby voted to reject the Chancellor's proposals and go ahead with a four-day rolling convoy, from the north east to London, beginning Friday. They will go ahead

with staging a convoy, culminating in a rally in London on Monday to protest the government's refusal to cut fuel taxes. The *Financial Times* was still not satisfied that the government had shown sufficient resolve against the fuel tax protests. It warned that in making any concessions at all on motoring taxes, the government could encourage future, more varied, protests. The "dangerous" signal sent out by the Chancellor in his budget, the paper warned, was that, "if you shout loud enough you may get the money".



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