

# British government imposes £2 billion cuts

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Only days before the June 22 Emergency Budget, Britain's coalition government announced further spending cuts of £2 billion. The cuts will see the immediate scrapping of government projects, while a further £8.5 billion worth of projects have been suspended pending the comprehensive spending review later this year.

The cutbacks were announced by Liberal Democrat Danny Alexander, chief secretary to the Treasury. He brought the axe down on 12 programmes, including over £500 million in funding to support schemes to get the unemployed into work, and £400 million for new hospitals and spending on road maintenance. Stonehenge, a Unesco World Heritage site, will lose support for a visitor centre that is set to close.

One of the largest projects affected was Sheffield Forgemasters, which had been granted an £80 billion loan to manufacture parts for nuclear power stations. Over 100 jobs could be lost.

Abandoning the pretence that spending cuts could be carried through "progressively," Alexander commented that there was a new "black hole" in the government's finances. He continued, "I have taken the decision to cancel certain projects that do not represent good value for money, and suspend others pending full consideration in the spending review."

The cuts will have a devastating effect on many thousands of people, but they are only a foretaste of what is being prepared. In tomorrow's budget, and over the course of the coming years, the Conservative-Liberal coalition will seek to impose the full burden of Britain's £156 billion budget deficit onto working people.

Comments from government ministers and press reports over the weekend indicated the vast scale of the cuts in public spending being contemplated. The cuts in the Emergency Budget are to be centred on welfare

benefits and will fall disproportionately on the poorest sections of society. One of the measures being proposed is a sharp reduction in the number of households eligible for child tax credit. Up to £3 billion in tax hikes is being considered including an increase in Value Added Tax from its current rate of 17.5 percent.

The *Sunday Mail* commented, "The Chancellor will unveil across-the-board cuts in State benefits to encourage more people to look for work instead of living on the dole. A freeze in some benefits is thought to be under consideration.

"There will also be major cuts affecting hundreds of thousands of public-sector workers. All those earning more than £18,000-a-year face a pay freeze in addition to being forced to pay more for their gold-plated pensions. And there will be large reductions in the 640,000 people employed by Whitehall" [the civil service].

On June 14, the newly created Office for Budget Responsibility (OBR), an "independent" body set up by the Conservative-Liberal coalition, released its first report into the state of the UK economy. It sharply downgraded the outlook for economic growth, reducing the estimate for GDP growth in 2011 from 3.25 percent to 2.6 percent. In the longer term, it revised growth predictions from close to 3 percent down to 2 percent.

As a result, according to one prediction, Chancellor George Osborne will have to find £34 billion in the budget to cut. Bearing in mind that the coalition is committed to raising 80 percent of revenue through spending cuts, and only 20 percent in tax hikes, this could amount to reductions in departmental budgets totalling £25-30 billion this year.

Cuts of this magnitude will continue, with the Institute for Fiscal Studies predicting that public spending will be reduced by over £80 billion in the coming four years.

Prime Minister David Cameron has already stated

that the cuts to be implemented by his government will alter “our whole way of life” and that the budget deficit is “a clear and present danger to the British economy.” In a speech earlier this month, he estimated that the cost of paying the interest on state debt would rise to £70 billion within five years, a figure borne out by the OBR report that revised it downwards slightly to £67 billion.

The OBR report also targeted public sector pensions, suggesting higher employee contributions to the state pension would be advisable. Deputy Prime Minister and Liberal Democrat leader Nick Clegg denounced public sector workers for getting used to “gold plated” pensions. He called for such pensions to be “reformed”.

The attack on public sector pensions is part of a broader strategy to divide public and private sector workers. The aim has been to present the public sector as hopelessly inefficient, having enjoyed years of expansion under the Labour government. In a blatant attempt to draw the attention of working people away from the much wider chasm which divides a tiny wealthy elite from the broad masses of the population, the *Daily Mail* claimed that public sector workers earned 30 percent more per hour than private sector counterparts, adding that over their working lives public sector employees work nine years less than do those in the private sector.

Such claims cannot disguise the fact that the coming cuts will hit workers across the economy, regardless of whether they are employed by the state or by a private firm. As the £10.5 billion of spending that was either cut or shelved last week demonstrated, the government is axing subsidies and other funding for projects being carried out by private companies as well as launching an across-the-board assault on public spending. The £6.2 billion of cuts unveiled by Cameron when he took office put paid to the claim that vast amounts of waste existed within the public sector, with core services such as hospitals, free school meals and housing programmes being hit.

In his annual Mansion House speech, delivered in front of leading figures in London’s financial sector, Bank of England Governor Mervyn King solidarised himself with the government’s plans to make deep cuts. He argued that severe austerity measures “cannot credibly be postponed”, if Britain is to rein in its budget deficit and keep inflation low.

King warned that the crisis that began in 2007 was far

from over. He drew attention to the growing fiscal crisis spreading throughout Europe, commenting that the failure of governments to pay for increasing state debt could “derail the recovery.”

Osborne, speaking at the same event, cited similar fears over the solvency of European governments. He has advocated the creation of a “Star Chamber”, which will oversee all government expenditure when the spending review commences later in the year.

The trade unions have made it clear that they will organise no opposition to the coming programme of cuts. Writing in the *Guardian*, TUC General Secretary Brendan Barber merely urged the government to work with the European Union and other international institutions to develop a “coordinated strategy” to bring about economic growth.



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