Osborne's "Aspiration Nation" budget signals more UK austerity

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Chancellor George Osborne's budget speech outlined the government's determination to press ahead with austerity measures and business tax breaks.

Quantitative easing will continue. The public sector pay cap is to remain in place and further cuts will be made to government departments while corporation tax will be reduced again.

Osborne advanced financial measures to guarantee new mortgages with government assets, promoting a housing bubble and increased financial speculation.

His constant references to an "Aspiration Nation" and to people who aspire to a job, a home and their own business were meant to curry favour with the upper middle class, while implicitly accusing all those made unemployed, lacking their own home or who have seen their businesses fail of a lack of "aspiration".

The Institute of Directors was quick to praise his budget. Ratings agency Moody's, which last month cut the UK's rating to AA1, says it expects to maintain its "stable" rating.

One day before the budget, a spokesman for Prime Minister David Cameron warned that Britain still faced "an unprecedented peacetime economic crisis". On the morning of the budget the *Financial Times* predicted "one of the bleakest British budgets" of recent years.

Sterling has lost 7 percent of its value against the US dollar this year alone.

In 2010, when the Conservative-Liberal Democrat coalition government came into office, the budget deficit stood at 11 percent of Gross Domestic Product (GDP). Osborne's austerity measures aimed to bring that deficit to 1.1 percent by 2015-16. The deficit in the fiscal year ending this month stands at 7.7 percent, among the highest in the European Union. The deficit is now expected to be 7.4 percent by the end of the year, short even of the 6.9 percent predicted by Osborne in his autumn statement.

In monetary terms, the revised forecast offers stark evidence of the economic crisis. A deficit of £108 billion predicted for 2012-13 has now been revised upward to £114 billion, while the expected deficit for 2017-18 has been revised up from £31 billion to £42 billion.

The reduction of this deficit is based on cuts to public expenditure. Public sector net debt is forecast at 75.9 percent of GDP this year, rising to 85.1 percent in 2015-16. Workers should take note of the fact that Osborne, discussing the projected deficit reduction, said his numbers "all exclude the transfer of the Royal Mail pension fund to the government", but that this transfer "reduces the deficit still further for this year alone".

National output has grown over the same period by only one percent, rather than the 7 percent predicted in Osborne's first budget. Growth figures have been systematically revised downwards. In 2010 Osborne was forecasting 3 percent growth for this year. Last autumn he revised this down to 1.2 percent.

Figures from the Office for Budget Responsibility (OBR), released just hours before Osborne's speech, scaled this back even further—forecasting only 0.6 percent growth this year, with the previous estimate for 2014 of 2 percent growth reduced to 1.8 percent.

Unemployment rose by 7,000 over the period November-January, bringing the official jobless total to 2.52 million, 7.8 percent of the population. Youth unemployment rose to 993,000, a 16-24 unemployment rate of 21.2 percent.

Average earnings increased by 1.2 percent in the year to January, 0.1 percent down on the previous month and the lowest wage increase since 2009. Inflation is running at 2.8 percent, meaning wages are being far

outstripped by prices.

Osborne's budget maintained a 1 percent cap on public sector pay increases. Government departments are forecast to underspend their budgets by £11 billion this year, thanks to previous financial constraints. Having imposed these restrictions, Osborne pledged to establish budgets "more closely aligned to what [departments] actually spend". This will mean a further 1 percent reduction for most departments.

Britain is in a "global race", he said, and events this week in Cyprus demonstrated that the crisis is not over. He pointed to the continued fragility of the eurozone, noting that 40 percent of British exports go there.

The chancellor pledged to reduce corporation tax to 20 percent from April 2015, "the lowest business tax of any major economy in the world". His message "to anyone who wants to invest here … [is] that Britain is open for business".

He offered new tax breaks for companies in shale gas extraction (fracking) and other breaks for the financial sector. Announcing an extension of the Capital Gains Tax "holiday", he pledged tax breaks "to encourage private investment in… social enterprises".

The sugar on the pill was bringing forward the imposition of a £10,000 tax threshold to next year. This makes the first £10,000 of earnings tax-free. However, most remarkable is what this reveals about social inequality and poverty in Britain: Osborne's own figures suggest some three million workers will thus be removed from income tax.

Last year's budget reduced the rate of tax paid by the highest earners from 50 to 45 percent. This takes effect next month. At the same time the threshold for the 40 percent tax band is to be lowered, making an estimated 400,000 liable for the higher rate. With just a one percent rise in the salary levels built into the proposals, it has been estimated that another 700,000 may find themselves taxed at 40 percent over the next three years.

Osborne's determined promotion of private investment in social enterprise was most pronounced in his moves to extend further private home ownership and financialisation. He announced a "Help to Buy" scheme, echoing Margaret Thatcher's "Right to Buy" programme for selling social housing into the private sector. He announced both a mortgage guarantee to help lenders "provide more mortgages to people who can't afford a big deposit" and a 20 percent equity loan for homebuyers putting down a 5 percent deposit on new-build properties worth less than £600,000. These loans will be secured against government assets.

This was an incentive to a certain section of the middle class, which also offered "great support for homebuilders", he argued. His Budget Book proposals also mentioned the building of 15,000 new "affordable homes".

The Budget Book also announced plans to extend the "Right to Buy" scheme so more tenants can buy council-built properties from social landlords. On the eve of the budget, the London *Evening Standard* announced an increase of the maximum discount available for this purpose to £100,000. This was intended to increase house purchases in London, which has higher property prices than elsewhere in the country. As councils are already moving to relocate poor families out of the capital, the move can only be seen as an intensification of the social cleansing of the city.

Labour leader Ed Miliband noted Osborne's failure to mention the loss of the UK's AAA ratings, but he had little to offer beyond weak jokes. The pro-Labour *Guardian* was moved to note that "Miliband will be painfully aware… that Labour has failed to win the argument that it has a better alternative. While opinion polls show growing disdain for the coalition parties, the support for Labour is surprisingly modest—behind where Michael Foot used to rate in Margaret Thatcher's first term, and trailing most of Neil Kinnock's years as leader of the opposition".

The *Guardian* concludes somewhat charitably, "There is a simple reason for this: the opposition has failed to lay out much of an alternative".

The essential fact is that the Labour Party agrees fully with the need to impose austerity measures and most workers by now have its true measure.