Osborne's Autumn statement: Recovery for UK business means poverty for the working class

Robert Stevens
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British Chancellor George Osborne's Autumn Statement announced further billions in spending and welfare cuts.

Osborne's appearance before parliament took on a surreal character as he constantly referred to an economic recovery being well underway, despite the fact that millions of Britons are still mired in poverty. With unemployment at an official 2.5 million, he declared, "Britain's economic plan is working" and was based on a "job-rich recovery for all."

The "biggest risk to that comes from those who would abandon the plan," he said, adding, "Yes, the deficit is down. But it is still far too high and today we take more difficult decisions."

Osborne announced £3 billion in cuts from government departments, to be imposed over the next three years. A 1.1 percent reduction will also be made across departments' resource budgets over the next two years.

Osborne announced details of a previously flagged welfare cap, which will include every benefit payment except the state pension and Job Seekers Allowance. "The vast majority of housing benefit" payments will be capped," said Osborne.

"We have taken very difficult decisions to bring benefit bills down – and saved £19 billion a year for the taxpayer," he boasted.

Further clampdowns were announced with the aim of throwing many off welfare benefits. Stating that there were now "hundreds of thousands fewer on welfare" since the coalition came to office in 2010, the chancellor added, "Without basic math or English, there is a limited chance any young person will be able to stay off welfare."

A new policy will be introduced in which "anyone aged 18 to 21 signing on without these basic skills will be required to undertake training from day one or lose their benefits."

Those who are still unemployed after six months will have to "start a traineeship, take work experience or do a community work placement… If they don't turn up, they will lose their benefits," he added.

Blaming young people for their predicament in an economy in which over one million young people are unemployed, he stated, "A culture of worklessness becomes entrenched when young people can leave school and go straight onto the dole, with nothing expected in return. That option is coming to an end in our welfare system."

In a move designed to bind future government to the welfare cap, and to push the opposition Labour Party to match the cap, Osborne announced a "Charter for Budget Responsibility" to be unveiled next year.

"At the beginning of each Parliament", said Osborne, "the chancellor of the day will set the welfare cap for the coming years and ask the House of Commons for its support. If the cap is breached, they will have to explain why and hold a vote in this House."

A rise in the state pension age to 70 was also announced.

Such has been the slashing of public spending since 2010 that the Office for Budget Responsibility (OBR) predicted that by 2019 the share of national income spent on the day-to-day running of the state would be the lowest since at least 1948, when modern records began.

Osborne cited figures from the OBR that the economy would grow by 1.4 percent this year and 2.4

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percent next year. However, the *Guardian* noted that the OBR explained that any growth during 2013 had been the result of consumers running down savings to fund higher spending. The OBR said productivity would need to improve in order to "sustain the recovery and raise living standards."

The "recovery" hailed by Osborne is actually the slowest in more than 100 years, with the economy more than 3 percent smaller than before the 2008 crash. The UK economy has been able to remain afloat only through a guarantee of cheap money via the £375 billion of quantitative easing that been made available to the banks. This could rise to as much as £425 billion.

Another factor has been the relative stability of interest rates, which have remained at a historically low level for 57 consecutive months. This policy is set to end, with the governor of the Bank of England, Mark Carney, warning this week that millions of homeowners have to be prepared for interest rate rises.

Carney warned, "Think about the mortgage you are taking on, the debts you are taking on. You are taking at least a 25-year mortgage, maybe a 30-year mortgage.

"Are you going to be able to service that mortgage five years from now, 10 years from now, if interest rates are higher? Or are you counting, even subconsciously, on the price of your house keeping going up and if something happens an ability to sell it quickly and not facing the consequences of not being able to pay?"

Peter Oborne, a columnist for the pro-Conservative *Daily Telegraph* supported the welfare cuts and public spending announced by the chancellor but issued the dire warning:

"Not one of our front line politicians has any real understanding of the deadly seriousness of the situation faced by the British economy, or the way the world changed after the economic crash of 2008," he wrote. Stating that the OBR's projections for Britain's economic growth "are still terrifying," he said Osborne's statement was "an excuse for a series of tax giveaways and price freezes, all cheered to the rafters from the Conservative benches in a manic display of premature triumphalism."

Paul Johnson, director of the Institute for Fiscal Studies, said, "We've had the biggest recession we've had in 100 years… It looks like in 2015 people will be no better off than they were in 2001."

Financial Times also supported Osborne's statement as demonstrating "the efficacy of the coalition's economic medicine." It praised the "long-term commitment to increase the pensionable age, designed to remind voters of the importance of deficit cutting."

Both the welfare spending cap, the increase in the pensionable age and the charter for budget responsibility "seem designed largely to put [the opposition party] Labour in a fix," it concluded.

This is a polite nudge from the FT to gee Labour along. It is well aware that Labour is pledged to continue whatever austerity is required on behalf of the ruling elite. Labour is on record that it supports a welfare cap and will even include pension payments in it. Labour is committed to imposing all the coalition's spending cuts in its first year in government, were it to win the 2015 general election.

Labour made immediate moves to go further than the Tories in pledging its commitment to austerity measures. Within hours of Osborne's statement, a *Guardian* article stated that Shadow Chancellor "Ed Balls is planning to outmanoeuvre George Osborne over the future of Britain's public finances by embracing fiscal rules that would be tougher than those proposed by the chancellor in his autumn statement."

Balls is quoted saying, "We have said very clearly we will have two fiscal rules. One: to get the current budget back into surplus and secondly to have the national debt falling. We will do that through our manifesto. We have had fiscal responsibility charters in the past so we have no aversion to that."

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