UK Labour pledges itself to legally binding savage cuts

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The United Kingdom’s opposition Labour Party has pledged to introduce laws to enforce “tough” fiscal rules if it wins the election in 2015.

The announcement by Shadow Chancellor Ed Balls replicates the anti-democratic measures imposed on countries such as Greece by the European Union, where massive spending cuts have been made legally binding.

Balls told the Fabian Society during the weekend that a future Labour government would legislate within its first year to introduce a debt brake, progress which would be overseen by the Office for Budget Responsibility.

This means Labour is now fully committed to permanent austerity, as it matches the Tories step-for-step. The Conservatives have already stated they will bring the current account into surplus by 2019, based on more than £150 billion worth of cuts. Central to this is reducing public spending from 46 percent of GDP when it took office to less than 37 percent. Even so, Chancellor George Osborne has said that a further £25 billion of cuts will be necessary in addition to those already outlined.

The social implication of such moves, passed with barely any comment in the media, is the uniform commitment by Britain’s political elite to the impoverishment of working people.

In contrast, there was virtual apoplexy from some over Balls’ statement that Labour would reintroduce a top tax rate of 50 percent, first set as a temporary measure under Labour’s Gordon Brown and abolished last year by the Conservative/Liberal Democrat coalition.

The proposal affects only those earning more than £150,000—just one percent of the population—most of whom will never pay it. It is a meaningless gesture, intended as window-dressing for Labour’s reactionary agenda.

This was underscored by Labour leader Ed Miliband’s column in *The Sun on Sunday* newspaper, owned by billionaire arch-reactionary Rupert Murdoch.

Pledging further inroads against welfare, Miliband said “tough choices” were needed “to cut the costs of failure in the system”.

Outlining plans to means test the winter fuel allowance for pensioners, he made clear this was just the start as “big reforms” would be needed.

Last week, Labour’s Work and Pensions Secretary, Rachel Reeves, indicated what some of these “reforms” would be. Reeves, a former economist at the Bank of England fast-tracked into the Labour leadership, described the party’s plans for welfare as “tough love”. The unemployed will be made to take a basic skills test. If they fail, their benefits will stop while they undergo mandatory “extra training” in math and English. This would ensure that welfare was targeted at getting the jobless back to work, she said.

These measures are part of a number of “benefit sanctions”, Reeves said, including withdrawing benefits from those deemed to be not trying hard enough to find work and from any of the long-term unemployed who refuse to participate in Labour’s planned work-for-your-dole schemes.

Reeves also said that Labour would support the Tories in efforts to bar European Union citizens from claiming welfare benefits in the UK for two years (instead of the existing three months).

The political fiction—repeated by all the capitalist parties—is that austerity is necessary to restore “economic growth”. Figures released over the last few weeks—supposedly showing that the UK’s economy is growing at its fastest rate since 2007—have been used to demand even more savage inroads into workers’ living standards. The UK grew by 0.7 percent in the three months to December, following growth of 0.8 percent in the third quarter.

But such claims are purely for public consumption. Speaking at the Davos summit, Lord Turner, former head of the Financial Service Authority, compared the UK “recovery” with the “hair of the dog” treatment for a hangover. The figures were only possible because of low interest rates and substantial quantitative easing to the banks and super-rich—the same “model of growth” responsible for the financial crisis in 2008.

“If you chuck enough monetary stimulus at an economy something happens”. Turner said. “It is as if we have had a cracking great hangover, had a stiff drink and off we go again”.

Similarly, Mark Carney, Governor of the Bank of England, sought to play down the government’s trumpeting of “recovery”. In August, Carney said that the Bank of England would begin countenancing a rise in interest rates from their record low of 0.4 percent when unemployment fell below 7 percent.

Despite the latest job figures showing that this was nearly on target—at 7.1 percent—Carney told the Davos gathering that the UK economy was far too fragile to make any such move. “As good as the numbers have been in the last three quarters in the United Kingdom, we’re talking about three-quarters of household-led growth, an economy that’s running 20 percent below pre-crisis trends, that has substantial spare capacity, that has not yet rebalanced and that faces significant headwinds from its major trading partner from overall monetary conditions”, he said. “Exceptional stimulus remains very relevant to the environment”.

The figures on household-led growth are especially revealing. Britain’s total household debt is now a record £1.43 trillion. It has risen steadily since the crash and now stands higher than its previous high in September 2008. Of this, £1.27 trillion is owed in mortgages and £158 billion in consumer credit.

Mortgage debt has been fueled by the government’s Funding for Lending Scheme, which is essentially a subvention to the banks and construction companies. Mortgage approvals are now at their highest level in almost six years.

Further austerity is being prepared under conditions in which 13 million people officially live below the poverty line, and pay rises have fallen year on year. Statistics reveal that this has directly contributed to the growth in the numbers of employed—from 280,000 in the last quarter to 30.15 million—as more women join the workforce to try and raise family income, combined with a vast growth in the “involuntary” part-time, i.e., those unable to find full-time work.

The result is that more people are working longer hours but are earning less money and so are even more dependent on credit.

As Carney pointed out, “It is not just that nearly three-quarters of a million more people are out of work than before the crisis; another three-quarters of a million more people are involuntarily working part-time”.

His statement came after economists said that even a small hike in interest rates would lead to mass mortgage and credit defaults.

None of this is of any concern to the likes of Balls, Miliband, etc. Their sole economic concern is that working people are squeezed ever harder so as to finance the “exceptional stimulus” demanded by the super-rich.