

Unending austerity pledged by UK Conservatives and Labour alike

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25 September 2014

Six years of savage austerity in the UK have taken a terrible toll, with cuts in vitally needed public services being imposed alongside the ongoing privatisation of health care and education.

More than £150 billion in cuts have already gone through, with a report issued last December by the Institute for Fiscal Studies (IFS) warning that the UK is only 46 percent of the way through the Conservative-Liberal Democrat coalition's agenda.

The aim of this relentless assault on living standards is to reverse all the social gains won by the working class in more than century of struggle, including overturning the social right to public health, education and housing that formed the bedrock of the post-Second World War welfare state.

Recent analysis contained in a paper, "Crisis and consolidation in the public finances" by the Office for Budget Responsibility (OBR) reveals how far this counterrevolution has already gone.

Citing an historical dataset from the Bank of England, the OBR noted that by 2019 spending on day-to-day public services is set to fall to its lowest as a share of GDP since 1938—the year prior to the beginning of the Second World War.

The paper notes, "In the 12 years from the outbreak of the global financial crisis in 2007-08 to the end of our current medium-term forecast in 2018-19, the UK public finances will have suffered their largest peacetime shock in living memory, followed—on current policy—by one of the biggest deficit reduction programmes seen in any advanced economy since World War II."

The OBR predicts that in 2018-19, the government will spend about 4 percent less as a share of national income (about £66 billion a year in today's terms) on public services and capital spending than the Labour

government did in 2001-02.

The report notes, "[C]urrent spending on public services is on track to fall to a multi-decade low, total public spending in 2018-19 is forecast to be 37.8 percent of GDP, lower than the post-war average but around the level last seen in 2001-02." When the government took office public services spending as a rate of GDP stood at 46 percent.

The OBR forecasts are predicated on the coalition's austerity cuts, as outlined up to 2015-16, being continued by whichever government emerges from next year's general election. These include a further £12 billion in welfare cuts announced by Chancellor George Osborne earlier this year. It states, "All OBR forecasts are based on the continuation of the current policies of the current Government, as Parliament has required them to be. So one risk to the forecast is that the current Government—or a future one—adopts different policies."

The scale of the public service cuts necessitated by the determination of the ruling elite to force working people to bear the cost of the more than £1 trillion bailout of the banks, following the financial crash of 2008, was detailed earlier this year in a Local Government Association (LGA) report. The LGA revealed that just on the basis of the current level of cuts, by the end of the next parliament (2020), "The savings that will have been made by local government will be in the range of £30-£40 billion."

In its recent assessment of the budget plans of the Conservatives, Liberal-Democrat and Labour parties, the IFS noted that the Tories' plans will require additional tax increases, spending cuts or welfare cuts worth more than £37 billion in the first three years of the next parliament.

By the next election it is expected that the annual public spending deficit will be around £75 billion. The

IFS stated that the government's cuts would be sufficient to achieve its objective of a surplus on current spending by 2018-19, but warned, "However, the latest forecasts for the public finances imply further deep cuts to public service spending, which have not yet been set out in any detail."

In the months leading up to the 2015 election, this detail will be spelled out for the consideration of the financial aristocracy's approval, as each of the three main parties of the ruling elite is committed to maintaining and deepening the austerity agenda.

Labour is positioning itself as the most favoured and trusted means to enforce austerity on behalf of the financial aristocracy, having organised the bailout of the banks and initiated billions of pounds in cuts before being forced from office in 2010. It has already announced its plan to legislate within its first year to introduce a debt brake, committing it in law to reducing the public deficit, the progress of which would be overseen by the OBR.

Shadow Chancellor Ed Balls began this week's Labour annual conference by pledging that his party would maintain current child benefit cuts during its first two years in office. Child benefit is paid to parents at £20.50 a week for the first child and £13.55 for every other child, a rate that has not increased since it was frozen in the first raft of the coalition's austerity programme in 2010.

This followed a pledge by Conservative Chancellor George Osborne to make the same cut for the first year of a new parliament. Balls said Labour will cap the rise in child benefit at one percent in the first two years of the next parliament, cutting its value in real terms and saving £400 million by 2020.

Balls added, "We will have to make other decisions which I know will not be popular with everyone... the next Labour government will get the deficit down."

"Ed Miliband and all my Shadow Cabinet colleagues are clear it will mean cuts and tough decisions and we will take the lead, he added. Insisting that "fiscal responsibility" was "in the national interest," he promised, "We will cap structural social security spending and keep the benefits cap..."

Such pledges are not yet enough to win the support of the ruling elite, with *Financial Times* Economics Editor Chris Giles writing on Monday that Labour's child benefit cap and a token 5 percent cuts in

ministerial salaries, "are a drop in the ocean compared with the unannounced £37 billion in public spending cuts that the Resolution Foundation says are implied by chancellor George Osborne's current plans."

In its editorial Monday, "Labour needs to build bridges with business," the *FT* warned, "There is much to do before the party wins the confidence of UK plc."

While lauding Labour Shadow Business Secretary Chuka Umunna's pledge that Labour would be a "resolutely pro-business government," it cautioned that while Balls' conference speech "hardened the party's commitment to responsible finance, reiterating a pledge to record a current budget surplus in the next parliament ... what scanty details Mr. Balls provided on how to achieve this were insufficient: a few hundred millions when the problem runs to the tens of billions."

The Conservative-supporting *Daily Telegraph* commented, "Even the key announcements briefed in advance cut across each other: on the one hand, Labour was promising to raise the minimum wage; on the other, to maintain child benefit restrictions. Mr Balls, it appeared, could not decide whether to play Scrooge or Santa."



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