

UK general election: Labour tries to deflect from its commitment to continued austerity

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Labour Party shadow chancellor Ed Balls claimed on Monday that the Conservative Party, should it remain in power after the May 7 general election, would carry out £70 billion worth of cuts—“the most extreme in post-war history”.

Balls presented a dossier depicting life under a Conservative “35 percent state”. This is a reference to Chancellor George Osborne’s plans to reduce public spending to 35.2 percent of national income (gross domestic product, GDP) by 2019-2020—the lowest level since the 1930s.

Osborne’s plans, Balls explained, would see three government departments—the Foreign Office, Department for Work and Pensions, and Department for Transport—“disappear.” The state-funded National Health Service “as we know it” would be gone, he went on, and the army reduced to its smallest size since the days of Oliver Cromwell in the 1650s.

The extra cuts resulted from “five hidden factors”, Balls said, including a promise to increase pensions and capital spending, and plans to increase the tax-free personal allowance to £12,500, likely to be announced in next Wednesday’s Budget. In total, this would mean that “the Tories would in the next five years need to make spending cuts which add up to a staggering total of £70 billion”, he declared.

For all Balls’s denunciations, Labour has no fundamental quarrel with the Conservatives or Liberal Democrats on slashing public spending. It was then-Labour chancellor Gordon Brown who declared in 1999 that his government was intent on reducing spending to less than 35.9 percent of GDP.

Under Ed Miliband, Labour remains equally committed to austerity and “balancing the budget”. This is why the party voted overwhelmingly with the Tory-led government in January to rush the Budgetary

Responsibility Bill through parliament before the election. Committing all future governments to permanent austerity, it makes a mockery of any notion of democratic accountability.

Faced with poor poll ratings, however, Labour is desperately trying to salvage some credibility. But this resolves itself solely to the issue of how quickly spending cuts should be pushed through.

In December’s Autumn Statement, Osborne announced an additional £10 billion reduction in government spending by 2017-2018, rising to a potential £20 billion by 2019-2020 in order to achieve a £23 billion budget surplus.

Balls said that Labour would introduce a “tough but balanced and fair plan” in order to cut the deficit every year until the current budget was in surplus. He made sure not to spell out how much spending Labour would cut if it regains office, or where the cuts would fall.

Only in January, he had stipulated there would be no extra money for social care provided by local authorities, telling reporters, “There will be no additional funding for local government unless we can find money from somewhere else, but we have not been able to do that in the case of local government.”

In his bluster at Conservative intentions, Balls is creating something of a straw man. There are reports that Osborne, faced with falling inflation, a sharp drop in oil prices and lower debt servicing costs, might have to temporarily adjust government plans.

More importantly, whichever government gets into power will be confronted by a continuing economic crisis.

Last month, the Institute for Fiscal Studies (IFS) warned that all the main UK political parties are likely to raise taxes and borrow more than planned or be forced “to attack some of the foundations of Britain’s

welfare state.” IFS director Paul Johnson said departmental spending had been cut less heavily than planned over the past five years and much more was needed. “The public finances have a long way to go before they finally recover from the effects of the financial crisis,” he declared.

The IFS criticised proposals by the three main parties such as removing winter fuel allowances from rich pensioners or cutting housing benefit for young people because they “would reduce spending by relatively little”. Instead, there would have to be “further large” cuts, especially to the £220 billion-a-year social security budget—about a third of total government spending—at the same time as promised increases to state pensions, which already account for 55 percent of welfare spending, take effect.

The IFS explained that if the next chancellor froze all non-pension benefits for five years, it would save only £6.9 billion a year in real terms “much less than Mr Osborne’s target”. It suggested a number of options that would involve a “fundamental reform of the benefits system” including the way pensions increases are calculated (i.e., reduce them), abolishing child benefit for all families except those receiving universal credit benefit, cutting support for poorer families with children back to 2003 levels, and forcing all council house tenants to pay at least 10 percent of their rent, a huge figure for those on benefits or low incomes.

Without such cuts, the IFS said, there would be further huge job losses in the public sector, which “would reduce the size of the government workforce, and its share of total employment, to its lowest level since at least 1971”.

Some idea of what is being planned was revealed in a report this week about the Department for Work and Pensions. Some 30,000 out of 83,000 workers are expected to lose their jobs in the next five years, if another Conservative-led government is elected. Under Labour, it would be 20,000. In 2010, more than 121,000 people worked for the department.

Six years of austerity in the UK have already taken a terrible toll, with cuts in vitally needed public services being imposed alongside the ongoing privatisation of health care and education. British workers suffered the biggest drop in real wages of all major G20 countries, which have fallen more sharply than at any time since records began. Only the wages of Greek workers have

plummeted faster than those in the UK. Around 5 million people are paid below the living wage (set last year at £7.40 per hour), and there has been a huge increase in zero hours working and other insecure contracts.

To supplement low wages, millions are forced to rely on welfare top-ups, the real value of which are constantly dropping, as they have not risen with inflation. The number of people who have had their Job Seeker’s Allowance payments “sanctioned” and suspended, leaving them with no income, rose to 800,000 last year, the highest level ever.

The latest figures show that 13 million people are living in poverty, nearly a quarter of the population. Almost all the major cities in the UK, and a large number of London’s boroughs, have more than 30 percent of children in poverty. Child benefit paid to parents at £20.50 a week for the first child and £13.55 for every other child has been frozen since 2010.

Cuts already imposed nationally and carried out by local authorities have led to the loss of hundreds of thousands of jobs and the reduction and closure of social services. The raft of new cuts to be inflicted by whatever government emerges from the May election will be even deeper and more widespread. To this end, councils throughout the UK have begun announcing massive cuts programmes to be finalised and passed in their 2015 budgets.

The aim of this relentless assault on living standards is to reverse all the social gains won by the working class in more than a 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.



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