

Shadow Chancellor McDonnell pledges UK Labour Party to austerity

Robert Stevens
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Leading up to Wednesday's budget, Shadow Chancellor John McDonnell has assured big business of the Labour Party's readiness to carry out an austerity programme in government and not to block it today in opposition.

McDonnell is the closest ally of Jeremy Corbyn, who was elected Labour leader last September on an anti-austerity ticket by the vast majority of party members and supporters in opposition to three right-wing supporters of former Prime Ministers Tony Blair and Gordon Brown.

Last month Chancellor George Osborne made clear he would use the budget to ramp up the Conservative government's austerity measures. On Sunday Osborne confirmed that a further £4 billion in spending cuts will be imposed. This came just days after a further £1.2 billion was slashed from disability benefits. The threshold for Personal Independence Payments will be raised, with people who struggle to dress themselves or use the toilet losing up to £150 a week.

Underscoring the brutality with which the ruling elite are enforcing tens of billions of pounds in cuts that will decimate the lives of many of the poorest people in the UK, Osborne said, "It's not a huge amount in the scheme of things," and was necessary as "controlling welfare budgets is part of what we need to do."

On Thursday McDonnell used a *Guardian* interview to solidarise himself with such sentiments.

He declared that ensuring Labour's credibility on the economy to big business was "the struggle of a generation." Labour would work with business, in partnership with the trade unions, on policies to push economic growth based on boosting investment. The *Guardian* noted, "The shadow chancellor argued that major business groups such as the CBI and the British Chambers of Commerce, the City, banks and trade

unions all want to see investment in areas such as skills. 'We are all on the same page apart from Osborne.'"

McDonnell followed the interview with a speech Friday to the Royal Society of the Arts in which he outlined his pro-business agenda. The speech was entitled "Rewriting the Rules", which McDonnell said was a statement borrowed from one of his "Economic Advisory Council" members, US economist Joseph Stiglitz. Central to this rewrite was "an absolute commitment to responsible financing by a future Labour government."

Labour, he continued, "should show how we can account for every penny in tax revenue raised, and every penny spent. There is nothing left-wing about ever-increasing government debts, or borrowing to cover day-to-day expenses."

Labour would be a government that is responsible with its finances, he said, adding, "We shouldn't be the party that only thinks how to spend money."

Labour's "watchwords on the economy will be democracy and decentralization", he said. "We need a far more sophisticated argument about ownership that does not just fall into the caricature of either pure privatisation, or monolithic state control."

Rather, it was up to government to "clear the barriers that hold back entrepreneurship and innovation."

The "Fiscal Credibility Rule" will underpin "Labour's fiscal position," said McDonnell, as "We believe that governments should not need to borrow to fund their day-to-day spending. And that is why we would commit to always eliminating the deficit on current spending in five years, as part of a strategy to target balance on current spending over a target five-year period."

On this basis, McDonnell refused to commit to a penny in spending under a future Labour government,

saying, “I am making no announcements today about our spending commitments.”

In words that could be mouthed by Osborne in tomorrow’s budget, McDonnell stressed, “[W]e want to ensure that the Government’s debt is set on a sustainable path, we will commit to ensuring that, at the end of every Parliament, Government debt as a proportion of trend GDP is lower than it was at the start.”

McDonnell concluded his rounds of the media and TV studios with an appearance on BBC radio’s *Today* programme Saturday, during which he declared, “Let me make it absolutely clear. I will be absolutely ruthless about how we manage our spending.”

Asked by the BBC if the policies he was outlining meant an end to the reformist policies of “tax-and-spend” that he and Labour were associated with in the past, McDonnell replied, “It does really. We’re going to break away from that old shibboleth. We’re about managing the economy effectively, and actually that’s what socialism is all about.”

McDonnell’s newly-minted presentation of “socialism” is extraordinary.

In his *Guardian* interview he said, “Socialism is about planning, and planning is about making sure every penny is spent effectively.”

This is “socialism” a la Margaret Thatcher—“ruthlessly” balancing the books in defence of capitalism and through continuing the savage cuts already imposed by successive Labour and Tory governments since the 2008 financial crash.

McDonnell and Corbyn have already signalled that they will oppose any attempts to halt the huge cuts being carried out on behalf of central government by the hundreds of mainly Labour-run councils throughout Britain. In December, they issued a letter instructing Labour councils to abide by the law and impose austerity measures demanded by the Conservatives. Citing the 1992 Local Government Act’s stipulation that councils must set a balanced budget, the letter insisted that councils setting an “illegal budget” as a response to local government cuts is not an option. With this, Corbyn’s Labour Party commits to imposing at least another £9.5 billion cuts planned by 2020.

Summing up the right-wing content of McDonnell’s announcements in recent days, *Independent* columnist John Rentoul defined him as “the new voice of fiscal

responsibility”:

“Here is John McDonnell, who ran Jeremy Corbyn’s leadership campaign on a platform of fighting not just austerity but capitalism, announcing a more fiscally restrictive policy than [Tony Blair’s] New Labour.”

Under Conservatives or Labour, the austerity programme already imposed since 2008 will be dwarfed due to the deteriorating state of the British economy.

This week the *Financial Times* described the UK’s budget deficit as a “growing black hole.” It warned, “The official size of the UK economy in 2015 was 1 percent smaller than the £1,882 billion that the Office for Budget Responsibility predicted only three months ago.”

A shortfall in tax receipts will persist for the rest of the decade, said the FT, and could derail the “surplus in the public finances that had been expected by the end of the decade.”

Other estimates are substantially bleaker with accountancy firm PricewaterhouseCoopers warning that a slowing economy could result in further government borrowing of nearly £50 billion over the course of the parliament.

Previous overly optimistic predictions of UK economic growth factored in a growth in real wages, which saw an upturn of 3.4 percent by last summer, after years of flatlining or decline. Wage growth has since declined to nearer 2 percent and according to one survey published last week, real wage levels will be stagnant for at least the next few years.



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