

UK Budget: Austerity for workers pays for tax breaks for corporations and the rich

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Conservative Chancellor George Osborne's annual budget proposal, announced Wednesday in the House of Commons, consists of give-aways for big business and the super-rich and austerity measures on working people.

As well as billions of pounds in additional spending cuts, education provision is to be opened up to the private sector on an unprecedented scale—with all schools forced to become Academies. All primary and secondary schools in England will be “set free from local education bureaucracy” and must become academies by 2020 or have plans to do so by 2022, said Osborne.

The budget was announced under conditions of marked economic decline, with the economy now £18 billion smaller than projected by the Office for Budget Responsibility (OBR) just three months ago. GDP growth for this year has been revised down to 2 percent from 2.4 percent and will fall to 2.2 percent for 2017.

As a result of slower growth, lower tax receipts and declining real wages, it is estimated that the national debt will increase by £50 billion over the course of the parliament. The *Financial Times* editorialised Wednesday that Osborne was delivering his budget in an “atmosphere of fiscal claustrophobia.”

Osborne warned, “Financial markets are turbulent,” the “outlook for the global economy is weak” and it makes “for a dangerous cocktail of risks.” He was obliged to cite the warning of the International Monetary Fund this month that the global economy is “at a delicate juncture” and faces a growing “risk of economic derailment.”

While noting these dangers, Osborne proceeded to outline policies that will only lead to a further slump in the UK economy.

A massive decline in public spending and in the

incomes of millions of working class people is to be imposed under conditions in which, as Osborne boasted, “Last autumn's Spending Review” delivered “a reduction in government consumption that is judged by the OBR to be the most sustained undertaken in the last hundred years of British history—barring the periods of demobilisation after the first and second world wars.”

His budgets over the last five years had “reduced the share of national income taken by the state from the unsustainable 45 percent we inherited, to 40 percent today,” he gloated. “My spending plans in this Parliament will see it fall to 36.9 percent by the end of this decade.”

The budget was trailed with predictions that around £4 billion in cuts would be made to disability benefits, but Osborne announced larger cuts still. £1.2 billion is to be cut immediately from the 640,000 disabled recipients of Personal Independence Payments (PIP). This will rise to a total £4.4 billion cut from PIP by 2020. Many people receiving PIP, who need help with dressing themselves or using the toilet, face losing up to £150 per week. These cuts follow on from the £28.3 billion already taken from the disabled over the past five years.

The government will save a further £2 billion in public sector pension costs by raising planned public service pension contributions, in line with a lower discount rate, while not compensating departments for the additional costs they will face. This will hit all “unfunded” pension schemes in the public sector, including those for the National Health Service, teachers and civil servants.

In contrast, the richest are to be handed a £523-a-year tax cut, by raising the threshold for higher rate income tax by more than £2,500.

Even more wealth is to be funnelled to the rich with Osborne declaring, “Our policy is to lower taxes on business.”

Corporation Tax, currently set at 20 percent was set to fall to 18 percent for the financial year April 2020. Osborne announced, “Today I am going further. By April 2020 it will fall to 17 percent.” Corporation Tax will then have been reduced by 9 percent in the space of a decade, with Osborne stating, “Let the rest of the world catch up.”

Capital Gains Tax is being slashed from 28 percent to 20 percent, or from 18 percent to 10 for basic rate payers. This will only benefit those with substantial capital that has appreciated in value.

In response to demands from North Sea oil companies hit by a collapse in the price of crude, Petroleum Revenue Tax, which stood at 35 percent, is to be abolished. The Supplementary Charge—an added tax on the profits of oil companies—will be halved from 20 percent to 10 percent. In response, the share values of the oil conglomerates surged, with BP up 3.5 percent, Shell 3 percent, and the oil services business Wood Group 4 percent higher.

In his one token gesture, Osborne, in response to concern over obesity and widespread ill-health issues, announced that soft drinks companies would pay a levy on drinks with added sugar. But this will only begin in April 2018 and will have a negligible impact on the soft drinks companies, with the price passed on to the consumer.

Osborne attempted to portray the economy as hit by a temporary blip and presented a series of wildly optimistic projections leading to a public finance surplus of £10 billion by 2020. What is certain is that any deficit reduction is premised on a continuation of the attacks on the living standards of workers, pensioners and young people. The OBR noted, “£3.5 billion of as-yet unidentified cuts” are to be “generated by an ‘efficiency review’ that will report in 2018.”

In his response, Labour leader Jeremy Corbyn described Osborne as a “chancellor who has produced a budget for hedge fund managers more than for small businesses.”

Osborne’s was “a budget of failure. He’s failed on the budget deficit, failed on debt, failed on investment, failed on productivity, failed on trade deficit, *failed on the welfare cap*, failed to tackle inequality in this

country.” [emphasis added]

What is the implication of Corbyn including the “welfare cap” in Osborne’s list of failures? His criticism of the Tories for a failure to cut welfare spending was one echoed by Britain’s right-wing media, which insisted on no more retreats in reducing the living standards of millions.

His attack renders null and void the other pro-forma criticisms Corbyn made of the budget. In fact, Labour Shadow Chancellor John McDonnell had foreshadowed Osborne’s budget by making clear that Labour are ready to carry out an austerity programme in government.

McDonnell refused to commit to a penny in public spending under a future Labour government, stating his desire “to ensure that the Government’s debt is set on a sustainable path.” Labour “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,” he pledged. “Let me make it absolutely clear. I will be absolutely ruthless about how we manage our spending,” he told the BBC last week.



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