

UK government Autumn Statement: Economic crisis accelerates after Brexit vote

Robert Stevens
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The depth of Britain's economic crisis, accelerated by the referendum vote to leave the European Union (EU), was revealed in the Conservative government's Autumn Statement on the economy yesterday.

Philip Hammond, who replaced George Osborne as Chancellor of the Exchequer in Theresa May's first cabinet after she became prime minister following June's referendum, issued the statement pointing to the deepening financial catastrophe facing British capital.

Despite more than £100 billion in austerity cuts carried out in the last six years by successive Tory governments, Hammond said that the UK's deficit would not be in surplus by 2020, as per previous projections. Instead, the new target would be "as early as possible" afterwards. Borrowing to meet the deficit is set to rise sharply. Hammond said Office for Budget Responsibility (OBR) forecasts showed borrowing would be £68.2 billion this year and £59 billion next, compared with the March forecast of £55.5 billion and £38.8 billion.

Any potential growth during the current parliament would be 2.4 percentage points lower than forecast in March. Overall government borrowing is forecast to be £122 billion by 2020/21—much higher than the already dire projection of £100 billion made in March. The national debt is expected to reach 90 percent of GDP next year.

There would be no let-up in austerity from a government that, as revealed by the Institute for Fiscal Studies (IFS), has carried out an additional £12 billion in welfare cuts in the 18 months since the last general election. No cuts in place will be reversed, with Hammond saying the budget "re-states our commitment to living within our means."

The Resolution Foundation think tank noted, "Despite increasing borrowing elsewhere, the

chancellor has left the big welfare cuts intact and chosen not to provide significant support for the just managing families that Theresa May has rightly [!] said she is focused on. The double whammy of lower earnings and benefit cuts mean that the poorest third of households are now set to face a parliament of falling living standards."

Workers whose living standards have already been devastated face more years of brutal austerity. Research published this week by the Policy in Practice consultancy reveals that working families face a further £2,500 a year cut in income by 2020. The survey, based on a study of 187,000 households, found that welfare cuts, including a four-year benefit rate freeze, coupled with rising rents and higher inflation, would see low-income working families lose an additional £48.90 a week.

Aside from a ban, on a date to be decided, on tenants fees paid to private landlords—which landlords are expected to offset by increasing rents—not a single one of the usual sops utilised by chancellors to placate public anger was on offer. An increase in the derisory National Living Wage was announced, taking it from £7.20 to £7.50 an hour from April 2017. Even this is below the £7.60 figure that the Office for Budget Responsibility estimates is necessary to match previous Tory pledges to raise it to £9 an hour by 2020. It is now set to reach just £8.80 by 2020.

Hammond also pledged to press ahead with plans to expand selective education, with £60 million made available for grammar school expansion.

Money will continue to be shovelled at the super-rich and corporations. Hammond bragged: "Since 2010 the government has put a business-led recovery at the heart of our plan, we've cut corporation tax from 28 percent to 20 percent, sending the message that Britain is open

for business... Corporation tax will fall to 17 percent, by far the lowest overall rate of corporate tax in the G20.”

May’s aim is to slash corporation tax to the 15 percent suggested by incoming US President Donald Trump.

A further £2 billion in tax breaks will be offered to corporations to fund research and development.

For all the subventions to the richest in society, Britain’s economy is profoundly weak--even prior to the economic woes that will accompany the UK leaving the European Union trading bloc. After Hammond spoke, the OBR confirmed that the national debt looks set to hit almost £2 trillion, more than double the £800 billion when Labour left office in 2010. Additional borrowing directly related to Brexit would be £58.7 billion over the next six years (£188 million a week).

The OBR warned that the economic situation was perilous, stating that “any likely Brexit outcome would lead to lower trade flows, lower investment and lower net inward migration than we would otherwise have seen, and hence lower potential output.”

This was a best case scenario, with the OBR clarifying, “In the near term, as the negotiations get under way, we assume that GDP growth will continue to slow into next year as uncertainty leads firms to delay investment and as consumers are squeezed by higher import prices, thanks to the fall in the pound. But we do not assume that firms shed jobs more aggressively or that consumers increase precautionary saving, both of which are downside risks if the path to Brexit is bumpy.”

Brexit has proved to be an accelerant towards economic disaster for Britain, but it is only a particular manifestation of the raging contradictions of global capitalism--between the outmoded nation state system and the world economy--which is leading to trade war and military conflict.

Britain is entering uncharted waters, as it begins an exit from the EU trade bloc under conditions in which Trump, just a day before Hammond spoke, announced that he would withdraw from the Trans-Pacific Partnership trade pact with Asia to better pursue an “America First” policy and “bilateral trade deals that bring jobs and industry back.” The result of these policies will be trade war against everyone, including China, the EU--and an isolated UK.

As the Tories gear up for an ever-deeper assault on the conditions of millions of working people, the Labour Party offers no alternative. Shadow Chancellor John McDonnell, a self-styled “socialist” and the closest ally of party leader Jeremy Corbyn, responded to Hammond’s statement with rhetoric denouncing the “abject failure of the last six wasted years” that “offers no hope for the future.” But what he offered as an alternative was in reality exclusively directed to serving the needs of big business.

Calling for “full, tariff-free access to the single market,” McDonnell stated, “[I]n the national interest I urge him [Hammond] to stand up to the prime minister and the extreme Brexit fanatics [who favour an exit from the Single Market] in her cabinet.”

McDonnell’s utterances are noteworthy as much for what he does not say as what he does. Not once does he make the vaguest criticism of capitalism, let alone advocate a socialist alternative. All he can manage is to appeal for a few minor policy alterations that will supposedly “do the right thing for British workers and businesses”--such as the reintroduction of the 50p top rate of tax that was in place under the 2007-2010 Labour government of Gordon Brown.

Had McDonnell been speaking for a Labour government, rather than from the relative comfort of the opposition benches, he would have delivered much the same message as Hammond. Indeed, ahead of the Autumn Statement, he promised that Labour would display “an absolute and unbreakable commitment to fiscal discipline,” in government, adding, “There is no proverbial magic money tree.”



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