

# UK Chancellor Hammond commits to further years of austerity

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Chancellor Philip Hammond meant his Spring Budget to be as uncontroversial as possible, given that the government is to trigger Article 50 beginning the process of the UK exiting the European Union (EU) by the end of this month.

However, the media seized on his decision to increase Class 4 National Insurance contributions (NICs) for the self-employed from 9 pence to 11 pence. The move will hit 2.5 million people (many on low incomes) out of 4.8 million self-employed—raising £500 million a year for the Treasury. It brings the rates paid by the self-employed closer to workers directly employed by businesses.

The increase breaks a promise made in the 2015 Tory election manifesto promising no tax rises over the five-year parliament.

But of greater import still for all working people is that Hammond's budget was based on a commitment to continue with five more years of austerity.

Hammond's speech painted a rosy picture of an economy that "continued to confound the commentators with robust growth." But he made clear that the expanding wealth of the major corporations and the super-rich will not lead to an end in austerity because their enrichment depends on the impoverishment of the working class.

The budget confirmed what David Cameron, Prime Minister Theresa May's predecessor, said in 2009—that the UK was entering an "age of austerity."

Hammond told MPs there would be no retreat from the attacks on the jobs, wages and living standards of the working class: "As we prepare for our future outside the EU, we cannot rest on our past achievements. We must focus relentlessly on keeping Britain at the cutting edge of the global economy. The deficit is down, but debt is still too high. And our task

today is to take the next steps in preparing Britain for a global future."

The central task was "getting Britain back to living within its means," Hammond declared.

The *Financial Times* noted that Hammond left in place every austerity policy launched by Cameron's chancellor, George Osborne, "including cuts to in-work benefits—that will lead to a large increase in income inequality over the next few years. Despite the rhetorical commitments, there is very little help for families who are 'just managing'."

*Daily Express* columnist Leo McKinstry said the government was correct to continue the "policy of austerity" and "Hammond rightly warned the job is far from complete."

To underscore what this means, the Institute of Fiscal Studies made a public statement on the budget, with Paul Johnson declaring that Britain faces "a third parliament of austerity."

He noted that Britain was still due to be borrowing around £20 billion in 2020, which is £30 billion more than intended a year ago. "That leaves a lot of work to do in the next parliament to get to the planned budget balance. It looks like being, I'm afraid, a third parliament of austerity."

Johnson noted that forecasts suggest that by 2022 people will have gone 15 years without an effective pay rise and average earnings will be no higher in 2022 than they were in 2007. "I'm rather lost for superlatives," he said. "This is completely unprecedented."

When Hammond replaced Osborne in May's first Cabinet after becoming prime minister last July, claims were made that the austerity agenda was being relaxed, with Hammond shelving Osborne's target of reaching a budget surplus by 2020. The reality is that austerity is to be extended for years into the future and must

necessarily be intensified as the UK exits the EU.

Hammond said that in the autumn (2016 budget) Statement, “I set out our plan to return the public finances to balance in the next Parliament.”

To further facilitate the privatisation of education, Hammond announced that another 110 free schools—state-funded but privately run outside of Local Education Authority control—will be opened, including a new generation of grammar schools.

The only extra spending that Hammond was prepared to pledge was a drop in the ocean. With many forecasting that adult social care provision was on the brink of going under within 12 months, Hammond pledged just £2 billion to social care in England over the next three years, with a paltry £1 billion available in 2017-2018. Social care funding has been eviscerated by nearly £5 billion in cuts over the previous five years.

Even a recent report by parliament’s Tory-dominated Communities and Local Government Committee estimated that the funding gap in adult social care ranges from £1.3 billion to £1.9 billion in 2017-2018, and will increase from £1.1 billion to £2.6 billion in 2019-2020.

Nothing is to be provided in extra funding or resources for the National Health Service (NHS), despite its situation being described by the British Red Cross as one of a “humanitarian crisis”. Hammond rolled out the government’s standard line that an extra £10 billion in annual funding is being given to the NHS by 2020.

He never mentioned that the NHS is having more than £40 billion slashed from its budget in “efficiency savings” from 2010 to 2020. These are to be imposed via Sustainability and Transformation Plans (STPs) being implemented in 44 regions of the UK. Hammond said the “Treasury will work closely with the Department of Health over the course of the summer as the STPs are progressed and prioritised.”

While poverty now affects at least a third of the population, with the social right to health, education and housing being destroyed, the demands of the sated ruling elite for further enrichment were met by Hammond. “I am listening to the voice of business,” he declared. “My ambition is for the UK to be the best place in the world to start and grow a business.”

He boasted how “In 2010 Corporation Tax was 28 percent. From April this year, it will fall to 19 percent,

the lowest rate in the G20. In 2020, it will fall again to 17 percent, sending the clearest possible signal that Britain is open for business.”

Labour’s leader Jeremy Corbyn described the budget as “complacent”, while presenting no alternative beyond demands for trifling amounts of money to be allocated to the NHS. “The money ought to be made available now. Because this government ducks really tough choices, like asking corporations *to pay a little bit more in tax*,” he said.

The fact is that Labour in office under Corbyn would continue the same austerity agenda and protect big business. Corbyn told MPs that under the austerity programme, “council services are suffering,” noting that 67 libraries nationally were closed last year, along with 700 Sure Start centres and 600 youth centres.

He said, “These painful decisions being taken by councils not because they want to do it, but just because they don’t have enough money even to keep essential services running because of the slashing of their budgets, year on year.”

This is staggering hypocrisy. Austerity is the official policy of the Labour Party. Labour controls the vast majority of councils in the UK’s main towns and cities. These councils “do want to do it” and have been faithfully imposing every cut demanded by successive Labour and Conservative cuts since mass austerity was initiated, following the £1 trillion bailout of the banks by the 2007-2010 Brown Labour government.

Corbyn’s election as Labour leader made not an iota of difference. At Labour’s last conference, councils under its control were instructed to continue imposing austerity and not to set “illegal budgets”. Councils were warned in a letter from Corbyn and Shadow Chancellor John McDonnell that disciplinary measures would follow if austerity was not imposed.



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