

British government bailout for big business: An act of robbery

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In English folklore, Robin Hood stole from the rich and gave to the poor. In its economic response to the coronavirus pandemic, the UK's Conservative government is robbing the poor to line the pockets of the already fabulously rich.

According to figures from the Office for National Statistics (ONS), the cost to the public purse of the various measures introduced by the Johnson government will amount to at least £110 billion over the next year. These comprise:

- * £49 billion or more in wage subsidies paid to companies who furlough workers, most of whom only receive 80 percent of their usual pay.

- * £16 billion for additional day-to-day spending on public services.

- * £15 billion in grants to small firms.

- * £10 billion for a similar scheme covering the self-employed.

- * £13 billion business rate (local tax) holiday.

- * £7 billion additional benefits' spending as a result of the pandemic.

These sums are dwarfed by the £645 billion in quantitative easing (QE) announced in March, more than half again of the £1 trillion in QE measures between 2009 and 2020—that was funded through a decade of austerity. To put such inconceivable figures in perspective, the QE measures would equate to giving every UK inhabitant (66 million people) approximately £12,000.

But the money is not going to working class and increasingly precarious middle-class households. Like the 2008/9 bailout, it is being extracted from their incomes, benefits and social services for generations to come to prop up the profits of the super-rich.

As the lockdown began to bite, thousands of workplaces shut and staff were sent home. Millions faced uncertainty, not knowing if they would be able to meet their weekly and monthly bills. To a media fanfare, a government scheme was introduced to support the wages of furloughed workers. However, it was limited to providing just 80 percent of their previous wage, up to an individual monthly cap of £2,500. For millions of workers on minimum and low wages, or

struggling under debts, the 80 percent limit severely compromised already stretched family budgets.

According to the Resolution Foundation, an independent think-tank focused on improving the living standards of those on low-to-middle incomes, “70 percent of households have experienced falls in income,” leading to 23 percent having to use savings to cover living costs and 13 percent now struggling to pay bills.

Almost a third of the national workforce has been furloughed. And jobs in those parts of the economy hardest hit by the lockdown, such as the hospitality and retail sectors, are among the lowest paid.

In accommodation and food services, over half of firms have furloughed staff and 40 percent have cut hours for those still working. In arts, entertainment and recreation, the respective figures are 23 and 38 percent. However, these figures themselves underplay the seriousness of the situation as they are only based on responses from firms that continue to operate. For firms that have temporarily ceased operations completely, like many pubs and restaurants, the rate of furloughing is substantially higher, at almost 80 percent.

The situation is even worse for those who were already unemployed or lost their jobs as a result of the pandemic. By the end of March, there had been almost half a million new welfare claims as the unemployment rate pushed up to 5.3 percent, reaching its highest level since September 2015. More than 2 million new Universal Credit (UC) claims had been made by the end of April, with at least 25,000 claims being made every day. These newly unemployed faced days struggling to make an online application for UC welfare benefits, as the computer system was overwhelmed, and phone lines jammed.

The punitive UC system introduced under the 2010-15 Conservative-Liberal Democrat coalition represented a major onslaught on already decimated provisions for the poorest sections of society. According to the Institute for Fiscal Studies, the lowest-income 10 percent of the population loses the most from UC, seeing an almost 2 percent fall in their income. On average, 17 percent of those

forced to claim UC will see an annual loss of £1,000 in their income.

Millions more will soon be in the same position. Tory Chancellor of the Exchequer Rishi Sunak said yesterday that the payments made to workers under the furlough scheme are “unsustainable”.

When payments stop, a study by the Institute for Social and Economic Research indicates up to 6.5 million jobs, a quarter of the total, could be lost as a result of the lockdown. The study assumes a contraction of GDP of 20 percent would produce a loss of 75 percent of jobs in accommodation and food services, followed by a halving of employment in services and retail, with the wholesale, retail and repair of motor vehicles (47 percent) and transport (44 percent) close behind. In absolute terms, the researchers estimate the job losses could approach two million in the auto industry and its related elements and be almost 1.5 million in accommodation and food services.

The real beneficiaries of the government’s unprecedented spending are the corporations. When it comes to big business, government largesse truly knows no bounds, with Sunak promising to spend “whatever it takes”. While the FTSE 100 index of leading companies plummeted at the beginning of March, losing over 2,000 points, since the injection of vast sums of public money into the private sector, the index has already regained 1,000 points.

Some of the industries to benefit from government handouts include:

- * Rail: The government has effectively renationalised the rail franchise system, taking over all losses estimated at several billion pounds for the next six months as train travel has nosedived. Footfall at some of the busiest railway stations has fallen by 90 percent.

- * Bus: Private operators have been promised hundreds of millions to offset falling passenger numbers.

- * Air travel: Virgin Airlines boss and multi-billionaire Richard Branson is seeking £500 million and has had aerospace manufacturers Rolls-Royce and Airbus lobbying government on his behalf, —fearful that they will lose out on lucrative contracts. Virgin announced more than 3,000 job cuts yesterday. Budget airline EasyJet has furloughed 7,500 workers and received £600 million in virtually interest-free loans backed by the government—even as it paid out a £174 million dividend to shareholders in March.

- * Steel: Britain’s largest steelmakers, Tata, is seeking hundreds of millions in bailout funds as orders from shuttered car plants and construction sites fell away.

- * The media: As newspaper sales continue to fall and advertising revenue dries up, the government stepped in to fund a three-month propaganda blitz, paying for official advertising on a massive scale. Reach, which publishes the

Daily Mirror, *Daily Express* and *Daily Star* and hundreds of other regional titles furloughed almost 1,000 of its 4,700 employees and cut the pay of its entire workforce by 10 percent.

The Bank of England, which oversees quantitative easing, has introduced a “COVID-19 Corporate Financing Facility (CCFF)”, under which it will buy up short-term debt from large companies, improving their balance sheets. The scheme, which is delivered through commercial lenders, is guaranteed by the Bank of England, and will operate for at least 12 months.

These virtually limitless resources are being used to underwrite the profits of a tiny minority of society.

According to a High Pay Centre report last month, 18 corporations listed on the FTSE-100 share index took advantage of the furlough scheme. These firms paid £12 billion in dividends to shareholders between 2015 and 2019. From the FTSE 250 index, 26 percent of firms are helping themselves with furlough funds.

A few companies have made much play of the fact they have cut CEO remuneration and that of other exorbitantly paid executives. However, as the High Pay Centre points out, only 13 percent of firms that have done so have also cut bonuses or other long-term “incentive” payments—which in most cases comprise the largest component of executive pay awards. In any case, even a moderate cut in salary still leaves plenty when the median annual pay of a FTSE 100 CEO runs at £3.5 million.

Some of Britain’s wealthiest families could even see their inheritance tax bills slashed, as they can claim a rebate if the value of their share portfolios falls. The proposal by church leaders that companies using tax havens to offshore their profits, and so avoid taxation, should be barred from receiving public funds was roundly rejected by the chancellor.

Private equity firms, who trade in the misery of millions through their slash and burn approach, have built up an estimated cash pile of \$2.5 trillion. Under the bailouts, they too can fully access the social wealth of generations of workers now being handed over by the Johnson government.



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