

UK: Johnson government readies post-lockdown onslaught against working class

Robert Stevens
14 May 2020

Boris Johnson's government is finalizing a brutal austerity agenda, which could be rolled out within weeks, to claw back from the working class the cost of its bailout of big business.

The plans are revealed in Monday's *Daily Telegraph*, the house organ of the Conservative government.

The *Telegraph* devoted a front-page lead, two inside pages and an editorial to a Treasury report discussing "options for the Chancellor to cover [the] extraordinary expense of lockdown."

The offensive is being prepared as the government is attempting to force millions back to work in unsafe conditions.

The *Telegraph* states, "A confidential Treasury assessment of the coronavirus crisis estimates it will cost the Exchequer almost £300bn this year, which could require an increase in income tax, the end of the triple-lock on state pension increases and a two-year public sector pay freeze."

The newspaper adds that "a document drawn up for Rishi Sunak, the Chancellor, sets out a proposed 'policy package' of tax increases and spending reductions that may have to be announced within weeks to 'enhance credibility and boost investor confidence' in the economy."

The document raises that without moves to pay off the debt, a "plausible" outcome would be the UK going under in a "sovereign debt crisis."

"In a worst-case scenario, this could lead to a liquidity crisis and ultimately a sovereign debt crisis. A comparable UK scenario would be market conditions in 1976 ahead of the IMF loan, when high and volatile inflation led to a loss of macro strategy credibility and a reluctance to hold UK debt."

On March 17, Sunak launched a £350 billion bailout of the corporations, under which the state would pay the wages of all workers furloughed due to the COVID-19

pandemic. A further £20 billion was pledged as tax breaks, cash grants and compensation for companies required to pay statutory sick pay. Corporations, including 18 percent of those on the FTSE 100 index and more than a quarter listed on the FTSE 250 index, rushed to claim the free public money. The FTSE 250 companies raiding the public purse have made collective profits of over £42 billion in the last five years.

The bailout scheme was originally slated to last three months, but this week it was extended another four months—until the end of October. The *Telegraph* complains, "The scheme is now estimated to cost £100bn with almost 10m workers either currently paid by the furlough scheme or universal credit [benefit system]."

The Treasury warns Sunak that a £337 billion budget deficit is now the "base case scenario" for this financial year—against a forecast £55 billion in the March Budget. The base case requires that tax rises and spending cuts raise between £25 billion and £30 billion—equivalent to a basic rate income tax increase of 5p. A deficit six times larger than the budget forecast is also more than double the annual deficit of £150 billion resulting from the Brown Labour government's bailout of the banks following the 2008-09 global financial crash.

The worst case scenario outlined by the Treasury projects that under an "L-shaped" economic collapse, the deficit would rise to over half a trillion pounds (£516 billion) in the current financial year alone—"increasing to a cumulative £1.19 trillion over five years." The *Telegraph* projects this would "require up to £90 billion in annual tax rises and/or spending cuts over the next few years."

A "V-shaped" economic outcome would be the best-case scenario. However, even this outcome, described as "optimistic," would still lead to a £209 billion deficit this year.

In response to the crash a decade ago, the Cameron

Tory government inaugurated an “age of austerity” with hundreds of billions of pounds in cuts clawed back from the working class over the last decade. Relentless and deepening attacks on the terms and conditions of workers were imposed and over a million public sector jobs were slashed. So brutal were the attacks that they resulted in the “preventable deaths” of 130,000 people due to health and social care cuts. Vital public services were slashed and burnt by Labour Party-run local authorities, in collaboration with the trade unions. Over the past five years, the cuts were enthusiastically imposed by Labour councils under the instruction of Jeremy Corbyn and Shadow Chancellor John McDonnell, who insisted they set “legal” balanced budgets.

The response of the ruling class to the pandemic crisis will dwarf even these attacks. The newspaper states, “Pensioners, workers and homeowners may all need to pay more to fund the growing cost of the health crisis. ... To ‘stabilise debts’ he [Sunak] will have to increase taxes or cut spending to raise between £25bn-£30bn a year in the base-case scenario. In the worst-case scenario, he will have to raise £80bn-£90bn a year.”

The document warns, “As debt is likely to reach significantly higher levels after the crisis, it will be important to stabilise the debt-to-GDP ratio and prevent debt from continuing to grow on an unsustainable trajectory.”

The following options are being wargamed:

- **Two-year public sector pay freeze:** After months of hypocritical praising of National Health Service staff and key workers as “heroes,” the report proposes to consider “further options to address the challenge through spending and welfare” reductions. It suggests a two-year freeze on public sector pay that could generate savings of £6.5 billion by 2023-24. From 2011 to 2018 public sector pay was capped at 1 percent.

- **Ending the state pension triple lock/income tax increases:** The document advises that the Tories must break pledges not to increase income tax or scrap the “triple lock” on state pension rises. It states, “A 1pc increase in the basic rate of income tax would raise around £5bn pa.” The triple lock, in place since 2011, guarantees that the basic state pension will rise by a minimum of either 2.5 percent, the rate of inflation, or average earnings growth, whichever is largest. The report predicts that “stopping the rising cost” of the triple lock would produce savings of £8 billion a year.

- **New taxes, including a National Health Service surcharge:** The document advises: “We should also look at opportunities for new taxes that could meet some of the Government’s broader policy objectives, raising revenue to relieve long-term fiscal pressures (e.g., an NHS/social care surcharge or new carbon/green taxes).”

The Treasury report essentially warns the government, “Don’t let a good crisis go to waste.” It states, “The timing of an effective medium-term strategy should also take into account *the right time to use political capital, and there may be benefits to setting out future consolidation plans now* alongside support for the recovery.”

Sunak has claimed that the economy is on course for revival later this year. The *Telegraph* pours cold water on this scenario, declaring, “With the furlough scheme extended yesterday until October, few in Whitehall believe that an economic bounceback by the end of the year is even close to reality.”

Interviewed on BBC News Wednesday, Sunak admitted, “It is now very likely that the UK economy will face a significant recession this year, and we’re already in the middle of that as we speak.”

The economy shrank by 2 percent in the first three months of 2020. But these were largely the weeks before the lockdown of the population was imposed on March 23. All economic forecasts predict the current quarter will see a far larger collapse and a double-digit drop in GDP.

The offensive being readied against the working class must meet fierce resistance. The *Telegraph*’s economics editor Russell Lynch, under the headline, “Paying for all this presents the PM with brutal choices,” lists the proposed attacks and warns, “None of these options is palatable for a PM faced with a public wearied by the best part of a decade of austerity.”



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