

# UK Chancellor launches austerity offensive: “Our economic emergency has only just begun.”

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Conservative Chancellor Rishi Sunak announced years of austerity to come in his Spending Review yesterday.

“The UK is forecast to borrow a total of £394 billion this year, equivalent to 19% of GDP,” he said, “The highest recorded level of borrowing in our peacetime history.”

Sunak declared ominously, “Our health emergency is not yet over. And our economic emergency has only just begun.”

The cost of the pandemic had already reached £280 billion, said Sunak, and the “scarring” from it would mean an economy between 3 percent and 6 percent smaller by 2025 than it otherwise would have been. “Due to elevated borrowing levels, and a forecast persistent deficit, underlying debt is forecast to continue rising in every year, reaching 97.5% of GDP in 2025-26.”

The cost of this unprecedented economic collapse will be paid in its entirety by the working class.

After a decade of pay restraint that has gutted living standards, Sunak announced a pay freeze for four million workers--a real-terms pay cut, with official figures this week showing that inflation rose to 0.7 percent year on year in October. The cost to the state of employing 5.5 million public sector workers is around £190 billion annually. The Centre for Policy Studies estimates that the pay freeze will save the government £23 billion if imposed over the next three years.

For the two million lowest paid workers, the National Living Wage will be increased by just 2 percent—only in line with inflation. This was the recommendation of the Low Pay Commission, which in March had consulted on whether pay should be increased for the

over-25s by a paltry 49p in April 2021, from £8.72 to £9.21 an hour. But after talks with government and business the Commission scaled down its recommendation to the 18p an hour announced by Sunak.

The only exception to the public sector pay cut is that more than one million National Health Service workers—including doctors, nurses and other hospital staff--will receive a pay rise. What rise would be paid was not laid out, but the government calculated that to slash NHS workers’ pay even further in the middle of a pandemic that has taken the lives of at least 612 health and social care workers--and over 70,000 in the entire population--would be political suicide.

The pandemic has seen hundreds of thousands jobs already wiped out, as corporations have utilised the crisis to implement long-planned restructuring programmes and streamline their operations.

Sunak announced a meagre £3 billion three-year “Restart Programme” he claimed would assist “over a million people who’ve been unemployed for over a year,” before declaring, “But I have always said: we cannot protect every job.” He warned the Office for Budget Responsibility “expects unemployment to rise to a peak in the second quarter of next year, of 7.5 percent--2.6 million people.” Other estimations are that unemployment could reach twice that rate.

The ruling class must impose its austerity agenda by force. Pay had to be cut and further unemployment was inevitable, Sunak intoned, but nothing could get in the way of making the financial resources available for beefing up the repressive forces of the state. He boasted that the “criminal justice system will increase by over a billion pounds. We’re providing more than £400

million to recruit 6,000 new police officers—well on track to recruit 20,000. And £4 billion over four years to provide 18,000 new prison places.”

The “Prime Minister,” he declared, “has announced over £24 billion investment in defence over the next four years, the biggest sustained increase in 30 years. Allowing us to provide security not just for our country but around the world.” Militarism abroad means an escalation of the class war at home to pay for it. Indeed, the projected £23 billion saving from the pay freeze is almost exactly the same as the military budget increase.

While workers’ pay is to be eviscerated in the immediate period ahead, the ruling elite and their media mouthpieces are fully aware that this is only a down payment on an offensive against the working class that will make the “age of austerity”, launched by Tory Prime Minister David Cameron in 2010, pale in comparison.

Another major assault being pushed through by the government in the Spending Review is that millions of retirees will see the future value of their pensions drastically cut. Sunak never mentioned this in his speech, but documents released alongside the Spending Review included a concluded “consultation on the Reform to Retail Prices Index (RPI) Methodology”. This includes a planned change in the way pension payments are calculated from 2030. At present those receiving defined benefit workplace pensions see their pension payments rise each year in line with the rising cost of living. Under the new system, from February 2030 their pensions will be worth less.

The BBC noted, “Women and new retirees will be hardest hit by the changes... Over time, the value of their pensions could be thousands of pounds less than they might have expected. A 65-year-old now will see their total retirement income drop by 4% or 5% compared with their expectations. That is an £8,000 drop for a 65-year-old woman with average life expectancy.”

Sunak’s Spending Review must be seen in the context of confidential briefing documents drawn up by the Cabinet Office and seen by the *Guardian*. The newspaper published exclusive extracts from them yesterday. One of the briefings warns of a “systemic economic crisis” as the UK leaves the European Union amid a raging pandemic. “There is a notable risk” that “Winter 2020 could see a combination of severe

flooding, pandemic influenza, a novel emerging infectious disease and coordinated industrial action, against a backdrop of the end of the [Brexit] transition period,” it warns.

The document, written in September, warns that global and British food supply chains will be disrupted by “circumstances occurring concurrently at the end of the year.” The *Guardian* writes of the briefing’s contents, “Stockpiles built up at the end of 2019 were diminished during the pandemic and cannot easily be replenished.”

The health and social care system are in uncharted territory, warns the Cabinet document. The *Guardian* quotes a section: “The pandemic has and will continue to limit the capacity of the health and care sector to prepare for and respond to the end of the transition period,” with a “sustained level of system disruption from November until at least April.”

More than anything the ruling class know and are fearful that their onslaught against workers must intensify the class struggle. The briefing, notes the *Guardian*, outlines “threats of disruption to essential services, and analysts’ confidence in their assessments are ranked by a traffic light system—red, amber and green. Areas marked as high or moderate concern include public disorder, law enforcement, ‘impact on low economic groups’, adult social care and food and water supplies.”

The pro-Tory *Spectator* magazine’s Kate Andrews, in a mailshot headlined, “Sunak’s Spending Review reveals a devastated economy,” concluded, “Many of the hard choices have been left for another day. But today’s economic update would suggest that far more will need to be done in coming years to get spending under control... The economic reality this government will be forced to reckon with in the future may spark a political emergency too.”



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