

UK's spring budget reduces living standards to levels last seen after World War Two

Robert Stevens
24 March 2022

UK Chancellor Rishi Sunak's spring mini-budget did not advance even a single minimal measure to alleviate the worst cost-of-living crisis in decades.

Sunak made his statement on the day it was announced that the CPI measure of inflation, which does not factor in costs including housing, hit 6.2 percent in February—its highest rate in 30 years. RPI inflation reached 8.2 percent and is surging towards a crushing 10 percent.

Following more than a decade of grinding austerity that has shredded living standards and two years of a pandemic accelerating a social catastrophe for millions, Sunak managed, despite calls from even the most right-wing newspapers for some minimal relief to stem growing discontent, to funnel even more money to the wealthy.

Talk before the budget was that, in the words of the *Times*, Sunak would “help families deal with the cost-of-living crisis by spending some of the government's £30 billion ‘war chest’ from higher tax receipts.” Nothing of the sort happened.

Sunak offered a five pence cut in fuel duty and minimal tax cuts, both of which will benefit the richest the most. The hardest hit would have to scrape from a national pot of just £500 million available to councils.

The budget was a Marie Antoinette moment, as a fabulously rich chancellor decided that he would be able to regulate intolerable levels of social misery purely with jingoism and a whipping up of patriotic war fever in the upper middle class.

Sunak, a former investment banker and hedge funder, has an estimated personal wealth of £200 million. But the bulk of his family's wealth is derived from his marriage to Akshata Murthy, daughter of N.R. Narayana Murthy, the sixth richest man in India, with his wealth estimated at £3.1 billion.

While millions can no longer afford life's necessities, the *Mirror* reported this week of the Sunaks that they “recently built a £400,000 leisure complex at his £2 million Yorkshire mansion. The couple is believed to own at least four properties and their main residence, a five-bedroom mews house in Kensington, is believed to be worth around £7 million.”

Sunak declared on Wednesday, “We have a moral responsibility to use our economic strength to support Ukraine and work with international partners to impose severe costs on Putin's regime. We are supplying military aid to help Ukraine defend its borders. Providing around £400 million in economic and humanitarian aid as well as up to \$0.5 billion in multilateral financial guarantees.”

These costs would have to be borne by the working class. “The actions we have taken to sanction Putin's regime are not cost free for us at home”, the chancellor warned, adding that “the war's most significant impact domestically is on the cost of living.”

Sunak said inflation would rise, “averaging 7.4 percent this year”, while still claiming that the budget would deliver for the “British people today and into the future.”

The Office for Budget Responsibility (OBR) refuted this nonsense from the oligarch in Number 11. It forecast that inflation would surge to 8.7 percent later this year, with nominal earnings growing by only 5.3 percent. The result would be a decline in living standards not seen in Britain since World War II. There would be an overall reduction in disposable income of 2.2 percent, the largest fall since records began in 1956-57. The *Telegraph* said this fall would be “Larger, in other words, than after the 2008 financial crash from which many have yet to recover their losses.”

The *Financial Times* warned of “dark, economic times”, with columnist Robert Shrimsley commenting, “Help was targeted at potential Tory voters while the poorest were largely neglected”.

The *i* newspaper displayed a graph with forecasted inflation disappearing in a vertical line upwards off the page and the headline, “Biggest hit to living standards since age of rationing”. The graphic pointed to coming rises in energy costs of 23.7 percent, travel of 6.1 percent and food of 4.6 percent. Keeping warm at home will soon be impossible for millions, with the OBR predicting that the energy price cap will likely rise by another 42 percent in October, increasing average bills by a further £830 a year and taking the average annual bill to around £2,800.

The Resolution Foundation thinktank said, “absolute poverty is expected to rise by 1.3 million people next year, while only one-in-eight workers will actually see their tax bills fall by the end of the parliament... With real wages in the midst of a third major fall in a little over a decade, average weekly earnings are on course to rise by just £18 a week between 2008 and 2027, compared to £240 a week had they continued on their pre-financial crisis path. This lost growth is equivalent to a £11,500 annual wage loss for the average worker.”

Sunak’s flagship measure, knocking 5p off a litre of fuel in duty costs, does nothing to help the millions on the lowest incomes for whom car ownership is a distant aspiration. And even this reduction was all but wiped-out as petrol stations run by the oil giants put their prices up overnight.

Sunak ignored calls to abolish his planned 10 percent increase in National Insurance Contributions, set to raid the wages of many poorer workers to the tune of £12 billion from April. All he offered as a sop was increasing the threshold at which National Insurance starts to be paid by £3,000 from July, taking it to £12,570. Sunak said he would be able to reduce income tax by one percent, but not until 2024.

As a result of Wednesday’s statement, the tax burden—falling disproportionately hard on the poorest households—will rise from 33 percent of GDP in 2019/20 to 36.3 percent of GDP in 2026/27, the highest level since the late 1940s.

Sunak emphasised that the government paid out £400 billion in extra spending during the first two years of the pandemic, by which he means bailouts for the

corporations and super-rich. This must now be paid back, with Sunak warning, “In the next financial year, we’re forecast to spend £83 billion on debt interest—the highest on record. And almost four times the amount we spent last year.”

With the outbreak of war in Ukraine, it was forecast that Sunak would announce a rise in military spending of up to £10 billion this year. He did not do so on Wednesday. But taking all spending into account, the *Financial Times* noted that Sunak “banked most of a £50bn windfall in the public finances”. With the corporate media and retired senior figures in the armed forces demanding a rapidly expanded military force, the only conclusion that can be drawn is that the Tories are preparing for a seismic uplift in money spent on preparations for war in Europe with Russia in the immediate future.

The Labour Party is at one with the Tories that British imperialism’s militarist agenda requires vast financial support, at the expense of the National Health Service, education, housing and welfare. It will not be lost on many workers that Labour’s response to the budget was to complain on behalf of the armed forces that Sunak was not doing what was expected of him.

Shadow Chancellor Rachel Reeves said that “just one month after the [Russian] invasion so much has changed with repercussions for years to come. But the Chancellor has failed today to explain why he chose to sign off on a reduction in our country’s armed forces last October... Labour will support whatever is needed on defence and security, in order to keep our country safe.”



To contact the WSWS and the
Socialist Equality Party visit:

wsws.org/contact