Johnson UK government announces cost of living support package fearing social explosion

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UK Chancellor Rishi Sunak announced in Parliament today a £15 billion “Cost of Living Support package” in response to the desperate situation facing tens of millions of people.

Sunak effectively tore up his Spring Budget statement, laid out just two months ago, which refused any respite for those thrust into abject poverty.

In what was billed as an “Economy Update”, Sunak announced £15 billion in financial support, citing an inflationary surge that is “causing acute distress for the people of this country.” He declared, “We need to make sure that for those whom the struggle is too hard… and for whom the risks are too great… are supported.”

The multi-hundred millionaire Sunak was forced to acknowledge the deeply entrenched hardship in a country in which 14.5 million live in poverty, with another 250,000 households set to “slide into destitution” in 2023, according to the National Institute for Economic & Social Research.

Eight million households who “already have incomes low enough for the state to be supporting their cost of living through the welfare system” will receive a £650 one-off Cost of Living Payment. Over eight million pensioner households who receive the Winter Fuel Payment as they cannot pay their bills will receive a £350 one-off ‘Pensioner Cost of Living Payment’”. Six million people who receive non-means tested disability benefits will receive a “one-off Disability Cost of Living Payment, worth £150.”

Just two months ago, Sunak announced an energy bill rebate scheme in which every household would be eligible for a loan of just £200, to be clawed back over four years. Today he was forced to scrap this and make available to every household a non-repayable £400 grant for help with energy bills.

A further £500 million was announced by the chancellor for household support fund delivered by local councils, increasing it to £1.5 billion.

The support package will be partially paid for by a temporary 25 percent tax on the profits of the giant oil and gas firms who are raking in what Sunak described as “extraordinary profits”. Just few weeks ago, Tory MPs were whipped to vote down a similar Labour Party motion for a windfall tax. Such is the scale of the crisis confronting British capitalism that Sunak’s tax on windfall profits is double that which Labour was proposing.

Even so the Johnson government’s tax will barely touch the profits of the oil and gas giants. Just in the first three months of 2022, Shell made £7.2 billion in profits and BP raked in £4.9 billion. Sunak reassured them, “when oil and gas prices return to historically more normal levels, the Levy will be phased out and with a sunset clause written into the legislation.”

In the 24-hour lead-up to Sunak’s announcement, the media trailed reports of a £10 billion support package. In the end, the government felt it necessary to put down a further £5 billion. Such is the scale of the social hardship gripping tens of millions that Sunak’s measures will provide only momentary relief, with the one-off payments dwarfed by rising fuel, food and energy costs.

There are several factors underlying the calculations of the Tories and the government’s sharp policy reversal.

Since Sunak delivered his March economic statement, inflation has reached the highest level in Britain in 40 years. In March, the CPI inflation rate stood at 7 percent—reaching 9 percent this month. The more accurate RPI inflation measure, including housing costs, has risen from 9 percent to 11.1 percent, much of it fuelled by April's lifting of the cap on household energy costs that saw many bills rise by £693 from £1,277 to £1,971. Prepayment bill payers, mainly the poorest in society, saw their bills surge by £708, from £1,309 to £2,017.

An analysis of 21,000 food and drink items by *Which?* consumer magazine between December 2021 and February 2022 found that inflation on these was up 3.14 percent on average compared with two years ago. At least 265 products had seen price increases of more than 20 percent over that period.

According to the Zoopla property website, rents across Britain rose by 11 percent over the past year to nearly £1,000 per month—forcing the average worker to spend more than one third of their household income on rent.

Sunak's statement was doubtless timed to coincide with senior civil servant Sue Gray's official report, published Wednesday, into the "partygate" scandal surrounding Prime Minister Boris Johnson. Both Johnson and Sunak have been the target of public fury over illegal drinks parties at Downing Street during the pandemic. Johnson declared this week that it was time to "move on". They calculated that ignoring the cost-of-living surge would be political suicide.

The urgency of such a response was emphasised this week by Jonathan Brearley, CEO of Ofgem, who told Parliament's Business, Energy and Industrial Strategy Committee that the price cap hike in October will likely see household fuel bills shoot up to a record £2,800. He warned MPs that the number of people in fuel poverty could double to 12 million. E.ON energy UK chief Michael Lewis declared, "Frankly, some people are at the edge. They simply cannot pay, and that will get worse once prices go up again in October… We need more intervention."

Facing the greatest crisis of capitalism since World War II, Johnson and Sunak have adopted measures they previously denounced as "tax and spend socialism". Today's announcement provoked outrage among sections of the ruling Conservatives, with Richard Drax declaring, "throwing red meat to socialists, by raising taxes on businesses and telling them where to invest their money is not the conservative way." The pro-Tory *Spectator* denounced, "Rishi Sunak, the tax snatcher".

By far the main consideration in Sunak's announcement was fear of an uncontrollable social explosion under conditions of an escalating class struggle. The eruption of mass protests and strikes in Sri Lanka, Pakistan and other countries in recent weeks, driven by inflation, is being read as a warning sign.

Media headlines have reflected nervousness over the economy being ground to a halt after 40,000 rail workers voted for strike action. As Sunak prepared his speech, the *Daily Mail* raised the spectre of "A YEAR of discontent?", warning of a "wave of rail strikes this summer going into 2023—as British Airways staff, hospital cleaners, refuse collectors and lorry drivers also set to walk out in coming months". Even as Sunak announced his cost-of-living package, BT telecoms workers are preparing to launch their first national strike in 35 years. They are being balloted for industrial action next month after rejecting a below inflation pay offer from a company making £1.3 billion annual profits.

The main concern of the ruling class is that the class struggle is threatening to break through the shackles imposed on it for years by the corporatist trade unions.

Throughout the pandemic, the unions have deepened their collaboration with the employers and government, imposing ever worsening attacks on the working class. Among those betrayed by the unions were tens of thousands employed at British Airways, British Gas, Weetabix, Go North West, Tesco, Jacobs Douwe Egberts, P&O Ferries and at universities and colleges and schools nationally.

There are growing signs that workers will no longer accept the unions' sabotage of their struggles. Last week oil rig workers walked out in wildcat action across 16 platforms in the North Sea. The strikers called for a "wage revolution", with its organisers declaring they were targeting not simply one company but the "industry world-wide as a whole."