

# Tax rises and severe cuts expected in autumn budget as Britain enters longest ever recession

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Speaking ahead of his Autumn Statement scheduled for Thursday November 17, setting out the government's budgetary plans, Chancellor of the Exchequer Jeremy Hunt warned he would be taking "horrible" decisions.

Branding himself "Scrooge," Hunt is the scion of an aristocratic family whose business interests made him one of Britain's wealthiest politicians. He was brought into government a month ago to answer the demands of the financial markets and Bank of England in the dying days of the short-lived Truss government. They insisted he tear up her unfunded tax giveaway budget for big business and replace it with one funded by the working class through "eye-wateringly" brutal austerity.

On becoming prime minister, Rishi Sunak, the former hedge fund manager and near billionaire, kept Hunt in post.

Hunt was initially said to be considering a massive £55 billion worth of tax rises and spending cuts. But this now appears to be optimistic, after he was warned that UK public borrowing will be about £70 billion larger than expected. The Office for Budget Responsibility (OBR) now estimates that government borrowing will be close to £100 billion in 2026-27, compared with a calculated budget deficit in March of just £31.6 billion for the year.

"We are going to see everyone paying more tax. We're going to see spending cuts," Hunt told the BBC on Sunday. This will fall on workers already struggling to put food on the table and heat their homes, as government support for soaring energy bills is set to end in April.

Coming after years of austerity budgets implemented by successive governments—Labour, Tory-Liberal Democrat coalition and Tory—to bail out the banks and financial institutions after the 2008-09 global financial crisis, its impact will be far worse.

This is nothing short of a declaration of war against the working class. It is not a plan for a one-off slash and burn budget, but an annual program of spending cuts and tax

rises set to last at least five years. Even that will not eliminate but merely reduce public debt that has soared to £2.45 trillion, up £213 billion since September 2021. This is about 98 percent of gross domestic product (GDP) and the highest level of debt since the early 1960s.

The Institute for Fiscal Studies (IFS) warns government borrowing for the 2022-23 financial year alone could reach £200 billion.

Debt interest payments rose to £7.7 billion in October, according to the Office for National Statistics (ONS), £2.5 billion more than in September 2021 and the highest figure for the month since records began in April 1997.

Hunt is expected to freeze tax thresholds—the levels of income at which people begin to pay more tax—until 2028. This is a frontal attack on living standards as ever wider layers of workers, securing higher wages to combat inflation, are drawn into the tax net. While Hunt did not spell out which taxes would go up; raising income tax, VAT or National Insurance to achieve around £27 billion in extra revenues will fall most heavily on working people.

Departmental budgets are expected to be frozen in real terms with inflation above 10 percent, meaning savage real-terms cuts across vital public services already at breaking point after years of austerity.

\* Spending on healthcare, the largest single government expenditure in England at nearly £168 billion, is expected to face the axe. Whereas before 2010 the National Health Service (NHS) budget rose by about 4 percent a year in real terms, under austerity increases were limited to 1.6 percent. Furthermore, the creeping privatisation of the NHS—much of it carried out by Hunt as Secretary of State for Health 2012 to 2018—meant that at least 5 percent of the funding was siphoned off as private sector profits. Ever-increasing demands for "efficiency savings" have led to intolerable workloads, lengthening waiting lists for treatment and severe staff shortages, with one in 10 posts

vacant.

\* Social care also faces cuts. According to the King's Fund, spending on care per head of the adult population fell from £593 a year in 2010-11 to £585 in 2020/21, while demand—due to an aging population, more people with complex health issues and now the impact of Long-COVID—has and is increasing. A record more than half a million people are waiting for care services, while local councils are struggling to fill 165,000 vacancies for care staff amid poverty-level wages, zero-hours contracts and post-pandemic burnout. Without access to care, people are stuck in hospital. One any given day roughly one in seven beds in acute hospitals in England are occupied by people well enough to be discharged but with nowhere appropriate to go.

\* The education budget is unlikely to be exempt further cuts, despite spending per pupil in England set to be 3 percent lower in 2024-25 than in 2010. Teachers' pay has been subject to freezes and caps to the extent that even a promised 5 percent pay rise for experienced teachers means a whopping 14 percent pay cut between 2010 and 2023. The 5 percent rise must be funded from existing school budgets along with the massive hike in energy prices, which means that 90 percent of schools will be in deficit by the end of this financial year. It sets the scene for mass sackings of teachers and support staff and schools opening for just four days a week.

\* The welfare budget has seen major cuts since 2010 and now stands at about £88 billion for working-age benefits, topping up low-paid workers as a subvention to the corporations—via income support and/or housing benefits and paltry support for the ill and disabled. In real terms, benefits are now 7.5 percent lower than they were in 2009, the largest single factor in the explosion in food banks over the past decade. With the government looking to cut the housing benefits bill by changing entitlement criteria and capping increases, some of the poorest households face destitution.

The severity of Hunt's expected assault on living standards is such that it will hit economic growth and thus tax revenues, exacerbating both the fiscal and the broader economic crisis. It comes as the Bank of England, working in tandem with the government, has already forecast that Britain faces its longest ever recession.

Like its counterparts globally, it has raised interest rates—now at their highest point since 2008 (3 percent)—as part of the class war being waged by the major central banks against the working class. The financial markets are demanding further hikes to around 5.25 percent that

would lead to the longest UK recession since World War II, with official unemployment rising to 6.5 percent.

While the Bank seeks to justify such interest rate increases in the name of “fighting inflation” by combatting “wage pressure,” this is a flat out lie. Workers' pay is everywhere falling significantly behind price rises. Inflation is the result of policies deliberately carried out by the ruling class: the trillions in quantitative easing doled out to the financial institutions and markets; the catastrophic refusal of governments around the world to carry out a policy aimed at eliminating the COVID-19 virus that has resulted not only in millions of deaths but severe supply chain problems; the economic consequences of the US/NATO-led war against Russia and the rampant profiteering by the energy, food and defence corporations and their trading intermediaries.

The Bank of England's real objective is to use unemployment as a battering ram against the working class to crush the struggle for wage increases, slashing workers' pay to fund these disastrous policies. This is on top of the 6.2 percent fall (-£1,750) in real wages over the next two years forecast by the OECD last summer—the worst for any G7 economy. It comes after 13 years of real-terms wage cuts, as workers lost out on nearly £20,000 in real earnings between 2008 and 2021 while the trade union bureaucracy did everything in its power to sabotage pay struggles for deals matching inflation.



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