

UK Chancellor Jeremy Hunt's electioneering budget: an attack on workers and the poor

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Chancellor Jeremy Hunt unveiled an electioneering budget Wednesday, widely hailed in the media as based on a £20 billion tax giveaway. This was far from the case, with supposed benefits for workers largely illusory and big business the real beneficiary.

It built on Hunt's initial Autumn Statement last year, described at the time by the *Financial Times* as a "£55bn plan for fiscal tightening" resulting in "the biggest drop in living standards for 70 years."

The budget was trailed as a signal by Hunt and Prime Minister Rishi Sunak that after years of economic crisis and austerity, the economy was growing again. With the rate of inflation halved over the past year, the time was therefore ripe to continue growth and cut taxes.

Up until 24 hours before the budget, talk was that Hunt was undecided whether to cut income tax or National Insurance rates. In the end he cut National Insurance (NI) by 2 percent from 12 to 10 percent, and not income tax. This was far and away the cheapest alternative for the Treasury.

While around 27 million workers and self-employed people will keep a few hundred pounds of their income as a result of the NI cut, the change will mainly benefit higher earners, mostly Tory voters. Hunt noted specifically, "It means someone on the average salary of £35,000 will save over £450... and for the typical police officer it is a saving of over £630 every single year."

NI taxes contribute around 20 percent of National Health Service (NHS) funding. Hunt's cut dovetails with government plans to further privatise the NHS.

The prospect of an election was also behind upgrading welfare benefits to match the slightly higher inflation rate in September, rather than at the 4.5 percent rate it fell to in October. The pension "triple lock", matching the state pension to the rate of inflation or average wage increase, whichever is higher, was also untouched by Hunt given the fact that most pensioners traditionally vote Tory.

The NI cut raises the possibility of an election earlier than previously anticipated. Instead of the tax cut beginning with the new financial year next April, emergency legislation will be passed Thursday with the saving in wages beginning from January 6.

All these supposed "giveback" measures are smoke and mirrors.

The failure to make any changes on income tax thresholds means millions are left poorer than ever. The *Daily Mirror* noted, "While this sounds like good news, a cursory glance suggests not everyone will be celebrating. Income tax thresholds, frozen since 2021, remain unchanged. As a result, it is estimated that three million could find themselves in a higher bracket by 2029."

The paper cited the Institute for Fiscal Studies (IFS) which said, "The 2p cut to National Insurance means £449 less tax paid by an average full-time employee, but this is almost entirely offset by frozen thresholds and other changes since 2021. For others, these freezes will more than cancel out the 2p cut."

Sky News reported, "Forecasts from the Office for Budget Responsibility (OBR) showed taxes were still trending upwards, with a post-war high of 37.7% set to be reached by 2028/29 under the current government plans.

"They put this down to so-called 'fiscal drag', as while people's wages may increase, the level at which they start paying tax remains unchanged, and that leads to more people being moved into the higher tax rates—four million more, if the OBR's prediction is correct."

Hunt trumpeted a rise in the National Living Wage by 9.8 percent to £11.44 from next April, in line with recommendations from the Low Pay Commission. He had the gall to declare that this "delivers our manifesto commitment to eliminate low pay altogether." But for the low paid, food inflation, housing costs and other essentials have risen by far more than this. For the last year millions of workers took industrial action in a private

and public sector strike wave amid the worst cost of living surge in living memory. The trade unions ensured that below-inflation deals were imposed, as they sabotaged an industrial offensive that could have led to the downfall of Sunak's hated government.

According to Office for Budget Responsibility, Hunt's budget means that real household disposable income (RHDI) per person is set to be 3.5 percent lower in 2024-25 than it was before the COVID pandemic hit. Workers are still on course for a collapse in real living standards without precedent since records began in the 1950s.

Hunt also set out to slash the welfare budget, announcing measures aimed at forcing hundreds of thousands of ill and disabled people into employment. These sadistic policies are expected to see £4 billion stripped from the welfare budget by 2025. Hunt said that the already punitive work capability assessment will be reformed "to reflect greater flexibility and availability of home-working after the pandemic".

Those on welfare payments who do not find a job within 18 months will be forced to undertake work experience. After six months of sanctions if they have still not got a job, they will lose their benefits altogether and even the right to free NHS prescriptions and legal aid. The few exemptions from this brutal crackdown will be those with an expected short life span, such as people being treated for cancer and those with a terminal illness.

Among the millions of people being snared in this dragnet are those whose health has been wrecked, possibly for life, as a result of being infected by COVID and who now suffer from Long Covid. The *Independent* reported, "The Department for Work and Pensions says that since the Covid pandemic the number of people inactive due to long-term sickness or disability has risen by almost half a million to a record high of 2.6 million."

Tens of billions of pounds stripped from public spending will be lavished on the military budget with Hunt proclaiming, "We will meet our NATO commitment to spend 2% of our GDP on defence, critical at a time of global threats to the international order most notably from Putin's evil war in Ukraine." Since February 2022, the government has given the Ukrainian regime over £13 billion in military and financial aid, making it a major contributor to the NATO-led war against Russia.

Big business was the major recipient of government largesse, receiving an additional £11 billion a year in tax breaks. Hunt announced that a measure known as "full expensing" that was set to expire in 2026—which allows

businesses to deduct the full cost of investing in machinery and equipment from their tax bill—will be made permanent. This he boasted was the "largest business tax cut in modern British history".

BBC Business editor Simon Jack said of the measure, "Big profitable construction, engineering and manufacturing businesses will be happy tonight," giving "the UK one of the most competitive investment environments in the developed world."

Responding to Hunt, Labour Party Shadow Chancellor Rachel Reeves moved to reassure big business that they would do much the same when in government. Her speech consisted mainly of complaints that Hunt had pilfered from Labour policy. "We welcome the Chancellor's announcement that he will make full expensing permanent—another thing that we have been calling for," she stated. The problem was that business was still "left exposed to the Tories' economic volatility. Labour's partnership with business will get our economy firing on all cylinders."

Reeves boasted that this week Labour, "established a new British infrastructure council, with key investors in the UK economy focused on unlocking private investment by addressing the delivery challenges that businesses face when investing in Britain. Through Labour's new national wealth fund, we will work alongside the private sector to back the growth of British industries."

She solidarized with Hunt's attack on the sick and disabled designed to force them into minimum wage jobs stating, "If we are going to grow the economy, we must get more people into work. Let me be clear: people who can work, should work. That is why we have long argued that the work capability assessment needs replacing, because right now it is discouraging people from seeking work."

The *Financial Times* was impressed enough with Reeves' response to declare, "With a general election expected next year, Labour's refusal to criticise any of the policies announced by Hunt underscores how closely aligned the two party's economic visions have become."



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