Starmer government doubles down on austerity to fund war spending

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Prime Minister Keir Starmer will attend the June 24-25 NATO summit, with Secretary General Mark Rutte having already declared its aim is to lift the alliance's minimum military spend from 2 percent of GDP to 5 percent. At least 3.5 percent must be on "pure" military spending, excluding items such as armed forces pensions. The remaining 1.5 percent is for necessary infrastructure projects.

This dictates the gutting of social spending by member states. As Rutte declared during his pre-summit speech in London last week, "It's not up to me to decide, of course, how countries pay the bill," but "if you do not do this, if you would not go to the 5 percent, including the 3.5 percent core defence spending, you could still have the National Health Service, or in other countries their health systems, the pension system, etcetera, but you had better learn to speak Russian."

To be reached as early as 2032, according to some reports, NATO's demands would require an increase of up to £40 billion annually in the UK's military budget to be clawed out of health, education, housing and welfare spending.

A main target for cuts is the £326 billion social security budget, with disability benefits the first to be chopped.

Setting off Sunday for the G7 summit in Canada, Starmer insisted there would be no reversals of the £5 billion of welfare cuts already outlined by Work and Pensions Secretary Liz Kendall. These would be imposed no matter what rebellion is staged by a minority of his party's MPs when Parliament votes on the cuts in a few weeks.

Asked his thoughts on a potential rebellion Starmer commented, "We've got to reform the welfare system… those who can work should work."

On Wednesday, Kendall published the Universal Credit and Personal Independence Payment Bill confirming the plans that will see nearly a million people (950,000) hit by benefit reductions or cut off from the welfare rolls by 2030. 800,000 people will have personal independence payments (PIP) cut and 150,000 will lose Carers' Allowance. Kendall also confirmed cuts to the sickness-related component of Universal Credit (UC) benefit.

The cuts are to be imposed despite the government's own impact assessment, conduced in March, showing they could push an extra 250,000 people, including 50,000 children, into poverty. Overall, 3.2 million families could be hit by the cuts by 2030, with an average loss of £1,720 per year.

Any talk of a weakening of the Bill after it is published to appease rebels was quashed, with the *Guardian* reporting Wednesday, "[T]he government is not expected to make any further changes to the welfare bill after it is published". It cited a government source who said of Kendall's cuts, "The £5bn is already spent… Any further tweaks to the bill including on start dates or on criteria or tapering would mean that we start to spend money we don't have. And this goes far beyond welfare.

"We have to be able to make tough decisions. We have to be able to make a budget add up in the autumn… If we cannot get this through the consequences are far bigger than just this reform."

Chancellor Rachel Reeves in her Spring Statement announced that welfare spending as a share of GDP "will fall between 2026-27 and the end of the forecast period [2030]."

Due to Labour's record fall in support for an incoming government, she promised that the National Health Service (NHS) would be protected as "our most treasured public service" after years of Conservative government cuts. But the Department of Health and Social Care (DHSC), which funds the NHS, was only handed a settlement of 2.8 percent—well below the historical average of a 3.8 percent increases under Labour and Tory governments since its 1948 founding.

Following the Spending Review, the Resolution Foundation think-tank declared that Britain was becoming the "National Health State" because by 2029 almost half (49 percent) of all day-to-day public service spending from central government would go to the NHS. This was an increase by a third from the situation under the Brown Labour government in 2010.

However, the NHS only receives this proportion of central government spending due to the slashing of every other public service department to the bone—a policy Reeves pledged would continue for the next four years. Most departments face lower budgets in real terms in 2028/29 than in 2010/11, so that by the end of the decade spending on public services except for healthcare will fall by 1.3 percent on average.

Local authorities receive just 3.1 percent per year, meaning they will be forced to operate on budgets around 10 percent below 2010 levels. This will not prevent councils, many on the edge of bankruptcy and facing increased demand for services, from going under.

Treasury documents accompanying the spending review assume that council tax will rise by 5 percent a year, adding £359 to an average band D household bill and pulling in £7.5 billion in extra revenue. The cost of an increase in police funding touted by Reeves will also be added to council tax bills.

Education will receive an extra £4.7 billion a year by 2028-29, with the Treasury claiming an average annual real-terms per-pupil rise of a paltry 1.1 percent. Institute for Fiscal Studies director Paul Johnson explained, "Strip out the cost of expanding free school meals, and you get a real-terms freeze in the budget."

Reeves trumpeted "the biggest cash injection into social and affordable housing in 50 years." But this works out at an average of less than £4 billion a year, when there are over 350,000 people without a permanent place to live.

The money given to construction companies in return for building a percentage of "affordable" units will not substantially help people to buy a home. What Labour and Tory governments deem "affordable"—capped at 80 percent of the extortionate market rate—is way out of reach for millions of workers, especially young people.

Above all, Reeves' economic agenda is based on Labour's *existing* plans—challenged by Rutte—to increase military spending to 2.7 percent of GDP by 2027-28 and to 3 percent by the end of the next Parliament in 2034. And it was laid out before Starmer announced that UK military assets, including fighter jets, had been sent to the Middle East in support of Israel's war against Iran—with Britain already spending tens of billions on backing Ukraine in NATO's proxy war against Russia.

In response to the Spending Review, the mouthpieces of the ruling elite insisted the Starmer government hold firm to its cuts agenda and increase military spending further. The *Financial Times* editorialised, "The government must now ensure the cash is spent wisely, and restrain its rising costs. The UK's welfare and pensions expenditure remains on an unsustainable path…"

The *Times* warned that Reeves "offered no firm indication of when the government's promised target of 3 per cent will be met, stuck in the ambiguous timeline of the next parliament. Plus even these vast sums may be too little too late: Nato has already warned its members they should be aiming for 3.5 per cent or even 5 per cent if they are serious about staving off the threat from Russia."