

Healey's first UK budget: crumbs for workers, billions for war

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The budget Chancellor John Healey delivered on Wednesday for Prime Minister Andy Burnham's Labour government leaves workers mired in a deep cost of living crisis. It continues austerity to fund the imperialist wars in which Britain is up to its neck.

Healey opened by declaring, "This is a Budget for the working people of Britain. For British businesses, big and small." His measures proved it an offering to big business, the banks and the military only. Tens of millions of workers were provided crumbs that rising bills will rapidly eat up.

Healey's "breathing space" for UK households was a continuation of the paltry alms that Burnham put forward upon entering Downing Street in July. The prime minister took 86 pence a week off electricity bills and introduced a £2 cap on single bus fares in England from January 2027.

Working-class families have been battered by soaring energy bills running into the thousands of pounds since 2022. Healey offered only a one-off £100 this winter to up to 20 million households in England in council tax bands A to D, costing £2.6 billion. The government's online council tax band checker crashed moments after he announced the measure—proof of the crushing austerity felt by millions.

The £100 will be swallowed up within weeks. Cornwall Insight forecasts that the energy bill price cap for a typical household will rise in January by £276 a year, or 16 percent, to £1,999—the largest rise for four years. An EDF report, seen by the *Times*, forecasts that bills could rise by 27 percent in January, to a record £2,192 a year on average.

The *Financial Times* noted that the extension of a freeze on fuel duty—the other main element of help for households announced by Healey—amounted to even less, "a total of just over £1bn a year over the next two years." In all, help with household energy bills amounts to about £3.7 billion, of which only around £2.9 billion is new, the rest paying for Burnham's electricity VAT cut.

Healey also announced the abolition of gas bill standing charges, which cost a typical household £108 a year. But this will save an average of just £45 a year, and then only for 60 percent of households, according to the Treasury. The

charge is being moved into the price of each unit of gas, so the more gas a household uses, the more it will pay. The change is not due until the end of 2027 at the earliest.

Billions more pounds were found for war. On the eve of the budget, the right-wing *Sun*—which along with the rest of the pro-war media is demanding a massive rise in military spending—enlisted Ukrainian President Volodymyr Zelensky for an interview. His message to Healey was: "Defence needs to be 100% the priority," adding, "My advice to John is don't delay."

Healey told MPs in his speech that he and Burnham had phoned Zelensky that morning. "He told us—you've made my day." This was, Healey boasted, because Britain is committing "£10bn of additional economic and military support—based on loans, Export Finance guarantees, and half a billion in urgent military funding for this winter". This is on top of the £25 billion already committed by successive Labour and Tory governments, with the other European NATO powers doing likewise—prolonging a devastating war into a fifth year and costing hundreds of thousands of lives.

Healey also filled in the £4.7 billion gap of the Defence Investment Plan announced by his predecessor Keir Starmer. According to the budget's Red Book, this will be done by "further reducing departmental capital budgets by 1% from 2027?28 to 2029?30 to raise £3 billion," with £1.7 billion from the Treasury's capital reserve. Among the casualties is the Warm Homes Plan, which will suffer a £1 billion cut.

The chancellor pledged "the maximum amount of private investment into defence, including through public private partnerships," with the National Wealth Fund and British Business Bank "deploying up to £5 billion of investment and lending over the next four years."

For the corporations, Healey pledged to "prevent regulation from holding back investment by removing regulation and tariffs worth £800m to business."

It had been trailed that the banks, after again recording vast profits, could see their corporation tax surcharge increased from three to eight percent; it was raised to six, with Healey grovelling "I celebrate and am grateful for the

role you play.” The *FT* noted that “the increase in the surcharge on profits was smaller than the sector had feared and will last only 15 months from January.” In response the share price of the main UK banks shot up, with Lloyds Banking Group leading the way at a 4.2 percent rise.

Satisfying what the *FT* called a “key demand” of business groups pressing for “broader action to cut the cost of hiring,” Healey broke the pledge in Labour’s 2024 general election manifesto under Starmer to remove the “discriminatory age bands” in the minimum wage.

Last April, under Healey’s predecessor Rachel Reeves, the rate for 18- to 20-year-olds rose by 8.5 percent, more than double the adult rise. Now, both levels will rise by 3.9 percent—barely above the OBR’s 3.4 percent inflation forecast for next year—to just £13.21 an hour for those aged 21 and over and £11.27 for 18- to 20-year-olds, widening the gap to £1.94 an hour.

The Burnham government has already made clear its intention to use young workers as a cheap Labour force, pioneering an unpaid “work experience” scheme with Sainsbury’s.

Britain’s ruling class will nonetheless be baying for more, with Healey’s budget doing nothing to address the perilous situation facing British capitalism, rooted in a global crisis.

Shehab Khan, political editor of *Zeteo UK*, wrote astutely of the US-led war on Iran: “Although the fine print says this was Healey’s budget, it was in fact written by the actions taking place 3,000 miles away.”

The *Wall Street Journal*, wrote Khan, reported that attacks “could intensify once the U.S. midterms are out of the way.” Khan commented, “Healey said [in his budget speech] the government ‘did not want’ this war, but Britain has lent its bases so it is involved—and now the bill is landing in bank accounts up and down the country ... a conflict fought in the Gulf is being paid for by all of us.”

The Office for Budget Responsibility (OBR) said higher borrowing costs, driven by the war, would cost the government £14 billion more in debt interest this year, with UK debt now passing £3 trillion. Opposed to raising taxes on the super-rich, Healey let “headroom”—the margin by which he meets Labour’s own fiscal rules—shrink from £23.6 billion in March to £15 billion.

“That’s what a buffer is for,” the chancellor said, but any number of sudden crises can blow these fragile calculations sky high, with the *Financial Times* reporting that a poll of market participants suggested £15 billion was about the lowest it could fall without a global sell-off of UK government bonds.

All of which sets up far more savage attacks on the working class. Healey announced that at next year’s Spending Review he will explain how NATO’s target of

reaching 3.5 percent of GDP on core military spending by 2035 will be met, “with a target date for 3 percent in 2030.”

The Institute for Fiscal Studies estimates that reaching 3 percent of GDP by 2030-31 requires around £11 billion a year more, and that 3.5 percent by 2035 requires roughly £25 billion a year more, in today’s terms.

This will be seized from the welfare budget and vital social services. “As the Prime Minister and I have both said, we will bring down the welfare bill,” Healey declared. He noted that Blairite former Labour Health Secretary Alan Milburn is reviewing why nearly one million young people are not in education, employment or training (NEET), and disability minister Sir Stephen Timms is reviewing Personal Independence Payment, the main disability benefit.

They are preparing justifications for an onslaught against state support for young people and the disabled. Both final reports are due next month, and “This government will then set out our response before the end of the year, with a White Paper and legislation to follow next year,” Healey said.

As a down payment, Healey reminded MPs, “The Prime Minister has already announced that from 2030 we will adjust the [pensioners] Triple Lock. ... This will save £15bn per year by the end of the 2030s, £50bn by 2050.”

Healey’s budget confirms the warning of the *World Socialist Web Site* that Burnham heads “a government of guns and no butter” and is on a collision course with the working class.



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