

Chancellor Reeves announces UK Labour's austerity agenda: "If we cannot afford it, we cannot do it"

Robert Stevens
30 July 2024

UK Chancellor Rachel Reeves heralded the new Labour government's plans for savage austerity with a statement in Parliament on Monday.

"To fix the foundations of our economy", Reeves announced billions in spending cuts beginning immediately. They included taking £300 annually from the income of 10 million pensioners—including nearly 2 million of the poorest—dropping plans to cap social care costs and abandoning critical hospital building schemes and vital transport infrastructure projects.

The cuts were introduced in a debate on "Public Spending: Inheritance", with Reeves claiming that an audit of the spending plans of the previous Conservative government—who Labour defeated in the July 4 general election—had found there was a £22 billion "black hole."

This "discovery" was used to justify Labour's planned cuts, with Reeves even stating in the election that the existence of the very body which monitors government spending—the Office for Budget Responsibility (OBR)—meant, "You don't need to win an election to find out about the public finances."

The Institute for Fiscal Studies (IFS) had also warned during the election campaign that there was a shortfall of around £20 billion in Tory government spending plans. IFS economist Ben Zaranko posted on X, days ahead of Reeves' statement, "Yes, some aspects of the inheritance might genuinely be even worse than expected. But the broad scale of the public finance challenge was apparent pre-election to anyone who cared to look."

Reeves cuts, announced within a month of Labour coming to power, confirm Sir Keir Starmer's government as the most right-wing in history—standing in the tradition of David Cameron's Conservative-Liberal Democrat coalition government that proclaimed an "age of austerity" following the 2008 global crash. This was a

statement that Margaret Thatcher—who Reeves fondly compares herself with, as an "Iron" chancellor—would have been proud. Its twin themes were epitomised in the repeated declarations, "If we cannot afford it, we cannot do it" and the need to make "tough choices" going forward.

What was announced Monday is just the down payment on what is to come. Reeves, a former Bank of England economist, warned immediately after announcing the cuts to pensioners income—via means testing the winter fuel allowance—that will lead to many pensioners afraid to turn the heating on this winter, "This is the beginning of a process, not the end. I am announcing today that I will hold a budget on 30 October, alongside a full economic and fiscal forecast from the Office for Budget Responsibility."

Future cuts would be much worse as, "I have to tell the House that the [October] Budget will involve taking difficult decisions to meet our fiscal rules across spending, welfare and tax."

That budget will be "ensuring that every pound is well spent, and we will interrogate every line of public spending to ensure that it represents value for money."

The policy of scorched earth attacks on the working class flowed from the "principle", said Reeves, "that we will meet our fiscal rules: we will move the current budget into balance and we will get debt falling as a share of the economy by the end of the forecast."

No government in Europe has operated based on balancing its budget for decades, with budget deficits of below 3 percent allowed even under the harshest austerity measures demanded by the European Union.

Reeves repeated "if we cannot afford it, we cannot do it" on four occasions and "tough choices" being required three times in several variations. These included the

promise, “We will get a grip on our public finances; that requires tough choices, but that is the role of Chancellor, and it is the role of Government.”

Her every attack on the outgoing Tory government was for its profligate spending having endangered the economy, not its attacks on the working class.

Reeves and Prime Minister Sir Keir Starmer head a government of austerity and war, and vicious attacks on asylum seekers.

Her one pledge to increase spending was in response to the audit of Tory government commitments to fund NATO’s war with Russia in Ukraine, after uncovering a £1.7 billion funding gap which would now be filled by cuts elsewhere.

The previous government, “with the support of the whole House, have rightly provided military assistance to Ukraine in response to the Russian invasion. The spending audit found that there was not enough money set aside in the reserve to fund all these costs. We will continue to honour these commitments in full, and unlike the previous Government, we will make sure that they are always fully funded.”

Since 2022, the Tories have sent £12.5 billion to Ukraine, with £7.6 billion of this in military support. Immediately on taking office, Labour announced that Ukraine would receive at least £3 billion annually from the UK indefinitely.

The first move of the Labour government, within 48 hours of taking office, was to set up a Gestapo-like Border Security Command to create “secure borders”, and a Returns and Enforcement Unit to deport asylum seekers.

Reeves complained that the Tory’s Illegal Migration Act “made it impossible to process asylum applications or remove people who have no right to be here.” They had “relied on a doomed policy to send asylum seekers to Rwanda on planes that never took off, leaving tens of thousands of people stuck in hotels on the public purse.”

Labour was enacting, a “properly controlled and managed asylum system where rules are enforced, so that those with no right to be here are swiftly removed.” The government had already laid legislation, “which will significantly reduce the use of hotel accommodation. These measures will save nearly £800 million this year and avoid costs spiralling even further next year,” said Reeves.

Clamping down on strikes was central to cutting spending and securing investment in the economy from global corporations.

Reeves complained, “When the last spending review

was conducted, it was assumed that [public sector] pay awards would be 2 percent this year. Ordinarily, the Government are expected to give evidence to the pay review bodies on affordability, but extraordinarily, this year the previous Government provided no guidance on what could or could not be afforded to the pay review bodies.”

On this basis Labour was sanctioning a 5.5 percent pay, increase for education and National Health Service (NHS) workers—as recommended by pay review bodies—which is less than 3 percent above the current RPI inflation rate, and does nothing to restore workers’ pay after decades of cuts and freezes.

She stressed, “This decision is in the best interests of our economy too: the last Government presided over the worst set of strikes in a generation, which caused chaos and misery for the British public and wreaked havoc on the public finances. Industrial action in the NHS alone cost the taxpayer £1.7 billion last year.”

The pay deal announced for public sector workers will only be two thirds funded by central government, with the rest to be met from within relevant government departments from savings.

To quell further industrial action by junior doctors who have been in dispute for 18 months, Reeves announced that the government has reached a pay deal with the British Medical Association that the union is “recommending to its members”. This is a sellout 22 percent deal over 2 years (11 percent per year) and far below the 35 percent junior doctors had been demanding.

Much of the pay award will be clawed back in productivity increases to be implemented in future agreements by Labour’s partners in the union bureaucracy. Reeves announced she was launching a “spending review” and “today starting the firing gun on a new approach to public service reform to drive greater productivity in the public sector.” Labour “will establish a new office of value for money, with an immediate focus on identifying areas where we can reduce or stop spending or improve its value.”



To contact the WSWs and the Socialist Equality Party visit:

[wsws.org/contact](https://www.wsws.org/contact)