

Starmer government readies brutal UK austerity budget

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Britain's Labour government has finalised its austerity budget to be announced on October 30. With at least £40 billion in spending cuts and tax rises, the budget is a staggering acceleration of 14 years of brutal cuts already carried out by Conservative-led governments.

Within a month of Labour taking office in July, Chancellor Rachel Reeves announced an “inheritance audit”, which concluded that the public finances were far worse than anyone understood. There was a £22 billion “black hole”. In order “to fix the foundations of our economy”, Reeves announced billions in spending cuts to begin immediately. The most brutal was £1.4 billion in cuts to pensioners' incomes with 10 million pensioners—including nearly 2 million of the poorest—deprived of a Winter Fuel Allowance this year worth between £100 and £300.

This would only serve as a downpayment, with the *Guardian* noting that Reeves told the sans-civil service “Political Cabinet” last week that “the £22bn gap this year—which the government has blamed on their poor economic inheritance from the Tories—would be a recurring cost each year of this parliament.”

This means that there was a “£100bn black hole in the public finances over the next five years amid concerns that ministers are yet to grasp the full scale of the fiscal deficit ahead”.

The immediate implications were that the budget would be far worse than previously slated, with savage cuts to living standards, including Reeves keeping a raft of brutal welfare cuts already mapped out by Sunak's Conservatives.

The last time a similar deficit was made the pretext for attacks on public spending (£109 billion in 2010), Conservative Prime Minister David Cameron declared an “age of austerity”. His chancellor, George Osborne, announced £17 billion of spending cuts over the next four-five years in the June 2010 budget, then £81 billion in that October's spending review. The Labour Party is well on its way to following suit.

Reeves trailed her cuts at last week's International Investment Summit, saying that Labour's mission of “being

the most pro-business government that this country has ever seen” required “difficult choices” and “discipline on spending” to “restore fiscal and economic stability”.

The *Financial Times* backed the election of a Keir Starmer government, the first time it had backed a Labour victory since Tony Blair in 2005, on the basis that it would continue the imposition of austerity.

The FT lauded the fact that “Work and pensions secretary Liz Kendall will press ahead with £1.3bn in annual cuts to UK sickness benefits announced by the previous Conservative government.” The newspaper cited Resolution Foundation thinktank analysis showing that under the measures “about 450,000 fewer people will be considered to have a ‘limited capability for work’ and therefore have their benefits cut by up to £4,900 a year, by 2028.

The pro-Conservative *Daily Telegraph* also welcomed the cuts, with a front-page article last Friday rejoicing in planned cuts even larger than those noted by the FT, as “Reeves will cut benefits by £3bn to tackle worklessness crisis”.

Kendall is to release a Green Paper on Labour's welfare cuts—dubbed the *Get Britain Working* plan—prior to the budget based on a “pro-work, pro-opportunity, and pro-reform” agenda. It “will herald a major shake-up of job centres and will devolve power and resources to metro mayors and other local leaders so they can come up with innovative solutions to get more people into work.”

On Friday, another DWP work and pensions minister, Alison McGovern, boasted that Labour wouldn't simply continue the Tories welfare cuts, “We will need to make savings like all departments, but we will bring forward our own reforms.”

The only consternation in ruling circles at any of Reeves' mooted plans is the increase in National Insurance (NI) taxes on employer pension contributions. Employers currently pay 13.8 percent on earnings above £175 a week, or £9,100 a year, under Class 1 NI contributions. According to data compiled by HM Revenue & Customs, a 1 percent increase in the Class 1 rate could raise £8.45 billion for the Treasury

over the 2025 to 2026 tax year, and a 2 percentage point hike could raise £16.9 billion—which the government has said would be used to fund a shortfall in the National Health Service, allowing it to “stay still” after factoring in inflation and pay.

Both Prime Minister Starmer and Health Secretary Wes Streeting have repeatably declared that they will not throw any more money down the NHS “black hole”, and all future health spending must be tied to “reforms”, including major further incursions by the private sector into provision.

The cost will still eventually be borne by the working class.

The *Times* noted it “would ultimately be a tax on working people because it would result in lower wages.” The newspaper cited Institute for Fiscal Studies Stuart Adam economist who said, “Employer national insurance contributions are a tax on the earnings of working people. In the short run, the cost of higher NICs may be absorbed into lower firm profits, which would ultimately be felt by shareholders. But in the long run we would expect the majority of a rise in employer NICs to be passed on to workers in the form of lower wages.”

Reeves herself, seeking to score a few points at the expense of the Tories when they increased employees’ and employers’ National Insurance in 2022, said of an Office for Budget Responsibility assessment at the time: “This evidence that employees will be hit twice shows just how poorly thought through their tax hike is”.

Reeves’ austerity budget is being imposed on a population already bled white by a decade and a half of austerity, with many of the cuts imposed by Labour Party-run local authorities on behalf of central government. The election of Jeremy Corbyn as Labour leader in 2015 made no difference, with Corbyn and his shadow chancellor, John McDonnell, instructing Labour councils to impose Tory government cuts and set balanced budgets.

This has resulted in approximately 12 million people in Britain living in absolute poverty—a quarter of all children and nearly 15 percent of all those in work.

So vicious is the budget being finalised that the Labour-supporting *Guardian* presented the Cabinet meeting as a showdown between Reeves and Starmer and ministers who are concerned with what *Politico* described as “politically unfeasible cuts in their departments”. According to reports, the ministers—just three of them, Deputy Prime Minister Angela Rayner (who also has a housing portfolio), Justice Secretary Shabana Mahmood and Transport Secretary Louise Haigh—wrote to Starmer separately over their concerns.

That Starmer is fully on board with Reeves’s cuts was made clear by the quashing of what some reports called a

“revolt” within the space of an hour-long meeting. At most, according to a report in the *i*, government departments will get nothing more than a 1 percent real-terms cash increase compared to what was planned under the previous Tory government.

Significantly, before applying the final measures to her budget Reeves will travel to Washington this week for talks with International Monetary Fund officials. Reuters commented that Reeves, who was previously employed as a Bank of England economist at the British Embassy in the US capital, “would stress how the new government was ‘prioritising economic stability’ as ‘the essential precondition for the secure and resilient growth needed to address... global challenges’”.

The Starmer government has made clear that no swingeing cuts will be made at the Ministry of Defence (MoD). On the contrary, Labour is committed to ramping up military spending by tens of billions of pounds to 2.5 percent of GDP as soon as conditions allow. This will result in billions cut from public spending shovelled into Britain’s backing NATO’s war against Russia and Israel’s genocide against the Palestinians.

At the same time as the budget was cleared, Defence Secretary John Healey announced that thousands of troops were being placed on standby for deployment to Estonia. In a joint declaration signed at the NATO Defence Ministers meeting in Brussels Thursday, “thousands of troops from the Army’s 4th Brigade” will be “held at high readiness, ready to defend NATO’s eastern flank, in addition to those deployed in Estonia.”

Britain already has 1,000 troops stationed in Estonia, with the plan envisaging that as many as 5,000 troops could be placed on standby under the pact, which will begin in July 2025. The MoD said the Estonian commitment underlines “the UK’s ‘NATO-first’ policy and the Government’s unshakeable commitment to the alliance.”

The statement said that Britain “will also take part in the European Long-range Strike Approach programme. Working alongside international allies, France, Germany, Italy, and Poland, the UK will develop new cutting-edge long range missile capabilities, with the project expected to play a key role in Europe’s defence by the 2030s.”



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