

TORY/LIBERAL DEMOCRAT COALITION BUDGET 2010 ANALYSIS

by Steve Wallis (www.socialiststeve.me.uk), 23 June 2010

In the 22 June “emergency budget”, UK Chancellor George Osborne claimed that everybody would have to take some of the pain but the rich would take a wider share of the burden than the poor. In terms of the figures presented at the budget, he almost has a good point. The “red book” gives figures for 2012-13 which purport to support this claim, but this is before most of the welfare cuts kick in and before the handout of £150 via child tax credits to the lowest paid, costing £2 billion/year, is withdrawn (supposed to compensate for the freezing of child benefit for three years).

There’s a public sector pay freeze for two years but those earning under £21,000 (it’s not clear if that’s before or after tax) would get a flat £250 pay rise, benefiting the very low paid disproportionately (but below the rate of inflation even for the lowest paid). He’s increasing capital gains tax from 18% to 28%, but only for higher rate taxpayers. The personal income tax allowance will be raised by £1,000 taking hundreds of thousands out of tax and providing a handout to low paid and reasonably paid workers.

But these aren’t the only giveaways. He’s giving big ones to business, notably reducing corporation tax by 1% a year for each of the next four years. The “entrepreneurs’ relief” rate of capital gains tax of 10% on the first £2 million of gains will be extended to the first £5 million. The small companies’ tax rate will be cut to 20%. People setting up new businesses outside London, the South East and the east of England will be exempt from £5,000 of National Insurance payments for the first 10 workers.

The attacks on the rich are more designed for public relations purposes than to raise revenue. The bank levy, at 0.04% rising to 0.07%, would raise a mere £2.4 billion. Campaigners for a Robin Hood tax estimate that £20 billion could be raised by taxing financial transactions, which additionally would do far more to discourage speculation (thereby reducing the likelihood of a new banking crisis). [Incidentally, taking action against “short-selling” (gambling on share values or government bonds reducing in value), as proposed by Merkel and Sarkozy, would also ease this risk.]

“Hang on a minute”, I hear you cry! You thought this budget was to tackle the deficit! Well, actually, the key figure mentioned was 25%. This is the amount each department except for ring-fenced health and overseas aid would have to find in “efficiency savings”, and this figure would be a lot less if it wasn’t for the giveaways to the Tories’ friends in business, including big business, and to soften the pill for working class people. It would also be a lot less if the government wasn’t planning to make a massive £40 billion of extra savings/year above that planned by Labour (which exposes as a lie Osborne’s claim that the rise in VAT is unavoidable due to Labour’s mismanagement of the economy). Osborne commented that education (after all, with the “pupil premium” giving extra money for poor pupils and new “free schools”, it’s going to be hard to make 25% cuts there!) and “defence” (after all, the Ministry of War costs £25 billion a year and cutting that by 25% would obviously allow those pesky Iranians to invade, wouldn’t it?) may have some sort of exemption, although he didn’t say how this could be done.

Now, in terms of the other figures presented in today’s budget, poor people would not be too badly hit, unless they’re unemployed of course which many more will be as a result of the Tory/Liberal Democrat government’s policies. [Incredibly, the supposedly independent Office for Budget Responsibility, made up of government appointees of course, producing the forecasts on which the budget is based, predicts unemployment will fall apart from in the first year!] But you can bet your bottom dollar that the 25% worth of cuts would hit those who rely on the services far far far more than rich people!

The hard questions have been kicked into the long grass – the autumn. The pensions review, where the coalition government’s committee chaired by Labour’s John Hutton (yes, LABOUR’S John Hutton, a subtle ploy to spread the blame) will report on how to massively cut the cost of public sector pensions in September. There will be a spending review reporting in October, which is when we’ll get some idea what these 25% worth of cuts will be. That will be when “the shit really does hit the fan”. And will we take it? No! The question is not whether the UK will emulate Greece with mass demos and strikes opposing the cuts, but when!

There has been much speculation as to whether the government’s policies will lead to a double dip recession or depression. This seems highly likely (if not inevitable) to me, especially with the crisis in the eurozone and many other countries similarly making savage cuts to public spending, whether or not there is massive resistance to the attacks on the living standards of ordinary working and middle class people. It is not inevitable that the left will be able to take advantage of the opportunities this will present us with; the right could instead leading to more hatred (on the basis of nationality, race, religion, sexuality, etc.) and terrorism, or perhaps some sort of new (hopefully more ethical) world order of capitalism, led internationally by Barack Obama. Left-wing activists must take advantages of these opportunities to lead a swift and thorough socialist transformation of society, i.e. a revolution, or we should face the fact that capitalism will be here forever!