

Great Britain: Labour's budget - no end to increasing inequality

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Social services gutted, green transition neglected, public money funnelled to private business. Pete Cannell draws highlights from the Labour Party budget.

At first sight Rachel Reeves' first budget marks a sharp change from the Tory budgets that preceded it. There's a £40 billion tax increase, with the brunt being borne by business, and investment plans up by £105 billion, in contrast to the cuts that were planned by the Tories. In the Guardian Labour Deputy leader Angela Rayner declares it 'a budget for working people, by a government for working people'.

During the election campaign, Labour was at pains to emphasise its intention to continue with Tory decisions. In the context of the budget, the most iniquitous of these is the intention to pursue Tory plans for cuts to the [welfare bill](#) over the next four years. This will restrict access both to sickness benefits and welfare eligibility in general. This further tightening, in an already punitive regime, will require 400,000 more people who have been signed off work long-term to be in employment by 2028/29. At the same time, their benefits will cut by £260 a month. The Office of Budget Responsibility reckons this will take £3 billion out of the welfare bill. This is a serious issue for the labour movement as a whole, not only because it's deeply ableist, but also because making people 'at the bottom' more desperate to find any job at any pay will reduce all workers' market power.

The so-called 'optics' of the budget were about a competent Labour Party dealing with the chaos left by the Tories and addressing the issues that had alienated working class people from mainstream politics. But at the heart of that alienation, in Britain and internationally, is the past fifty years of neoliberal economics and the massive redistribution of wealth from the poor to the rich. The budget does nothing to reverse that and indeed doubles down on hitting the most vulnerable in society.

One example of the impacts is the deterioration of young people's mental health. Fifteen years ago, Richard Wilkinson and Kate Pickett showed in 'The Spirit Level' how inequality impacts working people's lives. Today, for example, there is a remarkable rise in mental illness among young people. In 2008, 7% of 16-24 year olds said they had a health problem that impacted on their daily activities. Now it's 20% and most of this is mental health issues. A recent article in the *Financial Times* concluded that 'the deterioration of mental health among young adults is very real and is increasingly acting as an economic drag.'

The Labour mantra pre-budget was that they could 'deliver growth' - measured in terms of Gross National Product (GDP) - meaning the total value of all the goods and services produced by the residents and businesses of a country, irrespective of the location of production.. So, the focus on infrastructure spending is essentially Keynesian, the idea that government intervention can influence economic outcomes. In as much as it is about working people it assumes that growth trickles down and benefits workers. But in the context of increased attacks on the poorest and continuing real terms decline in resources for public services, this is simply fantasy.

Moreover, the GDP definition of growth is entirely unhelpful when it comes to addressing the climate crisis. There is widespread recognition of the seriousness of the crisis and the impacts it is having on people's lives and livelihoods, here and around the world. But in the face of government policies that are big on green rhetoric but actually driven by close commitment to the fossil fuel industry, there is also widespread cynicism about the possibility of any kind of transition, let alone a socially just transition. Labour's response is to set up Great British Energy as a vehicle for investment - but as with its other investment plans, the emphasis is on public investment through private companies and generating private returns. The sums of money involved are a small fraction of those also announced for carbon capture and storage (CCS) and new nuclear power stations. These choices are not about some contested debate over the best way to achieve transition; they are driven by the interest of the big energy companies whose interest is in maintaining profits and preserving the systems and infrastructure that fossil capital has developed over the last century. The Labour Party's spending decisions will tie us into a high energy cost, high carbon emissions future.

For sure the new budget in some ways less harsh than the Tories. However, despite the increase in the minimum wage, the real commitment is to big business and the budget overall will continue to deepen inequality. The [Joseph Rowntree Foundation calculates](#) that disposable income and living standards will continue to fall. The poorest in society will be hardest hit. As [Jonny Jones argues](#), Starmer always sides with capital against workers.

A budget for working people would of necessity start from addressing inequality. It would enact measures to take wealth back from the rich and make massive investments in health, social care, education, housing and transport. Instead, at the core of this budget is a strategy based on investment in infrastructure - certainly needed after years of Tory neglect - but predicated on the assumption that infrastructure projects can only be realised through the private sector. This in the face of overwhelming evidence of the failures of big construction firms over recent years. In reformist logic there might be a case for encouraging private investment for public benefit but what the budget is about is public investment for private benefit. We pay, they profit.

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