

UK: Sunak's Spending Spree

Monday 16 March 2020, by [BLAKELEY Grace](#) (Date first published: 11 March 2020).

Today's budget exposes the truth about a decade of austerity - it wasn't an economic necessity but a political choice. Now the Left must seize the initiative on this new terrain where economics has been repoliticised, argues Grace Blakeley.

In today's budget, Rishi Sunak has announced a £30bn boost to current spending and a £600bn infrastructure investment package, both aimed at absorbing the economic impact of the coronavirus and 'levelling up' the UK's left behind regions. Surprisingly, Conservative election attack lines about the affordability of public investment don't seem to apply to Sunak's first budget as chancellor. Even George Osborne has argued that now is the time to release the fiscal purse strings.

These pledges must, of course, be set in economic context. The UK, along with several other major economies, is unlikely to avoid a recession in 2020. Many economists had predicted that the US, the UK and the Eurozone would all fall into recession at some point within the next three years given the dynamics of the business cycle, but coronavirus is likely to lead us into an early downturn.

What is as yet unknown is quite how severe this downturn will be. If, as looks likely, the virus cannot be contained and quickly spreads around the world, and if governments are unwilling or unable to deal with the economic impact, then we could be looking at a global recession nearly as severe as that which hit the global economy in 2008, as Christine Lagarde has warned. But, unlike in 2008, monetary policy is already extraordinarily loose, which means that many government's will be forced to resort to fiscal measures to contain the impact of the downturn.

Luckily for them, borrowing costs are as low as monetary policy is loose. In some cases, yields on government bonds are negative in real terms, meaning many investors will find themselves in the unenviable situation of paying to hold government debt. Sunak will undoubtedly argue that, after a decade of fiscal consolidation and in the context of very low interest rates, a fiscal stimulus is more affordable than it was in 2010, when the Conservatives imposed the most brutal austerity programme of any advanced economy outside of Greece.

The problem for the Tories is that the case for austerity was never based on *affordability* but objective *possibility*. Cameron and Osborne did not simply argue that it would be prohibitively expensive to increase borrowing in the depths of the financial crisis-induced recession - they argued that it was impossible, that there simply wasn't any money left in the Treasury's coffers.

Many casual observers are now reacting to the budget with puzzlement - where has all this new money come from? The household budget analogy, repeated to within an inch of its life by Cameron and Osborne, suggests that the government, like a struggling household, can only spend as much as it earns. This powerful analogy encouraged people to think of economic policy in depoliticised terms - there was no point having public debates about who should get what when the government was telling everyone that no one could have anything.

Today, Sunak and Johnson are going to struggle to explain to voters beaten back by a decade of austerity that the household budget analogy was wrong. Governments do not pay for current

spending using current revenues – they issue bonds, which are purchased by investors (like those who manage your pension fund) and repaid over a period of decades. As long as investors are keen to buy, governments can raise as much money as they like. And as long as governments spend the cash on growth-promoting investments, they won't have any trouble repaying the debt over the long-term.

It is convenient for Sunak and Johnson to ditch the household budget analogy today, but over the long term it calls into question the very basis of neoliberalism itself: the separation of the political from the economic. Political Marxists like Ellen Meiskins-Woods have argued that ideological attempts to enforce a rigid separation between politics and economics are the foundation of capitalism. Marx's critique of the bourgeois economists was, in large part, based on their refusal to account for political dynamics in their abstract and ahistorical descriptions of market economies. Modern neoclassical economists have taken this tendency to even farther extremes with their reliance on abstract mathematical models to provide completely apolitical, and therefore highly ideological, descriptions of the economy.

Sunak's budget, which is delivering the biggest rise in borrowing for 3 decades, fatally undermines this separation. Unable to claim that public spending increases are simply impossible, the Conservative Party will be forced to justify politically every fiscal, and increasingly monetary, policy measure that this government introduces. Cuts to welfare, health and social care budgets will no longer be defensible on the basis that 'there is no alternative'.

Over the last five years, the government has claimed that tax cuts for the rich boost revenues – an obviously false claim, but one that is nevertheless difficult for a non-economist to challenge. Today, the government has cast aside Cameron and Osborne's carefully crafted technocratic style and will be forced to find a political justification for such measures. And 'trickle down economics' carries little truck with today's voters.

In other words, Sunak and Johnson have made it clear that the government has enough money essentially to do whatever it likes. Far from satiating a population suffering from a decade of wage stagnation, extraordinarily high levels of private debt and crumbling public services, such a move can only reinforce demands for higher state spending, greater protections for workers and relief for those on low incomes. And as the climate emergency worsens, government claims that there simply isn't enough money to tackle the greatest existential threat humanity has ever faced will fall on deaf ears.

Many on the Left will react to Sunak's spending spree with a thinly-veiled disappointment. With austerity over, what popular demands are left for the Left? A cursory glance at history shows that this pessimism is wrong-headed: when the working classes have their demands met, they demand more not less.

Grace Blakeley

[Click here](#) to subscribe to our weekly newsletters in English and or French. You will receive one email every Monday containing links to all articles published in the last 7 days.

P.S.

Tribune

<https://tribunemag.co.uk/2020/03/sunaks-spending-spree>