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Brutal budget to entrench inequality

Frontline article by Danny Dorling, July/August 2010

The first budget of the "progressive" coalition government saw George Osborne promise massive cuts for the poorest in society while offering tax relief for businesses, writes Danny Dorling.

George Osborne - flanked by two Liberal Democrats - spoke with the confidence that you would expect of a man with the pedigree of aristocracy. David Cameron had positioned himself behind Osborne so that the camera could not see him as the chancellor gave out the bad news. Thus "Dave" was nowhere to be seen as the axe was wielded across the welfare state, or when it was announced that VAT was to be increased to 20 percent or that poor pregnant women would have the special benefits being paid to them cut. Dave's wife is pregnant.

You might think Cameron knew something about PR as he stayed out of shot. What Osborne knows about is unclear. It has been widely reported that his first job was data entry for the NHS. His only reported private sector work experience was shelf-stacking in Selfridges. After those forays into the world of work he moved into the Conservative Party's central office.

Osborne said he wanted prosperity to be shared among all of the country. He raised the spectre of national default on the country's debt as the most likely consequence of not following his advice. It was his way or no way at all. It was hard, he said, but he was the man to do it. Further back and far to his side Vince Cable, who had opposed him so recently, literally squirmed in his seat.

To avoid national bankruptcy Osborne said (mentioning it often) he was going to bring spending into balance in just five years and he was going to achieve 77 percent of that through public sector cuts and 23 percent through tax rises. Current expenditure would have to fall by £30 billion a year to achieve this. The queen was singled out as having her income frozen rather than reduced.

This was not a budget of compromise. This was simply a brutal budget. Unprotected government departments would receive the largest cuts and these would be cuts in jobs. He did not say that explicitly: he said they would receive a 25 percent cut in four years, and a wage freeze - a cut of £17 billion in total. Given that salaries are their greatest expense (by far) that can only mean massive job losses if wages stay the same. He also froze child benefit. The only sign that the Liberal Democrats were in coalition with him was that he didn't means-test that benefit and he raised basic tax allowances a little (but all of that was wiped out by other cuts to the budgets of the same families). Osborne didn't stop with children, the poor, average families and almost everyone in work in the public sector. He next targeted the elderly, but only the elderly reliant on a pension, not the really rich elderly.

The overall private sector wage bill per head is much higher than the public sector wage bill because those at the top of the private sector reward themselves so excessively. There is nothing to stop them doing so even more following this budget. Osborne dropped the bosses' corporation tax to 27 percent and promised a percentage drop a year from then on to reach 24 percent in three years time. He did say banks would be levied at £2 billion, but a similar cut would apply to people reliant on housing benefit, who are far less well off than banks.

Osborne insisted this was a fair budget. What had he taken from the rich then? It took me some time to identify, but here it is: he promises to explore the idea of altering the air passenger levy so that, rather than operating at the level of every person flying, it becomes a charge on every plane taking off. Rich business people and celebrities might then have to pay almost as much as a charter flight bound to Ibiza. But that change was not a budget commitment, just an idea he was floating.

The commitment is to increase inequality. The rich, the "wealth creators", must be left unscathed. If you believe they create wealth what else can you do? But if such beliefs are a product of a very expensive education then I think it is time we questioned the value of such education and stopped calling it "good". There is plenty of excess wealth in this country that could have been cut to pay for the bank bailout. It all remains. It is still available.