

## UK: The Chancellor's Grin

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**Rishi Sunak has turned on the taps. Entering parliament yesterday, he was in an unenviable position: he had had less than a month to prepare his budget, and had succeeded to the Exchequer only by accepting the kind of wing-clipping his predecessor refused. Suspicions lurked over the extent of his autonomy: Theresa May, perhaps a little enviously, said she hoped the 'necessary tension' between Numbers 10 and 11 had been involved in the budget's preparation. There wasn't much evidence of it: Sunak was grinning as only a chancellor with billions to give away could. Johnson was beaming.**

But it was the coronavirus emergency, yesterday declared a pandemic by the World Health Organisation, that overshadowed everything – and is likely to be the sole criterion on which the government is judged over the coming months. The right-wing press was in ecstasy this morning as they reported Dishy Rishi's £30 billion coronavirus stimulus. The figure conflates the £18 billion pumped into government departments with the £12 billion added to stimulate the economy and respond to the pandemic. It may well prove too little.

But Sunak hasn't deviated significantly from the Number 10 playbook. His speech mentioned 'levelling up' seven times; he promised to 'get it done' eleven times. The budget effectively unwinds the ten-year commitment to shrinking the state set in place by successive Conservative chancellors; it promises the already trailed cash for the core public services on which the Tories campaigned in the general election. 'If the country needs it, we will build it,' Sunak promised, conceding – as Labour has been arguing for years – that infrastructure investment will boost productivity. He is promising £175 billion of it.

The chancellor's grin, however, may not endure for long: his speech recognised the Office for Budget Responsibility's downgraded forecasts for economic growth (which are themselves usually optimistic). Such an effusive stimulus, combined with very obvious efforts from the Bank of England to suggest that the City is walking in step with Westminster, is a clear attempt to ward off the recession on the horizon. The figures do not yet account for the economic consequences of the coronavirus crisis, but it will not be kept off the balance sheets for long.

In dealing with the coronavirus, the government effectively faced a choice of priorities between supporting businesses and supporting the people. The suspension of business rates in sectors likely to be hit, as well as cheap loans, sick-pay rebates and an extra billion pounds to support those on benefits, are intended to ward off some of the economic pain from the pandemic; they are a tacit admission that many of Britain's businesses are fragile and ill-prepared for any kind of shock. Beyond a slight and temporary relaxation of rules on access to Universal Credit, Sunak left the benefit system untouched; he shied away from any increase in statutory sick pay, which remains at £94.25, an amount few are able to live on even if they're eligible for it. And local government, which already faced a near impossible task in managing social care, will not welcome a budgetary black hole from disappearing business rates: it may be that the £5 billion coronavirus fund will be easily swallowed by it.

Given the economic orthodoxy over the past ten years, the smiles and sunshine approach is hard to swallow. The chancellor proposes deficit spending, and by the end of the parliament expects the national debt to hit £2 trillion: the measures that the longer-serving Tories have grizzled, harrumphed and waved their papers in support of in the Commons since 2010 have vanished. Debt numbers that once seemed sacred are swept away like plaster idols. What, then, was the last decade for? The stagnant wages, the shrunk services, the slashing of the social state? George Osborne's apparent claim – that austerity paved the way for the new munificence – is in no way credible. The NHS is about to discover that a few extra billion now can't make up for frayed investment over a decade; new intensive care services, and trained staff to run them, cannot be conjured from thin air.

Hypocrisy is a common charge in politics: it is also rarely an effective one. Realising this, the government has taken the chance to present itself as a new broom, rather than the party that has run the country for the past ten years. Yet the shift in Tory orthodoxy has been coming for some time: its first stirrings were under Theresa May, whose chancellor flinched from this kind of shift; Sajid Javid, too, did much of the preparation for the non-coronavirus parts of this budget. It may have taken Johnson's purge of the old guard to bring the shift to the surface, but it would be a mistake to view it simply as a feint. It is a more durable change, aimed at cementing the Tories' new electoral coalition. The political challenge lies less in spending money than in making that spending visible quickly over this parliament.

It's worth looking at what's missing from Sunak's funding round. The promises of a solution to the social care crisis remain just promises. The money to replace EU structural funds remains speculative. The various wealth taxes and mansion taxes that were floated in advance of the budget have evaporated: even the most basic measures, such as taxing income from wealth at the same rate as income from work, failed to appear. Inheritance tax, and its many enormous loopholes, remain untouched. The shift in pension tapering – sold as a way of getting senior NHS staff to take up more work – is a giveaway to all higher earners. The chancellor rightly intends to take advantage of easy borrowing, and has largely avoided funding through taxation: this is a genuflection to the traditional Tory base, many of whom still pine for Johnson's promised higher-rate tax cuts and enthusiastic embrace of bankers. There are few opportunities like a chancellor's first budget, remote from electoral consequences, to alter the tax burden in the direction of justice: Sunak has squandered it, and there's unlikely to be another, as Brexit negotiations and the pandemic aftermath bite.

There are other omissions: funding for green transport is nugatory, £1 billion against the £27 billion promised for new roads and the continued freeze on fuel duty. With the UK hosting the next round of climate talks this year, this looks like a suicidal abdication of responsibility: the budget's primary climate measure is towards 'carbon capture' solutions, a scanty shot at a technical fix with little evidence of effectiveness. The harder work of reduction – transport is now the UK's largest source of carbon emissions – is roundly shirked. The climate policy underscores the primacy of politics over economics: the government calculates that its new voters want, need and intend to continue using their cars, so they must have new roads; at the same time, climate change cannot be wished away, and no government can avoid at least appearing to take it seriously, even if that means sinking a few hundred million into a magic wand. Consistency is for lightweights.

The budget presents serious problems for the opposition. Labour intermittently consoles itself that it has 'won the argument'. Insofar as spending is up, that is superficially true. But the party's wider arguments on taxation, wealth and public ownership are – of course – absent from the Tory budget; instead it ramps up a universal poll tax on migrants to divert to the health service. The social spending is done in an avowedly nationalist key. This is less a case of policy hegemony for the left than of capture of its most superficially appealing parts – and evacuation of its redistributive basis – by the right. There should be no consolation in it.

That it presents a quandary for Labour was evident in Corbyn's response, and it will be exceptionally pressing for his successor. Corbyn is right to present the austerity decade as having wreaked havoc on Britain's capacity, and right to insist that its consequences have not disappeared. But this weapon was already blunted in the election as the consensus shifted; it is now obviously insufficient for Labour to continue fighting yesterday's war. The party's hesitancy over presentation in the last election has also laid up trouble: often content to suggest that socialism means the state spending money on things, it treated many of its arguments on distribution and ownership as awkward addenda to retail politics. But if the Tories are now splashing on public services, and especially if short-term effects on household incomes are positive, voters might well wonder: what's the Labour Party for? An attempt to move to a hawkish fiscal stance – still occasionally adumbrated by the party's right – would be an exercise in political self-immolation (though elements of the parliamentary party are certainly stupid enough to imagine it attractive).

There are opportunities, however: the most immediate is the government's failure to increase sick pay during the crisis, and its strong preference for propping up businesses instead. Longer-term opportunities exist, too: the pandemic will bring the crisis in social care, which the Tories dodged in both manifesto and budget, to the fore. The OBR is gloomy about the future, and the prospects of Brexit turbulence. Supplication to the US will constrain the government's digital sales tax initiative. But all these are merely tactical chances: a difference in vision is sorely needed to undergird them. The budget, and the Tory shift to spending, is a salutary reminder that politics precedes economics, and that budgets are avowedly and obviously political: to whom they give, and from whom they take, are not questions settled by apolitical expertise. And perhaps the spread of the pandemic, and the size of the necessary response, will be a useful reminder that the state retains unequalled powers of co-ordination and capacity; that the profit motive, supreme in US healthcare, is not a rationale for every aspect of social life. The opportunity is there, should Labour care to look.

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