

# Did Rishi Sunak Avoid the Really Difficult Questions?

***Dr. Steven McCabe, Associate Professor, Institute of Design and Economic Acceleration (IDEA) and Senior Fellow, Centre for Brexit Studies, Birmingham City University***

March's budget is always much anticipated.

Coming towards the end of the [tax year](#) on 5th April, a strangely arbitrary date which came about in the late eighteenth century following the rejection of the 'Julian' calendar when New Years Day was 25th March, and involved some tinkering by the Treasury, is intended to inform us what finances for the country are predicted to be in the coming year.

On budget day there's always a sense that announcements made by whoever's Chancellor, who since the role first held by Richard Sackville in 1559 has always been a man, will impact on every citizen either directly through taxes or indirectly through decisions on investment.

This year, of course, anticipation was heightened by the fact we're experiencing the worst health crisis for a century. The impact of restrictions on the economy has been profound. What announcements would Rishi Sunak make to deal with levels of additional government spending that've been necessary to support businesses and individuals that has produced record debt?

More particularly, what sort of economy will emerge from the devastation caused by the pandemic? Surely one that addresses the worrying increase in 'NEETS', those under 25 not in education, employment or training whose number, according to the ONS (Office for National Statistics), rose by 39,000 to 797,000 in the last three months of 2020.

Restrictions placed on people that's so disproportionately impacted on hospitality, in which many young people depend for employment, is indicative of a lop-sided economy in which services have come to

dominate at the expense of manufacturing. This would be assumed to be something the chancellor would wish to address?

Crucially, as many ask, how will funding of the care sector, in which over 40,000 mostly elderly residents died during the pandemic, be solved? Responsibility falls on local authorities whose budgets, even before Covid-19, were in an extremely parlous state. Steven Cameron, director at pension firm Aegon believed the lack of any statement on social care by Rishi Sunak to be “deeply disappointing.” Let’s not forget, current Prime Minister, Boris Johnson, claimed to have a solution to social care on becoming leader of his party in the summer of 2019. Since then it appears to have been forgotten.

The answers to such questions has been that Sunak’s budget announcements have elicited a wide variety of responses. These have ranged from applause, mainly among right wing commentators to those condemning Sunak for unwillingness to confront the really difficult questions and challenges that’ll confront this country in the coming years. Publication of what’s known as the ‘[Red Book](#)’ published after the Chancellor’s announcement has raised more questions of what will be needed to repair the economy and allow this country to compete as a state now truly independent of the EU.

Significantly, the IFS (Institute of Fiscal Studies) and Resolution Foundation were, as might be expected, critical of what was offered in the budget. Equally, the OBR (Office of Budget Responsibility), has also questioned whether what was proposed will be possible.

The IFS believe that Sunak’s intention to create a ‘cliff edge’ by ending the £20 a week increase in universal credit on 30th September is “remarkable” according to its director Paul Johnson. As many believe, in the absence of an economic revival later this year verging on miraculous, the fortunes of those who in receipt of this additional money, will experience an immediate decline which propels them into penury.

Such concern is echoed by the Resolution Foundation which claims that as inflation starts to rise later this year, real earnings for all workers will fall and living standards decrease. Given that, regardless of the fact that furlough has been extended, unemployment is due to

increase to, according to the OBR, 6.5%, the likelihood of wages increasing dramatically is slim.

Particularly of concern is that Chancellor Sunak failed to address the way that we're supposedly going to make the transition to a greener economy 'revolution' which advocates promise will result in massive job creation needed to replace those lost in recent months. Unfortunately, job losses are likely to continue as technology, including AI (Artificial Intelligence), is introduced.

The eight Freeports announced last week are an interesting case in point. Though perhaps increasing local GDP and, by virtue, productivity that's based on monetary value (a reason why the City of London is the most productive part of the UK), there may not be accompanying job creation that will greatly improve the prospects of those living close by.

Critics of freeports claim their main impact in the past has simply been to move investment from one area to another. Richard Hughes, who works for the OBR, stated to the Commons Treasury committee on Monday, that the "effect on the overall level on investment is likely to be quite limited but its effect on moving investment around is quite strong."

Any hope that detail might emerge as to how investment will be made after the current year when, it's hoped, the worst effects of the pandemic have passed, have been dashed. The OBR's Hughes made clear that though there's a "pretty long list of legacy costs coming out of this pandemic" including what is likely to be an annual vaccination programmes as well as continued testing, and additional burdens on the NHS, no evidence has been provided to indicate how, if at all, they will be covered.

Indeed, the 'Red Book' indicates the NHS is going to lose funding which, understandably, though causing consternation was overshadowed by the furore generated by the one per cent pay offer to NHS staff.

As the OBR predicated last week, once the worst of the pandemic is over, we'll experience healthy growth later this year and next but, in subsequent years, followed by average rates that, by comparison,

seem anaemic. Moreover, some of the predications about how great the 'bunche-back' to be experienced immediately after the pandemic have been played down. Charlie Bean, a former Bank of England deputy governor who sits on the OBR, thinks that savings of £180 billion accumulated by retirees and higher-paid workers will be spent far more slowly than is being suggested.

What seems apparent is that there's a lack of direction from government beyond the immediate crisis. A grand plan is needed to provide links between investment and the transition to the sort of economy that will be essential to cope with the challenges ahead. There's an urgent need for the sort of fully costed industrial strategy that would be overseen by, for instance, the Department for Economic Affairs created under PM Harold Wilson following his election in 1964.

Unfortunately, as Larry Elliott writing in [The Guardian](#) asserts, Sunak's announcements are likely to stifle long-term planning and investment that are an essential precursor to innovation and creativity that will lead to the next generation of, it's hoped, greener products. Elliott's concerns have resonance with Will Hutton's column in The Observer, '[Strong on rhetoric, weak on substance – so much for the 'vision' of Global Britain](#)' is in which he's excoriating about this country's prospects under a government that is so short-term in aspirations.

A couple of articles over the weekend sum up pretty well the situation we're in. Ever-reliable economist David Smith, writing in [The Sunday Times](#) contends that improvement in productivity is essential to underpin the sort of recovery needed to repair the damage of covid (which was proceeded by years of underinvestment).

William Keegan in his Observer column, '[Beware Rishi Sunak, a small-state ideologue posing as a big spender](#)', chimes with Smith in his belief that the UK leaving the single market will result in the loss of 36% of exports to the EU over the next ten years and possibly mean a reduction of 6% in incomes per person. Such a reduction, he points out, will be in addition to the 3% drop due to Covid.

Last week's budget represented, therefore, a papering over of the fundamental issues that confronted us even before the pandemic. These are frequently cited as the reason many felt disillusionment and voted to leave the EU. Ironically, it increasingly seems, the

consequence of departure will be to make us collectively poorer and to undermine prospects for many for years to come.

Notions that there's likely to be an economic boom that will make us better off are castigated as wishful thinking by Brexiters. Cynics claim what was really happening last week was a softening up of people, especially in those parts of the country due to receive additional assistance, in which its alleged that 'pork barrel' politics has occurred, are intended to enhance prospects of winning a general election by the Conservatives in 2023.

Equally, it's strongly hinted, last week's budget was about the future leadership credentials of Rishi Sunak is believed by many to be likely to be Johnson's successor. If that is indeed the case, many will proclaim it ill-behoves a Chancellor to play politics whilst emerging from the crisis of the pandemic. As the government is experiencing with regard to the proposed one percent pay rise to the NHS nurses, whose efforts were so vital during the pandemic, the public's mood can shift dramatically.

This may be especially so if there's an increasing sense that in merely repairing existing current problems for the sake of the sake of short-term expediency, and dodging the challenge of dealing with the greater challenges that inevitably lie ahead, represents the worst sort of naked opportunism.

***Dr. Steven McCabe is co-editor of *Brexit and Northern Ireland, Bordering on Confusion* (published by Bite-Sized Books, ISBN-13:978-1694447807) and *English Regions After Brexit: Examining Potential Change through Devolved Power* (published by Bite-Sized Books, ISBN-13: 979-8666953099). He has contributed chapters to a number of texts in the last year (in 2020 unless otherwise stated): *Brexit Negotiations after Article 50: Assessing Process, Progress and Impact* (published in 2019 by Emerald Publishing, ISBN: 978-1787697683); *The Wolves in the Forest: Tackling Inequality in the 21st Century* edited by Hindley and Hishman (published in 2019 by Social Liberal Forum); *Boris, Brexit and the Media* edited by Mair, Clark, Fowler, Snoddy and Tait (published by Abramis Academic Publishing, ISBN-13: 978-1845497644); *The Virus and the Media: How British Journalists Covered the Pandemic*, edited by Mair (published by Bite-Sized***

***Books, ISBN-13: 979-8643725824); The Pandemic, Where Did We Go Wrong? edited by Mair (published by Bite-Sized Books, ISBN-13: 979-8665858326); BBC, A Winter of Discontent? edited by Mair (published by Bite-Sized Books ISBN-13: 979-8694863117) and The Pandemic, Where are We Still Going Wrong? edited by Mair, (published by Bite-Sized Books ISBN-13: 979-8563726338). His latest chapter, 'Does Vaccination offer Johnson a Way out of the Pandemic?' is published in Pandemic, A Year of Mistakes? Edited by Mair to be published by Bite-Sized Books (ISBN-13: 979-8702357799).***

**His latest co-edited book, Exploring the Green Economy, Issues, Challenges and Benefits, will be published in early summer.**