

Autumn Statement: ‘no one will be spared the pain’

*Chancellor Jeremy Hunt faces a difficult balancing act to try and delay many measures while doing enough in the short run to appease the markets. **John Van Reenen** comments briefly on what can be expected in the Autumn Statement.*

The Autumn Statement will be painful. There is a worldwide cost of living crisis due to the Ukraine invasion and slow recovery from COVID. But Britain has particularly dire prospects due to an encyclopaedia of self-inflicted policy failures. The Truss catastrophe looms large but underlying this is the dripping economic wound of Brexit.

To restore confidence in the public finances, the Chancellor will have to announce tax rises and spending cuts as we enter a recession. He will have a difficult balancing act to try and delay many measures until after the economy recovers but do enough in the short run (i.e., pre-election) to persuade the markets he is serious.

Usually after budgets, we talk of “winners and losers”, but in this case the only winners are those who are lucky enough to receive fewer fiscal lashes than others.

He will be tempted to slash public investment as this is the least politically visible of cuts, as happened when the Conservative first took power a dozen years ago. This would be a disaster – George Osborne’s made the same mistake and this short-sighted austerity helped contribute to the dismal growth Britain has suffered ever since.

Sectors that may lose the most should be the energy producers who have enjoyed excess profits and the banks who may also be politically appealing targets. The wealthy will likely have to pay a lot more “solidarity taxes”, which is fair.

The other group who will likely be spared are pensioners, who will probably receive a 10% increase due to the “triple lock”. There is no good justification for this ridiculous policy, which exists due to the power of the grey vote for the Tories. Lower income

households should be protected whether old or young – but there is no reason to give special protection to wealthier retirees.

But be prepared: no one will be spared the pain. The best way to raise money would be a broad-based increase in income taxes, rather than the stealth tax of freezing thresholds or national insurance, which penalises workers alone.

In the background of this is the stagnation of UK productivity growth since the Global Financial Crisis, which has led to real average pay being almost flat for 15 years. We need a strong and credible Growth Plan to jumpstart the UK if we are ever to drive out of our valley of economic tears. What [we](#) said in the [LSE Growth Commission](#) a decade ago still holds true.



Notes:

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