

Austerity measures

In December 2012 the British Chancellor, George Osborne, denied that the poor were having to endure the major share of his austerity cuts. He insisted that the rich were paying 'a greater share'; that 'the richest 20% are paying the most'.

The problem

His critics accuse him of unfairly targeting the poor, who are having to bear the greater 'proportion' of the cuts. So the problem is does he answer his critics relevantly by using relative, proportionate terms or is he just using absolute terms? In absolute terms a wealthy individual will pay more in tax than the poorest, but this might represent a far less significant sacrifice than that which the poorest have to bear.

Unfortunately, his answer doesn't appear to clear up the problem. He says that the rich are paying 'a greater share', which is a proportionate answer, but then he also says that 'the richest 20% are paying the most', which could be both a proportionate and an absolute answer. What does the 'most' mean: the greater share of the cuts or the larger actual amount that each individual has to bear in money terms?

Answer

For the answer we will have to look at the actual figures. The criticism of his policies came in response to his autumn statement in which he announced plans to cut £3.75bn (\$6bn) a year from the welfare bill by raising the benefits of the poorest families by just 1% a year, well under the rate of inflation.

To make the comparison we need to know how much he planned to raise through measures targeted at higher earners. These included cutting the amount they could put into their private pensions tax-free from £50,000 (\$80,000) to £40,000 (\$64,000), raising £1bn (\$1.6bn). To raise a further £1bn he planned to increase the threshold for paying the higher rate of income tax by just 1% a year. So the chancellor would be raising just £2bn from these measures aimed at the very wealthy compared with the £3.75bn he plans to raise from the poorest.

The critics

The Resolution Foundation argued that these measures would mean that the poorest 10% would lose 1.2% of their income, while the richest 10% would lose just 0.2%. On the BBC Radio 4's Today programme, Osborne defended his measures by saying that 'We are asking all parts of the population to make a contribution. You can't deal with the biggest deficit since the Second World War without asking for a general contribution from the whole population. But as I say, the richest 20% are paying the most.'

Another problem

There is also another problem that makes it difficult to untangle the implications of the respective arguments. These are still aggregate figures: they tell us little about the significance of the cuts on individual families. To cut 5% off the income of someone earning £100,000 might mean fewer holidays each year, but to cut 5% off the income of a family earning £10,000 might mean cutting back on essentials, like food, heating and clothes. In terms of social justice and the fairest distribution of the sacrifices that have to be made this is the more useful comparison to make.