UK Truss government delivers class war budget

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Friday's mini budget was a smash and grab raid by Britain's Conservative government on behalf of the super-rich and the corporations.

Chancellor Kwasi Kwarteng made a statement lasting just 30 minutes, announcing policies reducing the taxes on the richest by tens of billions of pounds.

The cuts in taxes for the wealthiest were easily the biggest carried out by any government for 50 years.

In one fell swoop, Kwarteng reversed a rise in corporation tax planned by the government of Boris Johnson, whom Prime Minister Liz Truss replaced just 17 days ago. He announced, "The UK's corporate tax rate will not rise to 25 percent—it will remain at 19 percent. We will have the lowest rate of Corporation Tax in the G20." This will save the corporations "almost £19 billion a year" the chancellor said.

He then announced an even greater tax cut for the richest 1 percent, who earn over £150,000 a year. They previously paid tax at 45 percent in the highest bracket, known as the "Additional Rate." Kwarteng stated, "At 45 percent, it is currently higher than the headline top rate in G7 countries like the US and Italy. And it is higher even than social democracies like Norway. But I'm not going to cut the additional rate of tax today… I'm going to abolish it altogether. From April 2023, we will have a single higher rate of income tax of 40 percent."

The new single higher rate covers all incomes from £50,271 upwards. The 660,000 people earning over £150,000 a year will save an average of £10,000. Torsten Bell of the Resolution Foundation think tank tweeted: "Any of you earn £1m? You're getting a £55k tax cut next year—twice what a typical earner brings home a year."

The cost of abolishing the additional rate was listed by the government as £2 billion, but according to commentators, including the Institute for Fiscal Studies (IFS), it is closer to £6.6 billion.

What was offered to the UK's 31 million workers was minuscule and will soon be eaten up by the escalating cost of living. A cut in the basic rate of tax from 20 pence to 19 pence next April will see workers save just £170 on average. A worker on £20,000 a year saves just £74.30. The reversal of a planned 10 percent rise in National Insurance tax contributions, set to be introduced in November, will save the lowest-paid households, earning just £12,000 a year, a mere 63 pence per month, according to the IFS. A worker earning £20,000 a year saves £93 annually.

Kwarteng announced the abolition of the limited cap placed on bankers' bonuses, set throughout the European Union in 2014, meaning no bonus could be more than 200 percent of annual salary. "A strong UK economy has always depended on a strong financial services sector… We need global banks to create jobs here, invest here… So we're going to get rid of it," he said.

The chancellor would "reaffirm the UK's status as the world's financial services centre" with "an ambitious package of regulatory reforms later in the Autumn."

There was nothing in Kwarteng's speech that didn't benefit big business—with the word business being referred to 28 times, almost once a minute. He confirmed that the cost to the public purse of the energy price freeze announced by Truss on taking office would be £60 billion over the next six months. But this is another massive subvention to energy companies already drowning in profits.

Like the other handouts to the rich, it is to be paid for by additional government borrowing, which jumped £72 billion as the deficit was revised upwards from

£161.7 billion in April 2022 to £234 billion in September. This is a massive further borrowing commitment after the measures taken during the pandemic forced the Johnson government to increase borrowing to £323 billion in 2020/21.

Yet those railing against government borrowing then, such as Janet Daley of the pro-Tory *Telegraph,* were ecstatic. “This was nothing less than a revolutionary Budget,” she declared, describing the governments of arch-Tory right-wingers Johnson, Theresa May and David Cameron as advocates of “the Big State-high tax interventionism willingly embraced for the last decade” that was now at an end.

However, the response to the budget’s give-away on global markets was hostile. It comes amid bourgeois demands for more austerity for workers and a clampdown on public spending. The Bank of England one day earlier acknowledged that Britain was officially in recession and hiked interest rates by 0.5 percent to 2.25 percent, their highest level since December 2008, to devastating effect for millions of mortgage payers.

The mini-budget sparked an immediate run on the pound as investors withdrew their backing and sold off UK government bonds. The pound fell to its lowest level against the dollar since 1985, plunging 3.5 cents on the previous day to $1.09. Against the euro, the pound fell to €1.132, its weakest level since February 2021. The FTSE 100 share index fell by 2.3 percent.

Predicting that the pound could even fall to below parity against the US dollar, former US Clinton administration Treasury Secretary Lawrence Summers declared, “Between Brexit, how far the Bank of England got behind the curve and now these fiscal policies, I think Britain will be remembered for having pursued the worst macroeconomic policies of any major country in a long time.”

The shovelling of tens of billions to the financial aristocracy was accompanied by a declaration of war on the working class, who will be made to pay for every penny handed over to the wealthiest.

In a filthy measure, Kwarteng announced a drive to force 120,000 people on the Universal Credit welfare benefit into work, declaring, “We will make work pay by reducing people’s benefits if they don’t fulfil their job search commitments.”

Enforcing the cost of what is an unprecedented boon for big business is to be carried out by a frontal assault on fundamental democratic rights, above all the right to strike.

Kwarteng frothed, “At such a critical time for our economy, it is simply unacceptable that strike action is disrupting so many lives. Other European countries have Minimum Service Levels to stop militant trade unions closing down transport networks during strikes. So we will do the same.

“And we will go further. We will legislate to require unions to put pay offers to a member vote, to ensure strikes can only be called once negotiations have genuinely broken down.”

This move would prevent strikes such as that by National Health Service workers currently being balloted on. It would be a license for the employers and the unions to string out negotiations and “new deals” ad infinitum.

The drive to destroy workers’ living standards and eviscerate democratic rights is intimately bound up with British imperialism’s military confrontation with Russia in Ukraine.

Speaking at the United Nations General Assembly in New York this week, Truss reiterated her pledge to spend 3 percent of GDP on defence by 2030, an additional £157 billion, and to “sustain or increase our military support to Ukraine, for as long as it takes.”

Speaking about her domestic agenda, Truss told the media that the official mourning period over the queen had prevented her moving to legislate “for minimum service levels on rail.” But this would be done “as soon as possible.” Truss added, “I want to take a constructive approach with the unions,” but this meant calling off all strikes: “I would tell them to get back to work.”

The measures will throw petrol on the flames of working class opposition that saw Britain’s “Summer of Discontent” strike wave, ensuring that the next rounds of action will be more explosive still, especially as this will bring workers into direct conflict with the state and the government.