

Truss U-turns on scrapping top tax rate as Tories' UK budget crisis deepens

Thomas Scripps
3 October 2022

Chancellor Kwasi Kwarteng has U-turned on scrapping the UK's top 45 percent rate of tax, charged on income over £150,000. The plan was announced as part of Prime Minister Liz Truss's mini-budget just 10 days ago and publicly defended by her just hours before.

Kwarteng and Truss are carrying out a very limited retreat—the richest households will still gain 40 times as much as the poorest thanks to other giveaways—in the face of a threatened backbench rebellion.

Many Tory MPs have given scathing off-the-record comments on the budget, with a significant number indicating they would not vote for the policy. There are reports of letters of no-confidence submitted and Truss has been forced to ring round Tory MPs to shore up support.

Tory concerns focused on global markets' nakedly hostile reaction to the mini-budget amid an escalating global economic crisis, with international finance insisting giveaways to big business be funded with immediate brutal attacks on wages and public spending, not public borrowing. There was, in addition, a widespread belief that the measure risked inflaming mass opposition to inequality amid a devastating cost-of-living crisis and rising strike wave.

Kwarteng's U-turn will make no real difference in the long-run to appease global speculators and does not fundamentally alter the scale of attacks on workers the mini-budget requires. Director of the Institute of Fiscal Studies Paul Johnson explained that the cost of the budget measure in the medium-term was “around £2 billion a year,” meaning Kwarteng's “£45bn package of tax cuts has now become a £43bn package—a rounding error”.

Writing in the *Financial Times*, head of the Resolution Foundation Torsten Bell explained,

“Kwarteng says he remains committed to debt falling eventually... that requires fiscal tightening of around £37-£47bn by 2026-27.” Bloomberg Economics predicts even more, outstripping the austerity initiated by former Chancellor George Osborne after the 2008 financial crisis.

What will inevitably follow from Truss is a series of announcements of the cuts she intends to implement, accompanied by a list of demands for more from her critics.

On Monday, Kwarteng announced that government budgets will not be updated to account for inflation, equating to an £18 billion cut. Plans are also being made for a £10 billion real-terms cut to welfare benefits by the same method, leaving a couple with two children over £1,000 a year poorer.

Bloomberg suggests “other options” include £25 billion by scrapping infrastructure projects and £10 billion by cutting public sector jobs. The Treasury has written to Whitehall departments calling for “efficiency savings”. An insider told the FT, “Whitehall finance directors are being told to prepare for cuts.”

Columnist Roger Bootle was explicit in the *Daily Telegraph*, writing, “It will spark strikes and protests, but public sector pay has to fall.”

In the private sector the government is planning for sweeping deregulation.

The majority of Tory MPs did not want Truss to win the leadership of the party and do not trust her to see through the austerity offensive demanded by the ruling class. A large faction is now pushing to replace her with rival leadership contender and former Chancellor Rishi Sunak—the favourite among MPs who lost the vote in the Tory membership, though polls now suggest he would win the head-to-head.

The *Mail on Sunday* writes, “Mr Sunak's MP backers

argue that the leadership rules should be ripped up to give MPs the sole right to pick a successor to Ms Truss". One told the paper the party should "repeat the 2003 leadership election, when Michael Howard was given the top job unopposed," adding that Truss was "finished" and "Rishi is the only answer."

Sunak, the multi-hundred millionaire described by Bloomberg during the leadership election as "the Lonely Tory Defending UK Fiscal Restraint", is considered better equipped to carry out the social counter-revolution demanded by the super-rich. He promised a 20 percent tax cut by the end of the decade, but only once he had "gripped inflation"—by which he and all those making such calls mean suppressing workers' wages.

As it did during the long process of removing Boris Johnson in a palace coup, the Labour Party is working with the Tories to help replace a failing leader without triggering a social and political opposition in the working class. Under party leader Sir Keir Starmer, it refuses to call for a general election, or even for Kwarteng and Truss's resignation, despite polls giving Labour an unprecedented lead. Instead, the FT reports, "Labour is seeking support from rebel Tory MPs to force Liz Truss's government to speed up the release of the independent fiscal watchdog's assessment of the impact of the recent 'mini' Budget...

"Separately, Labour is also talking to some Tory MPs about seeking rebel votes against the tax cuts"

If there is a chance of keeping the Tories in office, Labour will help them take it. If that becomes untenable, they will step in as a replacement which can better impose austerity on the working class using its relations with the trade union bureaucracy.

Predicting a Tory collapse at the next election, the former head of its backbench 1922 Committee Sir Charles Walker told *Times Radio* that the task now was to "hand over some form of a legacy to the party or government that replaces us."

Starmer restated his readiness to take up the Tory "legacy" this weekend. He declared in the pages of the *Telegraph*, the Tory house paper, "The markets do not believe in the fantasy economics of untrammelled borrowing and unfunded tax cuts". He appealed again to the "many decent Conservative MPs who know this," adding, "Labour will work with anyone to ensure some semblance of economic sanity is restored."

In recent days, said Starmer, "the Conservatives forfeited any claim to careful stewardship of the nation's finances." That role was now the Labour Party's, "the party of sound money".

In its September 29 statement, "Britain on the brink of a social explosion after pound's collapse", the Socialist Equality Party explained, "Britain is the eye of a financial storm tearing through the world's markets and currencies," with central banks pushing for "the raising of interest rates, slashing of public spending and implementation of other measures seeking to impose the burden of this crisis entirely on the working class."

Drawing attention to Starmer's keynote speech to last month's Labour conference, the SEP wrote, "Starmer advanced Labour as committed to 'reduce debt as a share of our economy,' and to 'make sure public spending targets the national interest."

"Moreover, unlike the Tories, he could do so by offering up not only Labour's services but those of the trade unions in suppressing the class struggle—a true partnership between government, business and trade unions". "His watchword would be 'country first, party second'."

"Starmer was clearly not only detailing the political mission of a Labour government in the event the Tories fall. He was restating Labour's readiness to join a government of national unity to combat the growing emergency facing imperialism."

To break through this conspiracy between the Tories and Labour, the SEP called for a general strike organised through rank-and-file committees, independent of the union bureaucrats, and for the combination of this industrial offensive with the demand for an immediate general election: "The task facing workers is to put an end to the conspiracy in Westminster between the Tories and Labour aimed at maintaining the unchallenged political domination of the financial oligarchy. This means building the genuinely socialist, internationalist and revolutionary leadership of the Socialist Equality Party."



To contact the WSWS and the
Socialist Equality Party visit:

wsws.org/contact