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After the Royal Psychodrama, the Tory Neoliberal Class War Resumes



Halls of Parliament, Westminster. Photo: Jeffrey St. Clair.

“Today was the best Conservative budget since 1986”.

– Nigel Farage, ex-leader of the far right UKIP party

Ukania barely had time to gather its collective wits after the royal psychodrama when “politics-as-usual” resumed. With a vengeance, and what a vengeance it is!

Announcing it as “a dash for economic growth”, the Tory government under Liz Truss and her chancellor of the exchequer/finance minister Kwasi “Quasi” Kwarteng delivered a reckless “mini-budget” (in name only— it was a full-blown budget) which sent the country into a nose dive on the currency and bond markets within hours. It was called a

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“mini-budget” in order to avoid scrutiny of the budget’s fiscal or economic projections by the UK Treasury’s own Office for Budget Responsibility.

The budget’s key features:

- + £45bn/\$50bn tax cuts, primarily for top income earners. The cuts included removing the 45% tax rate for those on incomes of more than £150,000/\$166,000, and abolishing the cap on bankers’ bonuses that was imposed by the EU after the 2008 financial crisis. The highest income tax rate will now be 40% and the planned lowering of the base rate of income tax from 20% to 19% will be brought forward by a year. Every member of Truss’s cabinet will benefit from the drop in the top tax rate, which gives millionaires a £40,000 handout. Anyone earning less than £150,000/\$166,000 will lose under the new tax system. The independent New Economics Foundation calculates that Kwarteng’s budget will see incomes for the poorest 10% of households fall behind rising costs by £900/\$995 on average this year, while incomes for the richest 5% will exceed them by £8,500/\$9,400.
- + The UK cancelled the planned corporation tax rate from 19% cent to 25%. The government will also reverse the hike to the national insurance that the government, of which Kwarteng and Truss were cabinet members, adopted to help pay for pandemic costs.
- + Stamp duty for property purchases will be cut for homes worth up to £250,000/\$277,000 and for £425,000/\$470,000 for first home buyers. The former will be a bonanza for the wealthy intending to buy second homes in salubrious locations.
- + A planned revision to the way alcohol is taxed will be abandoned—welcome news for Australian red wine producers who would have had to pay higher tariffs based on the alcoholic content of their beverages.
- + Kwarteng confirmed the previously announced energy relief that is estimated to cost £10bn/\$11bn per month in the first 6 months.
- + Individuals on benefits will be required to “increase their attempts to find a job” or risk having their already meagre benefits reduced. Below-par welfare will thus become workfare.
- + In an attempt to crush the strikes that have been paralyzing Britain’s vital services in recent months, strike-busting laws will be introduced. These will force employer pay offers to be voted on by union members. In addition a minimum level of services will be required during strike action.
- + Ditched: all plans to achieve net-zero fossil fuel growth. As a consequence, fracking will be reintroduced. Also abandoned is any aim to reduce inequality, which will now be

widened as a matter of policy. Regulatory safeguards on the financial sector, energy companies, and property developers will be loosened.

+ 38 new regulation-light “investment zones” will be created, but where the “investment” will come from is not specified in what the hardly-radical Paul Krugman has described as a “zombie budget”.

+ This irresponsible largesse gifted to those who already have plenty (corporations and the asset-owning class), at the expense of those who have little, has been called “trickle-up” by the commentariat. It will require an unprecedented extra £411bn/\$455bn of public borrowing over the next 5 years.

These “reforms” come at a time when the UK economy is virtually on its knees.

The country is in its second recession in 3 years, inflation is at a level last seen in the 1980s while wages fail to keep up with the inflationary shock, public services (the NHS especially) are at breaking point, homelessness and hunger are at levels not seen since the 1930s, Brexit is a bust, the country is in a currency crisis (when Elizabeth II was crowned in 1953, a pound bought \$2.81; in the month of her death, it buys \$1.077, the latter being a 37-year low). The pound has sunk 18% so far this year against a stronger US dollar, and some economists highlight the risk of a fall towards parity as the UK faces a more severe recession than other developed countries. Bloomberg’s options pricing model showed there was a 26% chance of the pound and the dollar hitting parity within the next six months).

Truss refused to discuss the recession, saying the latter was “a matter for the Bank of England”.

The Labour party held its annual conference in Liverpool this week, highlighted by Keir Starmer’s gushing tribute to the queen and the singing of “God Save the King”. Said Starmer against a union flag backdrop (after a minute’s silence for the queen): “Queen Elizabeth II was this great country’s greatest monarch. She created a special, personal relationship with all of us. Even now, after the mourning period has passed, it still feels impossible to imagine a Britain without her”.

Just as the Conservatives dumped the key pledge in their 2019 election manifesto: “millions more invested every week in science, schools, apprenticeships and infrastructure while controlling debt”, Labour’s conference confirmed that party leader Keir Starmer has abandoned the principles of the 1945 Clement Attlee government which created UK’s welfare state.

If Attlee were around today aiming to introduce his 1945 policies, he'd have the Labour whip taken away from him by Starmer, and risk being expelled from the party.

Liz Truss leads the most right-wing government in modern times while timid Labour dithers and prevaricates, terrified of its own shadow and bent on witch-hunting the party's social democrats— in battles to select parliamentary candidates at the next election some more social-democratic candidates have been suspended for dubious reasons.

While Truss fights mightily for the rich and powerful, Starmer says to hell with the poor and powerless.

Admittedly Starmer promised at the conference to restore the tax rate to 45% from Liz Truss's 40%, and to invest in public services such as the NHS, schools and childcare. Starmer however refused to reverse the 1p cut in the basic rate of tax.

None of this will endear Starmer to the bankers and cocaine dealers in London's financial district, but they don't vote Labour anyway.

Ukania has become a lootocracy (to borrow a phrase from Rob Urie), but, with the exception of Scotland and Wales, it's largely business as usual for the UK's main political parties— Ukania's political structures can be fiddled with but not fundamentally altered.

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