

THE UK LABOUR PARTY REVEALS ITS TRUE COLOURS. NOT CAMPAIGNING RED BUT ROYAL BLUE.

The Labour Party's slogan going into the elections was: "taking the brakes off the British economy." Within 100 days the only brakes that have come off is the one holding back their lying. Suddenly, these incompetent novices have discovered an additional £22 billion black hole in the public finances though this was spotted in advance of the elections. The only thing worse is what they intend to do about this.

Any party which refuses to tax the rich minority is forced to introduce austerity for the many when confronted by a fiscal challenge. This is what the Labour Party is about to do. Of course the Labour Party won't call it that, instead they will use the term adopted by their Manifesto – 'pursuing economic stability'.

Below is a summary of this newfound black hole, something spotted by the [Institute of Fiscal Studies](#) and the Rowntree Foundation before the election but not in detail. [My earlier calculations](#) point to an even bigger £40 billion annual shortfall based on my analysis of the March budget. And this is happening at a time when Government Debt is at a 60 year high, as is taxation as a share of economic output, while [22% of the population](#) are living in poverty. Within this group 6 million households do not have enough money for essentials.

Here is a synopsis of the components of the shortfall. Pay awards unbudgeted because the Tories were going to hold the line on pay amounting to £11.6 billion. Next in line is the cost of the asylum system followed by rail, health and Ukraine.

Table 1: 2024-25 RDEL pressures by category	
Resource DEL pressure by category ¹	2024-25 ²
Normal Reserve claims ³	£8.6bn
Pay – 2024-25 awards ⁴	£9.4bn
Pay – overhang from previous awards ⁵	£2.2bn
Health (excluding pay pressures)	£1.5bn
Asylum and illegal migration	£6.4bn
New policy commitments ⁶	£2.6bn
Rail – passenger services and maintenance ⁷	£2.9bn
Ukraine – military and civilian support ⁸	£1.7bn
Total departmental gross pressure	£35.3bn
Spring Budget 2024 Reserve	-£9.2bn
Treasury fallaway assessment ⁹	-£7.1bn
Total pressure above Spring Budget 2024 Resource DEL plans, before Allowance for Shortfall	£19.0bn
OBR Spring Budget 2024 Allowance for Shortfall ¹⁰	£2.9bn

The Chancellor's remedies.

Her response can be summed up thus: protect the rich and attack the poor and vulnerable. And there is none more vulnerable than pensioners. British pensioners surviving or languishing on the lowest relative pensions in the OECD are to be punished for the sins of the Tories. "[The UK state pension comes bottom in a league table of net \(meaning after tax\) replacement rates for average earnings at just 28 per cent, according to an \[influential global pensions report by the Organisation for Economic Co-operation and Development\]\(#\). This compares with a 59 per cent average across the 36 members.](#)" 57% of single retirees depend on the state pension. Which is why one in six pensioners are in deep poverty.

Now Reeves has stolen the winter fuel allowance for every pensioner not on pension credits. *"So that is why today, I am making the difficult decision that those not in receipt of Pension Credit will no longer receive the Winter Fuel Payment from this year onwards."* For most pensioners who cannot make ends meet in summer when the weather is kinder, this will be a disaster in winter when their costs go up. The [average pension](#) both state and private for all pensioners was around £20,000 p.a. in 2023. This is below the poverty level as it is under 60% of median pay. Thus most pensioners live in relative poverty. For this reason any talk of this cut being indirectly means tested is nonsense as it represents a cut of income around 1.5% for the average pensioner. For further analysis of poverty levels [follow this link](#).

Ironically, the saving will be around £1.7 billion or the same amount of money going to fuel the Ukraine war. Seems the Labour party is not only intent on killing Ukrainians but some of their pensioners as well who have to continuously choose between heating and eating, while often living in sub-standard housing.

Next on the rung of vulnerability are claimants, those depending on welfare as it is now called rather than the more neutral term, social security. This is what she said: *"I will also look closely at our welfare system... under the previous government, welfare spending ballooned while inactivity has risen sharply in recent years. So we will ensure the welfare system is focused on supporting people into employment..."* By support she means the support provided by the hangman's noose. Popping the balloon means forcing people back to work and increasing the penalties for not accepting jobs. The more difficult and more threatening the benefit system is, the more it benefits employers as it encourages them to cut pay and conditions. Yet another gift to her corporate mates.

Then of course there are the services workers depend on. Its not only pay that determines workers standards of living and well being, but the services they depend on as well. These are to be slashed further, that is if there is anything left over to slash. Here, Reeves pulls that perennial Labour stunt - the cuts will only apply to backroom staff leaving frontline services untouched. So, [the first difficult choice](#) I am making is to ask all departments to find savings to absorb as much of this as possible (pay rises) ... totalling at least £3bn. And I am asking departments to find 2% savings in their back-office costs." But frontline services are blind and mute without adequate back-office support. Like all desperate employers she is relying on AI, no that is not Ambulance Improvements, but algorithms to replace workers reducing back office expenses.

Finally, the popular target, migrants. By implication Reeve's has said that the government has overspent on migrants due to their ineffective management of the asylum system. She claims Labour will cut costs by making the system more efficient and effective. But the measure of such efficiencies can only be the ratio of deportations to entrants. Thus what Reeve's is planning is not so much a hostile environment but a hostile Home Office who will more quickly process and deport refugees.

Finally, to find further savings the new hospital programme will be dialled back, and social care spending will be cut by £1.0 billion. Then there will be the cuts to investments in infrastructure on which productivity relies. Surely a case of more infrastructure breaking rather than taking the brakes off the economy which always and everywhere means more investment not less.

Pay awards.

The Chancellor has agreed to accept the pay review recommendations for pay awards for some public sector workers. It must be noted these above inflation awards apply mainly to [health workers](#) and [teachers](#). This covers 2.15 million workers, and it is unclear whether other public sector workers will

receive similar awards. But clearly by rewarding such a large cohort of workers it will encourage pay demands by the rest of the public sector workforce.

Now it must be said that Reeves may not make the same pay concessions in her Autumn statement which will contain a three year perspective for spending. It is likely this is a one off concession which will be dialled back in Autumn. Furthermore the quid pro quo for these pay awards could be reneging on her promises to abolish zero hour contracts and hire and fire contracts.

Conclusion.

The Labour Party is loyal to the capitalist class, and it pledges to be loyal managers. This means it will be fiscally prudent above all else. Given the state of the economy and of public finances this means cutting public spending. The full extent of this will only become clear in the Autumn Statement. Though the Tories did hold back information as the head of the Office for Budget Responsibility has acknowledged, that hole should have been anticipated. It shows the extent of the dishonesty which infested the recent election campaign by all the pro-capitalist parties. It is becoming clearer by the day why Sunak called an early election as it allowed him to abandon the helm of the sinking ship facing intense weather related storms.

Reeves may not utter the words, but she is introducing a new round of austerity. Fully costed means there will be not cost to the capitalist class except tinkering at the edges like scrubbing vat allowances on private education, or tightening up on the non-doms (let them go and enjoy fifty degrees in Dubai), or the excesses in private equity. What fully costed means is the cost to workers, who will bear the pain of straightening out public finances caused by what is effectively a legal and illegal tax-strike by the rich, one which helps drive inequality. Reeves may sip champagne with her City of London chums while workers look at empty dinner plates, but this will not last. The water of history is flowing faster and faster, beginning to boil white, with Starmer and Reeves already well out of their depth.

Brian Green, 30th July 2024.