

The labour movement needs to put forward a socialist fiscal plan

Jamie Gough

‘Fiscal policy’ sounds boring and technical. But it is vitally important for workers both individually and collectively. ‘Fiscal policy’ means how tax is collected (taxes on what and on whom, what rates of tax), what spending is on the major items (revenue spending versus investment spending; health, social care, education, benefits, warfare, infrastructure, business subsidies, etc). The difference between tax revenue and total spending is what the government needs to borrow; borrowing can be from finance capital, or the Bank of England can buy the debt by printing money. We are talking here big money: state spending is currently around 40% of national output.

Fiscal policy has been central to parliamentary politics in the last few months. Truss’s super-right but poorly presented mini-budget caused finance capital to evict her from office (see my recent article on the ACR site). Sunak is now planning a new budget which will increase some taxes but also make big cuts to spending. Spending needs to increase with inflation just to keep up the same (miserable) levels of spending as at present. So Sunak’s budget will have devastating consequences for the working class. This is therefore a critical moment for us in relation to fiscal policy.

In capitalist society, working class interests in fiscal policy are articulated through bourgeois workers’ parties,; other workers’ organisations, particularly the trade unions, do not normally express a view. But my argument in this piece is that the Labour Party is now so neoliberal, craven and clueless that other workers’ organisations need to put forward a fiscal plan.

Starmer’s deafening silence

Since Starmer was elected leader of the Labour Party 2.5 years ago, he has not put forward any plan or strategy for overall taxation policy, and not said anything about spending on the major services and overall. Eighteen months ago, he said that the shadow chancellor Rachel Reeves was drawing up a strategy on taxation. She is taking her time – it has still not appeared. Earlier this year Starmer suggested a levy on the super-profits of the oil companies to raise £2bn a year, which Sunak took up, claiming it could raise £5bn. More recently Starmer has proposed changing taxation of non-dom millionaires to raise £3.5bn a year, and taxation of private equity funds. These sums are laughably inadequate compared with government spending of £900bn a year.

There is potential for easily raising serious money from taxation of capital and the rich. The 2019 Labour Party manifesto proposed increasing tax from these sources by £83bn a year from quite modest changes. £22bn a year can be raised simply from increasing Capital Gains Tax to the level of the high band of income tax (so that bankers and landlords cease to pay less tax than their cleaners). The Tax Justice Network says that £37bn a year could be raised from modest taxation changes of the rich. Taxation of the ‘excess’ profits of the oil companies and energy suppliers arising from the Ukraine war could easily raise £50bn a year, and similar sums from the banks which are currently coining it from the rise in interest rates. Starmer cannot propose any of this because he is afraid of offending capital operating in, from and through Britain, especially the dominant rentier sectors of capital.

But it gets worse. Because he will not increase tax revenue, Starmer has been unable to propose any increases in government revenue spending. (He has proposed spending £28bn a year on green infrastructure, but that would be funded by government borrowing.) Thus Starmer has not demanded massively increased funding of the public services as they slide into the abyss – an obscene silence. In contrast, the TUC has demanded an immediate 14% increase in spending on

public services (roughly £70bn a year) for them simply to stand still, to cover inflation in the cost of inputs and necessary wage rises.

Craven to capital, scabbing on workers

The strategy of being ‘responsible’ on spending reached its bonkers conclusion in the summer when Reeves said that Labour could not renationalise the water companies because there was no money to do so. Reeves knows perfectly well that the cost of renationalisation would be carried out by borrowing, and that the lavish profits of the water companies would then make a *profit* for the government (which could be invested in desperately needed water infrastructure instead of handed out to shareholders). So the excuse of ‘the government doesn’t have the money’ is just tosh. In reality, the water companies are too political powerful to have their shit (sic) profits taken off them.

In recent months, Starmer has allowed shadow ministers to make micro promises for increased spending on particular services, presumably to attempt to appeal to alarmed and critical voters. But so frightened is he of capitalist opinion that he will allow a promise of increased spending only if it is matched by a particular tax rise. This ‘matched funding’ approach to fiscal policy is a recent innovation – of the Tories, who raised national insurance contributions in order to pay for increased spending on social care. This way of justifying increased spending on a particular service is duplicitous: the government needs to determine the total of spending in relation to the total of tax revenue. But the matched funding approach means that there does not need to be any consideration of what the service actually *needs* to operate effectively; the rise in spending on it is simply what the particular tax rise will raise, end of story. Step forward Wes Streeting, shadow Health Secretary, who at the end of October made a commitment to an increase in training of medical staff, to be paid for by changing the taxation of non-doms. (A month before, Rachel Reeves had said that this programme would be paid for by reinstating the 45p band of income tax – but then Sunak embarrassingly adopted that policy.)

Streeting’s £3.5bn extra funding for the NHS is laughable: money of the order of £50bn a year is needed immediately just to restore the salaries and level of service provided in 2010, and stop the flow of workers *out of* the service. Sticking to his theme, Streeting went on to say that there is ‘no sustainable long-term solution to pouring ever more taxpayers’ money into a 20th century model of care’. His ‘21st century’ proposal was that better early diagnosis could save the NHS money. True. But, even if money was provided for early diagnosis (he mentioned none), it cannot possibly save enough to save the NHS. So he is happy to let the NHS collapse continue. To make it clear that he doesn’t care a damn about health workers, he went on to say that ‘the interests of patients must always come before the interests of providers’, that he will take on the BMA to make GPs work harder, and that he will be the ‘shop steward for patients’. What a hero!

A labour movement plan

So in fighting for massively increased taxation of capital and the rich, and spending on public services, the Labour Party is not only useless, it is an enemy. We need a tax and spend plan to deal with the current crisis in the public services, with the broadest labour movement support. This could be initiated by the two campaigns which are now leading the class struggle in Britain, Enough is Enough and the People’s Assembly. Both now have individual membership (and Enough is Enough has 800,000 already), a sign that they consider themselves embryo political parties. They can get technical support from the Tax Justice Network. Most importantly, they can get the support of the major unions and the TUC (which appears somewhat open to this). With luck, some left Labour MPs might get involved.

The demands of a people's fiscal plan could then be popularised through the membership of all these organisations. It could gain the support of tens of millions of people who are already in favour of better funding of public services but have no voice. And that could make a big difference to the fiscal policy of this government, and the next, and thus to working class lives.