

# Britain; Starmer's plans not enough

Saturday 20 August 2022, by [PASHKOFF Susan](#) (Date first published: 17 August 2022).

**Susan Pashkoff assesses Labour's proposals to deal with the crisis for millions.**

## Contents

- [Only part of story](#)
- [Nationalisation - without \(...\)](#)
- [Income stagnation](#)

[Labour's proposals](#) to deal with spiralling energy prices at least recognise there is an issue to be dealt with, unlike anything coming from the Tories and either of their candidates for leader. The [Labour Party proposal](#) targets the rising energy price cap, addresses insulation and attempts to claw back some of the subsidies to the fossil fuel industry embedded in Rishi Sunak's earlier proposal.

There are some positives here for sure.

.Not allowing the [energy price cap](#) to rise is a good thing as is the Labour Party's stress on sustainable energy development and insulation. The need for insulation of Britain's appalling housing stock to avoid wasting energy and stressing the development and usage of domestic sustainable energy is sharply different from the advocated policies of the two Tory Party candidates which include increased use of fracking (which given rising prices of natural gas and oil is actually profitable), using nuclear energy, and focusing on increasing supply of domestic fossil fuel extraction and production as the reality of the climate emergency becomes ever more apparent.

Although [the windfall tax](#) Sunak eventually brought in was higher than that initially proposed by Labour, it also allowed for 80p on the pound for re-investment in the fossil fuel industry ... that is irrational even from a Tory perspective as it subsidises all re-investment in the fossil fuel industry (independent of whether it is successful or not)..

Additional absurdities of Rishi Sunak's plan included the same amount of money as a one-off rebate/payment to everyone, irrespective of the size of family, their incomes and where they lived. This is essentially absurd as people living in the south of Britain have less need for heating in the winter than those in Scotland and the North. Different people have different needs and expenditures. As such, those that were in greater need (larger family, lower incomes) were not getting what they needed in a situation of crisis. The situation is dire and a one-off payment to families is not enough to cope with rising prices and this is especially the case for those with the lowest incomes.

So, while the cap on energy prices proposed by Labour Party is extremely helpful. It is also incomplete and insufficient. This policy only lasts until next April and [if inflation continues](#) past April, it will need to be extended; questions about the true cost of the proposal are also being raised. Moreover, it is not addressing other prices rises that are impacting the majority in Britain.

## Only part of story

Labour is correct that freezing the price cap will impact inflation as a whole. The costs of freezing the price cap at £1971 would be met by increasing the windfall tax (aka the Energy Price Levy) and the elimination of the subsidies for re-investment already passed by the Tories under Sunak's plan. What must be raised is that the increased energy costs will be picked up by the government, they are not going to disappear

Moreover, while the energy price rises are an important part of current inflation, they are not the whole story by a long way. Rising prices of food, clothing and other necessary commodities, rising prices of petrol and rising rents also impact on household incomes. What additionally is not addressed is that increased prices of oil also impact as an intermediate price rise on cost of production if oil and natural gas enter production and this will continue to impact transport costs and this will not end if the energy prices to consumers are frozen.

Even though Labour Party has pledged to keep the £650 one-off payment to those on benefits and £150 to disabled people, the reality is that a one-off payment is not enough to deal with the reality of falling real wages and benefits unable to cover necessary commodities.

It is important to note that currently nominal wages in the private sector are now higher than those in the public sector; this reflects a "success" for George Osborne's austerity policies first freezing public sector wages and then allowing only a 1% wage growth cap. Low nominal wage growth in the public sector was built into austerity and the policy has been partly responsible for wage stagnation. However, rapidly rising inflation is leading to rising strike action and this will spread even further in the public sector.

As reported in [The Independent](#), the [Office of National Statistics](#) has released its latest figures on wages:

"Real wages fell at a record rate between April and June as Britain's [cost-of-living crisis](#) took hold and inflation slashed the value of workers' pay, official figures show.

When the effect of rising prices is taken into account, pay including bonuses declined 2.5 per cent in the latest quarter compared to a year earlier. Regular pay dropped 3 per cent, the Office for National Statistics said.

Wages increased in cash terms but have been dwarfed by soaring costs for gas, electricity, fuel, food and other goods which have pushed the overall inflation rate to 9.4 per cent.

Private sector workers saw their pay rise 5.9 per cent before inflation - more than three times as fast as their counterparts in the public sector who received a 1.8 per cent increase.

The figures set the government on course for further clashes with public servants including nurses, doctors, lawyers and teachers who have seen the value of their incomes collapse this year, adding to the pain of a decade of falling real wages."

## **Nationalisation - without compensation**

Starmer and the Labour Party reject Gordon Brown's suggestion calling for the temporary nationalisation of some energy companies. They argue that compensation for nationalisation would be extremely prohibitive. Why should compensation be paid at all? If the law requires some compensation for nationalisation, this can be done for pennies on the pound so it doesn't need to be prohibitive. Moreover, the level of profits has been extremely high in the sector which seems compensation enough. .

Labour also takes no apparent notice of the fact that none of their policies would help those people already desperate in the here and now - not able to feed their household even before the increased costs of winter. Increasing the windfall tax and redistributing it to those with the lowest incomes would be a great policy, but that is not the one that the Labour Party is proposing. While the Russian invasion has impacted energy prices, only 8% of Russian oil is purchased by Britain. In the main, energy prices are rising due to increases profits and profit margins of the energy companies who are raking in revenue at the expense of the majority of the population; it is not consumer demand that is driving inflation. Of course, apologists for the fossil fuel industry are claiming that proposed windfall taxes and removal of subsidies will mean that reinvestment will not happen. Really, what we need is investment and re-investment in sustainable energy production not the fossil fuel industry.

Moreover, increases in interest rates by the Bank of England (and most Central Banks) will not impact inflation as consumer demand is not responsible for rising prices. The demand component comes from business demand and this is also being passed onto consumers. Rising interest rates will be reflected in rising debt for those that are borrowing to make ends meet if they have access to credit cards or are driven to loan sharks. Also rising interest rates may lead to rising rents as borrowing by landlords are passed onto private tenants. Already, working class people will be having trouble covering rent as well as increased prices of food and other necessary goods.

## **Income stagnation**

Wages have stagnated for over a decade and the rising prices also are impacting the consumption bundle of the working class whether in paid employment or not. A rise in the national living wage as well as increasing benefits (all benefits) for example, reintroducing the £20 uplift, will go a long way to helping those on low incomes and it will help move benefit levels closer to allowing those dependent on them to survive.

Benefit levels are only this low because Universal Credit is a punitive system with conditionality embodied in the benefit system to punish those not in paid employment and to force people into the workforce. Changes to the benefit system are necessary to address the benefit cap limits for those out of paid employment, mostly single mothers with young children who cannot afford childcare and people that are assisting and supporting family members with impairments. Moreover, the two-child maximum benefit for those that are out of work is punitive by definition; leaving insufficient support for those that have more than two children and has a Malthusian undertone as though people are poor because they have too many children as opposed to the low level of wages available.

As we saw during the Covid pandemic, it is women that left work to take care of children and people with impairments. Childcare is far too expensive and accessing it is beyond the incomes of those that need it. Women with children are in a bind, they cannot go to work without childcare and they cannot get childcare if they are not in work. Often women work several part-time jobs around school schedules. It is necessary that special efforts must be made for those on the lowest incomes as they

are those that already cannot cope with rising prices of necessary goods, pay rent and cover rising energy prices. If this is not addressed, we will see even greater deprivation, increasing evictions from private housing, and more people literally choosing how much they can spend to feed and clothe their families, pay rising rents and cover energy bills. This is not a small temporary problem; it is the end result of policies of austerity and neoliberalism and refusing to acknowledge that this crisis derives from that only means that it will continue.

So while Labour's proposals see some small improvements over those already in place and those suggested by the Tory rival candidates, they certainly do not touch the sides of the crisis people are facing in the here and now. Starmer's excuse for delaying putting them out by 48 hours from when they were due was the amount of work he had put into them. This will convince no one. We don't often quote the Telegraph but their headline; "[Keir Starmer proves it - Labour has nothing left to say on the economy](#)" is unusually apposite.

**Susan Pashkoff**

---

**P.S.**

- Anti\*capitalist Resistance. 17 Aug 2022:  
<https://anticapitalistresistance.org/starmers-plans-not-enough/>