



By: *Harvey Morris*

UK's economic choices already bedevil the Starmerite age



Political honeymoons rarely last long and the UK government faces some early pushback after Chancellor Rachel Reeves **unveiled** the tough choices required to fill a £22 billion fiscal black hole she says she has inherited.

It is a well-established tradition for incoming governments to blame the country's woes on the folly and mismanagement of their predecessors.

In this case, according to her own officials at the Treasury and the independent Office for Budget Responsibility, Reeves appears to have got it just about right.

The OBR chair, Richard Hughes, said he would order a review into how preparations for the outgoing Conservative government's final budget in March led to the massive overspend.

The incoming Labour government is perhaps right to kick off with the bad news and to insist that, however dire the state of the public finances, at least it can be trusted to keep the accounts straight.

But a somewhat skeptical electorate, who nevertheless handed Labour an unassailable majority on July 4, will need more than competent book-keeping to persuade it that Britain is on the road to recovery.

Growth measures

In a campaign that focussed so intently on the failings of the Conservative government, Keir Starmer's party offered a somewhat opaque vision of a future under Labour.

His chancellor's decision to shelve a number of infrastructure projects, including a pause in plans to build 40 new hospitals, did not chime well with Labour's pledge to go for growth. As the the National Federation of Builders reflected: "Today is not a good day for growth."

The Financial Times echoed the sentiment in an **editorial** that said growth measures should not be sacrificed to plug a black hole in public

finances.

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It is early days for Starmer and his team, who will be hoping that early signs of recovery might translate into a period of national renewal. The Office for National Statistics reported just after the election that economic growth in the three months to May was the strongest in more than two years.

All politicians, of course, aspire not only to being economically competent but also politically transformational and to personify the spirit of the age. Some prime ministers even succeed in attaching their names to definable periods of change, from the Churchillian to the Wilsonian, the Thatcherite to the Blairite.

Starmerite age

So is modern Britain about to embark on the Starmerite age? And, if so, what will it look like?

It should be noted, of course, that such era-defining careers often end in humiliation. Churchill won the war and lost the 1945 election. Thatcher freed the markets, crushed the unions and hectored Britain's friends and foes alike, only to be ousted by her own party.

The reputation of Tony Blair, in some respects a centrist model for the Starmer premiership, has continued to suffer meanwhile from the legacy of Britain's involvement in the 2003 Iraq war.

Perhaps Starmer would do better to emulate one of those more self-effacing politicians who oversaw fundamental change but failed to make their names synonymous with an era.

How about the mild-mannered Clement Attlee, who inherited a post-war country on its knees and an electorate unwilling to return to the bad old days of the 1930s? Or how about the less mild-mannered Edward Heath, who single-mindedly pursued Britain's membership of Europe?

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In terms of policy ambitions, Starmer is in one sense closer to a Labour predecessor, Harold Wilson, who in a 1963 speech referred to the "white heat of technology" to underline his belief that investment in science was the key to Britain's economic progress.

Six decades on, Starmer is placing his faith in Britain's ability to capitalise on a new era of green technology and AI to boost the country's economic prospects.

His challenge is that he was elected on a promise, or at least in the hope, that he would restore the country's neglected public services. Rachel Reeves already went some way in that direction by mandating increases in public sector pay for teachers and junior doctors.

Frustrations might start to grow

But such measures cost money and that, in the short term, will almost certainly require higher taxes, despite the chancellor's renewed commitment that income tax, value added tax and national insurance will not be raised.

An assumption that she will announce alternative tax measures in an October budget that will target the rich has already led to rumblings that she might end up deterring the very investment the government is seeking to attract.



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In its editorial, the Financial Times referred to possible measures that might include a rise in capital gains tax. "Uncertainty over these taxes, or a significant increase to them," it wrote, "risks stifling wealth creators and undermining international competitiveness."

Starmer is committed to maintaining unity and discipline within what has historically been an often divided Labour party. He already suspended seven rebel MPs who defied the leadership by voting to raise a limit on child benefits.

At the moment he heads a loyal and broadly like-minded cabinet. But frustrations might start to grow if ministers are denied the funds to repair the damage done by more than a decade of austerity to the public services they now oversee.

Starmer and his chancellor will also likely stir rumblings among the electorate if their measures are seen as prioritising the interests of "wealth creators" over those Labour extols as "hard-working families".

If the prime minister manages to square that particular circle, it could indeed be the defining feature of the Starmerite age.