

# **New UK Government Announces Largest Tax Cuts Since 1972**

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British capitalists seek to address their profit rate crisis,  
with greater financial privileges for themselves.

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The UK government has announced the largest tax cuts since 1972. These cuts will primarily benefit corporations and the highest paid individuals, involving a 1% income tax decrease for the lowest income bracket and a 5% income tax decrease for the highest income bracket as well as decreased national insurance payments by 1.25% for everyone.

To explain this in real terms, someone with a relatively low wage of £20,000 would now pay £167 less in tax per year, someone earning an average wage of £30,000 would owe £392 less in tax per year and someone paid a high wage of £100,000 per year would now save £1,470. In addition, corporation tax will decrease to 19% from a formerly planned increase to 25%.

The limits on bankers' bonuses, which are already at 200% their annual salary and only put in place after popular outrage following the 2008 financial crisis, are to be removed and unemployment and social welfare benefits are now harder to qualify for. Furthermore, stamp duty (the tax on purchasing property) has been significantly decreased and even abolished in certain designated "investment zones" along with even greater tax breaks and exemptions in these locations.

At the same time the democratic right to strike is under further attack. These new tax cuts are expected to lower the governments income from tax by a total of £45 billion, which the government will make up for by increasing the national debt.

The purpose of these policies is supposedly to increase growth as the British economy enters a recession. They follow the tradition of Margaret Thatcher and Ronald Reagan, policies which are dressed up with their respective namesakes - Thatcherism, Reaganomics, but plainly called neoliberalism. Neoliberal policy was conceived by Milton Friedman as well as the Austrian-school economists, notably Ludwig von Mises, and Friedrich von Hayek, and was put in to practice first under the fascist regime of Augusto Pinochet in Chile. These policies fundamentally address the capitalist's endemic problem: their falling rate of profit.

The tendency of the rate of profit to fall is an objective law of the capitalist mode of production discussed by Karl Marx in Capital Vol III and it has been proven empirically true with economic data gathered before and since. The basic contradiction between capital and labour is that capital seeks to take a larger share of the surplus-value that labour creates, while labour attempts to retain it. One of the ways capitalists do this is by investing in automation and expensive machinery (constant capital) in order to cut their relative labour costs (variable capital) and make production more efficient. The capitalist that first does this successfully will be able to produce more commodities in less time.

Each commodity will require the same basic materials to produce, however because they can be produced faster (and possibly with less workers), the wages paid per commodity produced decreases, leading to a lower cost of production per commodity. As a result, in the short-term this pioneering capitalist will be able to sell their commodity at a lower price, leading to them outcompeting their rivals and amassing a large profit, while their competitors catch up and also implement this new productive process (also increasing their constant capital cost compared to variable capital).

However, it is variable capital and not constant capital that leads to the creation of surplus-value as only the worker (not the machinery) can produce additional (i.e., surplus) value, so in the long-term the rate of profit (which is the surplus-value divided by the sum of both constant and variable capital) of this industry will decrease. The natural outcome of this phenomenon is the law of the tendency of the rate of profit to fall.

While this tendency is a law, there are some temporary solutions available to the capitalists in order to increase their falling rate of profit, which are also discussed in Capital Vol III (Chapter 14). They include: increasing the intensity of exploitation (i.e. intensifying labour and increasing working hours) to increase the proportion of surplus-value; decreasing the price wages below their value; relative over-population and its effect on the price of labour-power; foreign trade and business in countries with inferior productive powers and therefore a lower proportion of constant capital; the increase of stock and finance capital.

The liberal reforms first enforced in the Pinochet regime in Chile, then in the UK and US as well as the rest of the world, did these things precisely. By repressing the labour and trade union movements and curtailing various civil and democratic rights, the capitalist state assists the owning classes in increasing the intensity of exploitation.

By exporting a lot of production, a large section of the population was left unemployed which had a depressing effect on the price of labour-power. In addition, production was exported to less developed countries with a lower proportion of constant capital (allowing for a higher rate of profit) as well as less developed labour movements (allowing for even greater exploitation). Lastly, the growth of finance capital, where through interest money is simply spun into more money and does not go through the same process as in commodity production and therefore has no bearing on the rate of profit.

It was a crisis of profitability in the 1970s that spurred the introduction of liberal reforms, and they did temporarily increase the capitalists' rate of profit, however at the cost of the immiseration of the working class. Unemployment and poverty skyrocketed, while the richest few capitalists saw their wealth increase rapidly. The capitalist ideologues and bourgeois economists sought to justify this robbery, claiming that the wealth would "trickle down".

They deny the basic contradiction between capital and labour and claim that the better of the capitalists are, the more they are able to share with their workers. And that market relations are sacred and infallible; that any infringement on each individual capitalist's holy duty to accumulate as much surplus-value as possible was a gross perversion - including taxation. The capitalist state was to be stripped of all unnecessary (from the point of view of the capitalists) social welfare programs and services, to be reduced to no more than the enforcement arm of the capitalist's collective will as a class. Its funding was to be derived primarily from the taxation of workers and by increasing the national debt.

This is what the British government now seeks to repeat. How can this be fought against? A return to social democracy? Corbynism and anti-austerity? No. As demonstrated, these policies are necessary from the perspective of the capitalist class due to objective economic conditions and their collective strength as a class. The only way to reverse the plight of the working class, is for workers to take the struggle into their own hands and strengthen their own position - but not one of a social democratic nature which will only delay and cover for the ultimate implementation of the capitalists' recovery program. To form a communist party is the only way to lead the struggle for an economic system that is not based on exploitation and theft - the struggle for socialism. True economic progress is impossible while the human component of the productive forces is being degraded

and impoverished and the only path for us as a species to advance is to move past this capitalist epoch.

Sources: 1, 2, 3, 4

Original article