A Commentary
on the UK Chancellor’s Autumn Statement, delivered on 21 November 2022

by

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The budget, or the Chancellor’s Autumn Statement, on 21 November 2022 Is the fifth in a year. It is based upon the neoliberal coup that began over 40 years ago. Its aim was to change the social configuration of the UK by weakening the working and the middle-class by transferring income and wealth into relatively few hands and thereby making workers more obedient and less resistant to the whims of footloose capital.

It continues to weaken public services, impose real cuts on pensions, benefits and public sector workers, and thus deepens inequalities and possibilities of social unrest.

The government distracts people with claims of levelling-up, building a high wage economy, controlling inflation, balancing the books and other populist phrases but reality is a growing class divide, inequalities, economic stagnation and crumbling public services. The quote below from Sir Alan Budd[1], Special Adviser at the Treasury in Margaret Thatcher's government 1979 to 1981, warns people to beware of the smoke and mirror politics that dominate the UK.

In an interview[2] in March 2010, he said:

> “I was involved in making a number of proposals which were partly at least adopted by the government and put in play by the government. Now, my worry is . . . that there may have been people making the actual policy decisions . . . who never believed for a moment that this was the correct way to bring down inflation.
>
> They did, however, see that it would be a very, very good way to raise unemployment, and raising unemployment was an extremely desirable way of reducing the strength of the working classes — if you like, that what was engineered there in Marxist terms was a crisis of capitalism which re-created a reserve army of labour and has allowed the capitalists to make high profits ever since”.

ECONOMIC AND SOCIAL BACKGROUND

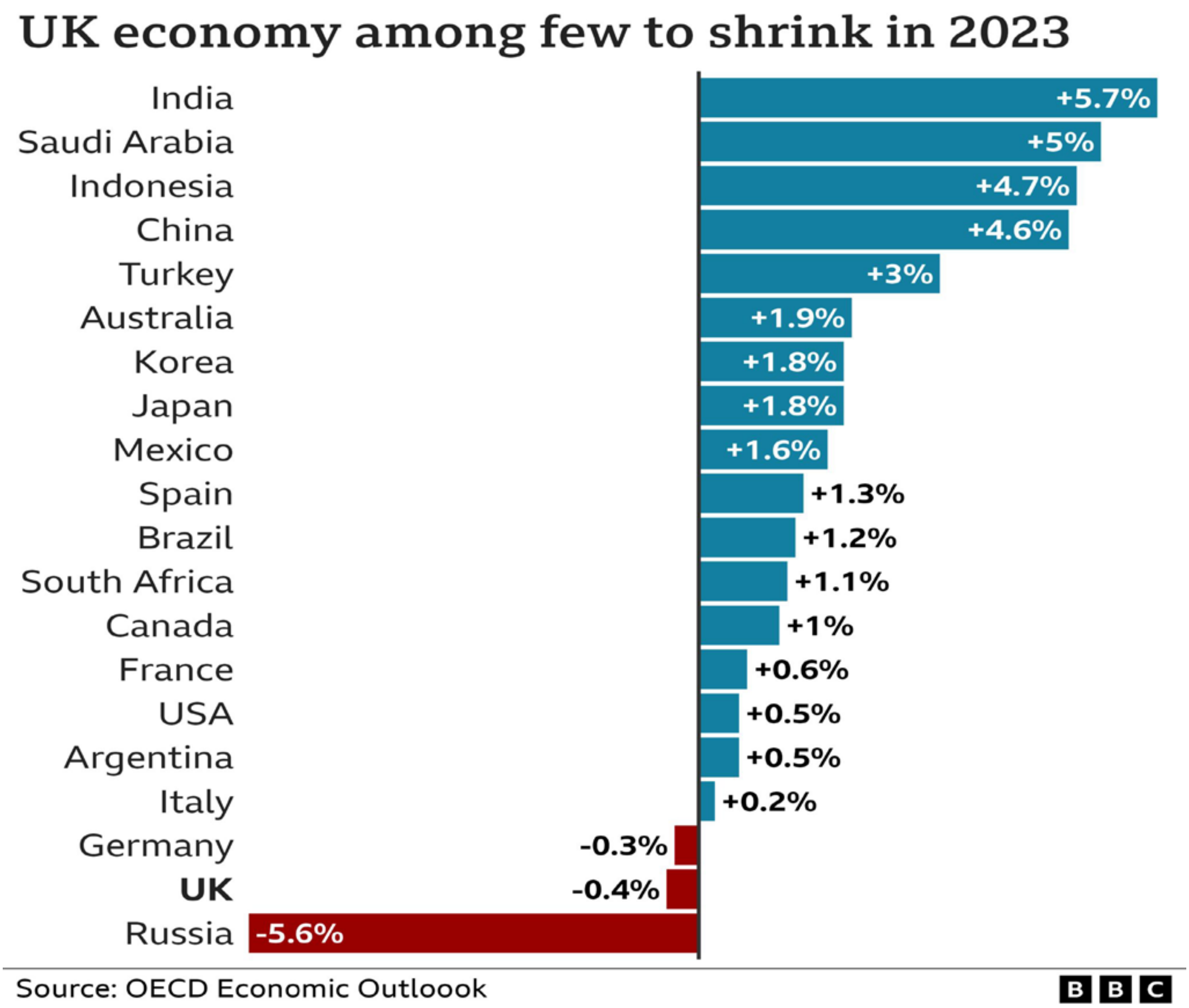
This section provides a brief outline of economic and social background to the autumn 2022 budget. There are numerous negative indicators and all need addressing to create possibilities of economic rejuvenation.

1. The UK economy has been stagnating, mainly due to never-ending austerity imposed by the government which imposed real wage cuts on public sector pay. The result is that the UK economy is the only one which in late 2022 is smaller

[1] https://en.wikipedia.org/wiki/Alan_Budd
[2] https://archive.ph/oE5Aq

than it was before the Covid pandemic. It has contracted more than any of the other six countries and the OECD does not expect it to grow in 2023[3]. Even amongst the G20 economies, the UK is expected to be the second worst performing economy (Figure 1[4])

Figure 1



2. At the end of October 2022, the annual rate of inflation, as measured by consumer price index, stood it 11.1%, and inflation measured by the retail price index hit 14.6%, the highest for 41 years.

   High rate of inflation is eroding people's purchasing power and value of savings.

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[3] https://news.sky.com/story/uk-economy-to-be-worst-hit-of-all-g7-nations-oecd-report-says-12752890

[4] Figure as per BBC News, UK faces worst downturn of any advanced economy, OECD says, 22 November 2022; https://www.bbc.co.uk/news/business-63704841

The rate of inflation is not driven by too much cash chasing too few goods as the purchasing power of the masses has been depleted by real cuts to wages, pensions and benefits. Instead, it is primarily driven by corporate profiteering, especially by energy, supermarkets, banks, water and other sectors. The government advocates wage restraints, but has failed to introduce any curbs of profiteering, executive pay, dividends and share buybacks.

3. On 3rd November 2022, the Bank of England increased interest rate to 3%, the highest since 2008. This will increase mortgage repayments, rents, cost of business and household borrowing, and further squeeze household budgets.

4. Increasing interest rates to control inflation is a crazy policy.

   a) The mechanics are that the households, rich or poor, and businesses are forced to hand over some of their money to banks, already some of the most profitable entities. Banks will then pass this on to their executives in the form of higher performance related pay, and to shareholders in the form of dividends and share buybacks. This circuit results in a huge transfer of wealth from households and businesses to banks.

   b) Higher interest rates increase the cost of servicing the public debt. The Office for Budget Responsibility (OBR) states that due to higher interest rates the debt interest payments for 2022-23.will total £120.4billion[5]. So, the state is transferring more wealth to banks and this in turn may lead to higher taxes and/or public spending cuts.

   c) The correct policy for controlling inflation is for the state to remove some of the purchasing power from those causing inflation. This can be done through selective tax increases. This option does not increase the government's cost of servicing debt or the household cost of repaying mortgages and loans.

   d) The government has already lifted the cap on bankers' bonus, which was imposed by the EU after the 2007-08 financial crash to restrain bankers from taking excessive risks in the hope of collecting performance/profit related bonus.

5. Under the Conservative government public debt has ballooned.

   a) At the end of October 2022, it stood at £2.460 trillion[6], or around 97.5% of gross domestic product

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[5] https://www.thisismoney.co.uk/money/markets/article-11440971/UK-national-debt-payments-set-total-120-4bn-year.html

[6] https://www.ons.gov.uk/economy/governmentpublicsectorandtaxes/publicsectorfinance/bulletins/publicsectorfinances/october2022

b) In May 2010, the incoming Conservative government inherited a public debt of £1.03 trillion, or 65% of GDP.

c) By February 2020, just before the Covid lockdown, debt reached £1.791trillion, or 79.1% of GDP.

d) The borrowing by the Conservative government is more than the amounts borrowed by all Labour administrations combined. However, it has not been used to start any new industries or bailout banks. The money seems have been wasted on tax cuts for corporations and the rich.

e) Despite record level of public debt and taxes, public services are in worse shape than in 2010.

f) There is a note of caution. The public debt total includes £895bn of quantitative easing (QE). It is doubtful that this really is debt as it was used to purchase gilts and corporate bonds. The point is that neoliberals, from an ideological perspective, refer to the high debt level to indicate that the state is drowning in debt and therefore cannot borrow more to invest in the economy. This logic needs to be contested by noting that the debt includes £895bn of QE.

6. The budget needs to reform tax policy.

a) The OECD's reported[7] that since the year 2000, UK the tax-to-GDP ratio has been 32.8%.The OECD average is around 33.5%.

b) Tax revenue in the UK totalled £825 billion in 2021-22, equivalent to 34.7 per cent of gross domestic product (GDP) and higher than the average since the 1960s.

c) The forecast for 2022-23 is for tax revenue to total near £1trillion, with the OBR predicting the tax burden will hit a record high of 37.5 per cent as a share of GDP in 2024-25[8]. At this level it will represent the highest sustained level of tax seen in the UK since the aftermath of the Second World War.

d) UK tax policies are regressive. For example, before the pandemic the poorest 10% households paid 47.6% of their gross income in direct and indirect taxes. The richest 10% paid 33.5% of their gross income in direct and indirect tax[9].

e) Successive governments have adopted anti-worker policies. Consequently, unearned income, such as capital gains and dividends, are taxed at rates lower than those applied to earned income.

[7] https://www.oecd.org/tax/revenue-statistics-united-kingdom.pdf
[8] https://inews.co.uk/inews-lifestyle/money/tax-steroids-why-rishi-sunak-jeremy-hunt-taxes-above-70-year-high-1975176
[9]https://www.taxpayersalliance.com/tpa_analysis_shows_higher_taxes_are_hitting_the_poorest_families_hardest_over_the_last_decade

7. Workers' ability to build a sustainable economy is severely constrained by a shrinking share of GDP.

    a) In 1976, workers share of GDP, in the form of wages and salaries was 65.1%[10].

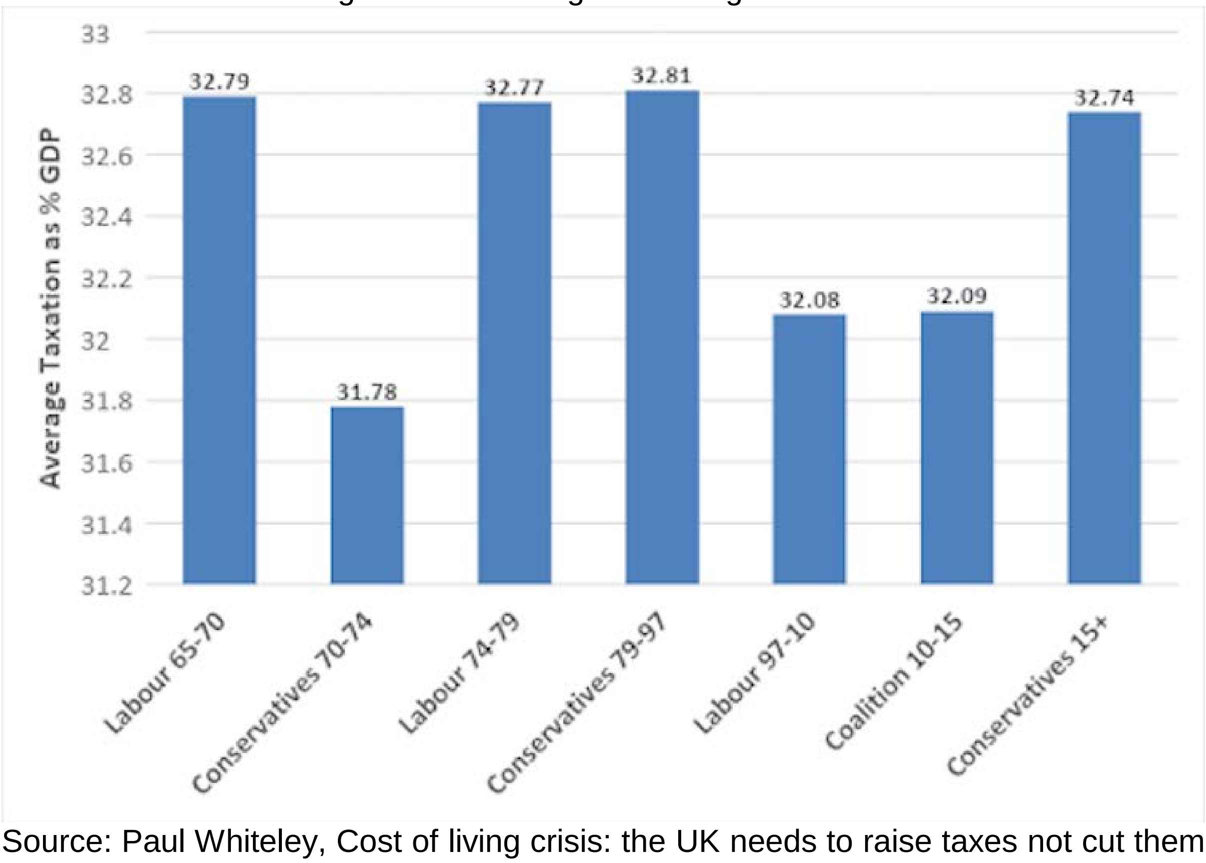
    b) Following numerous assaults to weaken trade unions and workers' bargaining power, it is now around 50% of GDP[11].

    c) Lower income has reduced people' ability to stimulate the economy, turned town centres into economic deserts, reduced resilience of household budgets, ability to save and increase retirement insecurity.

8. Since the mid-1960s, the state's share of GDP in the form of taxes has remained relatively constant at between 32%-33% (Figure 1). Therefore, the main beneficiary form the decline in workers' share of GDP has been capital.

Figure 1

Taxes as a Percentage of GDP during each UK government from 1965 to 2019



Source: Paul Whiteley, Cost of living crisis: the UK needs to raise taxes not cut them – here's why, The Conversation, 22 August 2022; https://theconversation.com/cost-of-living-crisis-the-uk-needs-to-raise-taxes-not-cut-them-heres-why-188938

[10] https://www.researchgate.net/publication/227428884_Corporate_governance_What_about_the_workers

[11] https://www.ons.gov.uk/economy/grossdomesticproductgdp/bulletins/gdpfirstquarterlyestimateuk/apriltojune2022

9. Despite a higher share of GDP, corporate investment in productive assets is comparatively low.

    a) The Office for National statistics[12] (ONS) reported that business investment fell by 0.5% in Quarter 3 (July to Sept) 2022. The level of business investment in Quarter 3 2022 is 8.4% below where it was in Quarter 4 (Oct to Dec) 2019.

    b) Before, leaving the EU, the UK invested around 16.9% of its GDP in productive assets[13] and languished near the bottom of the EU investment league. Only Greece (12.6%) and Portugal (16.2%) invested less.

    c) One reason for low investment is the short-termism rampant in the shareholder centric model of corporate governance which forces companies to pay higher returns to shareholders in the form of dividends and share buybacks. Major companies are paying up to 80% their earnings in dividends, leaving little for investment[14]. Investment is often then funded by corporate debt and is vulnerable to uncertainties created by higher interest rates.

    d) Another is that neoliberal ideology has side-lined the state and this has resulted in lower investment. The ONS notes that "Government investment fell by 9.5% in the latest quarter i.e. quarter to June 2022, the largest fall since Quarter 2 2021[15]".

    e) The state investment had rebuilt gas, electricity, shipping, railways, mining, steel and other industries. It also invested in emerging industries, such as biotechnology, aerospace and information technology. But its diminished role in the economy has left the UK lagging behind its competitors.

10. Successive Governments have continued assault on real wages and further depleted people's disposable income, and widened inequalities.

    a) During 1970 to 2007, average real wages grew by 33%, but fell to below zero in the 2010s[16].

    b) The annual rate of pay growth, excluding bonuses, in the private sector rose to 6.6% in the three months to September 2022[17], compared with 2.2% for the public sector. The rate of inflation (RPI) is 14.6%, resulting in real wage cut of around 8% though it is considerably worse in the public sector.

[12] https://www.ons.gov.uk/economy/grossdomesticproductgdp/bulletins/businessinvestment/julytoseptember2022provisionalresults

[13] https://ec.europa.eu/eurostat/web/products-eurostat-news/-/ddn-20180514-1

[14] https://www.researchgate.net/publication/327861085_A_Better_Future_for_Corporate_Governance_Democratising_Corporations_for_their_Long-Term_Success

[15] https://www.ons.gov.uk/economy/grossdomesticproductgdp/bulletins/businessinvestment/apriltojune2022provisionalresults

[16] https://economy2030.resolutionfoundation.org/reports/stagnation-nation/

[17] https://www.theguardian.com/business/2022/nov/15/uk-strike-pay-wage-growth-unemployment-inflation

c) The average pay of chief executives of FTSE 100 companies[18] increased from £3.2m last year to £3.9m in 2022, an increase of 23%.

11. Inequalities in the distribution of wealth are bad for the economy and public wellbeing.

    a) By 2022, the UK economic policies created a record 177 UK billionaires.

    b) The richest 250 people are worth £710,723bn in 2022, compared to £658,089 billion the year before, an 8% rise on the previous year[19].

    c) In 2020, the wealthiest 10% of households had 43% of all wealth[20]; in comparison the bottom 50% had only 9%.

    d) The richest 1% of households had total wealth of more than £3.6 million. The least wealthy 10% of households had wealth of £15,400 or less[21].

12. Household budgets lacks resilience as people do not have adequate savings to absorb inflation, mortgage, rent, food, transport and other costs..

    a) A quarter of UK adults have less than £100 set aside in savings[22], while one in three people have less than £1,500 put away[23].

    b) According to the Resolution Foundation[24] 1.3 million families across Britain had no savings prior to the pandemic – including one-in-twelve of the poorest tenth of households. A third relies upon friends and families for help in the case of an unexpected expense. Almost half of families had savings worth less than a month's income.

13. Higher wages usually come from manufacturing and newer industries. But successive governments have focused on building a service economy, which has lower wages.

    Since 1970, manufacturing's share of UK economic output (in terms of Gross Value Added) has declined from 27% to 9.7% in 2021. As manufacturing was heavily located outside London, those regions lost thousands of skilled and semi-

[18] https://www.theguardian.com/business/2022/nov/07/ftse-100-executive-pay-rose-23-per-cent-4m-2022
[19] https://news.sky.com/story/sunday-times-rich-list-2022-uk-has-a-record-number-of-billionaires-12617181
[20] https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/bulletins/totalwealthingreatbritain/april2018tomarch2020
[21] https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/bulletins/totalwealthingreatbritain/april2018tomarch2020
[22] https://www.bbc.co.uk/news/business-63517823
[23] https://blog.moneyfarm.com/en/investing-101/average-savings-by-age-in-the-uk-how-much-should-you-be-saving/
[24] https://www.resolutionfoundation.org/press-releases/1-3-million-families-including-one-in-twelve-poor-families-have-no-savings-to-cope-with-rising-cost-pressures-or-unexpected-expenses/

skilled jobs. Successive governments have failed to offer any coherent plans for reskilling people or building a new industrial base. The policy failures have led to lower wages.

14. Around 6.7 million households are in fuel poverty and the numbers are expected to rise to 11 million by April next year[25]. The number of households paying 30% or more of their income on fuel will double from April 2023, from 1.6m now to 3.8m[26]. The number of households paying a fifth of their income on fuel is projected to rise from 3m to 7.5m. Overall, two-thirds of British households will be spending 10% or more of their income on fuel within the next six months.

15. Some 16.65 million people, out of a population of 68 million, live in poverty[27]. Many of the 800,000 children[28] who are living in poverty but are not eligible for free school meals are going hungry. In the last six months, food banks[29] have handed out 1.3 million emergency food parcels, almost half-a-million of which went to children. The recipients include nurses, teachers and the police.

16. Some 3.5 million UK jobs are paid below the real Living Wage (currently £10.90 per hour in the UK and a higher rate of £11.95 in London). In the face of real wage cuts, the numbers are expected to rise to 5.1 million in 2023[30].

17. Wages are so low that 41% of universal credit claimants[31] are in work, and 68% of families living in poverty include at least one working adult. Faced with poverty and anxiety, some 1.54 million people need mental health support. More than 400,000 children a month are being treated for mental health problems[32].

18. Low wages/income and insecurity mean that people can't easily afford to buy a house, once a cherished dream of the middle-classes.

    The Office for National statistics[33] states that 63% (compared to 70.9% in 2003[34]) of households in England owned their own homes in the 2 years from 2016 to 2018.

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[25] https://www.theguardian.com/society/2022/sep/07/uk-poverty-winter-energy-prices-analysis-shows
[26] https://www.theguardian.com/society/2022/nov/27/millions-of-households-will-be-spending-nearly-third-of-income-on-fuel-by-spring
[27] https://www.theguardian.com/society/2022/sep/07/uk-poverty-winter-energy-prices-analysis-shows
[28] https://www.bigissue.com/news/social-justice/hungry-children-eating-rubbers-stealing-school/
[29] https://news.sky.com/story/cost-of-living-food-banks-at-breaking-point-as-1-3-million-emergency-parcels-given-out-in-just-six-months-12742544
[30] https://www.livingwage.org.uk/news/number-workers-paid-below-living-wage-projected-reach-over-5-million-next-year
[31] https://www.theguardian.com/business/2022/may/22/boris-johnson-to-stress-work-as-the-fix-for-cost-of-living-crisis
[32] https://www.healthcareconferencesuk.co.uk/news/2022-5-24/record-high-number-of-children-treated-for-mental-health-problems-in-uk
[33] Office for National statistics, Home ownership, 4 February 2020; https://www.ethnicity-facts-figures.service.gov.uk/housing/owning-and-renting/home-ownership/latest

a) 68% of White British households owned their own homes, compared with 74% of Indian households.

b) Households in the Black African (20%) and Arab (17%) ethnic groups had the lowest rates of home ownership.

c) in every, socio-economic group and age group, White British households were more likely to own their own homes than all ethnic minority households combined.

d) The decline in home ownership has been more pronounced in younger age groups: In 2003/04, 59% of households led by someone aged 25-34 were homeowners. This fell to 41% in 2019/20.

e) Over the same period, the proportion of households led by 35-44 year olds fell from 74% to 56%[35].

f) Only 36% of those born in the 1980s owned their own home[36] by the age of 30, compared with 55% for those born in the 1970s and over 60% of those born in the 1950s and 1960s. This means that more people will be renting accommodation. Upon retirement income tends to decline, but a requirement to pay high market rates of rent will create considerable insecurities for many retirees.

19. HMRC states that since 2010, it has failed to collect around £400bn in taxes due to evasions, avoidance, error and fraud. Other models of 'tax gap' put the estimate at around £1,500bn. In each budget, there is a ritualistic reference to cracking down on tax avoidance, and the latest budget is no exception.

20. .Currently, earnings between £12,570 and £50,270 are subjected to a 12% national insurance charge. Incomes above that attract a charge of only 2%. By extending the 12 % charge to all income, an additional £15bn a year can be raised.

21. For 2020-21, the net income tax and national insurance contribution relief is £48.2 billion[37]. Some 60% of this goes to individuals paying tax at 40% and 45%, about a third of all taxpayers. the remainder goes to basic rate taxpayers. By restricting the relief to the basic rate of income tax, some £10bn can be raised.

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[34] Christian Hilber and Olivier Schöni, In the United Kingdom, homeownership has fallen while renting is on the rise, 20 April 2021; https://www.brookings.edu/essay/uk-rental-housing-markets/

[35] House of Common Library, Extending home ownership: Government initiatives, 30 March 2021; https://commonslibrary.parliament.uk/research-briefings/sn03668/

[36] https://www.theguardian.com/business/2022/nov/09/rising-asset-wealth-and-falling-real-wages-drive-inequality-in-britain

[37] https://www.gov.uk/government/statistics/personal-and-stakeholder-pensions-statistics/private-pension-statistics-commentary-september-2022

93. A large number of tax reliefs are given to individuals and businesses, with little awareness of their economic benefits. The Office for Tax Simplification has estimated that 1,140 tax reliefs. They include tax reliefs to support research and development, enterprise investment scheme ; entrepreneurs' relief , support for the film and TV industry and orchestras (not pop concerts), £24 billion for energy companies to decommission oil and gas infrastructure , and much more.

The full cost of tax reliefs is not known. HMRC has stated that in 2017-18, it administered 424 different tax reliefs, totalling over £400 billion though the full cost of all reliefs in not known.

A former head of HMRC has urged the government to abolish the "entrepreneurs' relief", one of the many tax reliefs, because it is just a tax perk and has provided "no incentive for real entrepreneurship". A thorough review of tax reliefs can generate billions.

22. The Labour Party's 2017 and 2019 manifestos promised to remove the tax privileges of private schools. The charging of VAT on private school fees was estimated to raise around £1.5bn a year and the payment of full business rates by private schools would raise another £100 million.

THE AUTUMN STATEMENT

23. The budget has failed to address major economic problems. The Office for Budget Responsibility's assessment is that under the weight of never-ending austerity living standards will decline by another 7% over the next two years[38].

The Chancellor's promised deregulatory cull of consumer, worker and environmental protections will make matters far worse.

24. The budget statement has deepened austerity and provided no durable basis for alleviating poverty or new investment in public services and new industries. The Chancellor announced public spending cuts of £30 billion and £25 billion of tax hikes.

25. The government has frozen income tax personal allowances and thresholds, and that will increase tax burdens upon the low/income families. Consequently, some 3.2 million additional people will become liable to pay income tax and 2.6 million will pay at the higher rate (40% and 45%).

Someone earning £60,000 a year could pay an extra £14,990 in tax over the next five years. This freeze will increase tax yield by £35bn a year by 2027-28.

26. After the budget, real wages are not expected to return to their 2008 level until 2027. Had wages instead continued to grow at their pre-crisis rate during this unprecedented 19-year pay downturn, they would be £292 a week – or £15,000 a year – higher.

[38] https://obr.uk/docs/dlm_uploads/CCS0822661240-002_SECURE_OBR_EFO_November_2022_WEB_ACCESSIBLE.pdf

27. In the smoke and mirror politics, the Chancellor trumpeted that he is taxing the rich more, but is that the case? There is no wealth tax, financial transactions tax, end of non-dom tax dodges or reform of trusts to prevent the rich from avoiding taxes. Instead, there are gestures to create the impression that the government is inconveniencing the rich.

    a) The budget announced that from April 2023, the threshold for the 45% band of income tax will be reduced from £150,000 to £125,140. This will enable the government to collect £3.3bn over the next 6 years.

    b) The lowering of the threshold will mean that someone earning £150,000 a year or a FTSE100 CEO earning £4 million a year will pay £1,243 extra tax a year. This is equivalent to £24 a week, less than what the rich spend on a glass of wine.

28. By taxing capital gains at the same rate as earned income and charging national insurance on the same would raise £25bn a year, but the government has not done that.

    a) The annual tax-free allowance for capital gains will be reduced from £12,300 to £6,000 next year, and to £3,000 from April 2024 to raise £1.6bn over five years[39].

    b) Capital gains will continue to be taxed at rates between 10% and 28% rather than between 20% and 45% applied to earned income.

    c) Recipients of capital gains will still not pay any national insurance. even though they use the NHS and social care services.

29. The Chancellor announced that with effect from April 2023 the annual tax-free allowance for dividends from £2,000 down to £1,000 per annum effective from April 2023. This will be reduced further down to £500 per annum from April 2024

    a) The dividend rates for 2022/23, and for 2023/24, are as follows:
    Basic rate for 2022/23 - 8.75%
    Higher rate for 2022/23 - 33.75%
    Additional rate for 2022/23 - 39.35%
    Basic rate for 2023/24 - 7.5%
    Higher rate for 2023/24 - 32.5%
    Additional rate for 2023/24 – N/A
    So, the tax rate in dividends is being cut.

    b) Recipients of dividends do not pay any national insurance.

[39] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1118417/CCS1022065440-001_SECURE_HMT_Autumn_Statement_November_2022_Web_accessible__1_.pdf

c) The government is expecting to collect up to £940m in tax by 2027-28[40]. However, by taxing dividends at the same rate as earned income some £8bn can be raised.

d) The UK is alone among the major world economies in failing to apply withholding tax on dividends paid to overseas investors[41]. Some examples of withholding tax rates on dividends paid to foreign investors are: USA 30%, Sweden 30%, Germany 25%, France 25%, Canada 25%, India 20%. These are the stated rates, and most can be reduced by double tax agreements

   If a withholding tax was applied by the UK, the proceeds would go to HM Treasury. Overseas investors would receive less in cash, but they would then be able to claim a credit against their domestic tax bill under their double tax treaty with the UK. In most cases this would result in no additional overall tax cost for investors. In effect, by applying no withholding tax the UK Treasury has been missing out to the benefit of the treasuries of the investing countries.

e) Then there is the question of dividends paid to investors located in low/no tax jurisdictions. The investors are neither taxed in the UK nor abroad. The UK can generate billions by levying a withholding tax on dividends paid to low/no tax jurisdictions.

30. In May 2022, the government introduced a windfall tax of 25% on oil and gas companies, which it claimed would generate £5 billion for the year beginning 26 May 2022 and partly fund the help being given to households.

a) The legislation[42] was flawed. It only applied to profits from North Sea oil/ extraction and did not apply[43] to profits generated through refining, trading, and forecourts. It did not apply to untaxed global profits of companies resident in the UK. To mitigate the effect of windfall tax, the government handed generous tax incentives to fossil fuel companies. For example, for every £100 invested, they will receive a subsidy of £91.

b) The net effect is that despite doubling its profits Shell has not so far paid any windfall tax, whilst BP claimed that it expects to pay £678m[44] in windfall tax in 2022. Indeed, neither Shell nor BP have paid any UK corporation tax for the last three years[45].

c) Without redesigning the windfall tax system, the Chancellor announced that the 25% levy on oil and gas will increase to 35% from January 2023. The scheme has also been extended by two years to March 2028. Combined with

[40] https://www.gov.uk/government/publications/reduction-of-the-dividend-allowance/income-tax-reducing-the-dividend-allowance
[41] https://archive.ph/GabO0
[42] https://publications.parliament.uk/pa/bills/cbill/58-03/0135/220135.pdf
[43] https://leftfootforward.org/2022/07/prem-sikka-why-the-governments-windfall-tax-on-oil-and-gas-companies-doesnt-go-far-enough/
[44] https://www.bbc.co.uk/news/business-60295177
[45] https://www.theguardian.com/business/2022/oct/28/oil-and-gas-firms-are-still-making-a-killing-and-no-10-is-letting-them

a new 45% windfall tax on the profits of electricity generators, these taxes are forecast to generate £14 billion next year.

d) In normal times, the profits of oil and gas companies that operate in the UK continental shelf are subject to a 40% tax rate, rather than the usual 19%(soon to be 25%) rate on corporate profits. The levy introduces a top-up corporation tax of another 35% (25% before the 2022 autumn statement), raising the rate of tax on the profits of companies such as BP and Shell to 75% from January 2023 (65% until the end of 2022). Norway has levied 78% tax rate for years[46].

e) It should be noted that fewer than 35 groups pay the existing 40% tax (see above) and in 2021 seven groups paid 95% of the total tax take[47]. The number of taxpayers and their relative share of the overall tax take is should be broadly similar for the energy profits levy

f) From April 2023, the headline corporation tax rate will rise to 25%. However, many companies will not pay this rate as the government has given them generous investment allowances.

g) Without a good redesign of the legislation and clear definition of ‘excess profits’, the government may struggle collect the expected additional tax revenues.

31. Earned income is taxed at rates between 20% and 45%. Capital benefits from social infrastructure e.g. education, healthcare, security, legal system and much more, funded by society. Yet capital and labour are not taxed at the same rates. The rate differential also fuels tax avoidance elites see to exploit corporate structures and pay tax at a lower rate.

a) No budget is ever complete without a Chancellor making claims about clamping down on tax avoidance and the autumn 2022 statement is no exception. Measures announced by Chancellor, including additional resources for HMRC, are projected to bring in an extra £725 million of additional tax revenues over the next 5 years.

b) Research shows that HMRC is efficient. For example, every £1 spent on investigations into the tax affairs of large businesses yields an additional £56 in tax, while investigations into wealthy individuals yield £28 for every £1 spent[48].

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[46] https://www.theguardian.com/environment/2022/oct/28/uk-should-match-norways-78-north-sea-oil-and-gas-tax-thinktank-says
[47] https://www.gov.uk/government/publications/cost-of-living-support/energy-profits-levy-factsheet-26-may-2022
[48] https://international-adviser.com/hmrc-to-rake-in-1-7bn-from-autumn-statement-tax-avoidance-crackdown/

c) However, all is not what it seems. Despite, additional sums being allocated for investigation, the Treasury's report accompanying the budget shows that the government will slash HMRC's budget[49].

HMRC budget is:
2022-23: £5.9bn
2023-24: £5.6bn
2024-25: £4.6bn

With double-digit inflation, this is a real cut.

32. Brexit has caused skills shortages, increased cost of imports and loss of export markets, but got no mention in the Chancellor's speech.

33. Public services receive little extra and certainly less than the rate of inflation.

a) The government has provided an extra £3.3bn to the NHS in each of the next two years. This is less than half requested by NHS chiefs to mediate this winter's crisis.

b) One of the reasons for skills shortages is a breakdown of public services. In England, 7.1 million people are waiting for NHS hospital appointments, compared to 2.5 million in 2010.
c) Around 2.5 million are unable to work because of chronic illness.
d) Some 500,000 workers have dropped out of the labour market due to poor health.
e) From 2021-22, there was a 5% rise in the number of adults receiving antidepressant drugs - from 7.9 million in the previous 12 months to 8.3 million[50]. There was also a rise of just over 8% in youngsters taking the medication too - from 10,994 to 11,878 among 10 to 14-year-olds and from 166,922 to 180,455 in the 15 to 19-year-olds.
f) The lack of funding will lengthen waiting lists, inflict another real wage cut on NHS staff and worsen labour shortages.
g) The sick are expected to survive on Statutory Sick Pay of £99.35 per week, which will increased by 10.1% next April.
h) The average life expectancy is falling.

34. Despite high inflation, there is no immediate increase in social security benefits or the state pension. Instead, they will rise by 10.1% in April 2023. It is only the fourth time that benefits have increased in line with CPI inflation in the last decade.

35. The core schools budget in England will be increased by £2.3bn in both 2023/24 and 2024/25 – a yearly rise of 4%, far below the current rate of inflation. The additional funding will restore real-terms per-pupil funding to 2010 levels. So, it is

[49] Table 2.1 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1118417/CCS1022065440-001_SECURE_HMT_Autumn_Statement_November_2022_Web_accessible__1_.pdf
[50] https://www.bbc.co.uk/news/health-62094744

still a massive cut in real terms. The extra cash would see core schools funding rise from £53.8bn this year to £58.8bn by 2025.

36. Banks get a tax cut even though there are awash with profits, bonuses and dividends.

    a) The Bank Surcharge will be reduced from 8% to just 3% from April 2023.
    b) This is in addition to the cut in Bank Levy which was supposed to fund a scheme to support mortgage-payers facing rising bills.
    c) Over the next year the two bank taxes will raise a combined £2.5 billion - down from £4.7billion in 2016-17 – a cut of 56.
    d) This means banks operating in the UK will pay £18billion less in these taxes over the next five years..

37. The headline rate of minimum wage will increase from £9.50 an hour to £10.42, in April 2023. Someone working a 40-hour week may receive extra £1,600 a year. .Some 40% of this would disappear in income tax, national insurance, VAT, fuel duties and indirect taxes. Then there is more to pay for energy, food, transport, rent and mortgages, leaving workers worse off in real terms.

38. The government that has handed £895bn of quantitative easing to speculators and in mid-October conjured up another £19bn, this time to bail out government bonds is indeed capable of creating money to support economic revival. However, the political will is not there.

39. Its negligence and naked alignment of the state with capital and moneyed interests has turned it into a killing machine.

    a) During the period 2012-2019, nearly 335,000 people died[51] from government-imposed austerity policies which eroded incomes and welfare services. Women have been disproportionately affected.

    b) In 2016, a government funded study, codenamed Exercise Cygnus[52], concluded that the NHS would struggle to cope with outbreak of flu epidemic. The government did not fund the NHS properly and it was poorly equipped to fight the Covid pandemic. To date, some 211,000 people have died.

    c) In 2021, some 117,000 people died[53] while waiting for hospital appointments in England. With chronic lack of NHS capacity, the death-toll will rise.

    d) The British Heart Foundation[54] estimates that due to severe ambulance delays, inaccessible care and ever-growing waiting lists some 30,000 have died prematurely from heart diseases.

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[51] https://jech.bmj.com/content/jech/early/2022/09/26/jech-2022-219645.full.pdf
[52] https://www.theguardian.com/world/2020/may/07/what-was-exercise-cygnus-and-what-did-it-find
[53] https://www.standard.co.uk/news/uk/117-000-die-nhs-waiting-lists-covid-backlog-b1010262.html

e) According to Marie Curie Charity, in 2019 alone, 93,000 people died from poverty[55]. This included 68,000 senior citizens and 25,000 working age adults. It estimated that every hour 10 people are dying from poverty.

   Institutionalised inequalities, misery and state-sponsored deaths are incompatible with any notion of democracy and humanity. Yet the government is inflicting more austerity.

40. The Energy Price Guarantee will limit annual bills for the typical household to £3,000 for 2023/24, up from £2,500 applicable between October 2022 and March 2023.

    a) Without the support, the average household bill based upon the Ofgem tariff would, in October 2022, have been around £900 higher[56].

    b) However, few things should be noted. The government will hand £900 over top energy companies. Their profiteering remains unchecked. The state has effectively become a guarantor of energy company profits. The £900 will be collected from people either in higher taxes and/or public spending cuts.

    c) Ofgem has announced that from 1 January 2023, the energy price cap (it changes each quarter) will increase to £4,279[57]. However, from April 2023, the Energy Price Guarantee will limit the average household bill to £3,000. This is means that the government will hand over £1,279 to energy companies.

    d) The government is buying in bulk on behalf of the people but has not secured any bulk-buying discounts.

41. The government fraud and waste are also worth noting because in principle effective curbs can release billions of pounds for public use.

    a) Even before the Covid pandemic, the annual frauds in government departments were running at between £29.3bn and £51.8bn[58], equivalent to between £352bn and £622bn over the last 12 years.

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[54] https://www.bhf.org.uk/what-we-do/news-from-the-bhf/news-archive/2022/november/extreme-heart-care-disruption-linked-to-excess-deaths-involving-heart-disease

[55] https://www.mariecurie.org.uk/globalassets/media/documents/policy/dying-in-poverty/h420-dying-in-poverty-5th-pp.pdf

[56] https://www.gov.uk/government/publications/energy-bills-support/energy-bills-support-factsheet-8-september-2022

[57] https://www.gov.uk/government/publications/energy-bills-support/energy-bills-support-factsheet-8-september-2022

[58] https://www.nao.org.uk/wp-content/uploads/2021/03/010381-001-Fraud-and-Error-Accessible.pdf

b) The government handed out furlough support, Covid loans and contracts without due diligence checks. Consequently, £219bn of the £387bn expenditure has been classified as “having a high or very high fraud risk”[59].

c) The government’s efforts at curbing fraud have been so puny that in January 2022 a Minister (Lord Agnew) resigned during a live debate on the Lords and said that the Treasury “appears to have no knowledge or little interest in the consequences of fraud to our economy or our society”[60].

d) In January 2022, the Department of Health[61] stated that “there has been a loss in value of £8.7 billion of the £12.1 billion of PPE purchased in 2020-21”. More recent estimates are not known.

42, It should be noted that the budget does not offer anything on a number of issues. Examples include:

Brexit
Housing
Women
The disabled
Children
Equitable distribution of Wealth/Income

BUILDING AN EQUITABLE SOCIETY

79. The hardship faced by people is a subset of broader consequences of institutionalised poverty and inequality. These are the outcomes of failures of economic policies, tax policies, industrial relations and broader politics which have systematically impoverished workers. Some evidence was provided

Successive governments have paid little attention to equitable distribution of income and wealth and have nakedly pursued policies which advance the interests of capital and increase its share of GDP at the expense of labour and investment. Such policies need to be reversed and will inevitably meet considerable resistance from those who benefit from status-quo and have got used to having their way by funding political parties, legislators, media, and a variety of so-called think tanks.

Poverty and inequality cannot be addressed without taking back control of the legislative and regulative frameworks and reconstruction of the state. Global capitalism has subverted democratic processes and captured the state through funding of political parties, legislators and think-tanks; control of media,

[59] https://www.nao.org.uk/wp-content/uploads/2021/03/010381-001-Fraud-and-Error-Accessible.pdf
[60] https://news.sky.com/story/treasury-minister-lord-agnew-resigns-over-governments-lamentable-record-on-tackling-covid-business-loan-fraud-12524460
[61]https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1052624/dhsc-annual-report-and-accounts-2020-2021-print-ready.pdf

ideological wars, bribes, threats and more. The UK state has become the ultimate guarantor of corporate profits, to the detriment of the people. All this has been part of the right-wing coup which began in the 1970s and is now culminating in the loss of human rights, welfare rights, public services and disposable income, all sacrificed at the altar of wealth accumulation by the few.

The left needs to develop tools and strategies for reconstruction of the state and common-sense of the people. Yes, the forces marshalled against the people have overwhelming financial and political resources, but in any game of chess the king can be cornered by pawns. History shows that against all the odds, our predecessors secured some social rights by repositioning people's sense oratory, songs, music, plays, leaflets, theatres, marches and grass roots campaigns. The same is necessary again.

The dominant narratives of neoliberalism need to be disarticulated. Otherwise, the logic of neoliberalism cannot be dismantled. Chief amongst them is the view that tax revenues somehow constrain the state from improving the quality of life for the people. The absence of tax revenues did not prevent the state from bailing out banks and energy companies, handing billions of Covid-related contracts or £895 billion of QE to corporations.

A massive shake-up of institutions of government and the state's relationship with capital and labour is needed. The alternative is poverty, social squalor, low economic growth, economic stagnation, higher market volatility and heightened possibilities of social disorder and riots.

The following steps need to be taken immediately to make a start on relieving poverty.

Relieving Poverty

91 Increase the value of state pension, benefits and wages at least in line with inflation to give people some breathing space.

92 A minimum Living Wage of £15 per hour is needed

94. End employee insecurity – end fire and rehire, end zero-hour contracts, give employment rights to agency workers, end abuse of umbrella companies.

95. Empower trade unions and free collective bargaining.

96. The UK state pension is a round 21% of average earnings and is the lowest, as a percentage of average earnings, in the industrialised world. It is the main or the only source of income for majority of retirees. With low ages and demise of final salary pension schemes, it will be the only source of income for future retirees. The state pension should not be less than the minimum wage. Within the life cycle of two parliaments, the state pension should be aligned with the minimum wage.

97. Relieve labour shortages – by providing affordable child care. Currently, around one in three (32%) working parents with pre-school children spend more than a third of their wages on childcare. This is prohibitive and dissuades many from entering the labour market.

98. Social security support must not condemn people to extreme levels of poverty. Universal Credit and other welfare benefits should not be less than 80% of the national living wage.

99. The government should set out a programme to make UK living standards more resilient and the UK economy more resistant to a future crisis. This requires strengthening employment, pension and benefit rights and curbs on profiteering.

100. Capital's share of GDP must be reduced. Without this, worker's share of GDP cannot be increased. Without good purchasing power, large sections of society are excluded from consumption and a sustainable economy cannot be built. Enhancing trade union and worker rights is a necessary step towards that.

Rethink the Role of Taxation

101. Progressive taxation policies are needed to reduce inequalities. Poor should not pay a higher proportion of their income direct and indirect taxes, compared to the richest. This exacerbates poverty and inequality.

The neoliberal logic of tax and spend is deeply normalised and emphasized in the mainstream media even though taxes have not ex-ante funded any government spending, whether relating to the creation of the National Health Service, fighting wars or corporate rescues.

In the modern era, the state's ability to create money is not dependent on quantities of gold. It is dependent upon the health of the economy. The UK state (and others with major international currencies, such as the Pound, Euro, US Dollar) can create money to relieve poverty, build schools, hospitals and affordable homes (also see later sections). The role of tax policy is essentially to remove a certain amount of money from general circulation to achieve political objectives, which in recent years have been to funnel wealth upwards. That needs to change and the conventional neoliberal logics need to be problematized and debunked.

Any increase in the basic rate (20%) of income tax or the additional rate (40%) or national insurance contributions by the masses condemns more people to poverty, and has had little effect in reducing poverty and inequality or denting the power enjoyed by the elites. Inequalities can be reduced by addressing tax anomalies and by eliminating tax perks for the rich.

Here are some examples of how tax reform can reduce inequalities.

102. Capital gains are currently taxed at the rate 10-28% whereas earned income is taxed at marginal rates of 20%-45%. By taxing capital gains at the same rate

as earned income and charging national insurance on it would raise around £25bn a year. Indeed, all unearned income must be taxed at the same rate as earned income.

103. Dividends are taxed at marginal rates of 7.5% 32.5% and 38.1% whereas earned income is taxed at 20%, 40% and 45%. From April 2022, dividends are subject to another 1.25% charge in the form of a Health and Social care Levy. The recipients of wages up to £50,270 pay the full national insurance charge of 13.25%, However, the recipients of dividends do not pay the basic 12% national insurance charge..

By taxing dividends at the same rates as applicable to earned income another £8bn or more can be removed.

Dividends to foreign investors are paid gross i.e. without any UK withholding tax. A charge of 20%, equivalent to the basic rate of income tax, can raise billions.

104. Currently, earnings between £12,570 and £50,270 are subjected to a 12% national insurance charge. Incomes above that attract a charge of only 2%. By extending the 12% charge to all income, an additional £15bn a year can be removed.

105. Tax system should be progressive i.e. should reduce inequalities i.e. what the mode of production cannot do, should be done by the tax system. Such a system is applied to income tax with marginal rates of 20%, 40% and 45%. However, the progressive elements are diluted with a variety of tax reliefs. For example, the government gives tax relief on pension contributions.

Around two-thirds of the £40bn a year tax relief on pension contributions goes to individuals paying income tax at the rate of 40% and 45%. By reducing the relief to 20%, the basic rate of income tax, the government can level the field and also remove £10bn from circulation.

106. A modest level of financial transaction tax on selected transactions (e.g. corporate bonds and equity and credit derivatives transactions) at rates ranging from 0.01% to 0.12% can remove £2.13 billion a year.

107. A higher rate of VAT (30%) on luxury goods could remove £2bn a year.

108. The Wealth Tax Commission recommended a wealth on individuals rather than households at the one-off rate of 5%, spread over a period of 5 years i.e. allowing a tax rate of 1% to be paid over each of the five years.

With an asset threshold of £500,000, some £260bn could be removed and create possibilities of a more equal society.

If the threshold was raised and tax was only payable on assets over £2m rather than £500,000, the tax take could be £80bn.

Of course, the rate and thresholds can be adjusted, but the point remains that wealth tax can generate revenues which reduce inequalities.

109. Restore the marginal income tax rate of 50% on individuals earning more than £150,000 a year.

110. HMRC fails to collect around £35bn of taxes each year due to avoidance, evasion, errors and other reasons. The official jargon is 'Tax Gap' i.e. the difference between what should have been collected and the amounts actually collected. So since 2010, around £420bn has not been collected. Other models put the estimate at between £700bn and £1,400bn. A clampdown on tax avoidance and good funding of HMRC would raise billions.

111. A large number of tax reliefs and given to individuals and businesses, with little awareness of their economic benefits. The Office for Tax Simplification has estimated that 1,140 tax reliefs. They include tax reliefs to support research and development, enterprise investment scheme ; entrepreneurs' relief , support for the film and TV industry and orchestras (not pop concerts), £24 billion for energy companies to decommission oil and gas infrastructure , and much more.

The full cost of tax reliefs is not known. HMRC has stated that in 2017-18, it administered 424 different tax reliefs, totalling over £400 billion though the full cost of all reliefs in not known.

A former head of HMRC has urged the government to abolish the "entrepreneurs' relief", one of the many tax reliefs, because it is just a tax perk and has provided "no incentive for real entrepreneurship". A thorough review of tax reliefs can generate billions.

112. Most private or independent schools in the UK are registered as charities, a status that confers considerable tax benefits upon them. In the words of Michael Gove, former Conservative education secretary, "Private school fees are VAT-exempt. That tax advantage allows the wealthiest in this country, indeed the very wealthiest in the globe, to buy a prestige service that secures their children a permanent positional edge in society at an effective 20 per cent discount".

In addition, as charities, private schools qualify for business rates relief. Typically, they get and 80% exemption.

The Labour Party's 2017 and 2019 manifestos promised to remove the tax privileges of private schools. The charging of VAT on private school fees was estimated to raise around £1.5bn a year and the payment of full business rates by private schools would raise another £100 million.

113. Introduce withholding tax. The UK typically does not levy withholding tax on dividends and interest payments by companies i.e. a basic rate of tax is not deducted at source. This results in a loss of tax revenues, especially when payments are made to natural and legal persons residing outside the UK. A well-known illustration is provided by BHS, which in 2005 paid a record dividend of £1.3 billion. Some £1.2 billion of this went to Monaco-resident Lady Green, the

main shareholder in BHS. There was no UK withholding tax and Monaco does not levy income tax. There are numerous similar transactions.

Numerous companies have engineered intragroup debt from offshore companies. The contrived interest payments reduce UK tax liability whilst the offshore entity pays no tax on interest received.

114. A report by the National Food Strategy recommended that a new tax be levied to reduce sugar and salt content from food and drinks. This could be set at £3/kg for sugar and £6/kg for salt sold wholesale for use in processed foods, or in restaurants and catering businesses, and could raise £3.4bn a year.

115. Environmental degradation is a major threat to life on planet earth. Rising carbon emissions are a major contributor to global warming and changes in climate. Currently, there are some implicit taxes on the producers of carbon through duties on the consumption of petrol and taxes, but despite widespread acceptance of the principle of 'polluter pays' there is no general taxation on consumption which directly generates carbon emissions and greenhouse gasses.

The ultimate aim is to encourage industry and consumers to switch to cleaner energy but polluters will be penalised. The Zero Carbon Campaign argues that levies on energy suppliers, transport including flying, food, imports and other high-carbon goods and services could generate revenues of £27 billion a year by 2030.

116. An inequality tax should be levied on a company or a similar organisation for inflicting harms emanating from inequitable distribution of income.

All wages, salaries and benefits paid by employing organisations are currently treated as a tax deductible expense i.e. they reduce the taxable profit and tax liability of a company. Currently, companies are rewarded for excessive executive pay because that reduces its liability to corporation tax i.e. inequalities are subsidised by the tax system.

It is generally accepted that polluters should pay additional taxes to compensate society for the harms inflicted. That principle underpins carbon taxes. The same principle should also be applied to social pollution i.e. inequalities are a form of social pollution. Income and wealth inequalities have negative consequences for many and should be addressed through the imposition of an inequality tax.

An inequality tax would place an upper limit on the amount of executive remuneration (salary, benefits, pension contributions, bonuses) that a company can deduct from its taxable profits.

The cap could be a multiple of the national median pay, the national minimum wage or even a straight sum which could be £300,000 per executive or employee.

It is worth emphasising that the proposal does not place a cap on the ability of a company to pay large amounts to an employee/executive. It merely restricts the tax deductibility of excessive pay.

So, if a company pays a CEO remuneration of £100,300,000; currently all of it is tax deductible. Under the proposal above, only £300,000 may be allowed as an expense in the company's corporation tax liability calculation i.e. £100m would not be treated as a tax deductible expense. The company would pay additional tax at the prevailing rate of corporation tax. A tax rate of 19% would require the company to pay additional tax of £19m (£100,300,000 - £300,000 = £100m X 19%).

Corporate Governance for the Many, Not the Few

117. Many of the inequities originate from unaccountable corporate power. Taming the corporations is necessary for possibilities of democracy and good government. All wealth is generated by the cooperative efforts of a variety of stakeholders. Too many toil and suffer whilst the rewards are appropriated by a few. Corporate governance must be reformed[62]. At the very least, the following reforms must be introduced to democratise corporations.

a) Stakeholders, especially employees, consumers, and pension scheme trustees, together with long-term committed shareholders, to be represented on the board of large companies, that is about 7,500 companies.

b) Companies Act 2006 privileges short-termism and the short-term financial interests of shareholders. It must be changed to focus on the long-term and recognise the interest of a broader range of stakeholders by providing them with representation on the boards of directors of large companies. Those stakeholders will be people who have long-term interest in the prosperity and wellbeing of companies, in particular employees and consumers. The rights of shareholders must be changed to shift focus on the long-term rather than short-term speculative gains.

c) All directors, whether elected by shareholders, employees or consumers, would have identical duties, rights and powers. Their prime duty would be to work for the long-term success of the company for the benefit of all stakeholders, not just shareholders. The concept of the long-term success of the company must include the impact of the company on the rest of society and on the environment, rather than the pursuit of short-term profitability.

d) Directors' duties contained in Section 172 of the Companies Act 2006 should be amended so that shareholder interests are not placed above the interests of other stakeholders.

The revised Section 172 could simply state that "A director of a company must act in the way s/he considers, in good faith, would be most likely to promote the success of the company for the benefit of its stakeholders as a whole".

[62] http://visar.csustan.edu/aaba/LabourCorpGovReview2018.pdf

Those stakeholders will include the employees, consumers, shareholders, pension scheme members, supply chains and the community more broadly.

The revised directors' duties will give recognition to the fact that large companies are public institutions with social obligations.

e) Companies are bought and sold in takeover bazaars by shareholders with little/no long-term interest in them. Their interest in stripping assets, jobs, wages, pensions and environment welfare and management oblige.

f) The power of short-term shareholders on companies must be constrained. There must be a on short-term shareholders voting in take-overs and other specified resolutions unless shares have been held by an identifiable owner for at least two years.

g) Shareholders to be encouraged to take a long-term view. Those holding shares for two years or more to have double votes.

Equitable Distribution of Income

118. Equitable distribution of income is the key to eradicating poverty and inequalities. This cannot be achieved without democratisation of the place of work and giving employees and other stakeholders power to shape distribution of income[63].

a) In designing and fixing executive remuneration packages, a company must demonstrate that it has given due regard to the interests of its employees and consumers, and its investment and capital needs.
b) Executive remuneration contracts in large companies to be made publicly available.

c) The cult of bonus payments to be discouraged. Bonuses, if any, should only be paid for carefully specified and extraordinary performance. What have company executives done that is beyond the call of their normal duties?

d) Central and local government are the biggest spenders in any economy. Their policies must also help to secure equitable distribution of income. They must apply a 'fit and proper' person test to all suppliers seeking public contracts of £5 million or more. This would attach weight to equitable distribution of income, environmental and social responsibilities in determining the fitness of a supplier to secure public contracts.

e) Directors to explicitly state in their annual report, that no employee has received remuneration which is less than the National Minimum Wage or the Living Wage. In the event of wilful or persistent failure to pay the legally mandated rate of pay, a minimum fine equivalent to the remuneration of the entire board should be levied and at least 50% of that should be paid by the directors personally.

[63] http://visar.csustan.edu/aaba/LabourExecutiveRemunerationReview2018.pdf

f) If executives are required to hold company shares, they are to be purchased with their own resources rather than provided by the company.

g) Executive remuneration to be in cash as rewards in share options, shares and perks invite abuses and complicate the calculation.

h) Executive remuneration packages must not be changed to compensate executives for changes in their personal tax status.

i) In large companies, all executive remuneration contracts are to be formulated by the company board (or stakeholder board in the case of two-tier boards). It may wish to be advised by a remuneration committee. If such a committee is created, it must have representatives of employees and other stakeholders.

j) The remuneration of each executive at large company to be the subject of an annual binding vote (not just advisory, as is currently the case) by stakeholders, including shareholders, employees and consumers.

k) The vote on executive remuneration to be in two parts.

l) The basic remuneration of each executive can be the subject of a simple majority vote by all stakeholders.

m) The stakeholder ballot for the incentive-based element for each executive to should require a two-stage approval.

(i) There needs to be a 50% turnout
(Reminder - In England, Scotland and Wales, the legislation states that industrial action ballots must attract at least a 50% turnout and the majority must vote yes for action to be lawful. So, if 100 workers are eligible to vote, and only 49 turn out for the vote, workers cannot take industrial action even if all 49 vote in favour).
This has been hailed by CBI as an example of industrial democracy. So, why not apply the same logic to corporate governance!

(ii) In addition, there must be support from at least 90% of all voting stakeholders to approve each item of bonus and other incentive-based payments.

n) If 20% of stakeholders vote against remuneration policy or remuneration of any executive then all directors to receive a warning (a yellow-card).

Following, the first yellow-card, the company’s next remuneration report must explain the Board’s response and the action taken to address stakeholder concerns.

If for the second consecutive year, 20% or more of the eligible stakeholders reject the remuneration report, a second warning (or a yellow-card) must be issued.

This would automatically trigger an additional resolution for the accompanying AGM. This resolution must consider whether the executive and stakeholder directors, with the exception of the managing director and/or chairman, need to stand for re-election. If this resolution is supported by 50% or more of the eligible stakeholders then a meeting to consider re-election of directors must be convened in accordance with the requirements of the Companies Act 2006 or any new provisions that might need to be enacted.

o) Company law to be changed to give stakeholders the right to fix an upper limit i.e. ‘cap’ executive remuneration package. It must provide a framework for claw back of executive remuneration.

p) Golden handshakes, hellos, handcuffs, parachutes, goodbyes and severance have all become a way of boosting executive remuneration and must be prohibited.

q) In the case of companies with deficits on their employee pension scheme, their directors must not be eligible to receive any bonus or increase in remuneration unless they have reached a binding deficit reduction agreement with the Pensions Regulator.

r) There needs to be an upper limit on the tax deductibility of total executive remuneration for each person. This proposal penalises companies that continue to engage in inequitable distribution of income.

FIXING THE ENERGY PRICE CRISIS

98. The energy prices crisis cannot be fixed by the mechanisms and policies which have created it.

    There can be no effective competition in the transmission, distribution and supply of household and business energy. Upstream, relatively few gas, oil and nuclear power companies control the supply. For any market to work effectively, it must have many buyers and sellers. That is not possible. Therefore, we have a state-guaranteed private monopoly and its profiteering is endangering the welfare of the rest of society.

99. The energy sector needs to be brought under public ownership so that the resources extracted by shareholder are instead used to boost investment and lower bills.

Public ownership has numerous models[64] ranging from corporations, cooperatives, mutual, not-for-profit and other organisations, all managed by professional managers and fully accountable to parliament.

100. Public ownership can be in many forms ranging from 100% ownership and control to majority or fractional stake, giving the government representation on company boards to influence decisions.

101. Any form of public ownership must be based on democratic principles, with workers and employees on boards overseeing the performance of the executives and fixing their rewards.

102. Any mention of public ownership sends neoliberals into cold shivers and they demand to know how this will be financed.

Such questions were not asked when governments gifted £895bn of quantitative easing[65] to speculators, or provided £1,162bn of guarantees and cash to rescue banks after the 2007-08 crash[66], or handed vast Covid related contracts to Conservative party donors.

The same process of generating money/resources can be used to bring energy (and other essential sectors) into public ownership.

103. There is virtually no cost of bringing the energy retail sector into public ownership. .

a) The government is already bailing out Bulb Energy. It could formally bring it into public ownership and through it offer low-profit energy to consumers. This would immediately bring other retailers into line and those who don't will be pushed out of the market.

b) The current retailers, such as OVO and Octopus, could be allowed to run their current contracts to maturity and then be eased out of the supply chain and be replaced by a not-for-profit organisation.

c) All retail suppliers can be replaced by state-owned regional boards/companies, as was the case before privatisation.

d) Under public ownership, no retailer can go bust. There will be no costs associated with supplier bankruptcy, SOLR levy and other costs.

64 For example, see ALTERNATIVE MODELS OF OWNERSHIP, published by the Labour Party in 2017, https://labour.org.uk/wp-content/uploads/2017/10/Alternative-Models-of-Ownership.pdf; Also see https://weownit.org.uk/sites/default/files/attachments/When%20We%20Own%20It%20-%20A%20model%20for%20public%20ownership%20in%20the%2021st%20century.pdf

65 https://www.bankofengland.co.uk/monetary-policy/quantitative-easing

66 https://www.nao.org.uk/taxpayer-support-for-uk-banks-faqs/

104. Transmission, distribution and supply companies can be bought into public ownership.

There is no need to borrow money as that only increases profits for banks.

Any state with a major currency can create money to reshape society. The UK is one such state and is already adept at creating money. For example, it handed £895bn of quantitative easing to speculators. So, the state can create money to bring energy sector into public ownership. The only reason, it might not do so is if the economy is at full throttle, and that is not the case.
If the creation of that money is considered to be inflationary, then it can remove some of the money from the economy through progressive taxation and by eliminating tax anomalies. For example, by taxing capital gains at the same rates as earned income and charging national insurance on the same, it can generate more than £25bn i.e. remove £25bn a year from the economy.

Under this approach taxation isn't part of some 'tax and spend' formula, a residue from the logic of gold standard days now long gone. Instead taxation becomes part of fiscal, economic and social policy management.

105. Quantitative easing (QE) will not increase government debt, according to Business Secretary Jacob Ress-Mogg.
This is what he told Sky News on 2 August 2022, when questioned about Prime Minister Liz Truss's plan to cut taxes by £30 billion and to borrow to pay for it.

> "If you look at the borrowing of the state at the moment, total borrowing, excluding the quantitative easing of 875 billion pounds, which is owed by the government to the government, so if you net that off, we under 60 per cent of GDP, I think that is a perfectly sustainable level[67]"

He seemed to say that government borrowing does not matter and that QE has cancelled £875 billion [it should be £895bn] of the national debt.

106. We know that the City of London which has long profited from the state will oppose People's QE. The irony is that the state creates money, hands it to banks and borrows it from banks at higher costs. Why are banks allowed to create money, which is what any act of lending does, when the state can create it?

Neoliberals want the state to borrow money and they then refer to excessive debt as a negative development. They claim that taxes finance government expenditure. It is hard to think of any era when taxes ex-ante funded government expenditure.

107. Even for industries brought into public ownership by borrowing, neoliberal logic overlooks some important aspects. The purchase of industries or even minority share in those industries with debt gives rise to two things.

Firstly, there is a liability on the government balance sheet.

[67] https://twitter.com/SkyNews/status/1554361779857362945

Secondly, at the same time, the government balance sheet will have new assets. So there is no net increase in government liability. This is how businesses operate. In the case of the government, the City emphasises debt but ignores the asset side.

That liability can be serviced by debt interest payments, just like companies pay interest on their leverage.

Public ownership will mean that the amounts currently paid to shareholders will not need to be paid and will instead be either invested in business or used to lower bills.

The government can issue redeemable public bonds in nationalised entities acquired with borrowing, giving people a return in the form of an interest payment. This loads the public debt onto companies brought into public ownership, a practice used by private equity and admired by the City.

108. The regulator for the energy sector must have stakeholder representatives on its board.

109. The UK government needs change its policies and prioritise investment in renewable energy. To accompany the May 2022 windfall tax (see above), the government handed tax sweeteners to oil and gas companies. They will receive an 80% investment allowance for "new" investment in fossil fuels. For every £100 invested, they will receive a subsidy of £91. The companies can lease second-hand assets and claim the investment allowance[68]. The oil and gas produced with public subsidies need not be sold to UK households.

In contrast, for every £100 invested in renewable energy, the investors receive a tax relief of £25, and from April 2023 this will decline to only £4.50. One possible explanation for indulgence of oil/gas companies is that they have been rewarded for funding the Conservative Party[69].

110. Public ownership needs to be accompanied by initiatives to improve energy efficiency. For example, giving poorer households grants to insulate homes and supporting the use of solar panels, wind, biomass and other renewable sources to generate electricity.

111. New buildings must be built to a higher level of energy efficiency. This requires regulation, the very thing that the government is opposed to. Indeed, its "permitted development" policy allows the improvement and extension of homes without the need to apply for planning permission[70], and builders can hire their own inspectors rather than be guided by local authority inspectors.

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[68] https://publications.parliament.uk/pa/bills/cbill/58-03/0135/en/220135en.pdf
[69] https://www.mirror.co.uk/news/politics/fresh-sleaze-claims-tories-take-25439527
[70] https://www.gov.uk/government/publications/permitted-development-rights-for-householders-technical-guidance