# Starmer warns Farage’s economic plans risk another Liz Truss-style crisis



Sir Keir Starmer has issued a stark warning regarding the economic proposals put forward by Nigel Farage and his party, Reform UK, suggesting they may result in a crisis akin to the one experienced during Liz Truss's brief tenure as Prime Minister. In a recent press conference, Starmer expressed deep concern over what he termed Farage’s “fantasy economics,” arguing that such unsubstantiated tax cuts could jeopardise the financial stability of ordinary British families.

Farage has touted plans to raise the personal income tax allowance to £20,000, abolish inheritance tax, and enhance welfare benefits, including revoking the two-child benefit cap. However, these ambitious measures have raised alarm within economic circles. The Institute for Fiscal Studies (IFS) has estimated that the overall cost of Farage’s proposals could exceed £100 billion annually. IFS deputy director Helen Miller noted that the projected fiscal impact of these policies would be significantly larger than the adjustments to welfare provisions that Farage highlighted in his speech. Critics argue that the party’s funding mechanisms, which include cutting various government expenditures, rely on questionable and outdated assumptions, leading many economists to view them as unrealistic.

Facing these challenges head-on during a recent visit to a manufacturing facility in the North West, Starmer claimed, "In opposition we said Liz Truss would crash the economy and leave you to pick the bill. We were right." He connected the current discourse to the aftermath of Truss's controversial mini-budget, which had spooked markets and triggered a rise in mortgage rates. The fallout from her regime highlighted how rapidly unfunded fiscal policies could spiral into broader economic disarray, which Starmer implies Farage's plans echo dangerously.

Indeed, Truss's short-lived government serves as a recent cautionary tale for both Labour and Conservative party members, reminding politicians of the potentially devastating consequences of fiscal recklessness. Starmer’s emphasis on stability stands in contrast to Farage’s promises, as he asserts that Labour's "Plan for Change" has begun to foster economic growth and stabilise the financial environment. He proudly noted that the country’s growth rate has surpassed that of any other G7 nation, alongside interest rate cuts benefitting millions of low-paid workers.

Farage's economic proposals represent a significant shift aimed at appealing to working-class voters, a demographic he believes has been neglected by both the Conservative and Labour establishments. His pledges include not only tax cuts but also proposals for state intervention, such as the nationalisation of key sectors and increased welfare support, thereby attempting to carve out a distinct political identity. However, this leftward pivot is laden with risks; there is widespread scepticism from financial experts about whether such sweeping reforms could genuinely be realised without engendering broader fiscal harms.

As debates over economic stewardship continue to intensify, Starmer's remarks serve as a clarion call for prudence in fiscal management. The lessons from Truss's era linger, cautioning all party leaders to navigate this intricate financial landscape with care. The economic recovery narratives of both Labour and its critics will shape the political discourse leading up to future elections, as voters remain acutely aware of the repercussions of past financial missteps.

## Reference Map:

* Paragraph 1 – [[1]](https://www.irishnews.com/news/uk/starmer-farages-fantasy-economics-will-lead-to-liz-truss-style-meltdown-S2TYLNTUYVMYXDR2PSCJOE65LE/), [[2]](https://www.ft.com/content/8b5fe097-413b-4c7e-958c-61fadae91608), [[3]](https://www.ft.com/content/34674714-c083-44f9-ad3c-a75c038c911b)
* Paragraph 2 – [[2]](https://www.ft.com/content/8b5fe097-413b-4c7e-958c-61fadae91608), [[3]](https://www.ft.com/content/34674714-c083-44f9-ad3c-a75c038c911b)
* Paragraph 3 – [[1]](https://www.irishnews.com/news/uk/starmer-farages-fantasy-economics-will-lead-to-liz-truss-style-meltdown-S2TYLNTUYVMYXDR2PSCJOE65LE/), [[4]](https://www.ft.com/content/18eedb62-a5c7-496e-9e8e-c6273f217fdb), [[5]](https://www.axios.com/2022/10/21/uk-truss-inflation-bonds-economy-interest-rates)
* Paragraph 4 – [[6]](https://time.com/6223365/why-liz-truss-resigned/), [[7]](https://www.ft.com/content/9e8b0c6e-cd30-4e31-b97d-0db0bbe6220b)
* Paragraph 5 – [[3]](https://www.ft.com/content/34674714-c083-44f9-ad3c-a75c038c911b), [[4]](https://www.ft.com/content/18eedb62-a5c7-496e-9e8e-c6273f217fdb)

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## Bibliography

1. <https://www.irishnews.com/news/uk/starmer-farages-fantasy-economics-will-lead-to-liz-truss-style-meltdown-S2TYLNTUYVMYXDR2PSCJOE65LE/> - Please view link - unable to able to access data
2. <https://www.ft.com/content/8b5fe097-413b-4c7e-958c-61fadae91608> - Reform UK, led by Nigel Farage, has unveiled sweeping tax cuts and increased spending proposals, drawing sharp criticism for lacking credible funding details. The party aims to raise the tax-free personal allowance to £20,000, abolish inheritance tax, and enhance benefits such as winter fuel payments and child support. These promises could cost the government over £100bn annually. To fund these pledges, Reform proposes slashing government spending, particularly by abandoning net-zero emissions targets, cutting funding for arms-length bodies (quangos), reducing asylum support, and eliminating diversity and inclusion programs. However, analysis shows much of the projected savings rely on outdated or misleading figures, with many expenses currently borne by the private sector or involving commitments already included in other expenditure cuts. Economists and policy experts—including the Institute for Fiscal Studies and the Institute for Government—have expressed skepticism over the feasibility of Reform’s plans. Critics argue that the proposed savings are unrealistic without deep and unspecified public service cuts. Shadow Chancellor Mel Stride described the proposals as “fantasy economics,” emphasizing the lack of solid financial grounding behind them.
3. <https://www.ft.com/content/34674714-c083-44f9-ad3c-a75c038c911b> - Reform UK leader Nigel Farage has vowed to scrap the two-child benefit cap and introduce tax incentives for married couples in a bid to appeal to working-class voters. In a central London speech, Farage criticized the Conservative government for losing touch with common people and highlighted Reform UK's recent electoral successes, including gaining multiple council seats and a parliamentary seat. Pivoting leftward on economic issues, Farage advocated for policies such as the nationalization of British Steel and key utilities, support for unions, and increased social welfare benefits. He also pledged to reinstate winter fuel payments for all pensioners and argued for a transferable tax allowance of up to £5,000 for married couples. Additionally, Farage proposed raising the income tax-free threshold from £12,500 to £20,000, which could cost £40bn annually. To fund these initiatives, he suggested cutting spending on quangos by 5%, and eliminating £45bn in net zero and £7bn in DEI-related spending, along with shutting down housing for asylum seekers to save £4bn annually. His platform directly challenges Labour and Conservative policies, prompting Labour leader Sir Keir Starmer to reconsider positions on welfare and pension payments.
4. <https://www.ft.com/content/18eedb62-a5c7-496e-9e8e-c6273f217fdb> - The UK's economic problems are often attributed to Liz Truss's short tenure as prime minister and her 'mini' Budget of September 2022. Labour politicians criticize it for causing mortgage misery, crashing the currency, and raising interest rates. Truss, however, blames the economic establishment for undermining her attempts at radical reform. While her time in office did cause a temporary spike in borrowing costs, the long-term economic issues stem from global inflation, Brexit, and labor market problems. Truss's failure has given economic radicalism a bad name, complicating necessary reforms and deterring future leaders from pursuing bold changes. The economy needs reforms, particularly in planning policy and tax simplification, but the association of these ideas with Truss makes them politically unviable.
5. <https://www.axios.com/2022/10/21/uk-truss-inflation-bonds-economy-interest-rates> - The rapid downfall of U.K. Prime Minister Liz Truss serves as a crucial warning for the U.S. and global policymakers: deficits matter. Investors are now strongly reacting against policymakers' choices by selling bonds, significantly impacting Wall Street and government decisions. High inflation and soaring debt levels have made markets less forgiving of significant tax cuts and spending plans. Truss's aggressive tax-cutting proposals unsettled bond markets, causing a surge in yields that disrupted U.K. pensions. This situation underscores the need for governments worldwide to be cautious about their financial policies, as markets are now less tolerant of imprudent economic decisions. Jason De Sena Trennert of Strategas notes the end of a period where politicians could avoid economic consequences without market repercussions, highlighting the need for vigilance in financial governance.
6. <https://time.com/6223365/why-liz-truss-resigned/> - Liz Truss has resigned as the UK Prime Minister, making her the shortest-serving leader in British history, having lasted only six weeks in the role. Truss's downfall was primarily due to her controversial economic policies, including £45 billion in unfunded tax cuts that led to financial instability, a weakened pound, and increased economic concerns for Britons. Her policies failed to address rising inflation and energy bills, instead exacerbating issues like rising mortgage rates. Truss acknowledged her mistakes, admitting she acted 'too far and too fast' with her reforms. The Conservative Party plans an expedited leadership contest within a week to appoint her successor, relying on party MPs rather than grassroots members to find a unity candidate capable of unifying the party and improving poll standings amidst ongoing national challenges. Potential contenders include Rishi Sunak, Penny Mordaunt, and Ben Wallace, while some suggest more experienced leaders like Boris Johnson and Theresa May.
7. <https://www.ft.com/content/9e8b0c6e-cd30-4e31-b97d-0db0bbe6220b> - In autumn 2022, the UK faced a financial crisis due to the Truss 'mini-Budget' which introduced the largest package of unfunded tax cuts in decades. This spooked the bond market, which led to significant deleveraging by pension funds using Liability Driven Investment (LDI) strategies. This destabilized the market further, creating a doom loop that necessitated intervention from the Bank of England. New analysis by the Bank of England suggests that the crisis was both a reaction to the mini-Budget and the flawed strategies of LDI. The Wall Street Journal's op-ed claims the Bank might be responsible, pointing to long-term low interest rates. However, the research indicates that while monetary policy had an impact, it was primarily the unfunded tax cuts and the market's response that triggered the crisis. This scenario underscores the complexity of fiscal and monetary policy interactions and the necessity of understanding market vulnerabilities.