

# Tory infighting will make the recession to come very mu...

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I have [posted this thread to Twitter](#):

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The Tory leadership campaign grinds on. The offers from both candidates continue to make no sense. The coming crisis of government in the face of a looming economic meltdown is obvious, except to Truss and Sunak. What to think? A thread....

One thing that is very clear from the Tory leadership campaign is that Sunak and Truss both hold most people in this country in contempt. The tax cuts both offer are aimed at providing big increases in the post-tax incomes of the wealthiest in our societies, and for large companies in the case of Liz Truss.

Neither has any plan to really help the poorest with the crisis to come. Truss tried, even, to rule out further direct help for those in greatest need, although she might have changed her mind on that now.

Sunak took pride in telling people in Tunbridge Wells that he had initiated the changes in policy that have reallocated support spending from poor, urban areas to richer, rural towns and communities, like his own constituency.

Truss has now confirmed she wants nothing to do with a windfall tax on the profits of energy companies that are exploiting war to extract tens of billions from UK households, who are being driven into poverty as a result.

Why won't she tax those companies? Because, she says, profit is not a dirty word. She apparently thinks this even when it is earned by those exploiting the vulnerable.

It's easy to get a very clear impression of where the Tories are from these claims. Once they excused their policies of greed by claiming there was a 'trickle down economy' where wealth from the rich eventually benefited everyone. But they are not there any more.

Now the Tories are blatantly a party of 'flood up economics', where their aim is to reallocate wealth upwards in society. The pretence of inclusivity has gone. They know the only thing tax cuts for the rich do is increase the wealth of the wealthy, and they are doing them anyway.

The Tories also know they are not really the party of growth, which they claim to be. Any party wanting growth in the UK now has to talk about three things. They are rejoining the single market to cut red tape, reopening borders to migration and significant new public investment.

Instead the Tories are united in wanting to take us as far from the EU as possible, making it ever harder for business to trade with it due to the divergence in standards between us and our major trading partners.

The Tories and their prospective leaders are also more than willing to play the race card. The support of the candidates for the hideous Rwanda policy is the clearest evidence of that.

And, when it comes to public investment we hear nothing. Forty hospitals are not mentioned, even though the hospital serving Liz Truss's constituency is literally falling down now.

And when it comes to the biggest issue of the day, which is climate change, Liz Truss can only attack renewables whilst defending oil company profits. It's as if she is in as much denial on climate change as she is on her Remainer past.

The answer both she and Sunak have instead is the same in that every government has relied upon for the last forty years. It is that we should rely on the market to find solutions to our problems. The claim is that they are always more efficient at doing so than governments.

There are just three problems with this claim. Whilst it may have been the case that forty years ago business did try to make money by addressing issues that would create new markets for them and meet need in society, that is no longer the case.

Business now makes money from financial speculation and exploitation. The current crisis is good example of that. Putin's war provides a perfect opportunity to make a buck at cost to western consumers, and that's what the oil companies are doing, without compunction.

Like Truss, business also has no real concern for climate change. That's in the future. Their financial models erase the future, and only think about the bucks to be made today. And this is literally what they are now taught to do. The thinking is endemic.

So business is not the answer to any known problem now. More likely, business is the problem now.

That brings me to the second problem with the claim that business can solve our problems. It simply has not got the means to do so any more.

As research I have done with colleagues at Sheffield University and elsewhere has shown, over a decade many of our largest companies paid out more in the way of dividends than they made in profit.

These companies did that by borrowing money to pay out the dividends they wanted to pay, hollowing out their balance sheets in the process and making them much more prone to failure as a result.

Why did they do that? Because paying excess dividends pushed up the share price and (this is the most important bit) triggered the directors' massive bonus schemes as a result. Businesses have been fleeced. So have investors, who have been conned.

The result is business may now be unable to fund the finding of solutions to any problems we have, however much Tory politicians believe otherwise.

Then there's the third problem, which is that this whole creaking business edifice in which the Tories place so much faith may be unable to survive either inflation, or very large parts of UK society having literally no spare cash to spend, which is the situation we now face.

The cost-of-living crisis directly challenges energy companies with massive bad debts. It won't be people refusing to pay that will create this massive bad debt problem. It will be simple inability of people to pay that will do that. And bad debts are losses by any other name.

I estimate that in two years domestic energy bills in the UK will increase from £30 billion to £110 billion. I strongly suspect tens of billions of that to go unpaid, simply because people will not have the means to make payment.

Of course, the energy companies could try to cut off supply to all these people. They might do that. But let's be clear. That won't work. Their business models are built on the idea that every household needs fuel. Unless the system works at full capacity I doubt they can make money.

What I am suggesting in that case is that the energy companies' exploitative drive for profits has reached the point where these companies are destroying the hand that feeds them - which is the consumer market.

The energy companies can try charging the prices that are proposed now, but if they do the likelihood is that so many consumers will be unable to pay that the energy companies might themselves fail, as many did in autumn 2021.

And there is little chance that the government will give handouts to big to UK

consumers that this problem can be avoided when it will be obvious to everyone that all those handouts will really do is not help households, but will instead deliver massive profits to energy companies.

And of course it is not only energy companies at risk from the failure of their customers to pay now. Landlords, banks, water companies, and broadband suppliers all face big bad debt risks that threaten their existence too. It doesn't take much to tip companies over now.

After them, the retail, leisure and hospitality sectors are at risk. They too could fail. I fear many will. And, of course, unemployment will then make matters much worse.

What has all this to do with the Tory leadership election? Quite a lot, actually. The reason is that both candidates are discussing policy as if life is going to carry on as normal when the simple fact is that it is not going to.

Once households face enormous debts they have no chance of paying we have no idea how the market based economy will work. And we are not facing having a few households in this situation. Up to 50% might do so come January 2023. Meltdown will arrive.

We can easily predict what Truss will do in this situation. She will do nothing of consequence. Anything she does do will help the rich the most, and they will not need help. She will then say the market must be allowed to work.

In fact, she will celebrate the companies failing, and unemployment rising. She has long subscribed to the idea that the UK is populated by what she would call zombie companies, overladen with debt, that must be cleared out of the system.

She will claim the recession to come is just what we need to build the foundations for a new society built on low tax, low regulation and low protection for society. Call it the far-right dream.

That there will be casualties in terms of real people whose lives will be wrecked and even lost along the way will be a matter of indifference to her: that is a price she will think worth paying for the free-market nirvana to come.

Sunak will not agree. He will argue for intervention. He did on Covid. He will again. It may be inadequate intervention, but he will demand it.

And now we come to the crux of this. As this ghastly situation unfolds - and I see neither prospective PM stopping it doing so - the open warfare within the Tories that the leadership campaign has exposed will continue.

Truss will be in the extraordinary position of becoming PM with the support of less than one third of her MPs. She has the mad ones in the ERG, plus Dorries and Rees Mogg

plus a pile of carpet baggers, for sure. But remarkably few Sunak supporters have shifted to her.

The reality is that such is the Tory leadership selection system that Truss can become leader without commanding her party in parliament.

What will happen in that case when the proverbial really hits the fan this winter? Will Truss fold and offer support? Will she have to tax energy companies more? Will she redistribute wealth downward? And will the Steve Baker crowd let her?

Or will she hold out to impose misery in the style of the National Government in the 1930s?

But will Sunak supporters go along with that? Given the splits in the party that are now very apparent, why will they support her unreservedly in the months to come? I can't see that happening. The blue on blue action is going to continue.

My fear then is that as the economic crisis deepens we will have a collapsing government, riven by internal Tory warfare to deal with as well.

Now of course, if that leads to a general election that might be a good thing. But don't expect that. The Tories will fight each other and leave the country adrift, but they will not vote to bring a Tory administration down.

So we face, on top of everything else an absence of government.

And in the sidelines a Johnson / Farage axis of evil might develop. I think that likely.

So, where are Labour? They have today announced higher tariffs for prepayment meter users are a bad thing, which is undeniable. I have also said so. But that is not a strategy

In the toxic environment that we face we need a real alternative strategy, ditching all prior assumptions. We need a plan (and not Gordon Brown's half-hearted one) to actually tackle the mess we are in. People need to know there is an alternative.

For the sake of democracy, order, and the protection of people it is time for serious debate on how we get through the economic, social and political crises to come. I just wish I saw evidence that such discussions are taking place, but I don't.

I have offered some solutions on my blog and here, but we need more and no one is coordinating this. We are in very deep trouble.