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The inside story of how Liz Truss's premiership unravelled

For the first time, the private warnings that forced the former prime minister's hand can be revealed

By Ben Riley-Smith, POLITICAL EDITOR

17 September 2023 • 6:00am



Liz Truss was in tears in the Cabinet Room. Before her was Kwasi Kwarteng, the chancellor she was sacking. How quickly everything had turned. Just six weeks earlier the pair had been mapping out her premiership in the late summer sun, high on the inevitability of triumph in the Conservative leadership race.

Three weeks before to the day, Truss had sat grinning by Kwarteng's side as he outlined a tax-slashing 'mini'-Budget that delivered on more than a decade of joint dreaming.

But what had followed – a tanking pound, soaring interest rates, a Bank of England intervention to save pension funds, a Tory revolt – had brought Truss to this point. Now, on Friday 14 October 2022, there were dire warnings of mayhem when markets opened on Monday unless she went further. The prime minister felt she had no choice but to sack one of her best friends in politics.

Almost to the last, Kwarteng was disbelieving that such a fate awaited. He had been hauled back from an International Monetary Fund (IMF) summit in Washington, DC, a gathering Truss had pleaded with him not to attend as the lights began to flash red that week.



Kwasi Kwarteng and Liz Truss started off as best friends in politics | CREDIT: Geoff Pugh for The Telegraph

The day before he had waved away speculation, responding, 'Absolutely, 100 per cent,' when asked in an interview whether he would be still be chancellor in a month's time.

Even as he touched down back in London, the chancellor did not expect dismissal. Then, minutes away from Number 10 in his ministerial car, he saw a tweet from The Times's political editor Steven Swinford revealing that he was 'being sacked'.

'I thought it was mad, I thought it was completely insane,' said Kwarteng in an interview.

Knives out

The chancellor knew things were bad, the markets' turbulent and a wing of the parliamentary party sharpening knives. He believed there was still a '50-50' chance of the Truss administration making it to the new year.

And if that could be achieved, who knew? But one surefire way to bring everything tumbling down was sacking your right-hand man and junking the policies that had won you the Tory leadership. For 20 fraught minutes, sitting around the coffin-shaped Cabinet table, Kwarteng tried to persuade Truss that killing off his Cabinet career would also sound the death knell for her.

'They're going to come after you now,' warned Kwarteng. 'They're coming after me already,' replied the prime minister. 'They're going to ask you: If you've sacked him for doing what you campaigned on, why are you still there?' the chancellor warned.

Reporters would do just that hours later in a painful press conference, without drawing a clear answer. Kwarteng asked who his replacement would be. The answer: Jeremy Hunt. 'Hunt?! He's going to reverse everything!' exclaimed Kwarteng.

(Hunt, a Tory centrist, would be no less surprised himself by the news of his selection. Early that morning, on holiday in Brussels, he would get a text from Truss on her new number asking him to call. Hunt would ignore the message, assuming it was a hoax.)

Kwarteng's pleas fell on deaf ears. The decision had been made. Before leaving the Cabinet Room, that epicentre of British political power, the now ex-chancellor made a prediction: 'You've got three weeks.' He would be wrong, but not by much. Truss would announce her resignation six days later.

What made Truss take such a dramatic move, to abandon the tax cuts on which she had won the Tory leadership and sack their joint author?

There are many plot points in the tumultuous story from her ascension to Prime Minister in early September to the sacking of Kwarteng.

There was the way the mini-Budget had swelled and swelled, egged on by Truss's 'turn it up to eleven' approach. There was the package's delivery, the biggest tax cuts since 1972 unveiled with a flourish by Kwarteng. There had been the market reaction – the pound slumping and bond interest rates soaring – and a dramatic intervention from the Bank of England.



The Conservative Party conference did little to quell fears over Liz Truss's grand plans | CREDIT: Daniel Leal-WPA Pool/Getty Images

And at the Conservative Party conference came the first reversal, one forced by Tory rebels, with plans to abolish the 45p additional rate of income tax scrapped. And yet it was that move – sacking Kwarteng and ripping up the mini-Budget – which sealed her fate. Interviews with cabinet ministers, Downing Street advisers, Treasury insiders and senior mandarins – plus Truss and Kwarteng themselves – for my new book, *The Right To Rule*, shed light on why she took the move.

For the first time the private warnings that forced her hand – and brought the curtains down on the shortest premiership in history – can be revealed.

Bleak mood darkens

The mood after the Tory conference, which ended on 5 October 2022, was already bleak due to the 45p reversal. It darkened over the following weekend. Downing Street had

always planned to prepare a proper fiscal statement in the autumn. This had been clung to like a life raft in the choppy waters after the mini-Budget.

It would be the point when spending would be curtailed, when all the supply-side reforms would be published, when it would be proved that the Government had a plan for bringing down debt. It was the moment, too, when the Office for Budget Responsibility (OBR) – circumvented for the mini-Budget – would finally reveal its assessment of the Truss-Kwarteng measures.



“They do not understand who’s paying their f*ing wages. It’s plumbers in Dartford, ceramics workers in Stoke-on-Trent, people who actually make things who are paying their wages”**
Liz Truss

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By the end of conference week, the OBR had given the Treasury its first private estimates. The Conservative Party, which prided itself on sound economic management, had long adopted ‘fiscal rules’ to show its prudence. At the time, the rules promised that debt would be falling within five years of any given date – a claim the Treasury always wanted backed up in the OBR five-year forecast, changing policies if necessary to hit the target.

After the bonfire of taxes and a huge energy bill guarantee, Number 11 knew that would be tricky to achieve the target this time round.

Officials had discussed what total savings were needed. Worst-case scenario, they concluded: £40-50bn. Then the OBR’s first estimate dropped: £72bn. It was way higher than expected. That amount had to be saved in tax increases or spending cuts within five years to satisfy the fiscal rules. Breaking them, given the new leadership’s credibility with the markets was already paper thin, was deemed unconscionable. The gap had to be filled.

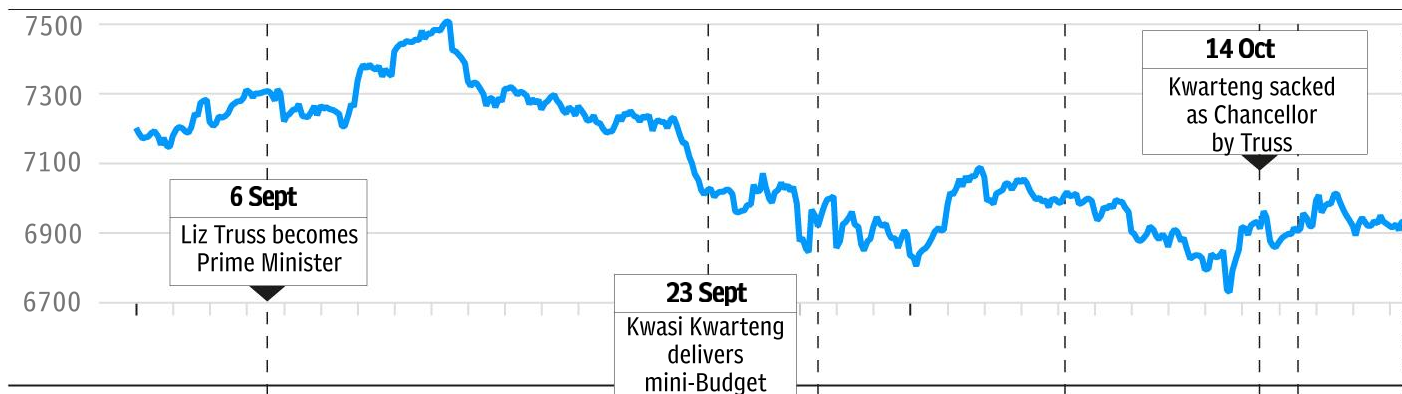
At Chequers that weekend, the prime minister, the chancellor and their inner circles talked through options. Perhaps tax thresholds could be frozen for the full five years? Or the windfall tax on oil and gas giants extended? They were not palatable options for the pair of tax-cutters, but the ideas were on the table. Not discussed at length during that weekend, according to one there, was reversing more elements of what had already been announced. But that would change in the coming week.

By Wednesday 12 October, there was a feeling among economic officials inside the Government that Truss and Kwarteng were not grasping the seriousness of the situation.

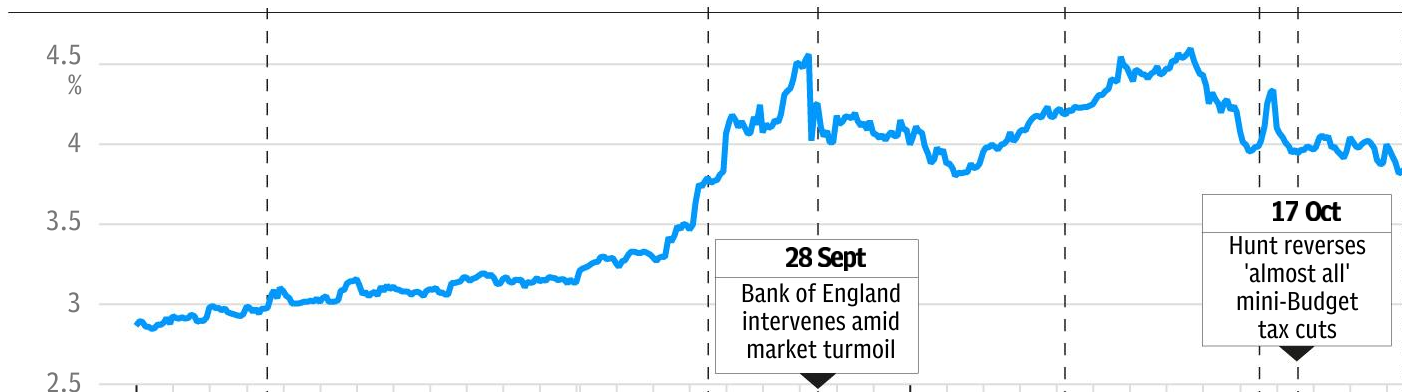
The new fiscal event, dubbed the 'Medium-Term Fiscal Plan', had been shunted forward from mid-November to 31 October, with the speed of the reset prioritised over the inevitable 'Halloween horror show' headlines.

But another date, earlier and even more significant, now loomed: the moment the Bank of England would end its intervention and stop buying up bonds – a move that had initially been taken to stop a firesale in financial markets.

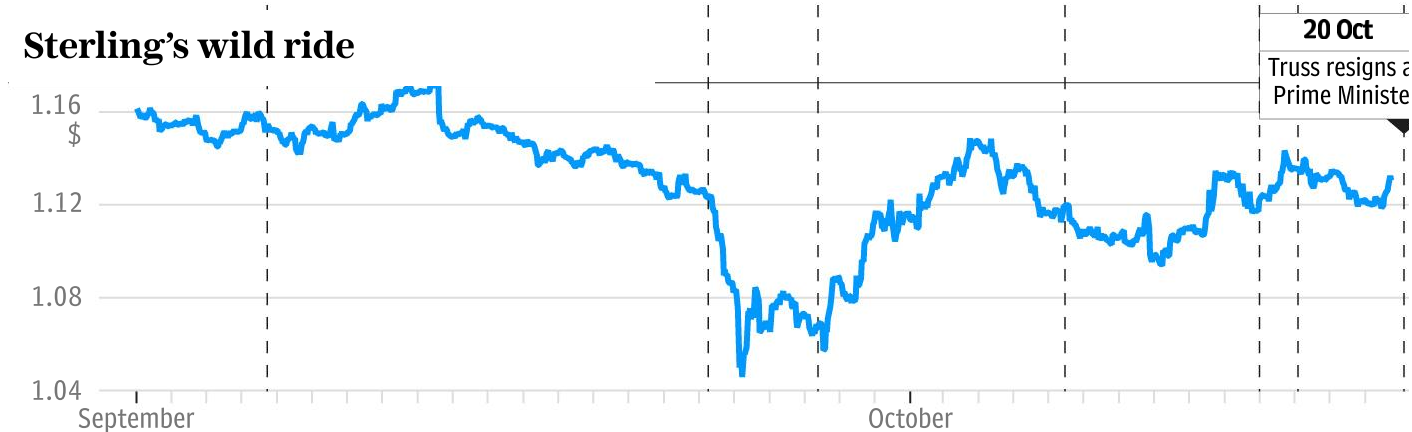
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Sterling's wild ride



SOURCE: BLOOMBERG

That was just a few days away now, on Monday 17 October. This amounted to removing the stabilisers from the markets, which would then be free to reveal what they really thought about the current UK leadership. Did the prime minister and chancellor realise how hard it would be to hit the £72bn figure? And did they know what traders were planning to unleash on Monday?

Nervousness escalates

Some on the inside believed not, a conclusion drawn from the fact that Kwarteng, despite the uncertainty, decided to travel to the IMF summit in Washington, DC rather than lead preparations from London.

Truss had explicitly urged him not to go. Kwarteng, thinking that cancelling the engagement would itself trigger alarm bells, went anyway.

The jitters were now spreading. Two special advisers focused on economics – Shabbir Merali in Number 10 and Adam Memon in Number 11 – were growing increasingly nervous about how the markets would react on Monday. They got permission to sound out industry leaders and spent Wednesday afternoon in the Number 11 boardroom talking back to back to half a dozen managing director-level executives at investment banks and asset management companies.

The message they heard was consistent and horrifying. The end of October was too long to wait for any announcements. Traders would make their moves on Monday. Either unpick the tax cuts Truss had placed at the centre of her premiership by the end of the week or risk ‘financial crisis’.

They knew what that term theoretically entailed: a plunging pound, interest rates soaring, banks struggling to stay afloat, with further dire consequences to follow. It was a dark road.

“When people talk about ‘financial crisis’ that is something you read in history books,” said one involved. “When you hear serious players say, ‘Come Monday morning, you might be heading into one,’ it puts everything in a very tight focus. We did not have long to act. We had about 48 hours. The situation felt pretty dire.”

Merali and Memon stayed in Downing Street until close to 11pm. writing a two-page note for the prime minister. It had three sections. The first summarised what they had heard, underscoring that the markets were betting against Britain.

The second explained the wider context: how securing economic growth, Truss’s defining goal in office, was only possible with financial stability. And the third laid out the bluntest of conclusions. To fill the £72bn OBR black hole, an axe had to be taken to the mini-Budget.

Scrapping the corporation tax rise, the costliest tax cut, had to be reversed. That meant Truss would have to oversee a rise from 19pc to 25pc – the exact Rishi Sunak-authored policy she had railed against all summer in the Tory leadership contest.



“ We should aim for a 20pc flat tax for income tax, corporation tax and capital gains tax”

Jacob Rees-Mogg

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Small tax reversals would be needed too, the note said: getting rid of VAT-free shopping for foreigners and raising taxes on dividends. The National Insurance cut could stay: it was so strongly associated with Truss and no one wanted to reopen that Tory Pandora's box, given how it had split the party when announced by Boris Johnson. But a line had now been crossed. Shredding mini-Budget measures was on the table. Yet still Truss was refusing to concede.

On Thursday 13 October, the note was discussed at an early morning gathering of senior Number 10 political staff. The memo's writers wanted it to become an official recommendation.

Printouts were soon travelling round the building, the circle of knowledge about what was feared to be around the corner widening. As is the way in Westminster, the dark mood led to gallows humour. “We're going to be like Venezuela,” joked a political aide, according to one insider.

Alongside concerns over a newly plunging pound – possibly going below the psychologically significant dollar parity mark – one anxiety stuck out most starkly: that the Government would not be able to fund its debts. If round after round of bonds were issued but not purchased, it was game over. Truss had waved away that possibility just a fortnight earlier. Now it was a probability.

Betting against Britain

James Bowler, the incoming permanent secretary to the Treasury who was replacing the fired Sir Tom Scholar, was summoned to tell Truss to her face how challenging the situation was.



James Bowler was reportedly 'marched in at gunpoint' to brief Truss | CREDIT: David Rose for the Telegraph

One senior Number 10 figure said he was “marched in at gunpoint”, another said he was “wheeled in”. It was highly unusual for the Treasury’s top mandarin to brief a prime minister without the chancellor also being present – a point Bowler made in his opening remarks. Once launched, however, he did not hold back.

One source in the room summed up his message: “He just made crystal clear that there were a lot of very intelligent, very wealthy people who don’t do politics, who look at numbers only, who were absolutely prepared to smash Britain to pieces on the markets. They were betting against us and they were going to win. We’d lost the confidence of the markets and we were in a very weak position. And the whole thing needed to be junked.”

A second source in the room said Bowler’s tone was more constructive, running through options for how the £72bn figure could be saved, but confirmed that the overall message was downbeat.

It was not just Bowler. Senior Treasury officials reached out to Nadhim Zahawi, the former chancellor who now headed up Truss’s Cabinet Office, fearing that the prime minister was failing to accept how bad things were and urging him to voice concern.

A meeting between the pair was scheduled but later cancelled. Chris Philp, the chief secretary to the Treasury who was resisting big changes to the mini-Budget, felt he was being cut out of the loop as Number 11 mandarins pushed for reversals.

He wanted to put forward an alternative savings plan but was urged not to by senior Treasury officials. In the end he WhatsApped his proposals direct to Truss, but by now the pressure was building.

The warnings, in the end, came from the very top of Whitehall.

Simon Case, the Cabinet secretary, saw Truss that day. He also put his official advice in writing. The letter warned that the Government would struggle to fund its debt on Monday unless Truss reversed the corporation tax cut, according to two sources who saw its contents.

It made clear a “major financial crisis” was about to rock Britain without urgent action. Case is also understood to have communicated the concerns of Andrew Bailey, the Bank of England governor – Truss and Bailey did not speak directly to one another. The message was loud and clear. Britain’s most senior civil servant and central banker were now joining the chorus of concern.

Earlier on Thursday the prime minister had been resisting calls for dramatic reversals. Then the mood changed, confidence ebbing away with each catastrophic warning. She was being told there would be a “major market meltdown” without a U-turn, with the UK struggling “full stop” to raise funds.

Eventually, Truss agreed to act. She would later tell others it was a case of “once bitten, twice shy”, given how the mini-Budget had played out.

An inevitable ending

If the policies had to go, so too did the man who unveiled them. And so, that evening, Kwarteng was summoned back to London for political execution.

By now the end for Truss was inevitable. Out went Kwarteng and in, once he eventually called back, came Jeremy Hunt. Nadhim Zahawi had also briefly been considered for the chancellorship before Hunt was picked. Before markets opened on Monday almost every tax cut in the mini-Budget except reversing the National Insurance rise and the cut in stamp duty to support the property market had been torched.



Liz Truss left office on October 25 2022, marking the shortest premiership in history | CREDIT: Dinendra Haria/Anadolu Agency via Getty Images

The two-year energy price guarantee was also slashed to a little over six months. Truss – who had given a stilted eight-minute press conference defending the changes, which did little to calm nerves – was still in office but no longer in power.

What finally tipped her over the edge was the obscurest of issues: a Labour Party attempt to seize control of the House of Commons order paper, which dictates what is debated and is usually determined by the Government, for a vote about fracking. The chaotic scenes in Parliament, when party discipline collapsed, was followed by resignation.

It had all unravelled so quickly. Liz Truss's opening Downing Street address was on 6 September 2022. She left office, once a successor had been picked, on 25 October 2022. David Cameron had spent 2,253 days as prime minister, Theresa May 1,106 and Boris Johnson 1,139. Truss was 49 and out.

From the former prime minister there is a defence of her economic approach. “I was trying to defibrillate the patient at a very late stage in the day,” Truss told me about trying to row back two decades of high taxes and regulatory red tape.

“And you could say, ‘Well, maybe I shouldn’t have done that, maybe I should have watered stuff down.’ But you can’t campaign in a leadership election as an insurgent and then go into Number 10 and not follow through. It was a difficult set of policies to enact with stiff opposition, but I believed the alternative of doing nothing was worse.”

Kwasi Kwarteng, too, has thought a lot about how things played out. His friendship with Truss, strained by office, has not been destroyed.

But with the passage of time has come clarity about how equipped his old ally was for the job. "I love her dearly, she's a great person, very sincere and honest," said Kwarteng. "But if it hadn't been the mini-Budget, she would have blown up on something else. I just don't think her temperament was right. She was just not wired to be a prime minister."

Abridged extract from [The Right To Rule](#), out 28 September (John Murray, £25); pre-order at books.telegraph.co.uk

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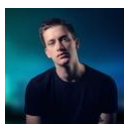
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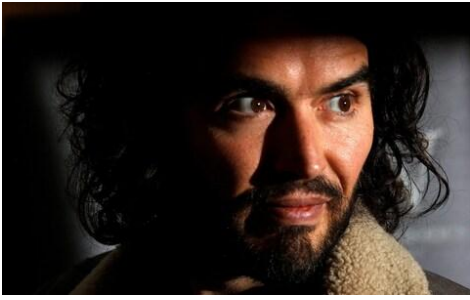
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