

Starmer Stands by Chancellor Reeves After Welfare U-Turns Shake Government's Fiscal Plans

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Prime Minister Keir Starmer has publicly expressed confidence in Chancellor Rachel Reeves after a week of political tension and financial market unease following a major government U-turn on welfare reform. Reeves faced heavy scrutiny after she became visibly emotional during a Commons session, shortly after the government scrapped planned cuts

to Personal Independence Payments. This move left a £5 billion gap in its fiscal framework.

The reversal, aimed at averting internal rebellion within the Labour Party, prompted questions about the government's commitment to fiscal discipline. Markets reacted swiftly, with bond yields climbing sharply and the pound losing ground, reflecting investor concerns over the credibility of the government's economic strategy. The comparison to the turmoil during the 2022 mini-budget crisis under Liz Truss was hard to ignore.

When questioned in Parliament, Starmer initially caused further speculation by hesitating to confirm Reeves's position. That moment of uncertainty led to heightened anxiety within the party and among financial analysts. However, Downing Street quickly moved to contain the fallout, clarifying that Reeves remained in her role and had the prime minister's full support. Starmer later reiterated this stance in a public statement, describing her as a key figure in the government's long-term plans and attributing her emotional reaction to a personal matter unrelated to policy.

The decision to scrap the controversial welfare cuts came after significant pressure from Labour MPs and advocacy groups, who warned the changes would harm vulnerable citizens. While the retreat strengthened support among backbenchers, it opened a fiscal gap that will now require increased taxes or spending reductions elsewhere, decisions likely to bring further political and economic challenges.

Reeves's allies have defended her performance, highlighting her efforts to attract foreign investment and her firm stance on responsible public spending. Critics, however, accuse the government of sending mixed

messages to both Parliament and the markets, with some calling Reeves a “human shield” for Starmer’s policy shifts.

As the government prepares for its autumn budget, Reeves faces the dual task of restoring investor confidence and presenting a credible plan to fill the funding shortfall. While Starmer’s support may have quieted speculation for now, the pressure on his chancellor to deliver a stable and coherent economic vision continues to grow.