

Britain: The economic downturn and the threat to civil liberties

Chris Talbot
8 July 2008

The following statement was issued by Chris Talbot, the Socialist Equality Party candidate in the Haltemprice and Howden by-election.

A series of disastrous reports over the last week on the British economy are a sharp warning to working class people.

After eleven years of a Labour government boasting it had overcome the instability of capitalism by boosting consumer credit and lifting all restrictions on the financial markets, the majority of the population now face a drastic cut in living standards and an insecure future.

This economic situation highlights the dangers of the unprecedented range of infringements of civil liberties that the government has either introduced or plans to introduce that are the central issue in the Haltemprice and Howden by-election.

Under the guise of dealing with the threat of terrorist attacks and increases in violent crime, Labour has vastly extended the powers of the state. The measures they have prepared—powers to imprison without charge for 42-days, an extended DNA database, interception of emails and phone calls, widespread CCTV camera surveillance—will undoubtedly be used against those who protest about worsening conditions and seek to develop a socialist alternative.

Over the last decade consumer spending financed by record levels of personal debt has become the driving force of the British economy. The latest reports underline just how quickly the credit crunch, together with global price rises, have hit personal incomes and with it the whole UK economy.

This week shares in Marks and Spencer, one of Britain's largest clothes and food stores, fell by a quarter. Another large outlet, the John Lewis partnership, reported sales down on nine percent from last year. Two medium size retailers, ScS furniture stores and ProCook cookery shops, went bankrupt. The Society of Motor Manufacturers and Traders reported new automotive sales down by 12 percent since last year.

These announcements came after the first months of 2008 saw consumer sales holding up and even increasing in May. The rapid collapse has taken commentators by surprise, with the Labour government still claiming there is no sign of a recession.

A study released this week by Ernst and Young shows that an average UK household is now 15 percent worse off than five years ago. After paying tax and monthly household bills, the average family has less than 20 percent of gross income left over, compared to 29 percent in 2003.

Average monthly mortgage payments are now £735, 78 percent higher than in 2003/4 because of increased interest rates. Average monthly energy bills have more than doubled since 2003/04 to £95.80. But energy costs are set to increase by 45 percent next winter.

The increase in oil prices, now nearly \$150 a barrel, has had a dramatic effect on the amount spent on fuel. Average monthly household expenditure is now £193.61, an increase of 29 percent over the last year.

The Ernst and Young study does not even include rising food costs, which especially hit the poorest families. Official annual inflation for wholesale food prices is now running at 7.4 percent, but the three major supermarkets reported in April that the average price for a basket of goods had risen by 12 percent, increasing an average family's expenditure by £750 a year.

Most sections of the working class have been unable to get pay rises to keep up with inflation. Graham Turner of GFC economics points out in the *Independent* that wage settlements are falling: "Many workers cannot afford to go on strike and are fearful of losing their homes should they get behind with their repayments. Real incomes are being squeezed hard."

The Labour government is demanding that workers accept pay rises below inflation. In this they are backed by the Conservative opposition, including David Davies in this by-election.

Alistair Darling, the chancellor, said in his recent Mansion House speech that Britain was "exposed to global events like never before" so that the only alternative was for workers to take the brunt of the economic downturn. "Most people will understand if you get yourself in a position where every penny extra you get in pay is eaten up in pay rises ... if we get ourselves back into that spiral it will take years to get out of it," he said.

In contrast to its attitude to working people, the government has spent billions attempting to bail out the bank, Northern Rock. This week the Bradford and Bingley, another British bank, is facing collapse, as it has had to raise £400 million funding. This time the government is attempting to be more discrete. The *Guardian* quote analysts from ML Global: "An old style, bail-out orchestrated by the Bank of England behind closed doors would appear to be B&B's best hope of survival and, according to previous press comments, the way the governor [of the Bank of England] would prefer to sort out the industry's issues."

As well as the reports of a sharp fall in consumer spending, the construction industry is now also showing a sharp downturn.

Taylor Wimpey, Britain's largest housebuilder, attempted to raise £500 million in a share issue to cover debts of about £1.7 billion. The news that house prices had fallen by 6.3 percent over the last year, the highest fall since the early 1990s, sent investors into retreat—resulting in a collapse of Taylor Wimpey's shares by up to 60 percent.

Taylor Wimpey has cut 900 jobs and other house building companies are following with Barratt sacking 1,000 of its work force, Persimmon up to 1,000, a fifth of its workforce, and Kier Residential 300, 60 percent of its staff.

The mortgage market has suffered a virtual collapse, with only 42,000 new home loans being agreed in May—less than half the number for May 2007 and lower than the level in the early 1990s. Housing starts fell by 24 percent in the first quarter of 2008 compared to the same period in 2007 and have since fallen even further.

The *Economist* cite a macroeconomic consultancy, Capital Economics, who are predicting house prices to decline by a further 15 percent by December 2008 and by a further 12 percent in 2009. Such falls in house prices would force millions into a position of negative equity—homes being worth less than the loans on them—as in the early 1990s or worse.

The credit crunch continues to hit those paying mortgages. According to the financial comparison website *moneymarket.com*, about £30 billion of mortgage deals will be renegotiated at higher levels of interest this month. Just how desperate the situation has become is shown in their survey, which shows that more than four million households have resorted to using either credit cards or taking out personal loans to cover mortgage or rent repayments.

All sectors of the British economy are now showing signs of a sharp downturn. The manufacturing sector has reported output and orders falling at their fastest rate in almost ten years. A fall in the purchasing managers' index (PMI) shows a serious decline in the construction and service sector. The *Guardian* quotes Paul Smith, senior economist at Markit Economics, on the dominant service sector: "The services report confirms the broad-based deterioration in UK economic activity, with the composite PMI heading towards unprecedented recession territory. The issues facing the service sector are rooted in the dual shocks of the financial crisis and—of rapidly increasing concern to service providers—surging global oil prices."

Although unemployment has been at an all time low over the last decade, it is now beginning to increase, especially in the service sector. The Organisation for Economic Cooperation and Development predicts a 100,000 rise in unemployment over the next year, but only if there is a "modest" slowdown.

According to the Chartered Institute of Personnel and Development's Chief Economist John Philpott: "... the economy is now generating too few jobs to prevent the dole queue from starting to lengthen. The finance and business services sector remains in the eye of the storm, shedding 20,000 jobs in the first quarter, and is now easily outstripping manufacturing as the principal sector experiencing job cuts For the time being, however, it looks as though contract staff—the self-employed and temporary workers—are bearing the brunt of the jobs slowdown."

More experienced commentators are clearly very concerned that

these are the conditions for a political resurgence outside the orbit of the current mainstream parties.

Iain McWhirter writing in the *Sunday Herald*, after making cynical references to his support for Trotskyism in the 1970s and claiming that the working class no longer exists, makes the following points:

"The middle classes are going to find that their earnings are about to be slashed just as their housing assets collapse in value. This could amount to an unprecedented collapse in middle-class wealth. No-one really knows how they will react. We may see a new form of anti-state militancy led by the very middle-class intellectuals who used to dream of revolution in their youth."

"The stark choice facing working people today, as in the 1970s, is whether to acquiesce or try to defend their living standards. We don't know what will happen if the financial crisis isn't resolved soon. But one thing is certain: there will be plenty of discontent, whatever the season."

There is an inseparable connection between the rapidly deteriorating economic conditions and the government's attack on democratic rights, one that also determines the willingness of the Labour left and their supporters to allow a right-wing Tory, David Davis, to pose as a defender of civil liberties. Everything the government does must be seen as a preparation for an assault on the social gains made by working people in order to make them pay for the crisis of the profit system.

Davis's concern is that Labour has gone too far and too fast, to the point where the government is undermining the legitimacy of parliament and creating the conditions for explosive political struggles in defence of democratic rights. He wants to confine this to a limited protest under his tutelage that will not get out of control and threaten the dominance of big business and its parties. Benn and those Labourites and liberals who are lining up behind Davis are betraying the interests of working people by doing so.

I am standing for the Socialist Equality Party in Haltemprice and Howden, with the aim of ensuring that the defence of civil liberties is led by the working class and is bound together with a broader social and political movement to safeguard jobs, wages and essential services.



To contact the WSWs and the Socialist Equality Party visit:

wsws.org/contact