Britain’s union leaders warn of riots and social unrest

Chris Marsden
15 September 2009

The opening of the Trades Union Congress was dominated by warnings of unemployment topping four million, riots and social unrest.

Responding to expected cuts following next year’s general election designed to substantially reduce a £175 billion spending deficit, TUC General Secretary boss Brendan Barber predicted that this would lead to a “double-dip recession” and spiraling unemployment.

Barber rejected claims that the economy was recovering. The UK had suffered a financial “melt down,” he said. “The economy has fallen off a cliff. Green shoots mean little when thousands of people a day are joining the dole queue. Rising share prices count for little when a million and more young people can’t find work.”

With both Labour and the Conservatives intent on making major cuts in public spending, Barber selectively warned, “That is why I am so horrified when I hear the Conservatives talk of public expenditure cuts which would turn any progress towards economic recovery into a nose-dive back into recession.”

“A double-dip recession would not just be deeper but also longer,” he said. “Prolonged mass unemployment would not just do economic damage, but have terrible social effects. Last time we suffered slash and burn economics we had riots in the streets here in Liverpool.”

Barber was speaking at a conference centre half a mile from Toxteth, in Liverpool. In July 1981, Toxteth was the scene of a riot provoked by repressive police measures, rising unemployment, and social cuts imposed by the Conservative government of Margaret Thatcher. During the riots 500 people were arrested, one person died, over 70 buildings and 100 cars were torched and 468 police officers were injured. Riots also exploded in Brixton, London, Handsworth in Birmingham and Bristol.

Similar sentiments were expressed by Dave Prentis, the leader of the Unison public sector union, who urged, “We had massive cuts in the 1920s which led to the General Strike. Later there was unrest in inner cities because they were neglected. You have to learn the lessons of history. We don’t want Labour to cut public services. The party needs policies that resonate with working people.”

Mark Serwotka, the head of the civil servants’ Public and Commercial Services Union, added, “If these cuts affected communities where there is real deprivation, then there would be a reaction.”

No one is better aware of the explosive social tensions building up as a result of the worsening recession than those whose job it is to suppress them. And they are equally aware that the supposed recovery being claimed in the UK, as elsewhere, is based on the flimsiest of evidence.

There has been a slight upturn in the last quarter, but this is due overwhelmingly to the massive amount of public cash handed over to the bankers by the government, and other subsidies given to selected industries, such as the car scrappage scheme. The demand in ruling circles is that the vast sums handed over to the banks are clawed back from the working class in the form of deep cuts in public spending, wages, jobs and pensions.

An indication of the scale of the offensive being contemplated is provided by a new book, *Fleeced*, by right-wing Tories Matthew Elliott and David Craig of the TaxPayers’ Alliance. They state that Gordon Brown, first as chancellor and then as prime minister, has cost taxpayers £3 trillion by mishandling the economy—£1.5 trillion on an “acceleration” in government spending during the economic boom and £1.5 trillion in stimulus measures.

Stating that government spending has more than doubled in real terms since 1997, the authors dismiss spending cuts of 5-10 percent as woefully inadequate. They also complain that the value of UK shares has fallen by around £474 billion since 1997, while the estimated future costs of public sector pensions has risen from around £360 billion in 1997 to more than £880 billion.

These cold financial calculations, expressed by unapologetic advocates of austerity measures, provide a far clearer indication of what is to come than the anodyne statements of Brown and Chancellor Alistair Darling. Darling last week rejected the statements by the Organisation for Economic Cooperation and Development that the British economy would not pull out of recession until 2010. The OECD expects the UK economy to contract by a total of 4.7 percent in 2009, compared with Darling's predicted 3-3.5 percent.

His position seemed to be confirmed by the FTSE 100 index of blue-chip stocks nearing the 5,000 mark for the first time since the aftermath of the Lehman Brothers collapse 12 months ago. This is thanks to what has been described as a "flurry of mergers and acquisitions" as large companies eat up their struggling rivals. In addition, the National Institute of Economic and Social Research declared that the recession is officially over.

However, in response to these same developments Sam Fleming asked in the *Daily Mail*, "But before we get too excited, it's worth asking how sustainable this recovery actually is."

Fleming noted, "The National Institute itself warned that growth could easily slip back into the red after a positive third quarter. And the implosion of Britain's debt and property bubble is likely to leave long-term scars on the economy that could well dog the stock markets. This is partly because unemployment will continue to rise above 2.4 million as the lagged effects of the downturn feed through."

He continued, "The economy's potential to grow has also been permanently impaired … because we need to save more in Britain and credit will be less freely available, bearing down on future expansion. Adding to these headwinds is the need for the government to tackle our dire public finances. With Britain facing the biggest deficits of any large economy, after devoting £1.26 trillion of resources to the City rescue, there is a clear need for draconian spending cuts and potentially painful tax hikes. Indeed, given VAT is scheduled to rise back to 17.5 percent at the end of the year, the end of Britain's 'fiscal stimulus' is just around the corner."

The *Guardian* was similarly pessimistic, warning that it was too early to "take UK banks off the life support system" and that they "may need propping up for years to come." It quoted Donald Tosh of private client stockbroker Speirs & Jeffrey stating, "If ever there was a triumph of hope over reality then the performance of the FTSE 100 during 2009 has to be it. Strong performance in the face of adversity has to be relished. The question arises though, why all these gains, yet no feel-good factor amongst the public at large?"

"The government has arranged for as much private and personal debt as is necessary to be commuted to public debt. Markets have recognised that disaster has been averted for now. Effectively, printing money works," he added. But because of this, "when the next disaster happens" there will be no money for another bailout.

The Ernst & Young LLC's Item Club has predicted that the UK housing market slump will also resume next year due to the squeeze on mortgage lending and house prices won't recover to for another five years. "The current stabilization in the housing market is a false dawn," Hetal Mehta, senior economic adviser to the Item Club, said.

Labour, despite its protestations to the contrary, is actively preparing spending cuts to rival the Tories. Business Secretary Lord Mandelson, in a leaked speech to the Blairite think tank Progress, makes clear that the party has ditched Brown's claim that public spending will not face savage attacks.

"We should not allow ourselves to be painted as a party that is oblivious to economic conditions," he declared. Britain faces a "period of public spending constraint," and Labour should not try to solve problems "simply by throwing money at them."

It would be a mistake, he insisted, to turn higher spending into "some kind of eternal doctrine; that social democracy is about high growth in public spending for its own sake."