

# UK living standards facing longest decline in more than 60 years

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A devastating decline in Britain's living standards is set to worsen.

Last Thursday, the Resolution Foundation issued its forecast that the UK faces the longest fall in living standards on record. Real disposable incomes will decline for 19 successive quarters, the Foundation said. This is the longest fall in more than 60 years.

Torsten Bell, director of the Resolution Foundation, said that the impact on public finances was "grim" but that on families would be "far worse."

"Our incomes are expected to be £540 lower [by the start of 2022] than previously thought and pay is not set to return to pre-crisis levels until the middle of the next decade," he said. For the poorest third of households, the thinktank forecasts "an average loss of £715 a year by the end of the parliament." In contrast, the richest third will gain an average of £185.

The Foundation was commenting after Conservative government Chancellor Philip Hammond delivered his budget, which sharply downgraded projected economic growth. According to the Office for Budget Responsibility (OBR), the UK will be among the world's weakest economies over the next five years. The OBR has cut expected growth from 2 percent to 1.5 percent in 2017, and averaging just 1.4 percent over the subsequent four years.

Workers' living standards have already suffered an unprecedented squeeze. Although earnings, excluding bonuses, rose 2.2 percent in the quarter to September, when adjusted for inflation they fell by 0.5 percent in real terms. This marks seven months of negative pay growth.

No end is in sight. The OBR estimates that average yearly earnings will be down by £1,000 in real terms by the start of 2022.

The ruling elite seized on the 2008 financial crisis to

impose savage austerity measures. Pay cuts, wage freezes and deep cuts in services and welfare provision were proclaimed as a means of eliminating the massive deficit built up due to the bail-out of the banks and super-rich.

However, far from cutting the debt it has risen to £1.7 trillion. Interest payments to the same banks whose massive losses were socialised at taxpayers' expense, cost the UK population £46 billion just in the one year 2015/2016.

The OBR's bleak reassessment caused the Institute for Fiscal Studies (IFS) to warn that the "age of austerity" was far from over. IFS director Paul Johnson said the fact that GDP was expected to be 3.5 percent lower in 2021 than anticipated amounted to a "£65 billion hit to the economy."

The UK was now "in danger of losing not just one but getting on for two decades of earnings growth," Johnson said, with average earnings in 2021 expected to be lower in real terms than in 2008.

According to Larry Elliot in the *Guardian*, "This would be the equivalent of earnings being lower when John Major left Downing Street in 1997 than when Margaret Thatcher began 18 years of Conservative rule in 1979. Historically, it is without precedent."

Johnson said that the government's new target of eliminating the deficit by the mid-2020s was unlikely and would require "another round of spending cuts." This is under conditions in which the last "few years have been marked by constant (small) upgrades to implausibly tight spending plans to avoid problems in prisons, social care and now health."

Hammond's budget came nowhere near addressing the scale of the crisis.

Despite claims that he would outline "revolutionary" measures, little was on offer. A cut in stamp duty—a tax

on first time house buyers—will only fuel the housing price bubble.

A promised £12.8 billion “investment” in the National Health Service is barely a sticking of plaster to cover over a developing national crisis. The NHS requires more than £4 billion next year to prevent a collapse in patient care, according to the Nuffield Trust, the King’s Fund and the Health Foundation.

Public services outside the NHS face a 7 percent cut in day-to-day spending over the next five years, according to the IFS. Moreover, Hammond refused to retreat on the universal credit scheme which will cut a further £12 billion in welfare benefits, forcing tens of thousands of families even further into poverty.

The chancellor’s main boast was that £700 million had been “invested... in Brexit preparations.” He would allocate a further £3 billion over the next two years to clear the way for the UK’s exit from the European Union, he said, and more if needed.

Larry Elliot described the chancellor’s statement as the UK economy’s “Suez moment”—a reference to Britain’s 1956 failed intervention that put the official seal on the end of its global empire.

The OBR’s “gloomy outlook marks the moment when Britain has to stop kidding itself,” he wrote. With a 21 percent gap between output per hour now and where it should be based on its pre-2007 course, growth was “not going to return to its pre-crash levels... Britain is substantially and permanently poorer.”

Labour is positioning itself as the party that can offer the bourgeoisie a route out of this crisis. In the run-up to the budget, Shadow Chancellor John McDonnell trilled that business leaders were “welcoming the stability” of a future Labour government and the “strong and stable leadership we will provide.”

McDonnell hosted an economic conference in Lincoln the weekend prior to the budget, aimed at raising “the level of debate around economic issues.” Workshops explored potential new forms of “democratic ownership structures,” including “the role of co-operatives, social enterprises and self-organised groups” in ensuring “our economy can deliver for the many not the few.”

Labour’s effort to provide an economic alternative is motivated by concern at the political consequences of growing social inequality. Commenting on the latest figures, Kamal Ahmed, the BBC’s Economics Editor

posed the question point blank:

“What is the point of capitalism?” The answer should be “to provide people the opportunity through work to become richer,” he answered. But what “if the economy fails in that endeavour? If the system leaves you—despite all your efforts—worse off in December than you were the previous January? Or worse off now than you were a decade ago?”

The subtext is the fear that millions will draw the conclusion that there is no point to capitalism and that, far from benefiting them, they will only benefit by ending it.

It is to block such an understanding that Labour insists the source of the economic crisis is not the capitalist profit-system per se, but only a “type” of capitalism—neo-liberalism—which can be overcome by Keynesian-style measures, and the most minimal at that.

Beyond vague references to certain state stimulus measures to “pump-prime economic growth,” Labour’s economic policy is deliberately short on any detail. Absent entirely are any measures to break the economic stranglehold of a wealthy elite over the productive forces—the essential first step in ensuring the economy is reorganised in the interest of social need, not private greed.



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