

**AUSTERITY  
IS FAILING.  
WE NEED  
A FUTURE  
THAT  
WORKS.**





Published by  
Trades Union Congress  
Congress House  
Great Russell Street  
London  
WC1B 3LS

**[www.tuc.org.uk](http://www.tuc.org.uk)**

July 2012

---

# A FUTURE THAT WORKS

---

Our country faces long-term economic problems.

**But our political leaders have failed to face up to them.**

---

For the next five years or more, the economy will remain weak, incomes will barely rise and **there will be few new jobs.**

---

If the government keeps on with big spending cuts and concentrates only on the deficit, **we face a lost decade.**

---

Instead of just letting the banks go back to business and **bonuses**

**as usual,** we need policies that promote new and old industries.

---

This new approach would create jobs, **especially for young people.** It would encourage companies to raise average pay, penalise big bonuses and invest in training and long-term growth.

---

We need policies for the future to put right what has gone wrong and give us **an economy that works for ordinary British families.**

---

---

# WHAT'S GONE WRONG

---

The worldwide economic crash did great damage to our economy.

It destroyed jobs, hit living standards and caused a deficit.

The crash was due to the banks. But it revealed an unbalanced economy:

- **A growing gap between the super-rich and everyone else**
- **Too big a role for finance, and not enough for manufacturing and other productive industries**
- **Companies more interested in avoiding tax than creating jobs.**

But the government seems interested only in the deficit – not jobs, growth or living standards for the long-term.

Rather than make the super-rich pay their fair share, they have cut their taxes, while putting up taxes, such as VAT, for ordinary people.

**For every £6 of service cuts that have already happened, there is £94 more to come.**

It's not working. Instead of growth we have a vicious circle. The economy is hardly growing so the deficit is just getting worse.

Rising prices, frozen wages and job losses have choked off recovery.

That's why the government now admits the deficit will last two more years than their target.

---

“The sheer scale of the cuts is daunting, and almost without historical or international precedent. They represent the biggest sustained cuts seen in the UK since the Second World War. Perhaps the only relevant example of such deep cuts being delivered elsewhere in recent decades is Ireland in the late 1980s. By the end of 2011–12 a mere six per cent of the planned cuts to non investment public service spending will have been implemented. How deliverable the remainder will prove to be, remains to be seen.”

---

# UNDER- STANDING THE DEFICIT

---

The deficit is the gap between money the government gets from tax and the money it spends.

---

In a recession spending on unemployment goes up and money from tax falls when companies fail or lose business.

---

But the only long-term cure for a deficit is to get unemployment down and the economy growing again. But the government thinks there's a shortcut.

They said they would get rid of the deficit in just four years.

---

So instead of long-term policies for jobs and growth, they have started Britain's biggest ever spending cuts.

---

That is the same mistake the world made in the 1930s when the great depression was only ended by the second world war.

---

---

**“I believe that when I began criticising the Cameron government’s push for austerity, some right-leaning British papers demanded that I shut up. But the original critique of austerity is holding up pretty well, if you ask me.”**

---

**Paul Krugman**

US economist and Nobel prize winner, 26 Jan 2012

---

# WHAT ABOUT THE DEBT?

---

The deficit is the gap between spending and income in any one year. When there's a deficit, governments borrow to plug the gap that adds to the national debt. But a deficit and growing debt are inevitable in recession. In time we need to get them down. But that does not mean that the government's chosen methods or timescale make sense.

All countries have a debt – there is nothing dangerous about that. Borrowing to fund investment that makes the economy grow always makes sense. In good years countries should pay debt back, just as it will grow when times are hard.

**Our debt is not out of control.**

You get a debt crisis when debt is high, when a country can't borrow cheaply or when it needs to pay back large amounts all at once.

This may be true for some European countries but:

- UK debt has been much higher in the past but it is lower now than it was for most of the twentieth century
- the UK can borrow so cheaply that it makes sense to borrow more now for productive investment
- UK debt is long-term, so it does not need to be paid back quickly – much of it to UK pension funds, not international banks or speculators.

---

**“What is clear from UK history is that growth is a necessary condition for successful management of public debt. The huge spending cuts of the early 1920s failed to lower the ratio of debt to GDP, for example, because the economy then collapsed.”**

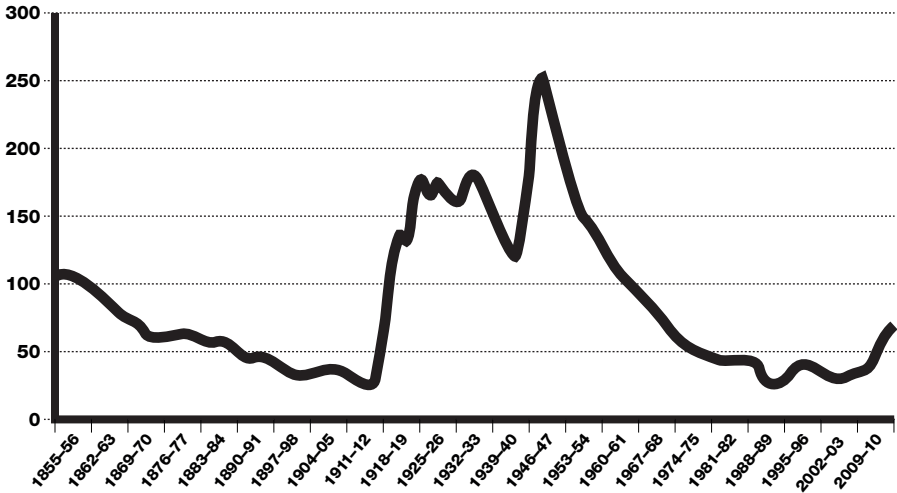
---

**Martin Wolf**

Chief Economics Commentator, Financial Times 16 Feb 2012

**Of course our debt grew in the recession  
but it is much lower than in the past**

**UK government debt as a proportion of GDP (%)**

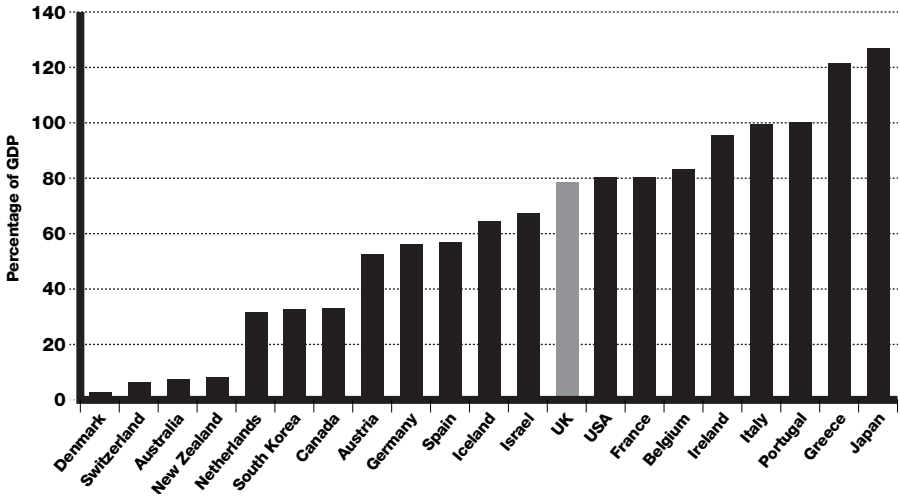


“The infuriating thing about this tragedy is that it was completely unnecessary. Half a century ago, any economist — or for that matter any undergraduate who had read Paul Samuelson’s textbook *Economics* — could have told you that austerity in the face of depression was a very bad idea. But policy makers, pundits and, I’m sorry to say, many economists decided, largely for political reasons, to forget what they used to know. And millions of workers are paying the price for their wilful amnesia.”

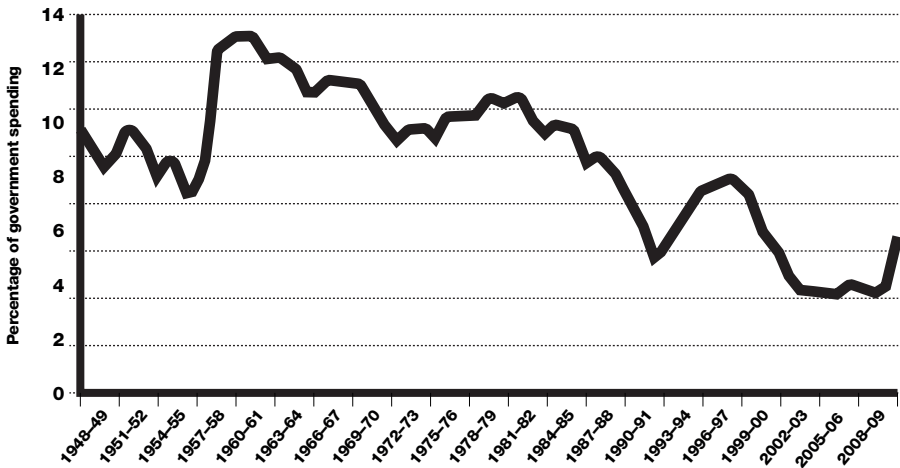
Paul Krugman

US economist and Nobel prize winner, 30 Jan 2012

## Our debt is lower than in many other countries



The costs of servicing the national debt are lower than in most years since the second world war and no more than under the final years of the last Conservative government





**“Austerity as the solution is just wrong. There won’t be a return to confidence – quite the contrary. So the direction Europe is going is... I think the wrong direction.”**

---

**Joseph Stiglitz**

Economics Nobel Prize winner, 17 Jan 2012

UK growth has slumped. That will increase the deficit by £150bn as less tax will be raised and more spent on unemployment. Last year slow growth cost £34bn more in tax credits and social security costs, and lost over £51bn of income tax.

**The economy is now forecast to grow around nine times more slowly than expected when the government took office, with 2,600,000 people still out of work.**

The richest 10 per cent in the UK are 100 times wealthier than the poorest 10 per cent. The poorer half the population only have 9p of every £1 of national wealth between them.

Living standards have been falling for more than two years. The VAT rise put up prices. Cuts in tax credits and slow wage growth (driven by the weakness of our economy) reduced incomes. Unemployment is high – and well over a million with part-time work really want a full-time job.

This slows recovery. If customers have less to spend, business will neither invest nor take on staff.

Before the cuts started to bite over 300,000 private sector jobs were created in just three months in 2010.

That saves £2.8bn in benefits alone. All those people will now be paying more tax too.

UK companies are sitting on a £700bn cash surplus. They are on an investment strike because they do not see profitable returns in a depressed austerity Britain economy.

We need more than £200bn of investment in new green projects to meet the challenge of climate change. But if policies don’t change, we have no hope of achieving these targets.

Companies in the UK avoid at least £12bn in tax every year. Combined with the taxes that the super-rich avoid, that costs the rest of us over £1,000 a year each.

---

# THERE IS AN ALTERNATIVE

---

## **We can raise more money from the super-rich**

Average pay in the UK is around £26,000 – if companies paid more tax on the salaries of people earning more than ten times this amount it could raise over £5bn a year.

Tax avoidance (from companies and individuals) currently costs the economy at least £25bn a year. This is more than 20 times more than is lost in benefit fraud.

Investing more in staff and resources for HMRC could lead to significant financial gains.

## **Stop wasting money**

Ministers say we cannot afford decent services, but they have found

£2bn for an NHS re-organisation that no-one else wants. Nor do we need consultants advising on privatisation.

## **Tax the banks**

A Robin Hood tax on financial transactions could raise £20bn a year.

## **New investment for business**

The existing banks aren't lending to growing businesses. We need new banks interested in jobs and the needs of the economy. A national industrial bank can fund big projects, while every region could have its own local bank. A proper green investment bank can help fund the new jobs and industries we need to meet the challenge of climate change.

---

**“It’s becoming clear that Britain’s unnecessary turn to premature austerity is becoming a historic policy and political disaster that will haunt the country for years.”**

**Paul Krugman**

US economist and Nobel prize winner, 19 May 2012

---

# THERE ARE (MORE) ALTERNATIVES

---

## **Support productive jobs**

We have lost millions of manufacturing jobs, but we now know that banks and finance can't plug that gap.

That is why we need government policies that help British jobs. When government buys new trains or spends on other big national projects they should buy British.

We need big changes to move to a green economy, and that will take significant government action and investment in key sectors like renewable energy.

Company directors are too used to thinking about the short term. The law needs to change so they act to promote the long-term success of their companies.

**Above all we need** a new approach that creates jobs,

**especially for young people,** encourages companies to raise average pay, penalises big bonuses and invests in training and new industries.

## **Reduce the gap between the rich and the rest**

Our tax system needs to change. The rich should pay their fair share. And we need worker representatives on pay committees to keep top pay in check.

## **Action on youth unemployment**

It costs £9,000 a year to keep someone unemployed though benefits and even more in lost tax. Young people who don't get a job can be scarred for life.

**We should give every young person who is unemployed for more than six months a job that pays at least the minimum wage, or quality training.**

---

Rather than just cutting spending, we need to make sure we reverse our decline and have **an economy that works for ordinary British families.**

---

# THE USA SHOWS THE WAY

---

Both the UK and the USA gave their economies a stimulus when recession struck.

The aim was to reduce unemployment and get growth going again.

In 2010 things changed in the UK.

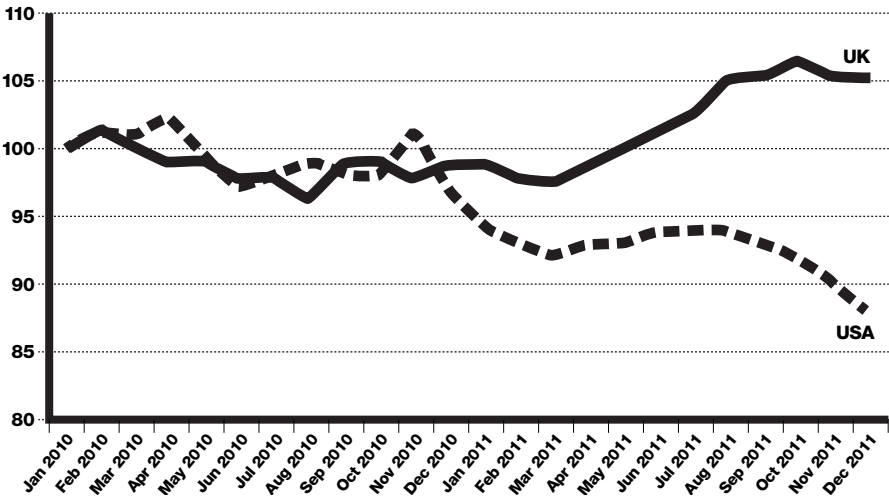
The new government announced deep rapid spending cuts and slapped on an increase in VAT.

But President Obama launched a second stimulus, cutting taxes to put extra money in people's wage packet each month and help to boost spending.

**US unemployment has gone down, while it has continued to go up in the UK. In mid 2010 US unemployment was two per cent higher.**

---

**Change in unemployment rates in the UK and USA (2010=100)**



President Obama's policies have made companies more confident and they are now investing once more in new plants and machinery – unlike in the UK.

Since the Autumn of 2010, the UK economy has flatlined. In the US they have had more than two per cent growth.

**Getting people back into work is the best way to boost tax revenues and cut benefit spending. The US deficit is now forecast to fall faster than the UK's deficit over the next three years. But even the huge US economy is now being held back by UK and European austerity.**

---

“There is a certain crowd... (who) have said, let's respond to this economic challenge with the same old tune. 'The market will take care of everything,' they tell us. If we just cut more regulations and cut more taxes – especially for the wealthy – our economy will grow stronger. Sure, they say, there will be winners and losers. But if the winners do really well, then jobs and prosperity will eventually trickle down to everybody else. Now, it's a simple theory. And that theory fits well on a bumper sticker. But here's the problem: It doesn't work. It has never worked.”

---

President Barack Obama  
6 December 2011

**FAIRER  
WAGES**

---

**TACKLE  
CLIMATE  
CHANGE**

---

**HELP  
FOR YOUNG  
UNEMPLOYED**

---

**GOOD  
JOBS**

---

**TAX  
JUSTICE**

---

**BANKS  
THAT  
SERVE THE  
ECONOMY**

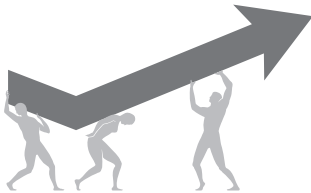
---

**SKILLS AND  
TRAINING**

---

**BUILD NEW  
HOMES**

---



**A FUTURE  
THAT WORKS**

# FALSE ECONOMY

WHY CUTS ARE THE WRONG CURE

## DEEP RAPID SPENDING CUTS ARE WRECKING PUBLIC SERVICES AND HAVE PUT BRITAIN BACK IN RECESSION

**The poorer you are, the more you lose.**

Ministers say there is no alternative. But there are smarter, better and fairer ways of reducing the deficit that can help economic recovery rather than destroy it.

**FALSE ECONOMY** is the website for everyone concerned about the impact of the government's spending cuts on their community, their family or their job – and wants to do something about it.

➔ [www.FalseEconomy.org.uk](http://www.FalseEconomy.org.uk)

Watch  
Sam West  
explain the  
alternative

Contribute  
your stories  
about the cuts  
and their  
impact

Link up  
with local  
campaigns



**MARCH FOR**

# A FUTURE THAT WORKS



JOIN US IN LONDON

**SATURDAY**

**20 OCTOBER 2012**

Assemble at 11am–1:30pm  
for march to Hyde Park rally

(see website for joining instructions)

Send the message that

## **AUSTERITY ISN'T WORKING**

- \* spending cuts threaten a lost decade
- \* invest for jobs and growth
- \* defend quality public services

**TUC** 

Join the campaign at

[www.afuturethatworks.org.uk](http://www.afuturethatworks.org.uk)

@futurethatworks #oct20