

## Government policy of austerity failing badly, is there an alternative?

The United Kingdom has sunk back into recession, its first double-dip downturn since the 1970. Mounting pressure on the Government to soften its austerity drive and come up with a plan "B" is inevitable. GDP unexpectedly shrank by 0.2% between January and March, following a 0.3% contraction in the fourth quarter of last year, according to the Office for National Statistics.

This is bad news for the Chancellor George Osborne who has been forth right in his opinion that the deficit reduction agenda.

A technical recession is defined as two or more consecutive quarters of economic decline.

George Osborne stuck to his austerity policy, with a statement this morning; "It's a very tough economic situation. It's taking longer than anyone hoped to recover from the biggest debt crisis in our lifetime. The one thing that would make the situation even worse would be to abandon our credible plan and deliberately add more borrowing and even more debt," said the Chancellor.

The latest decline was caused by falls in industrial and construction output while the United Kingdom's key service sector barely grew.

The figures are a blow for Britain's Conservative/Liberal Democrat coalition, which has slid in opinion polls since a poorly received annual budget statement in March.

Cameron's Government has promised to eliminate Britain's budget deficit over the next five years, an effort that will be hampered by the evidence that the economy is not growing. This is a major blow for the credibility of the Government.

Following the politically catastrophic Budget, this could not have come at a worse time for Government. At the very moment that voters are losing faith in George Osborne's ability to manage the economy, the data confirms that they are right to do so. Ed Balls, who warned of the risk of a double-dip recession before any other senior politician, has been vindicated.

Mr Balls in a recent article in tribune hammered away at the Government by stating; "by raising taxes and cutting spending too far and too fast, this Tory-led Government has choked off the recovery and put hundreds of thousands out of work. And because we've got no growth and so many more people out of work - claiming the dole instead of paying taxes - the Government is set to borrow an extra £150 billion to pay the price for Osborne's economic failure. The Chancellor's mistakes mean there will be tougher times and tough decisions ahead. But in tough times it's even more important to do things in a fair way

But the Government seems more and more out of touch with people on modest and middle incomes with every passing day. And they're not just out of touch; they're also increasingly incompetent. Just look at the panic they caused at the petrol

pumps. The Government's economic policies are failing. Working families are paying the price. Next year pensioners will be hit hard as millions are asked to pay more, so that millionaires can pay less. It's the same old Tories. No surprise there, then".

However Mr. Balls must revert to the Keynesian position he took in a fringe meeting at the Manchester conference in 2010 where he clearly stated that there was no case for cuts and that the only way out of recession was growth, through investment. It's simply not enough to attack the Government; Labour must have credible counter policies. Labour must not shy away from the prospect of increasing public spending. This must be targeted at high profile infrastructure projects especially in the north. There is a real and popular case for modernising and re-nationalising the rail system. This would create thousands of jobs in hard pressed areas. There are other compelling cases for investment in Clean Coal power generation and up grading the country's motorways. All popular all fit the bill for a Keynesian national recovery strategy. Labour, with the Government in crisis, now is the time to act.

The coalition now risks losing local elections across the country, Labour must attack the faltering Government policy by stating clearly that there is an alternative to austerity, if they wish to maximize their advantage in the elections due to be held on May 3. Labour must be bold.

### **What does this mean for GMB members and working people?**

Firstly that things appear to be getting worse; Government cuts and austerity are having the opposite effect the Government was hoping for. Instead of the economy growing and more jobs being created the figures are suggesting less, if any.

Secondly, that a return to better things is a long way off, the chance of the economy receding further is now highly likely. Pressure to limit or reduce earnings will continue for many months to come. If the Government does not tone down their destructive cuts programme, many more public service members could face unemployment.

The future is uncertain if we accept that there is only austerity economic stagnation which may be here for years, you only have to look to the Japanese economy. The Japanese economy was stagnant for over ten years and has never really recovered.

As trade unionists we must challenge the orthodoxy of neoliberalism and convince our colleagues in the Labour Party that now is the time for change.

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