

## **It's All Change, Isn't It?**

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Significantly, in her speech at the annual Mais Lecture that took place at the Bayes Business School in the City of London, shadow chancellor Rachel Reeves made reference to the radical change in policy following Margaret Thatcher's victory in May 1979 ending five years of Labour being in power:

“When we speak of a decade of national renewal, that is what we mean. As we did at the end of the 1970s, we stand at an inflection point.

“And as in earlier decades, the solution lies in wide-ranging supply-side reform to drive investment, remove the blockages constraining our productive capacity, and fashion a new economic settlement drawing on evolutions in economic thought.”

Though many challenges will confront whichever party forms the next government, its debatable whether they're as great as Thatcher's administration faced in 1979.

Fascinatingly, two *Telegraph* journalists, Ollie Corfe and Ben Wright, provide comparative analysis of the differences between 1979 and now with reference to key economic areas that, as they acknowledge, though making direct comparison problematic, indicate “unmistakable similarities” (2024).

Currently, they contend, very similar to 1979, the UK is in “poor shape” with productivity flatlining since the global financial crisis in 2008 and annual economic growth (GDP) a “measly” 1.6% since 2010 when the Tories regained power following defeat to Labour in 1997 that ended 18 years of continuous rule.

Wages and their impact on inflation was definitely a problem in 1979 (see below).

However, though employment has remained surprisingly immune to the shocks experienced in recent years, the nature of work has shifted dramatically to embrace less secure jobs including zero-hour contracts.

Notably, though unemployment currently stands at 3.8%, far lower than in 1979, there's now a very significant level of worklessness in that 9.25 million working age adults in the UK are economically ‘inactive’ (Wallace, Martin and Mawardi, 2024).

Representing (21.8%) of the adult working population (ONS, 2024), those who are economically inactive includes the unemployed, students, those who are sick and those who've decided they no longer want to or indeed need to work.

As Rishi Sunak's government recognise, the 9.25 million inactive represents not just in many case a considerable burden to the exchequer, but a potential source of additional workers to fill the estimated 900,000 jobs available (Ross, 2024).

Critically, a major headache for whoever's chancellor in 2028-29, will be, according to The Office for Budget Responsibility (OBR), the additional funding to pay sickness benefit they estimate will have to increase by more than a third from its current £65.7 billion to £90.9 billion (Wallace, Nolsøe and Chan, 2025).

According to thinktank The Resolution Foundation, which aims to improve standards of living for low-to-middle income families, Britain, since July 2019, is currently experiencing the

longest sustained increase in working-age adults too sick to work – 2.7 million – since the 1990s (Murphy, 2024).

Though Sunak's government is attempting to address worklessness among those aged 16-64 by introducing sanctions on benefits, many believe this won't not solve the country's jobless crisis (Partington, 2024).

What's certain is that worklessness won't be solved before the election later this year and will confront the next government.

As Corfe and Wright point out, despite the current shortage of workers that's causing pay to rise more rapidly than has been experienced in recent years, average pay for UK workers has fallen by 10% since 2010 when David Cameron became PM in coalition with the LibDems.

Workers have every right to feel they've become poorer under the Tories.

This situation won't be helped by the fact millions will pay increasing tax due to 'fiscal drag' caused by thresholds remaining fixed.

Last year tax revenues increased to be being equivalent to 36% of UK GDP.

Corfe and Wright's analysis tells us that when Thatcher became PM in 1979, her party's manifesto explicitly promised to reduce taxation which was considered excessive by both individuals and businesses, an objective she succeeded in the following decade in office.

However, as the Office for Budget Responsibility made clear in its analysis of the Spring Budget delivered a couple of weeks ago by Jeremy Hunt, whichever party becomes the next government will face significant challenges in stimulating economic recovery to pay for vital services and avoid having to raise taxes any further (McCabe, 2024).

Debt, the OBR stress, accumulated because of intervention during the pandemic and assisting households because of the energy spike caused by Russia's invasion of Ukraine two years ago, has risen to an all-time and requires large amounts of money simply to pay the interest (£111bn in 2022-23, Sri-Pathma and Islam, 2023), money that could be used to improve public services in as bad a shape as May 1979, and many argue worse.

Reeves' speech as part of the annual Mais Lecture was anticipated as providing detail on how she would deal with these challenges and ensure Labour's economic policies produce sustained improvement that will ensure collective prosperity for all.

However, though some who saw Reeves' speech in advance suggested she might try to assume the mantle of Thatcher, she made clear her contention that though radical economic change is urgently required, her government would seek to adopt a markedly different approach to that of the so called 'Iron Lady'.

It's worth recalling what Thatcher did.

Having replaced Edward Heath in February 1975, Thatcher made clear her intention in opposition to pursue economic (and social) policies radically different not just to the incumbent Labour government, but also to her predecessor as leader of the Tories and whose approach was centrist and who'd been regarded by many of his MPs as too accommodating of unions' views.

Mrs. Thatcher, believing UK high inflation, which had exceeded 25% earlier in the decade, and though having declined was rapidly rising again in 1978-79, undermined British industry and businesses' ability to compete due to wage demands by unions seeking to maintain members' standards of living.

On becoming PM in May 1979, Thatcher proved herself more than willing to implement tough economic policies – monetarism – which, advocated by right-wing economist Milton Friedman placed emphasis on control of inflation through money supply and interest rates.

Unemployment, according to the doctrine of monetarists was regarded as a secondary concern.

So, in order to deal with inflation, her chancellor Geoffrey Howe, who was then able to do so raised interest rates to 17% in November of 1979 (BBC, 2013).

Compared to the current rate of 5.25%, now decided independently by the Bank of England's Monetary Policy Committee, a change taken in the first days of Tony Blair's government in May 1997 by his chancellor Gordon Brown to depoliticise this process (Elliott and White, 1997), 17% appears utterly eye-watering.

'Thatcherism' as her broad approach became known, coupled with what were regarded as savage cuts in public spending led to a rise in unemployment from just under one and a half million to over three million by 1983.

Increasing unemployment, especially among those with jobs in 'traditional' industries located in the midlands and north of England, led to levels of deprivation and increased levels of poverty that led in some cases to social disorder.

The initial shock of many thousands losing their livelihood in such areas has, in far too many, now transitioned into a sense of hopelessness that prospects will never improve.

Many in such communities in which deindustrialisation occurred, normally assumed to be Labour supporters, considered themselves 'left behind' – particularly as a consequence of austerity implemented in the Conservative-LibDem coalition of 2010-15 – and voted to leave the EU.

Perceiving the Labour Party to be out of touch with their concerns, some voters were convinced to support the UK Independence Party (UKIP) then led by Nigel Farage.

Promising to 'get Brexit done' prior to the last general election, Boris Johnson was able to ensure many in the so called 'red wall' seats to switch allegiance to his party and ensured that Conservative gains in such seats ensured Labour, led by Jeremy Corbyn, experienced its worst defeat since 1935.

Sir Keir Starmer, who replaced Corbyn after the last election, faced what many considered to be an impossible task, not helped initially by the pandemic which allowed Boris Johnson to dominate the news agenda.

However, in a transformation of fortunes almost inconceivable four years ago, opinion polls indicate Labour will comfortably win the next general election.

According to the latest YouGov/Times voting intention poll, carried out 19-20<sup>th</sup> March, the Conservatives on 19% trail Labour, who are on 44%, by a whopping 25% (YouGov, 2024). This is the same level of support the Tories experienced immediately after Liz Truss's notorious 'mini-Budget' in October 2022.

More alarmingly for Conservative strategists, as YouGov reports, latest data shows them only 4% ahead of Reform UK (on 15%) which is intentionally focusing its message to appeal to conservative supporters and members disgruntled with the direction of the party is taking, particularly on the issue of immigration.

So, it might be asked, why is Reeves and others in her party, including shadow foreign secretary David Lammy, so willing to make statements proclaiming that Thatcher was, as the latter who when interviewed for *Politico Power Play*, declared she was a "visionary leader for the UK" (Holl-Allen, 2024)?

Lammy added that because Britain was "on its knees [a] sick man of Europe" in 1979, what he referred to as "big economics" implemented by Thatcher to rehabilitate the country then is needed now.

The answer, it seems, is because they assume voters, anticipating radical change under Labour, think that evoking the spirit of a woman so many consider responsible for creating mass unemployment and division must provide electoral advantage.

Having vanquished the hard-left tendencies associated with Labour under Corbyn, Labour is apparently unconcerned by any backlash from those within the party still wedded to socialist principles.

It's noteworthy that Reeves in her speech last week made it clear that change under Labour must result in growth that's "broad-based, inclusive and resilient".

Surprisingly, she also criticised the economic leadership of her own party who, under Tony Blair, achieved victory in the May 1997 ending 18 years of conservative government that commenced with Thatcher's triumph over Jim Callaghan (Lawford and Penna, 2024).

Intriguingly, Reeves explicitly drew attention to Labour's continued intent to support the financial services that had, as a consequence of 'Big Bang', led to deregulation and privatisation of the London Stock.

Launched by PM Margaret Thatcher and her then chancellor Nigel Lawson on October 27<sup>th</sup> 1986 (Robertson, 2016), Reeves acknowledged the self-serving behaviour by firms within the financial sector had created longer-term issues for the country, particularly for those 'left behind' whose prospects were made even worse by the global financial crisis of 2008:

"An under-regulated financial sector could generate immense wealth but posed profound structural risks too. And globalisation and new technologies could widen as well as diminish inequality, disempower people as much as liberate them, displace as well as create good work." (*ibid*)

Pointedly, though Labour under Blair introduced the minimum wage – according to the Resolution Foundation "the most successful economic policy in a generation" (Inman, 2024) – that continues to provide a threshold of support for those on low wages, Reeves stated her view that Blair and his chancellor Brown did not do enough to find ways of improving productivity and regional inequality meaning that very significant problems "persisted, and so too did the

festering gap between large parts of the country and Westminster politics” (Lawford and Penna, *ibid*).

So, it may be asked, what are the “big economics” Lammy alluded to in his interview and which Reeves will need to implement to create radical change resonant with what Thatcher achieved after election victory just under 45 years ago?

Reeves claimed that Labour would “reject managed decline” and instead focus on economic growth, by “hard-wiring economic growth into Budget and spending review processes with a reformed and strengthened Enterprise and Growth Unit” (Riley-Smith, 2024).

Additionally, she explained, growth would be possible through stability and “built on the strength of our institutions”, partnership between an “active government and enterprising business” and, critically, underpinned by “reform of our planning system, our public services, our labour market and our democracy”.

However, in citing the importance of pursuing what she called the “long overdue task of renewing our common purpose”, Reeves claimed this would create new assumptions allowing growth “on strong and secure foundations”.

Many economic analysts and commentators believe Reeves’ speech, though big on ambition and rhetoric of what needs to change, was insufficient detail of how the radical transition she asserts is essential will be achieved.

Questions are asked as to how Labour will raise the additional funding essential for investment and improvement of public services, including the NHS, without either raising taxes or increasing borrowing, particularly as Labour has stated it intends to “largely match” the current government’s spending and taxation plans?

Perhaps the most excoriating criticism is made by *Times*’ opinion writer Matthew Parriss who titles his piece ‘Reeves’s shapeless wordfest is a true shocker’ makes it clear what he thinks of her speech (2024):

“To me, Reeves’s Mais lecture was not dull, it was shocking. It shocked by its failure to rise to the occasion. The speech leaves its reader dazed by a superfluity of words and a deficit of meaning. I have read the whole thing, all 8,000-odd words of it. Twice. Yet, like that legendary ghost ship, the Flying Dutchman, the speech sails slap-bang through the reader’s consciousness, leaving no trace of impact.”

Fellow *Times* writes, economist David Smith is less overtly critical but nonetheless concerned at the lack of what he believes is ‘meat’ contained in what Reeves presented last week:

“It sounds like the economic equivalent of motherhood and apple pie. But it suffers from a maddening lack of detail, of anything to properly get your teeth into. And we must wonder what this new strategic state will be and whether a Labour government will succeed in driving a bulldozer through planning rules and get Britain building again and establishing a closer trading relationship with the EU.”

Worryingly, as the BBC’s Economics Editor Faisal Islam reported, because Reeves stressed how vital expansion of the economy would be to increase tax revenues so urgently needed for public services, if this didn’t occur, she admitted, “almost impossible trade-offs” would be required on tax and spending (2024).

Writing in *The Times*, Peck thinks she “wasn’t necessarily bold enough to tell us quite how her new chapter was going to work” (2024):

“Is it Bidenomics? Well, maybe, but without the massive borrowing and investment that Bidenomics involves. A vague aspiration to its rewards, but without having to admit to its risks.”

Peck believes Reeves overused the word “securomomics” in explaining that Labour will be committed to whatever this means, but he thinks it sounds like “sirkeironomics”.

*Sky’s* Ed Conway in his article, ‘Echoes of Rishi Sunak in Rachel Reeves’s rite of passage speech’, believed it’s difficult to “divine a dramatic change from the current nature of government policy” (2024).

As Conway acknowledges however, “The Mais Lecture is all about technocracy, not about big spending pledges” and, besides, he adds, Labour suspects any policies announced now “will likely be stolen by the Conservatives” (*ibid*).

With no hint of irony, the Conservatives accuse Labour of having “no plan – just more borrowing and more taxes” (Islam, *ibid*).

Those representing workers, whose real take home pay has declined under the last 14 years whilst the Tories have been in power are unimpressed by what Reeves set out last week.

As Parker, Fleming and Strauss write in *The Financial Times*, in pledging that Labour government would, in borrowing only to invest and adhering to fiscal rules introduced by Gordon Brown, there’s exasperation among trade unions (2024).

Sharon Graham, general secretary of the Unite union, makes clear her contempt for the party she would normally expect to have workers at the heart of its economic policy:

“If you stick to phoney fiscal rules, rule out taxing the wealthy and pander to the profiteers, you end up in a straitjacket of your making. Ripping up building regulations and tinkering in the public sector are not going to deliver serious growth — that’s for the birds.” (*ibid*)

Former Scottish Labour party leader Richard Leonard MSP also makes plain his disdain for what Reeves set out in referring to Thatcher’s desire to radically alter the UK economy (Mitchell, 2024):

“In the 1980s manufacturing was butchered, factory after factory closed, privatisation was let rip, unemployment rocketed, profits boomed, the wage share fell, the rich got richer, and inequality soared. No rewriting of history. Thatcher didn’t renew the economy, she broke it.”

Interestingly, seminal and respected *Guardian* commentator Will Hutton is exceptional in praising Reeves’ speech as the basis of a plan that gives Britain “economic liftoff” (2024).

Having attended her lecture, Labour, he believes “might, just might, be the government that feasibly and practically triggers the much-needed investment revolution, lowers inequality and revives the green agenda” (*ibid*).

What can be gleaned with certainty is that Reeves’ speech generated a lot of publicity for her economic vision but, largely, didn’t manage to satisfy many that her plans are either realistic or as radical as she claims they’ll be.

It must be feared that, because an election is not likely until October or possibly even November, the current ‘phoney war’ will continue relentlessly for many months.

Should Labour assume power later this year, rather than radical transition as Thatcher achieved in 1979, it may be more a case of the French expression *plus ça change, plus c’est la même chose* which translates as, ‘the more things change, the more they stay the same’.

**Steven’s** latest chapter, ‘Boris Johnson, the green shopping trolley’, was recently published in *Toxic News? Covering Climate Change*, edited by Mair, Ryley and Beck and published by Bite-Sized Books, London

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