

date: 13 September 2009
embargo: noon 13 September 2009



Attention: industrial, economics, political
3 pages

Brendan Barber warns of “double quick, double dip” recession on eve of Congress

Speaking at a press conference in Liverpool on the eve of the TUC Congress, TUC General Secretary **Brendan Barber** said:

“A year ago the TUC warned in our economic statement for Congress that we were on the brink of a downturn, but we didn't realise just how bad it would be.

“It could of course have been even worse. If the banking system had been left to collapse then the results could have been catastrophic.

“Today the TUC publishes a new economic statement.

“The economy is still in a very precarious position. Of course we welcome any sign of recovery, but much of what has been taken as evidence of recovery is the result of government and bank action.

“Even with this, unemployment will almost certainly rise throughout next year.

“Cut the stimulus off and the economy would go into decline again.

“What is astonishing are the calls to cut the public sector deficit as the top urgent priority.

“That is why we warn today that public spending cuts will provoke a double-quick double-dip recession. Unemployment could well exceed four million and it would take many years before there was any chance of returning to anything like full employment. That would scar for life a whole generation of young people.

“Deficits are an inevitable symptom of recession. When the economy shrinks, governments need to spend more on benefits but get less in tax income – and there has been a spectacular collapse in tax income in this recession.

“But you can't fight recession without making the short-term deficit bigger.

“When consumers and businesses stop spending, the state must take up the slack.

“Otherwise unemployment gets bigger, and the tax take falls again.

“So the only real choice is whether you have a deficit caused by effective investment to hasten recovery – or one caused by making the recession deeper and longer.

Choosing the latter is pure economic masochism.

“Spending cuts will hit both public and private sectors. Today we publish a league table showing which areas of the country are most dependent on public sector jobs. Make no mistake they are in the unemployment firing line.

“A double-dip recession would not just be deeper – but also longer. Prolonged mass unemployment would not just do economic damage, but have terrible social effects. I don't think that Britain is broken, but this would be one way to break it.

“Last time we suffered slash and burn economics we had riots in the streets here in Liverpool. I make no prediction that this would happen again, but I do know that prolonged mass unemployment will have terrible effects on social cohesion, family break-up and the nation's health.

“It may not look that bad from the City of London where bankers are telling us that a longer recession would be good for us, but it would take us back to the days of a deep North South divide and once again hollow out whole areas of the economy.

“Going for recovery is the best way to tackle the deficit in the long term.

“But that does not mean that we can ignore it when the economy has recovered.

“That will mean looking hard at both tax and spending. There are areas of public spending that can be cut. We don't need to renew Trident, nor do we need ID cards.

“But voters do not want cuts in spending on public services. They know that if politicians single out areas that will be immune it will just make cuts much deeper elsewhere. And now the Institute of Directors have told us what public spending cuts would need to look like. Freezing pensions is not a politically viable option so therefore tax increases are therefore inevitable. The question is ‘who should pay them?’.

“Will the tax increases make our tax system more or less fair? The TUC has led the way in exposing just how little tax the super-rich pay and how the real middle Britain – people on middle earnings failed to share in the boom even though they are suffering in the bust.

“We need a real national debate about who should pay more tax. Should they be paid by ordinary people, through for example VAT increases, or will they be borne by those who can most afford to pay extra?

“And there is another way to increase the tax take. That is to pay people more.

“In the ten years to 1976, 60 per cent of GDP went to wages. In the ten years to 2006, this had fallen to 54 per cent.

“Putting more money into the hands of ordinary workers – the poor and the average earners whose wages have not kept up with the wealthy - as our society has become more unequal will stabilise the economy.

“This recession has been tough. It could get even worse. We have been hit by events outside our control. But the country has real choices about what we do next. At Congress this week, the TUC makes the case for the choices that will benefit the great bulk of the British people whether they work in the private or public sectors.”

NOTES TO EDITORS:

- All TUC press releases can be found at www.tuc.org.uk
- Register for the TUC’s press extranet: a service exclusive to journalists wanting to access pre-embargo releases and reports from the TUC. Visit www.tuc.org.uk/pressextranet
- Congress 2008 will be held at the Brighton Centre, Brighton from Monday 8 September to Thursday 11 September. All applications for media passes must be received no later than noon Tuesday 2 September. Any applications received after this date will be processed in Brighton and subject to a £50 administration fee. The form for media credentials, plus information on how to book wireless internet access and a phone line at the Brighton Centre can be accessed at www.tuc.org.uk/mediacredentials

Contacts:

Media enquiries:

Liz Chinchin T: 020 7467 1248 M: 07778 158175 E: media@tuc.org.uk

Rob Holdsworth T: 020 7467 1372 M: 07717 531150 E: rholdsworth@tuc.org.uk

Elly Brenchley T: 020 7467 1337 M: 07900 910624 E: ebrenchley@tuc.org.uk