

IMF head Christine Lagarde praises UK for austerity measures

By Richard Tyler
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International Monetary Fund (IMF) managing director Christine Lagarde has endorsed the outgoing Conservative-Liberal Democrat government for its handling of the British economy.

Speaking alongside Conservative chancellor George Osborne at the IMF and World Bank spring meetings, she said growth in the UK was “holding strongly”.

“It’s obvious that what happened in the UK has actually worked”, she said. The right balance of spending cuts and revenue raising was “clearly delivering results”.

Her praise was echoed by German finance minister Wolfgang Schäuble. “The UK has done a very good job in the last few years and Osborne has a very good plan for the future,” he said.

Such a political endorsement in the run-up to a General election on May 7 begs the question: What has “worked”? What “results” have been delivered?

The move was in part a response to the political embarrassment caused by an IMF survey issued last week that refuted election claims that a Tory government would produce a budget surplus of £7 billion over the course of the next parliament. According to the IMF’s twice-yearly World Economic Outlook, instead of eliminating a £90 billion deficit and moving into surplus by 2020, a shortfall of £7 billion would remain, a position £14 billion worse than being predicted by Tory Chancellor George Osborne.

The Tories stated that they based their figures on estimates made by the Office for Budget Responsibility (OBR) for growth of up to 2.5 percent in the UK economy over the next five years. However, the IMF saw this as too optimistic: “Given uncertainties pertaining to the May elections, a slower pace of consolidation than that in the Budget is assumed for 2016-17 and beyond.”

The IMF document points out that lower oil prices will have a more significant economic impact on countries like the UK with deep-water production. Britain’s North Sea oil costs \$40 a barrel to produce, compared with under \$5 in the Gulf state of Kuwait, or about \$12 in the US where widespread extraction of shale oil and gas has depressed prices.

The fall in world oil prices has already led to major UK layoffs, with some experts saying that the North Sea industry is “close to collapse”. The negative impact on the UK exchequer is enormous; tax revenues from North Sea oil for 2016-17 are now estimated at £1.25 billion instead of £6.9 billion when prices were higher.

The IMF warnings also undermine the claims of the Labour Party that it would achieve a balanced budget by 2020 should it win power on May 7.

It demonstrates that even meagre election promises of additional spending on the National Health Service of £6-8 billion, supposedly funded by the growth in the economy, are lies. The reality, whoever is elected, will be increased austerity measures on top of the cuts in the tens of billions both parties admit to.

The remarks of Lagarde and Schäuble are an endorsement of an endless austerity agenda.

On entering office in 2010, the Conservative/Liberal Democrat government set out to eliminate a budget deficit of about £135 billion by the end of its term. However, in 2015, a deficit of £90 billion still remains.

This has been carried out at the expense of working people, including the destruction of hundreds of thousands of public-sector jobs and cuts in benefits and welfare provisions.

As the Socialist Equality Party election manifesto points out, “More than 13 million people live in poverty, including almost one-third of all children. The

working poor make up the largest number of those in poverty, with millions eking out an existence on low-pay and often zero-hour contracts.”

A recent report by the British Medical Journal (BMJ) highlighted the correlation between the depth of the austerity measures, the rise in benefit sanctions and the growth of food banks in the UK. The Trussel Trust, a charity providing emergency food and support to those in crisis, reported that it was operating in 29 local authorities in 2009. By 2014, this had increased to 251, covering almost the entire country.

Whereas it had provided a three-day emergency food package to 25,899 people in 2009, in 2014 over 900,000 individuals sought its help.

At the other end of the social spectrum, Britain’s wealthy have not only recovered everything they may have lost in the immediate aftermath of the 2008 banking crisis, but gone on to see their fortunes soar to greater heights.

According to the *Sunday Times* “Rich List”, there are now some 104 billionaires based in the UK, three times the figure from a decade ago. These super-rich individuals collectively own more than £301 billion, a 50 percent increase on the £201 billion possessed by the 75 billionaires in 2008.

In other words, some 100 people in the UK could put an end to the entire UK budget deficit by sacrificing just a third of their wealth.

Following the May election, whichever party, or combination of parties, enters office will make no difference. As the SEP election manifesto notes, “All are bought-and-paid-for tools of the super-rich, whose primary purpose is to ensure that the voice of working people is silenced. Every major decision will continue to be made on behalf of the only constituency that really counts—the corporate and financial elite.”

Their various pledges to “balance the books”, whatever time frame they speak of, means that austerity measures will be stepped up again and again. Indeed, the brutal measures imposed so far have only met a third of the target set by the Tories—indicating the scale of the social misery that is still to come.

For further details visit: <http://socialequality.org.uk/>