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Children of Thatcher, Cuts and Central Bankers

If Hague, Osborne, Cameron and other self-proclaimed Children of Thatcher wrote a fanzine what would it be called? Eton Rifles? The Privateer? How ironic if it were called **The Public Servant**.

UK ministers have pledged to hack £81bn off the current £697bn annual budget by 2014.

First to feel the cold steel will be students, the new born, job seekers and the disabled.

If you need hospital treatment or low cost accommodation or think you are eligible for legal aid you may also find you are frustrated.

The government is also enthusiastic about disposing of public assets including public buildings and land, the Post Office, the Student Loan Book, National Air Traffic Services and the Channel Tunnel. Advisory organisations like Consumer Focus set up to protect consumers are also under pressure.

The government is, however, mute regarding whether it will still plough £20bn of public money into more nuclear weapons. Discussion on replacing Trident - a system capable of killing up to 10 million people - has been deferred until 2015.

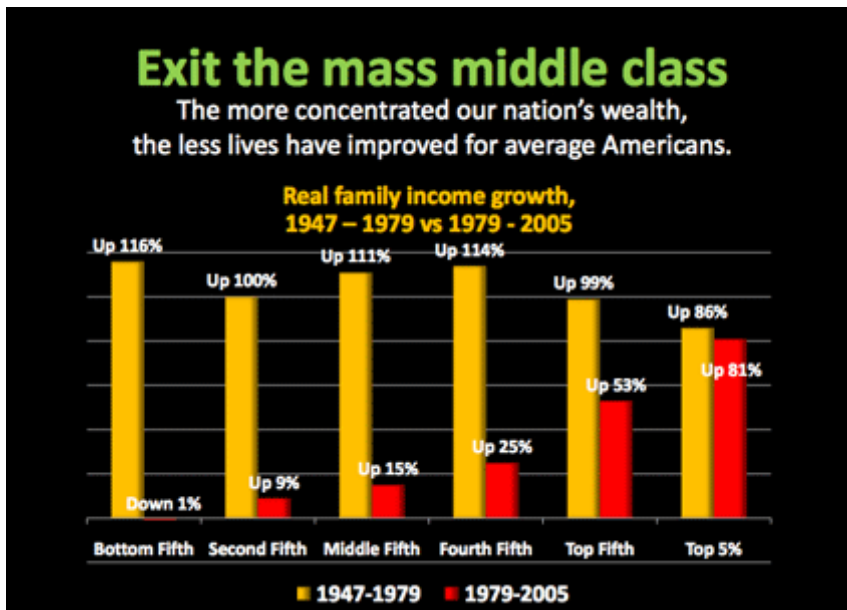
In some ways none of this surprises. The removal of all obstacles to profit-making, transferring grants into bank loans and public assets into private/corporate hands - it's Thatcher all over.

Less predictable is what could result from ministers' apparent desire to rewrite the Human Rights Act. The freedoms protected by this Act, like the Geneva Convention, are rarely spelled out. In fact both are designed to prevent the worst abuses of State power.

Meanwhile the PM's Big Society slogan struggles to gain traction. Cuts in discretionary local authority grants have already delivered a slap in the face to the UK's hitherto vibrant voluntary sector.

In truth, nothing suggests we are about to diverge from the path set towards the end of the 70s, since when the 'haves' enjoyed the highest percentage growth in income by a huge margin.





Words like Plutocracy, Oligarchy and Corporatocracy help define the direction of travel. Money, rather than guns, is the means through which power is now exercised and policy makers the world over have learned to pay close attention to 'market sentiment'.

So to blame the UK deficit on a previous government is to overstate a government's influence over the economy.

In fact, the Central Bankers invited us to the party. They dished out the drinks vouchers that got people drunk. It is they that then turned off the lights and locked the doors. It is they that put the heavies on the door and are now charging a premium exit fee with all sorts of conditions attached.

And, in concert with the IMF, it is the Central Bankers who will now enjoy the interest on bailout loan repayments as the general population pays the price with reduced services.

It can be no coincidence that in June 2007, it was the Bank of International Settlements that warned of the dangers of another 1930s style Great Depression. It ought to know - it has access to all international money transfer data in real time. The BIS in Basel is where Central Bankers meet on a regular basis to agree policy.

A sell-off in shares was precipitated immediately following this statement and didn't stop until share prices bottomed in 2009.

The impact on governments here and abroad was plummeting tax receipts and growing unemployment claims.

As if this wasn't enough to grow the deficit, the UK government was forced to step in and insure not just deposits but the bailout loans made to the crippled banks.

British tax payers are now liable if these loans are not repaid in full with interest. This was a condition of 200bn in loans from the Bank of England and £250bn in 'wholesale' loans.

Whenever a crisis strikes now it seems the Central Banks, IMF or

some billionaire investor have ministers by the balls and need only apply pressure to get their way.

So, who bought in at the market bottom in early 2009 and went on to make a fortune? Certainly the FED had no problem with finding money. It created some \$3.3tn in loans during the crisis.

And what of Barclays? In September 2008 Barclays secured \$47.9bn from the FED. The profitability of its investment banking arm subsequently rocketed. New CEO, Bob Diamond, doubtless enjoyed the leg up.

Meanwhile look at how public sector workers were rewarded in the US. Losses on their pension funds were estimated at \$1000bn in 2008. With municipal bonds now under speculative attack their situation could get worse again.

And so we see how easily rings are run around our governments, forcing concessions, cuts, the lowering expectations. This is not to please the electorate but rather to please 'the market' - something manipulated with ease by those able to create, choke or destroy demand and money supply.

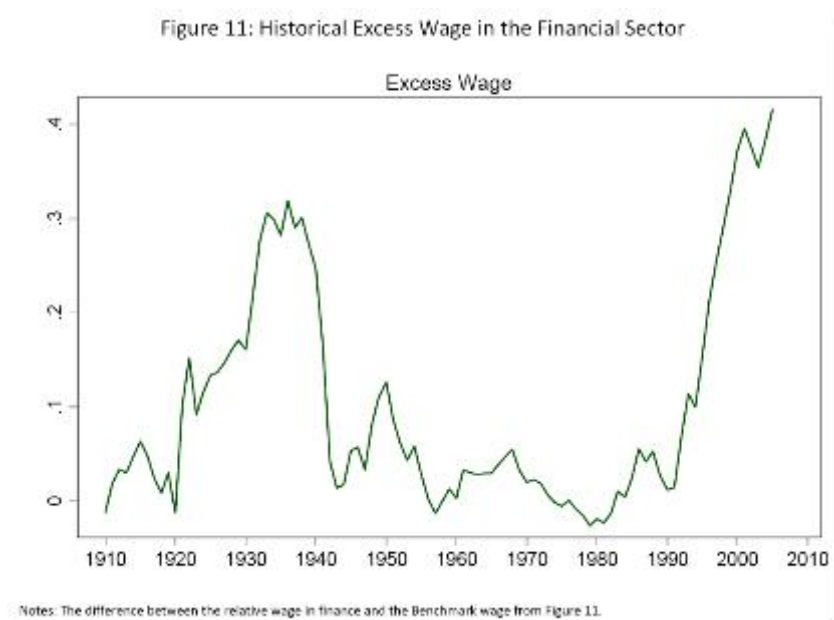
Successive UK governments appear to have taken the view that feeding the wolves is the best way to keep them at bay.

Far from taming moral hazard, the Chancellor is now softening his stance on banker bonuses. To everyone else he offers assurances that there can be no gain without pain. UK VAT is to rise to 20%.

Moral hazard, however, remains a problem. Incentives continue to drive bankers and CEOs to act in their own short-term interest.

In fact, significant parallels exist between the Great Depression and the recent crisis. The most obvious warning sign ought to have been the excessive growth in financial sector pay in the run up to the crisis.

Figure 11: Historical Excess Wage in the Financial Sector



Should we feel saddened or angered that our representatives have made such deep concessions to the engineers of crisis?

Surely no amount of PR will hold up the facade of 'fairness, responsibility and being all in this together' to which the current government has laid claim. As the cuts take affect, [the gap](#) between the top earners and the general public will grow ever more obvious.

So, the Children of Thatcher have a dilemma. Do they seize back power from the bankers, reign in excess and use taxation to rebalance family incomes to the benefit of most voters? Or do they satisfy their high net worth customers and guarantee their own future careers beyond cabinet by sticking to the [script](#)?

Answers on a postcard please.

Happy New Year.

Ends | 1 Jan 2011 | Leg

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* **£18bn in Welfare Cuts**

Consequences: Rising repossessions, homelessness, theft.

2014:

8 Apr: Need for food banks caused by welfare cuts find research

2013:

16 Dec: Impact of welfare cuts - feeling of dread never goes away

11 July: Huge rise in use of food banks in UK since welfare changes

8 Apr: Iain Duncan Smith claims he too could live on £53 a week

200,000 kids to move into poverty as poorest lose 38% of income

21 Jan: Who will speak up for the universal welfare state now?

2012:

22 Nov: Homeless families may no longer be rehoused locally

2011:

6 July: Poorest families may lose £3000 a year by 2015 due to cuts

24 July: Welfare to Work policy 'casts the disabled as cheats'

2 July: Eric Pickles warns 40,000 families could be made homeless

20 Apr 11: Housing benefit cuts set to increase homelessness

* **NHS Reorganisation**

Consequences: More spent on pharmaceutical drugs, marketing and

management consultants. Time given per patient, number of care workers and nurses falls as GPs find themselves managing procurement, competing for patients and 'working in partnership' with corporations.

2012:

1 Mar: Privatisation may not result in GP decision makers

26 Feb: 9/10 hospital doctors oppose NHS bill

2011:

9 June: 56% of GPs planning to retire say its due to reforms (p7)

30 June: Southern Cross lesson in private equity asset stripping

16 May: Why replace the NHS with a less efficient US system?

14 May: Cabinet aide says NHS reform is chance for big profits

13 May: Free market would destroy essential hospital services

28 Apr: Hospitals asked for 50% more savings for Trust status

15 Mar: NHS reforms mean GPs could double salary to £300k

9 Mar: Cuts to harm best hospitals & increase waiting times

23 Feb: NHS to lose 50,000 jobs says False Economy Group



* University Education Cuts

Consequences: Tripling tuition fees to £9000 a year won't be a worry to students whose parents can easily pay up front. So 99% of sixth form leavers from Eton will doubtless continue to go onto a degree course - 30% in Oxbridge. Elsewhere, expect students and parents to use price as a guide to affordability, effectively shutting out those of modest means from the best resourced establishments.

2014:

21 Mar: Government got its maths wrong on Tuition fees

2013:

12 Oct: Young generation face student debt and little job security

2011:

21 Aug: Student debt will soar to £200bn over next 4 decades

9 May 11: Plan to open more top Uni places to kids of the rich

8 Apr 11: Two thirds of Unis to charge £9k a year fees from 2012

* Council Discretionary Grant Cuts

Consequences : Expect cuts in the number of grants to voluntary arts and social care and advice initiatives, with repercussions for the vulnerable.

2011:

24 July: Drug advisory service cuts may have 'devastating impact'

Listed: Voluntary Sector Cuts by Region

3 Apr 11: FT says Council cuts to most impact children and elderly

* Social Housing Projects cut by £4.4bn

Consequences: Higher housing costs for those least able to afford them. There is a proposal to raise Council house rents to 80% of average private rents - a move to eradicate Council houses altogether.

* Extension in Pension Age to 66 for men and women by 2020

Consequences: Long life is not necessarily as predictable as it sounds. Life expectancy for Russian men fell from 64 to 58 years between 1991 and 1994 thanks to the rush to privatisation.

* Legal Aid Cuts

Consequences: As providers are 'competitively' slashed to a few big firms, expect them to work both sides of the claims possible with Legal aid support, quietly (like the Financial Ombudsman Service) saving the corporation/insurers £millions in court costs and damages.

2011:

29 June: Legal aid cuts to hit family, employment, education law...

21 June: Legal aid cuts - likely consequences of cuts by region



Essential Reading:

[It's growing: the gap between rich and poor in the UK and USA](#)

[UK financial crisis 2007 | 2008. Where to next?](#)

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2014:

4 Jun: Attack on NHS will return us to age of the workhouse

2013:

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 11 Apr: Thatcher was neither popular nor economically successful
 10 Apr: Glenda Jackson on the death of Margaret Thatcher
 7 Apr: Growing Zero Hour contracts - 200,000 affected
 1 Apr: Welfare reforms and coalition cuts come into effect

2012:

5 July: PFI : capital value £54.7bn, end cost £300bn!
 20 Jun: G4S chief predicts mass police privatisation
 29 Mar: More creeping privatisation - Royal Mail stamp price hike
 19 Mar: Road privatisation is latest step in asset stripping UK
 19 Mar: Cameron unveils plan to sell motorways
 17 Mar: Public sector negotiated pay scales under threat

2011:

14 Nov: Academy bosses taking in excess of £200k in pay
 5 Oct: BBC to cut 2000 jobs from workforce of 18,000
 16 Sep: Osborne raises spectre of high interest rates
 20 Aug: Lancashire council cuts rural doorstep rubbish collection
 10 July: Cameron - reforms to end state control of public services
 9 Jun: UK political class delivering "policies for which no one voted"
 29 Mar: 2000 police officers forced to retire
 18 Mar: Lowest paid workers to pay highest marginal rate of tax
 14 Mar: Pay at larger investment banks averaged \$400k in 2010
 8 Mar: Barclays CEO on pay restraint 1.35m salary, £6.5m bonus
 5 Mar: Benefits cuts will force low income households to move?
 11 Feb: Quiet rebellion against Tory's 'Big Society'
 8 Feb: Tory party 50% funded by the City in 2010 election year
 8 Feb: Health charities worry reforms will dilute patient power
 7 Feb: CSV Director: cuts risk 'destroying the volunteer army'
 4 Feb: Health workers worry reforms aren't about improving care
 3 Feb: 'Big society' setback as Liverpool pulls out of showcase
 24 Jan: 140,500 jobs under threat across 203 UK Local Authorities
 24 Jan: Osborne did his best to maintain banker cash bonuses
 22 Jan: Plan to privatise 15% of Forestry Commission land
 20 Jan: Congress to let US states break pension commitments?
 19 Jan: Goldman Sachs lifts £1m cap on bonuses for UK partners
 14 Jan: JP Morgan bankers to share £6bn pay and bonus pot
 10 Jan: To know what legal aid reforms mean, look who benefits
 4 Jan: Easier option to raise £13bn with VAT than upset VIPs
 1 Jan: Private charity is never a substitute for public welfare
 1 Jan: Charities Rep calls for tax on bankers to prevent closures

2010:

14 Dec: Government cuts local Councils' funding by up to 8.9%

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