

## The Trickle Up of Fear

Danny Dorling

Slowly and strangely the world changes. We adapt, but it changes us too. We are not the people we were. It is not just that we have aged, but also that the context has changed. When we think back to a past where some of us worried less – it was because we had less to worry about. But it is hard to quite remember that old world clearly enough not to think that you might be deceiving yourself, and that it has always been like this.

Before 2008 we were living with great income inequality, among the highest in Europe, but average incomes had been steadily rising for decades. Since austerity was introduced in the UK in 2010 (to a degree unlike any other European country) average incomes have fallen and now the forecast rise in inflation means that we are not expecting the average British person in work to be any better off than they were in 2008 until at least 2027 (see Figure 1). Even that forecast may be over-optimistic.

**Figure 1: The average person in work is £11,000 a year worse-off due to slump**

**...extending yet further the wait for real earnings to move past 2008 levels** 



Source: ONS AWE and Historic AWE, OBR  
Note: In Q1 2022 prices. Historical series is deflated by CPI with an adjustment for housing costs. Forecast is deflated by OBR's CPI forecast.

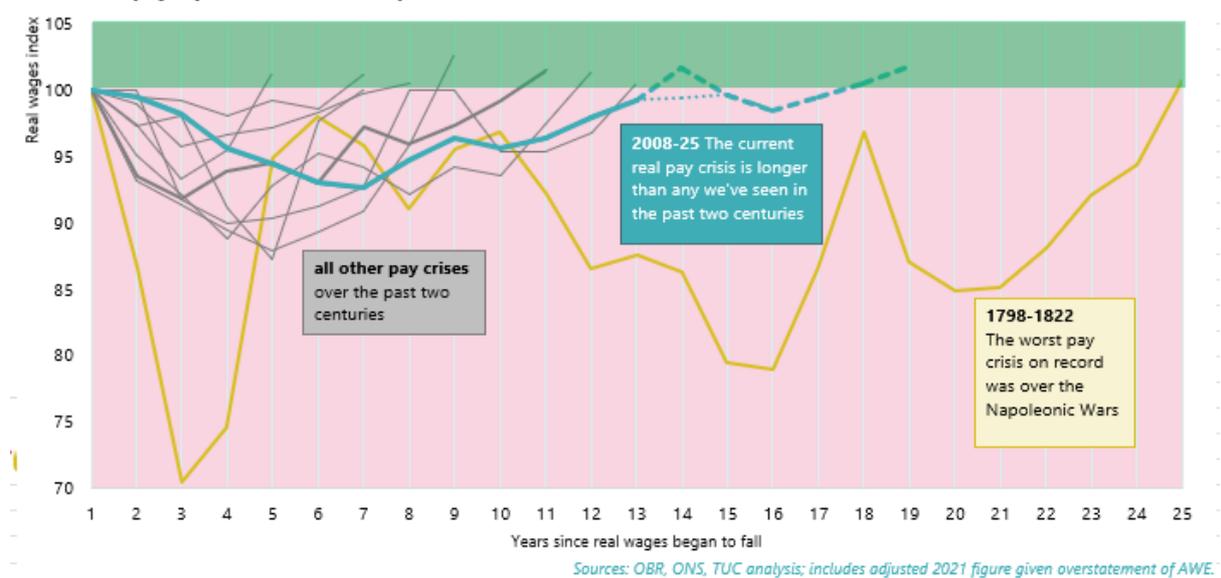
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When the March 2022 Spring Financial Statement was released the *Financial Times*' headline read: 'Britain's poorest left to bear brunt of squeeze on cost of living'. Their subtitle was 'Chancellor focuses support towards working families and middle- and high-income earners'. And they went on to report the conclusion of the government's own Office of Budget Responsibility (OBR) which claimed that what we would now see '...would be 'the biggest single financial-year fall in living standards since records began 66 years ago''<sup>1</sup>

The savagery of austerity, bolstered by a government that channels money towards those at the top, is unremitting. We have to travel back much further in time to find a precedent. The economist Geoff Tily, posted an updated graph of how the current pay squeeze compares to all others, showing that the slump in living standards we have now lived through, and are now forecast to continue to be living through, most closely compares to that seen between 1798 and 1822 (Figure 2)

**Figure 2: This is already the worse squeeze on pay for over 200 years**

**The worst pay squeeze since the Napoleonic Wars - ctd.**



Source: Geoff Tily, Senior Economist at the TUC, March 23<sup>rd</sup> 2022: <https://t.co/5G4LFdOxEZ>

A footnote in Geoff's graph explains that we were too optimistic before. An error in the estimation of Average Weekly Earnings (AWE) in 2021 meant that the pay squeeze did not even come to a temporary halt then. It has been unremitting now for the entire lifetime of children sitting their first formal exams this summer. It is expected to continue to be unremitting from here onwards. All previous forecasts of its ending soon have been wrong.

Fear trickles up slowly. At first it was the very poorest in the early 1980s who were hit hardest when mass unemployment came and benefits began to be slashed. Then, in the 1990s, those just above them saw their wages stagnate. Next, in the 2000s, what had been

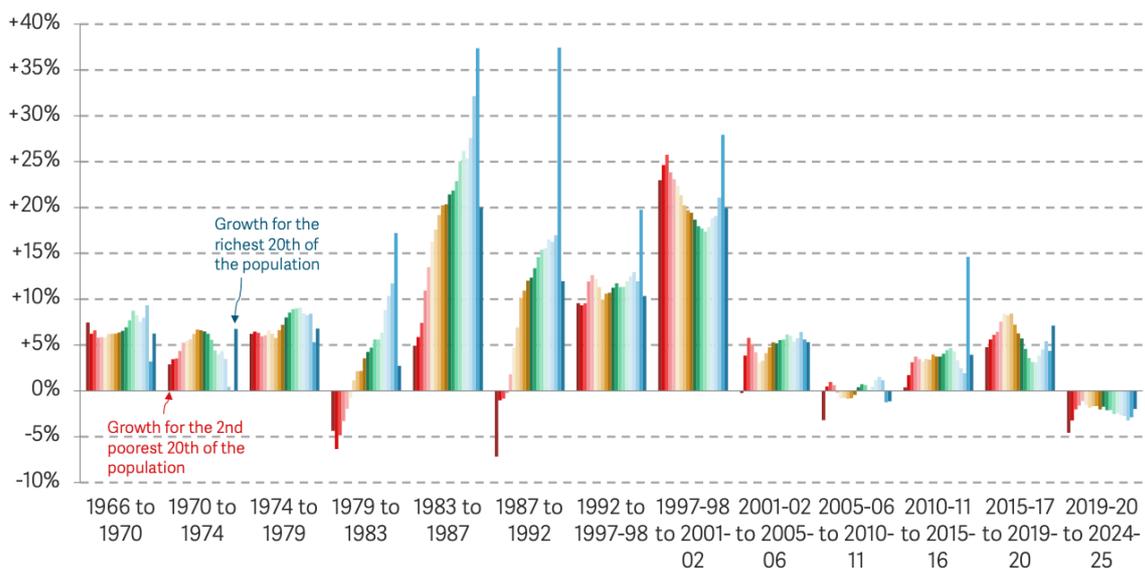
the relentless growth in wages for those in the middle, ended. But then, in the 2010s, real wages for most people fell as well. Now those who are better-off than average are beginning to see their living standards suffer as gas and food prices rise. Even after the Chancellor had made those changes in spring 2022, reducing fuel duty and raising national insurance thresholds in ways that most favoured the already better-off, the average person will be struggling more by 2025 and even the better-off are now seeing sustained overall falls in their living standards, for the first time in any of their lives.

The *Resolution Foundation* produces the most comprehensive graphs of all, which in stunning technicolour reveal just how bad the current situation is (see Figure 3). Most families, between 2019 and 2025 will suffer a fall in incomes last only experienced by the very poorest in the early 1980s and an even smaller number in the early 1990s recession. Back then it was those thrown out of work that suffered in this way. Now it will be almost everyone. And most of that 2019-2025 fall in incomes has already happened.

**Figure 3: The ‘Worst Parliament Ever’ graph of household incomes 1966-2025**

**FIGURE 14: The five years from 2019-20 to 2024-25 are currently projected to be the worst parliament ever for changes in household incomes**

Total real growth in median equivalised household disposable income per period for non-pensioners, after housing costs, by income vingtile: GB/UK



NOTES: We exclude the bottom 5 per cent due to concerns about the reliability of data for this group. See A Corlett & L Try, *The Living Standards Outlook 2022*, March 2022, Resolution Foundation for details of our projection methodology. Some periods are four years long and others five years. The chosen time periods correspond to the years of past general elections (plus 2024), but we do not include a division for the 2017 election and nor do we try to estimate growth over the February to October parliament of 1974.

SOURCE: RF analysis of DWP & IFS, *Households Below Average Income*; and RF projection including use of the IPPR Tax Benefit Model, ONS data, and OBR forecasts.

Source: Torsten Bell et al. (2022) *Inflation Nation: Putting Spring Statement 2022 in context*, March 24<sup>th</sup>, <https://www.resolutionfoundation.org/app/uploads/2022/03/Inflation-nation.pdf>

Why is the Chancellor of the Exchequer continuing to make changes that will most badly effect the poorest in a society, those already suffering the greatest pay squeeze for over two hundred years and why is he doing this when the UK already has the highest income inequalities in all of Europe? More and more people will come to conclude that he is trying to pander to fear, trying to seek favour from those who have more than average by showing them that even when everyone is suffering, and the poor are suffering the most, he will try to reduce some of the taxes and costs of the better-off so that at least their drop in living standards will not be quite as sharp as the plummeting experienced by the minority who already have the least.

In the 1980s we were told that income and wealth would trickle down from the top to the bottom. We were told not to worry about the huge rise in income inequality then because – apparently – it would eventually ‘work its way through’ lower down. It did not, but something else started then. A new fear began, at first among the very poorest, that their children would have worse lives than they had. That fear slowly spread upwards over the decades and has now come to be true for almost everyone. That fear is greatest of all amongst the people who have the most to lose – like the Chancellor of the Exchequer, Rishi Sunak, himself.

Rishi Sunak is playing on our fears. He is hoping that the increase in our fear of each other that comes with rising inequality and falling living standards will pit family against family and worker against worker. Sunak is hoping and expecting that most people will never look at the kinds of graphs shown in this brief article, let alone understand them. He tells people that he feels and understands their pain – and in a way he does, as he is using that pain. He wants the general public, or at least a majority of the better-off half of the general public, to believe him when he says that there is no sensible alternative. He will say that what has happened was inevitable; but that he and his colleagues are doing, and will in future do, whatever they can to soften the blow.

The alternative, to actually soften the blow, would require people like him to give up their North Yorkshire Georgian mansions, the ones that they only use some weekends, and to share most of the rest of their wealth and property with others; the properties they hardly ever visit.<sup>2</sup> The alternative would be for the dividends on the income from the shares they own to be reduced, and for the people who work in the firms they own (by dint of those shares) to be paid more. The alternative would be for the richest to be taxed as the rich in other European countries are taxed, and for welfare benefits to be made more decent (as they are in most of the rest of Europe). The alternative would be for more people like the Chancellor to use the schools and hospitals that everyone else uses. That alternative, for these extremely wealthy people, is – to them – terrifying. And so they work hard to try to ensure that you and I do not even imagine it, do not speak of it, and do not win it.

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<sup>1</sup> Delphine Strauss (2022) Britain’s poorest left to bear brunt of squeeze on cost of living, The Financial Times, March 23<sup>rd</sup>, <https://on.ft.com/36JJsYY>

<sup>2</sup> <https://www.hellomagazine.com/homes/20211029125123/rishi-sunak-house-georgian-family-mansion/>

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Danny Dorling is an English social geographer and academic. Since 2013, he has been Halford Mackinder Professor of Geography of the School of Geography and the Environment of the University of Oxford. He is the author of *All That Is Solid, Injustice: Why Social Inequality Still Persists* and *A Better Politics*.



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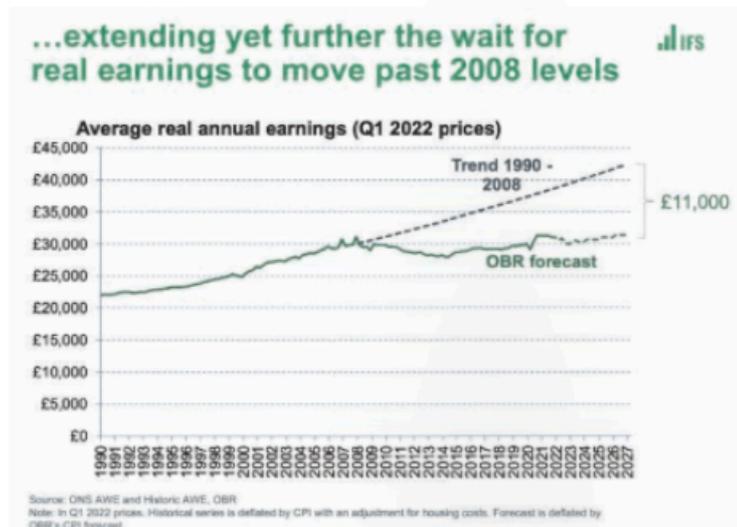
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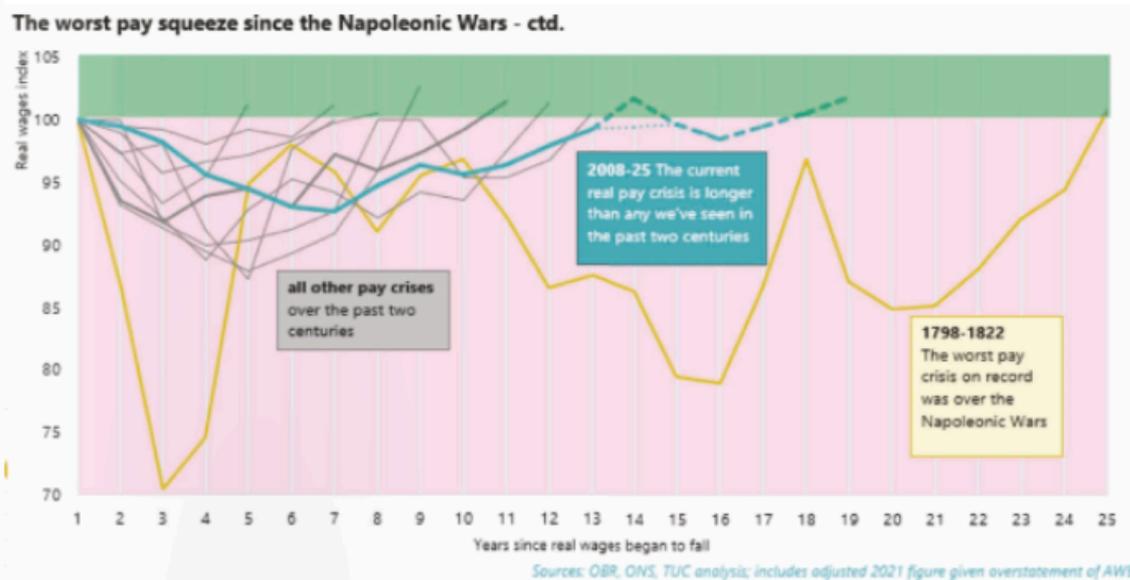
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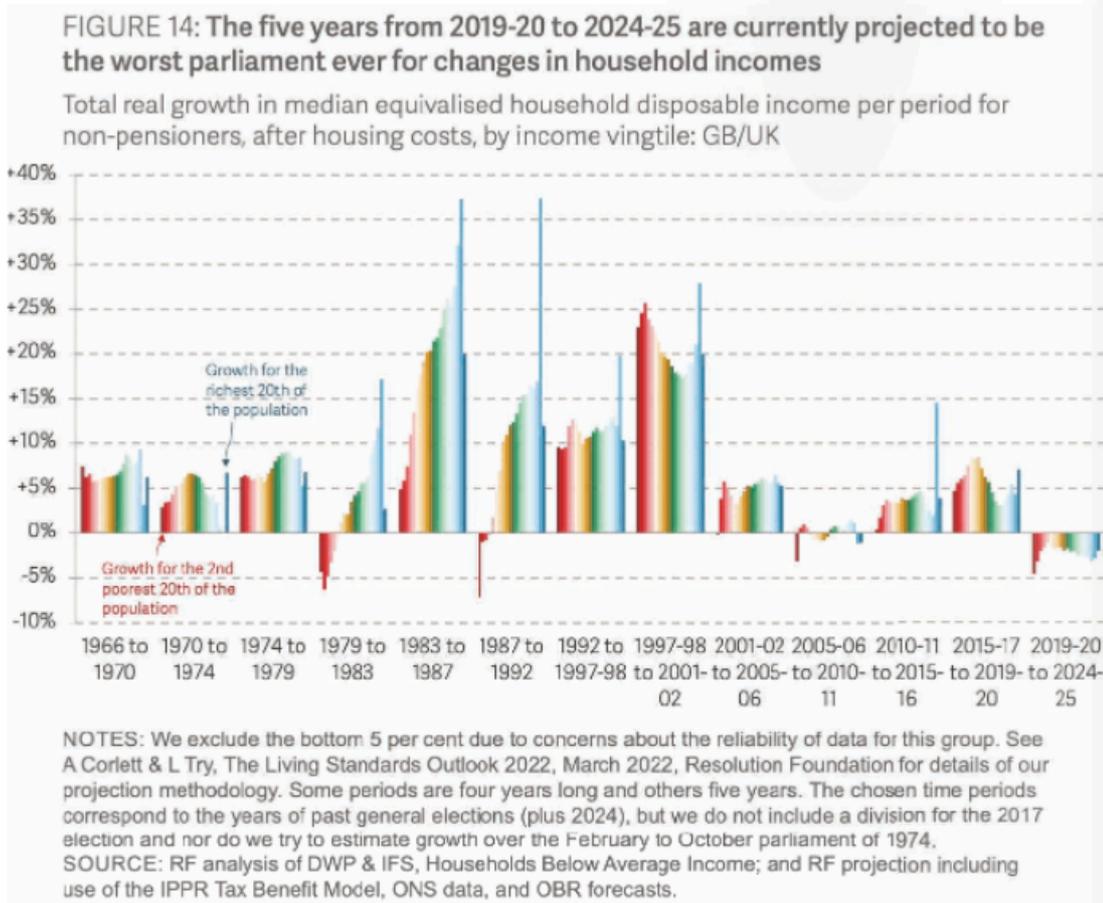
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