

Markets looking ahead – but what about the standard of living?

“Ask the first man you meet what he means by defending freedom, and he’ll tell you privately he means defending the standard of living.”

Martin Niemöller

The FTSE-100 closed above 7,000 on Friday evening for the first time since 4 December - on 27 December it touched its closing nadir of 6,584. Perhaps, at last, the long shadow of Brexit confusion and concerns about a US-China trade war are being dispelled.

There were some other glimmers of good news last week. In the housing market, the number of first-time buyers was the highest for 12 years at 785,000. Meanwhile owner occupancy grew for the second successive year to 64%, after 10 years of decline.

But life remains challenging for most people, as the latest insolvency figures show. Years of consumer prices exceeding wage growth are taking their toll, and the household savings ratio is just 3.8%, having tumbled two thirds since 2015.

So this week we seek to rely on a sensible and early outcome to the wrangles over Brexit so that people can at last start to plan ahead.

I have a lot of time for Sir Graham Brady. His pragmatic and measured approach has at last secured a majority in the House of Commons and, asked whether he thought Article 50 should be delayed for a short time, he replied ‘yes, but only when we have secured a deal with the EU’.

There is no deal at present, although the BBC seems to continually refer to EU grandees ‘not being prepared to re-open the deal’. A deal is not a deal unless both parties agree, and we’re not there yet. My guess is that it will be at 3 am on 30 March, which the EU will re-classify as 29 March: that’s their style, and we must outstare them.

But I think it will happen. The transition period will get underway and, in due course, a Canada-style free trade agreement will be agreed for a long-term relationship with the EU. It was good news to see a senior group of German businessmen and economists looking for a more pragmatic outcome last week. Hopefully then the EU will turn its attention to achieving political integration for the Eurozone in order to avoid a calamity much worse than Brexit.

The UK Government must then turn its attention to our own population and, in particular, put measures in place which will reverse the chronic decline in living standards. These will require:

- a new drive to bring about a more egalitarian form of capitalism, where everyone can share in the benefits of growth. We have written extensively about this in 2018: for example on 11 June, ‘Michael Gove meets Adam Smith’;
- looking seriously at the needs of young people, particularly the disadvantaged: supporting The Share Foundation’s drive to wake up the Child Trust Fund (28 January) with its £9 billion stored in individual accounts for six million children and young people, and helping us to re-link the accounts for the poorest families;
- taking a serious look at universal benefits to see how more focus can be put on those really in need (see 14 May & 18 June 2018).

There needs to be a new drive for business at all levels, but in particular small and medium-sized enterprises (7 January). These are the businesses which provide the lion’s share of employment, and they warrant special focus in the new world of global opportunities.

The UK has real strengths: we don’t riot in the streets; we don’t build walls between nations, we build bridges; our approach is to empower and to share our strengths as we have done across the world with the Commonwealth. One of the really impressive outcomes is the vibrant growth of India, drawn from its long relationship with Britain.

But we do need to attend to the needs of our own too, and to seek to rebalance the polarisation of wealth by giving real opportunity and empowerment.

Last Thursday I attended an evening talk with David Lloyd, the managing director of Alibaba Group in the UK, Ireland and the Nordics. Asked about how this Chinese tech giant was addressing wealth polarisation, he gave some really encouraging accounts of partnering with small businesses and helping rural communities to join in wealth creation, which in China has hitherto been so urban in character.

He spoke approvingly of Jack Ma's focus on developing a business which worked for the benefit of everyone, and with a customer base of 700 million people they are certainly in a position to make a difference.

Improving the lot of everyone is not just the role of government: it should be shared by everyone who can do their bit to make it happen. That's why The Share Foundation has launched its CTF Ambassadors initiative.

So let's build on this glimmer of light to make 2019 the turnaround year, after years of declining living standards.

Gavin Oldham

Share Radio