



Ronald Reagan's killer question: "Are you better off now than you were four years ago?"

An examination of household income trends under New Labour

- In the 1980 US presidential debates, Ronald Reagan asked the audience a simple question: "Are you better off now than you were four years ago?" According to Jody Powell, one of President Carter's aides, this question was instrumental in turning Carter's opinion poll lead into a major Reagan landslide over the following weekend.
- Asking the same question in the General Elections of 2001, 2005 and 2010 would have revealed that Labour did well electorally when household income went up and did less well when it stagnated.
- Between 1996/97 and 2000/01, ONS data shows that UK average weekly real income per household rose from £552 per week to £627 (at 2009/10 prices) – a compound growth rate of 3.2% a year. Real disposable income, likewise, rose by 3.1% per year.
- Between 2000/01 and 2004/05, average weekly real income per household and real disposable income both rose at a compound growth rate of 2.1% a year.
- However, between 2004/05 and 2009/10, household income stagnated. Average weekly gross income per household grew by just £1 in real terms between 2004/05 and 2009/10. This represents a compound growth rate of just 0.04% a year. Real weekly disposable income per household rose by just £4 a week over the same period, rising from £554 to £558 - a compound growth rate of just 0.18%.
- Following the last term of the Labour government, if Ronald Reagan's question "Are you better off now than you were four years ago?" were asked, the answer for many would be "No, not at all".
- Today, households are facing declining real income levels due to the combination of recessionary pressures and moderately high inflation. If the answer to Reagan's question is to be "Yes" in 2015, then a robust strategy for growth and the containment of inflation are both essential.

Table 1 - Average gross income per household and disposable income per household both stagnate

	WEEKLY INCOME PER HOUSEHOLD			
	CONSTANT PRICES (2009-10)		CURRENT PRICES	
	Gross income	Disposable income	Gross income	Disposable income
	£	£	£	£
1996-97	552	452	397	325
1997-98	567	462	421	343
1998-99	596	484	457	371
1999-00	617	502	480	391
2000-01	627	510	503	409
2001-02	664	544	541	442
2002-03	665	546	552	453
2003-04	668	544	570	464
2004-05	682	556	601	489
2005-06	682	554	616	500
2006-07	685	556	635	515
2007-08	682	552	659	534
2008-09	709	579	713	582
2009-10	683	558	683	558

Source: Table A47, Family Spending Survey 2009-10, ONS, 2011.