

MAYfly, BREXIT, THE ECONOMY AND THE SWP.

Theresa May claimed that she called the election having been inspired to do so while on a walk. This fairy tale, like the election, lies in ruins. As the Tory hierarchy fall out and individuals try to duck blame, the ugly truth is dribbling out of fiery arguments between those who saw the advantages of an election and those who saw the risks. Even key EU officials were consulted over the wisdom of this act. The fairy tale of the inspiring walk and the leader's idea was conjured up to prepare a presidential style campaign that backfired so spectacularly.

The need to build a presidential campaign was not an option but a necessity. The Conservative Party is riven by factions and divisions over Europe. After all it embodies the two competing wings of British capitalism. The financial wing that sees profit from being in the EU and the wing that sees profit from turning Britain into an offshore sweatshop freed from regulatory burden. May tried to rise above the fray, to become a strong Bonapartist leader able to not only hold the party together but to end the threat of UKIP as well. Winning many more Tory MPs was intended, not to make the party stronger, but her position unassailable. That is why she took the risk of calling the elections, not simply to win a larger majority. Weathering the Brexit storms in a boat where the rowers on either side are rowing in opposite directions, clearly requires a strong helmswoman.

The slogan *Strong and Stable* leadership was thus predictable. Its primary purpose was to reassure the country they were in safe hands, and secondarily, to show up the Labour Party where most MPs were snapping at the heel of its leader – Corbyn. It failed not because it was the wrong tactic, but because the character of May and the social conditions would not allow it. Firstly, Mayfly is not a stump politician, able to duck and dive, able to articulate policy on the hoof. She was aloof, wooden and absent. In the end, she proved to be brittle and haughty, a fatal combination. Her days were always numbered, hence the pre-election designation of MAYfly, a creature whose life is measured in hours.

But more importantly were the social conditions. May as home office minister must have had the secret police whispering in her ear describing the growing disaffection around austerity. The proof that she took heed of this information was the stylistic re-orientation of the Tory Party away from big business to “just about managing, hard working families”. This resulted in the small number of populist measures which only fooled her right-wingers who then went on to accuse her of turning her back on the market.

However, the core programme of the party remained austerity which can be summed up as public-sector cuts to fund tax give aways to the rich, but without increasing the budget deficit. In this sense, the programme of the Tory Party was the equivalent of a train riding on fixed rails in a definite direction and whatever little measures they offered amounted to no more than a wobble for some of the carriages. It did not amount to tearing up the rails and re-routing them.

Hence the Tory manifesto could not be anything else - but more of the same. This on its own did not make it toxic. For that to happen there needed to be an added ingredient – honesty. In the minds of the authors, the recent wound inflicted by the U-turn after the recent Budget over the raising of tax for the self-employed, still smarted. Emboldened by their feeling of invincibility (the polls suggested an additional 100 seat victory), they decided to come clean about the need to attack pensioners.

The government was aware that austerity had bled the unemployed, the disabled, the youth and public services dry. They needed a new victim. The only one left untouched were the pensioners. This was not a sudden assault. For the last 18 months, the media, especially the right-wing gutter press and the BBC, had singled out pensioners as being over privileged and undeserving, and that this came at the expense of other groups in society especially the youth. Of course, we had heard all this “divide

and rule” nonsense before in the context of the “benefit scroungers” living off hard working tax payers. The irony of a media calling on pensioners to vote Tory and therefore for their tormentor, is testament to the contempt these editors have for their readers and listeners.

Here then lay the ticking time bomb in the bosom of the Tory Manifesto. It blew up the moment the Manifesto was released in what came to be known as the “Dementia Tax”, which in turn was amplified by additional proposals to end the triple lock together with means testing the winter fuel allowance. The contradiction at the heart of the Tory party, that between its loyalty to the capitalist class while pretending to look after society, had exploded in their faces. In a day, Mayfly’s populist approach was shredded and far from being the woman of the people, she was revealed to millions as being more nasty than stable. (Note 1.) The Tory election campaign began to unravel.

But there was a bigger lesson to be learnt, not only by the Tories, but by those treacherous Labour MPs who continuously sneered at Corbyn, and it was this: after 8 years of austerity and falling standards of living, and faced with another 8 years of the same, whole sections of British Society could and would no longer tolerate this state of affairs. This is the material conditions that gave life to the Corbyn effect. Corbyn became the lightning rod for this disaffection during the election. It was this grinding austerity that ensured Brexit would not dominate the concerns around the election and its outcome.

Much has been written of May now being in “office rather than power”, of being on “death row” of being a Prime Minister stripped of authority. The only thing keeping her in office is a terrified Tory Party who know that if she falls, triggering another election, they will lose it convincingly despite polling 43% of the vote this time. Already, opinion polls put Labour ahead by 6 points. Within the space of a week, the Tory Party has moved from a party oozing confidence to a discredited party skulking around doing dirty deals in order to hold on to power. The joy of witnessing the Tory Party in disarray pressurised by a popular movement against austerity, is only matched by the disgust of watching Labour MPs, councillors and journalists who once stabbed Corbyn in the back, now lining up to shake his hand.

THE SWP.

The SWP continues to give Marxism a bad name and to propose counter-productive tactics that will alienate them from the best in British society and render them ever more irrelevant. This follows the absence of a thorough going debate about their position on Brexit which they continue to support in their opportunist way. The SWP remain in denial. In their article: “*Anti-Tory vote was no revolt of Remainers*” by Tomáš Tengely-Evans Published Fri 9 Jun 2017 Issue No. 2558. The article is misinformed. In areas that voted Remain, Labour’s support grew by 4% and in areas that voted Leave it fell by 1%. In other words, the shift in support from the Tories to Labour occurred in the Remain areas. This is consistent with the fact that Labour gained a majority of urban votes and the Tories a majority of rural votes not dissimilar to what happened in the US with Trump’s voters.

The urban votes are decisive unless one thinks that the “political cretinism of the countryside” is baseless or that pensioners trapped at home and held hostage by their televisions are making informed decisions. The vote may not have been a revenge vote, but the core mobilisation behind Corbyn was certainly composed of those who are supportive of retaining links with the EU. They were the ones most open to Corbyn’s “Socialist Programme” (really a Keynesian social democratic programme). Far from being opposed, the Labour Programme and support for Europe are compatible. Of one thing we can be sure; “a hard Brexit” is dead and buried and with it, UKIP.

It is likely that as Momentum grows and if it takes to the streets, the political space available to the SWP will continue to shrink. What Corbyn has unleashed is not an electoral machine, but a movement. What happens to this movement is the single most important consideration for the immediate future. If it remains tied to the apron strings of the Labour Party and is subordinated to the electoral whims of the bureaucracy it will dissipate. If on the other hand it goes beyond electoral politics, if it supports workers in struggle, if it revives student protests, if it leads the fight against privatisation, if it organises in the community, if it builds solidarity between all sections of workers including between the youth and the elderly who are going to be under siege, it can change Britain.

Our position is not informed by which state is worst, the British state or the EU state. Both are. Our position on BREXIT or LEXIT or GETIT is not a beauty competition between states. It is about resisting a process. Under conditions of economic stress, centrifugal forces are always unleashed within capitalist society. Beginning in 2008, capitalism has struggled to survive and has done so by burdening its state with debt and immiserating its working class (outside of China). This has intensified competition in the labour market particularly in Europe and the USA, where employers have deployed the international reserve army of labour against their own workers.

The result has been a reaction amongst the most vulnerable sections of the working class against globalisation in general and against immigration in particular. This was the setting for BREXIT. Marxists needed to oppose BREXIT because the centrifugal forces unleashed by a moribund capitalist system always results in counter-revolutionary consequences. All other considerations are insignificant. It was pathetic to see the SWP jumping on the BREXIT train wearing their LEXIT T-shirts, trying to get into the driving compartment and when finding it barred to them, running backwards down the train thinking this would somehow slow it down, only to find themselves trapped in the rear compartment as the train pulled into xenophobic land.

It was incumbent on Marxists to stand against the tide. To point out that the enemy was within, the capitalist class, and not without, immigrants. While we do not advocate economic migration, we do not support immigration controls. Just as we would advise workers working in a company which is exploiting them, to stay and unionise that factory to improve conditions, so we would advise workers to remain in their countries and to fight for power. Just as jumping from company to company, hoping to find a better employer, does not change anything, so jumping from country to country leaves the old conditions unchanged.

This is the correct orientation to this vexing question, one which constitutes the biggest political problem facing the international working class. It was also the cornerstone of the Leave vote. Any support for Leave, in whatever guise, deepened the wounds in the European working class. As for the other reasons the SWP put forward, that the EU was Fortress Europe, that the EU would prevent nationalisations, etc. it was just waffle.

Nowhere is the reactionary fallout of the Brexit vote most apparent than in the 6 Counties of Ireland. Here it has already brought down the power sharing arrangement. Now the Tories are lining up with the most reactionary element in this part of the world, the DUP (linked as it is to loyalist terrorists). This is likely the reignite sectarianism driving Irish workers apart once again.

What the SWP has succeeded in doing is to cut itself off from the most progressive elements in the working class on whose backs the future rests and who have been inspired and stirred by Corbyn. It was always going to be the case, that as the economic consequences of Brexit made itself felt, the mood would shift against leaving the EU. In any case far from "Brexit meaning Brexit", it is unclear who won the referendum. If Lord Ashcroft's polling is correct, 8% of those who voted did so purely as

a political protest and under the expectation that Britain would not leave the EU. It is likely that with the smoke around this election dissipating, polls will show more and more support for staying in one form or another, particularly if the UK and European grandees can agree some modification to the EU's freedom of movement or progress towards that goal.

What is true is that all the arguments that we will be better off after Brexit are without foundation. Workers no longer buy this. The only people who will be better off are the group of capitalists who will be able to exploit their workers with impunity (who now believes the Tories that they will maintain regulations) and those multinational corporations who will base themselves here because corporation tax will be non-existent. Even Corbyn is to be criticised when he too claimed we could be better off after the negotiations with the EU in order to support Labour's fudge on Brexit during the elections.

However, mark this, the argument to stay because it was economically beneficial for workers to do so, was not the central Marxist argument to support Remain. If it was, we would be arguing that it would be wise for workers to take a wage cut to save their job during a downturn. Rather, this perspective is deployed simply to underlie the fact that it is difficult to engage with workers when your advice harms them and when they know that Brexit means economic hardship.

In time, those who supported Brexit in whatever form including the left spinning Lexit will be shown to have acted against the interests of the international working class. This includes the SWP. SWP members can continue to wave their LEXIT banners but if they do, it will be from the side lines of history.

THE UK ECONOMY.

There was never going to be a "Hard Brexit" or a "Take it or Leave it Brexit". This was a negotiating gambit, a political lure, a sparkling piece of propaganda designed to reel in the gullible, especially UKIP voters. If May emphasised this position it was only to exploit it now in order to reverse it at a later date. The Tories would never jeopardise the economic jewel in the crown, the City of London. Until recently 40% of the world's finances flowed through the City. The City was truly the Clapham Junction of global finance.

Nor did the capitalist class ever believe in a "Hard Brexit". If they did the UK economy would be economic toast by now. They always knew there would be a soft deal. The whole election was called precisely to achieve this goal while defanging the hard Brexiteers, those still suckling on the sour teat of British history. The paradox is that this hung parliament achieves the same result. Hard Brexit is off the table because the majority of MPs, both within the Tory party (Scottish) and outside the Tory party, now openly support some form of relationship with Europe.

To that extent, a hung parliament does not change high finance's view of the economy and its relation to Europe. What really concerns it is the movement against austerity. Here the British economy is vulnerable. The government is still running a sizeable budget deficit and Britain has the biggest balance of payments deficit of any G7 country. It is therefore highly dependent on foreign capital.

A hung parliament makes it more difficult to enforce austerity given that the DUP is soft on pensioners. However, the Tories can still count on the fiscally conservative Lib Dems to pass a budget if push comes to shove. The mathematics do not rule out a budget aimed at reducing the deficit. Therefore, the political crisis thrown up by this election is overstated. Negotiations with Europe will proceed and a less austere budget passed. When the dust has settled, Theresa May will be quietly replaced.

What will dictate the course of events is of course the world economy. The EU lathered by free money is increasing its economic tempo. Gone are the days when the British economy was outgrowing the

“basket case” EU. In addition, the faster EU growth will strengthen the case for a soft deal between the EU and Britain. Japan remains stable.

On the negative side, the world’s top two economies, China and the USA are falling back. The USA could only manage 1.2% growth in the first quarter and then only due to a massive revision of construction due to unusually warm weather. Expectations of a bounce back this quarter are rapidly fading especially if retail sales fall short this week. Already the stock market is experiencing a bout of nerves as its key FANG (Facebook, Apple, Google, etc.) corporations unexpectedly retreat. Finally, against expectations, pre-tax corporate profits fell in the first quarter compared to the previous one and they remain 10% below its 2014/4 peak. Profitability for the quarter, despite all the financial engineering and the boost from oil, stagnated. No rebound is now expected for the second quarter. FactSet’s earnings insight (June 2) already revises S&P profits down by 25% since their March 30th estimate and this was before the recent plunge in oil prices below \$50. The high valuations for shares rests on increasingly fragile foundations held up by the scaffolding provided by low interest rates.

On the other side of the Pacific, China’s economy continues to deflate. Though the OECD and the IMF uprated the world economy over the last few weeks, this looks premature. For the first time, China is experiencing a credit crunch. There is now an **interest rate inversion** as short-term interest rates spike above long-term interest rates. When this has happened in western economies it has always been associated with the emergence of a recession.

However, all the pundits, having had their fingers burnt so often calling a recession in China, cite the confounding special circumstances in China, namely that all the major banks are state owned. It is assumed that these banks and their close association with the (rich) Peoples Bank of China have the means of flooding the market with liquidity and therefore avoiding the chain of credit shattering, especially in the run up to the all-important congress of the Chinese Coputalist Party later this year. Four things are clear. Firstly, it is likely a credit crunch will be delayed once again. Secondly that it is becoming increasingly difficult and costly to do so. Thirdly, that even if the crunch is avoided it will be at the expense of expanded production especially construction which is already sagging. Fourthly, that it will weaken the hold of the state on the economy and strengthen the hand of the liberalisers.

The six-month reflationary period, courtesy of the Trump bump and housing in China is already over. The world economy on balance is a negative for Britain. The falling Pound has not boosted exports and financial flows are subsiding.

Finally, the Trump Bump as it has come to be called provides a salutary lesson for the Labour Manifesto. As soon as expectations of increased spending were revived in the USA after the Trump election, the interest rate on 10-year treasury bonds almost doubled to a peak of 2.62%. Though low by historical standards this was sufficient to tank housing and the car market. And Trump as a neo-liberal nationalist Republican, was seen as a friendly to the markets.

Imagine how the markets will receive a Labour government and its programme of expanded social investment in a country dependent on foreign capital. Interest rates will spike as they did in the USA only more so. The overarching fact dominating the world economy, is that it is an economy dependent on low interest rates whose only driver is speculative bubbles. If the US economy could not cope with a mere 1% increase in interest rates it is unlikely that the British economy will.

(Note 1.) There is a lesson here. The ruling class will always attack the working class a section at a time. If no one comes to the aid of a beleaguered section like the unemployed and the disabled they will move on to the next victim, in this case the pensioners. If we are to defend ourselves we need to be united. This election, with its

large youth vote, demonstrates the anger much of the cosmopolitan youth feel towards those who retired, especially over the hijacking of their futures by patriotic pensioners during the referendum vote.