

NOT SO MUCH OVEN READY AS READY MADE CURTAINS FOR MR JOHNSON.

Something interesting is happening in capitalist governance. The capitalist class is closing ranks, regularising and professionalising its rule by squeezing out the populist fools. Instinctively they recognise the class battles which lie ahead and they can no longer tolerate those who flippantly raise the aspirations of the masses and then misgovern.

Beware, Mr Johnson, look at the fate of Arlene Foster. The attack on Boris Johnson is not about wallpaper in Number 10, nor is it about “thousands of bodies in the street”, or about sleaze, or even cronyism, it is all about Brexit. All the other issues, though fluorescent, are localised. Brexit on the other hand goes to the heart of the economy and the future of the country. When Messrs Johnson, Gove and Cummings were doing their lying utmost during the referendum one wonders if they ever thought even for one second, whether their actions would have consequences one day. That someone would have to take responsibility for the failure of Brexit.

One fact stands out. It is this. The willingness by the capitalist class and their media to have this bun fight just before important elections in early May, shows how seriously they take Johnson’s transgressions. The curtain is coming down on Johnson.

No doubt Arlene Foster will blame Johnson for misleading her and the Unionist Community. But who will Johnson blame, the bus or perhaps Rupert Murdoch or the Barclay Brothers and the other tax dodging billionaire Brexit supporters. One wonders. But now the Brexit pain is becoming unbearable, political blood will be spilt. The capitalist class was never going to take kindly to the ruination of their economy nor the jewel in their crown, the City of London, being taken hostage. The long-term loss to the economy of 7%, 4% due to Brexit and 3% to the Pandemic would hobble any economy let alone one with the structural problems found in the UK.

Johnson has been cavalier with the British economy; promising the electorate the open road lies just ahead, while in the meantime, deepening potholes causes the car’s chassis to disintegrate on the way. Johnson has managed to not only antagonise the EU, he has also antagonised China. Cosying up to the US will not help because the Biden administration is focused on fixing the rotting US economy, not on bailing out Britain.

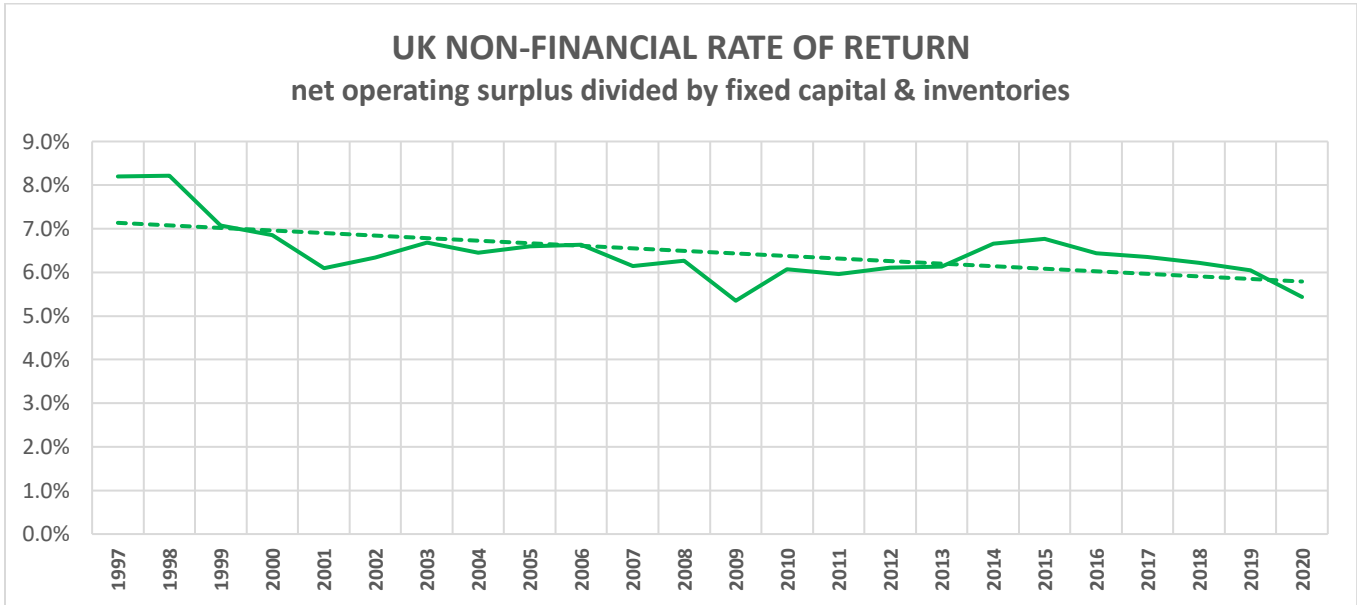
Additionally, Johnson’s banning of flights from India may have allowed the Indian variants to gain a foothold in Britain. Johnson delayed restricting flights from India, no doubt to curry favour with India. But just as Johnson is a dead duck so too is Modi. The age of the populist is at an end. Time will tell if India has unleashed a further severe wave in the form of the B.1.617 variant (really the Bollywood variant as one part derives from California the other from India). The scientific jury is out, but what is known already is that this variant induces pneumonia in less than half the time taken by the original variant.

The road ahead for capitalism is rocky indeed. The Chip shortage in the world shows what happens when a country deliberately wrecks supply chains for nationalistic ends. Behind the Chip shortage lies the economic war waged on China by the USA. But it does not end with Chips. Many more product supply chains are stressed, and the global freight industry is reeling from the panicked relocation and reordering of supply chains because of this economic war. And of all the major economies, it is Britain with its added Brexit barriers, which is most vulnerable.

The net result is a sharp rise in the cost of intermediate goods and freight rates. This will undoubtedly bear down on profit margins. And this is happening against a background and at a time when global rates of profit have been falling year on year for a number of years. What was happening in the USA (2014) and China (2013) also began to occur in Britain after 2015 as the graph below shows. Up to 2014-15 globalisation benefited the UK economy as it did the global economy, but after that the potential of globalisation was exhausted with China no longer being content to be a mere contract manufacturer.

I have provided two graphs. One is my adjusted graph which divides the net surplus by gross capital stock plus inventory the other is the official rates provided by the Office for National Statistics or ONS. Neither is satisfactory because the ONS uses current cost as the base for depreciation rather than historical cost. The effective rate lies somewhere between the two graphs. However, all graphs show the same trends. In both graphs, the 2020 profit rates matched the post war lows found in 2009.

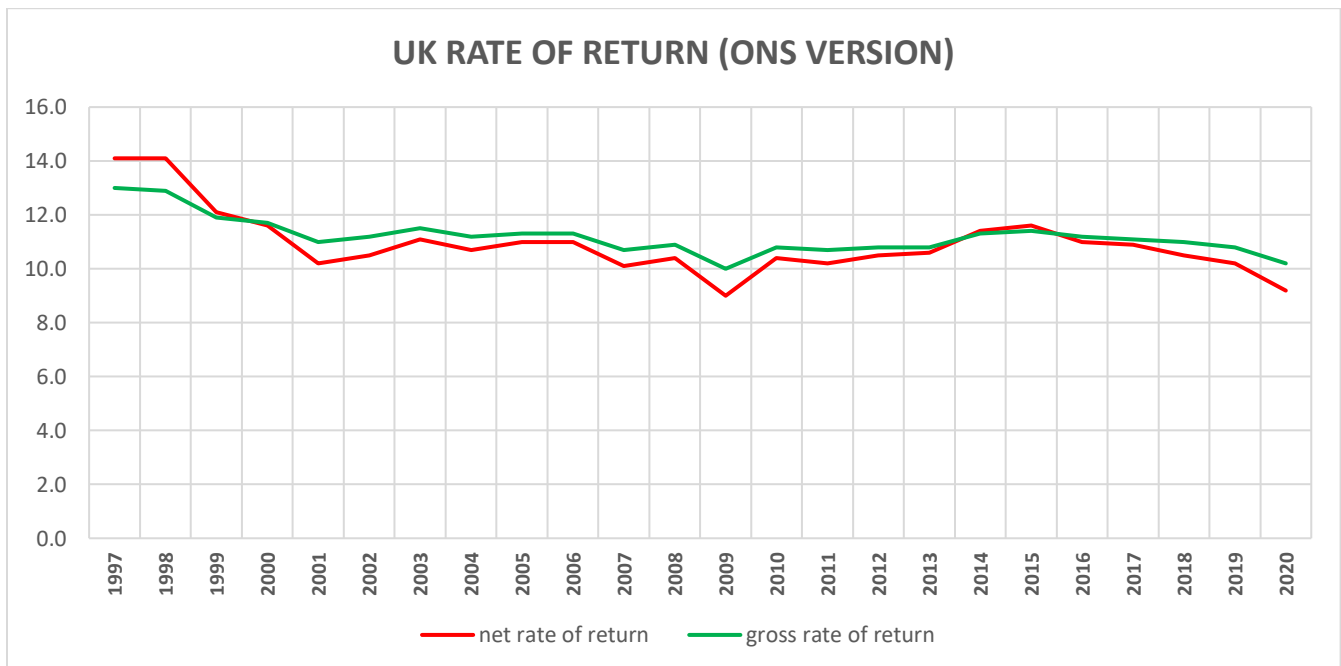
Graph 1.



(Source: see link below. Note 4. Table 1 "Gross capital employed (denominator: Value of fixed assets at current replacement cost plus the book value of inventories held in United Kingdom")

<https://www.ons.gov.uk/economy/nationalaccounts/uksectoraccounts/datasets/profitabilityofukcompaniesreferencetable>

Graph 2.



Conclusion.

While we are allowed to view the ructions around No. 10 and the capitalist class with glee, we should not overdo this. In effect the capitalist class is closing ranks and regimenting the state. It is purging the disruptive political dross. They recognise that neo-liberalism has hollowed out and corroded society, leading not only to instability, but by raising the cost of production through compromising the health of society and its infrastructure, both physical and intellectual, it is interfering with the production of profits.

In the future we can expect to meet a more formidable foe.

Brian Green. 29th April 2021.