

HEATING or EATING or TREATING?

The time was always going to come when the Tory's lies would be exposed. There are lies and there are lies, and then there is deceit. Populism is the botulism of the working class. It infects class consciousness, lowers class resistance, and often leads to political hallucinations. However, like all diseases, it can build immunity. Populism unlike religion is not a revivalist movement.

The Tories have just torn up their Manifesto. But not at the expense of their paymasters. Deceit is political suicide, but like the threat of hell, it does not deter sinners or politicians from sinning over and over again. Deceit is that special set of lies made in the knowledge that it will hurt rather than help those enticed by it. Those that deceive truly invite and deserve the hell that will be unleashed on them when their victims recognize how they have been used and deceived. And no one deserves it more than the one they call Boris Johnson the contrived artful dodger.

Tax rises are to fall on the most osteoporotic shoulders, the ones most likely to break. The broadest shoulders, those wearing silk suites, walk away smirking. Since the 1980s taxes have been loaded onto payroll taxes (N.I.), indirect taxes especially sales taxes (VAT) and local taxes such as council tax. This has allowed the Tories to reduce income taxes for the rich together with the taxes on their corporations. In short, while there has been redistribution, it has been upwards. This can be seen in the table below. Pay specific attention to non-existent Capital Gains Tax. What an earner for the spiffs and speculators.

Table 1.

NATURE OF TAX	AMOUNT	PERCENTAGE %	% paid by workers	% paid by top 10%
Personal Tax	£85.8 bn	36.6%	26.4%	10.2%
VAT	£63.9 bn	27.2%	22.4%	4.8%
National Insurance	£62.4 bn	26.6%	18.7%	7.9%
Council Tax	£16.2 bn	6.9%	5.9%	1.0%
Corporation Tax	\$4 bn	1.7%		1.7%
Self-Assessment	£2.18 bn	0.9%	0.4% (estimate)	0.5% (estimate)
Capital Gains	£0.14 bn	0.05%		0.05%
TOTAL	£234.62 bn	100%	73.8% (£173.1 bn)	26.2% (£61.5 bn)

<https://www.ons.gov.uk/economy/governmentpublicsectorandtaxes/publicsectorfinance>

(Also, see attached spreadsheet. 'dispersion of UK taxes', Table 4a & 2c)

The take from National Insurance has more than trebled from the 1950s when last the government was paying for a catastrophe, namely the Second world War. This tax falls more heavily on workers because it is capped at £52,270 currently. Modern sales taxes (VAT) since inception has risen by 50% in relative terms, which again falls most heavily on workers as a share of income. The corporate tax rate which used to be 50% as recently as the 1960s, has been reduced to 19% and that is before loopholes. The PCS (Public & Commercial Services) Union estimated that £120 billion in tax dodging occurs each year. The scale of tax avoidance by the rich indicates it is impossible to tax them without overthrowing them. What the figures show is that contrary to popular belief, the top 10% pay a lower tax as a share of their income. Whereas their income is 27.8% of the total, they only pay 24.5% (net of corporate tax) of total taxes, whereas the bottom 90% pay 73.8% of total taxes on their 72.2% share of income. Bottoms up, cheers.

Then there are the cuts. The Tories are determined to use their cruel benefit system to drive workers into the labour market to do the bosses bidding. They know that destitution is needed to hold down pay and preserve inhuman working conditions. *“Since 2007–08, incomes of poor households have been pushed up by significant reductions in worklessness. The fraction of low-income people (excluding pensioners) who live in a workless household has fallen from 45% in 2007–08 to 33% in 2019–20. This boosted incomes at a time when cuts to working-age benefit entitlements (since 2010) have pushed in the other direction.”* <https://ifs.org.uk/publications/15512> This reduction in workless households, as we shall see below, has not reduced relative poverty because the fall in benefits outweighed the increases in employment.

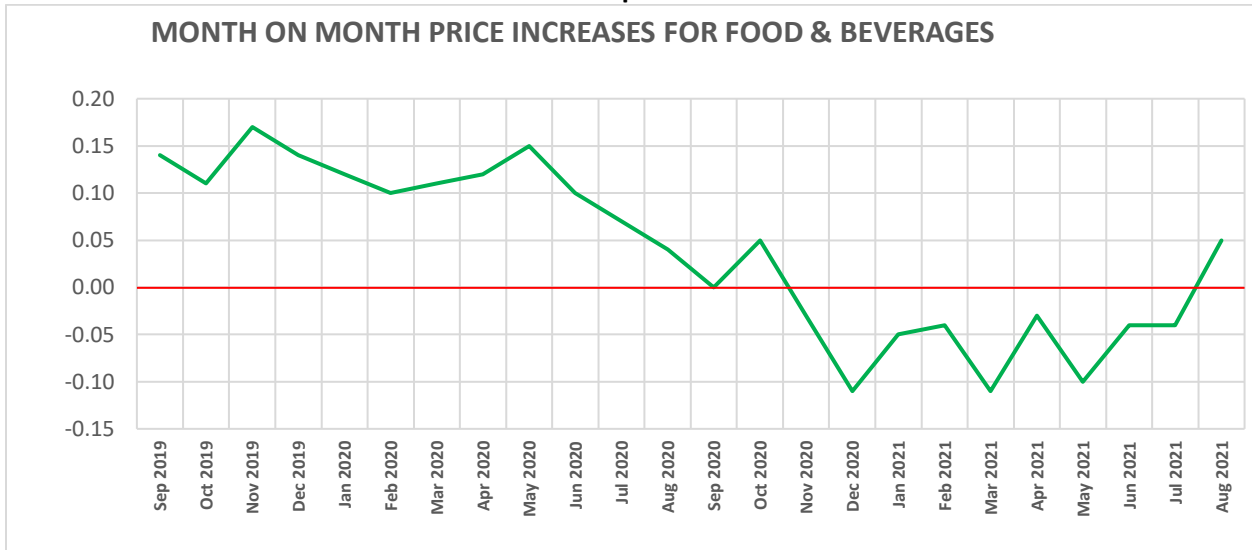
For every £1 a claimant on Universal Credit earns they only hold on to 37 pence. Effectively their tax rate is 67%. The £20 cut to Universal Credit will deepen this poverty. Thérèse Coffey the ignoramus in charge of the DWP (Department of Works and Pensions) claimed that £20 could be made up with about 2 hours of extra work a week. Firstly, your employer if you have one, has to agree to extra hours. Secondly, the figure of 2 hours is mischievous. For most workers on UC it will take an extra 6 – 9, not 2 hours, to compensate for this cut because of the 67% tax rate and other offsets. (Source: “More or Less” Radio 4 BBC)

Since it was instituted in 2016, the benefit freeze which lasted until 2020, by its end, cost claimants at least £800 a year because of cumulative inflation. The £20 per week “Pandemic Uplift” barely reversed that. In reality, the Uplift merely returned claimants to the already inadequate levels of income found in 2016. Thus when the Tories boast about the generosity of this uplift and how it is now no longer necessary because jobs beckon, they are lying through their teeth. The Benefit System has in fact helped to increase the poverty of the entire working class through its depressive effect on wages. *“The fraction of non-pensioners in relative poverty who live in a working household rose from 56% to 67% between 2007–08 and 2019–20. This was due to a combination of more households with someone in work and a rising rate of poverty among such households.”* <https://ifs.org.uk/publications/15512> Two out of every three households now live in poverty despite the government claiming finding work is the pathway out of poverty. No its not, not when the government claws back two thirds of what a claimant earns. You can only fool some of the workers some of the time even with the Murdoch press behind you.

Then there is inflation. The ONS or Office for National Statistics should be renamed the OKNS or the Office for North Korean Statistics when it comes to its estimates for inflation and employment. Only the Japanese Bureau seems to be more off-planet. Despite Brexit, Britain’s inflation rate sits only in the middle of the G7 scale. https://www.yardeni.com/pub/infltrglb_bb.pdf

The two biggest elements of the consumer basket for claimants and for impoverished working class households are food and energy. According to the latest data from the ONS, the month on month increase in food prices was marginal. This was the first rise since November 2020 since when prices allegedly have been falling. This simply does not jive with workers experience of food prices. This data represents tarnished state propaganda. It’s about as honest as shrinkflation.

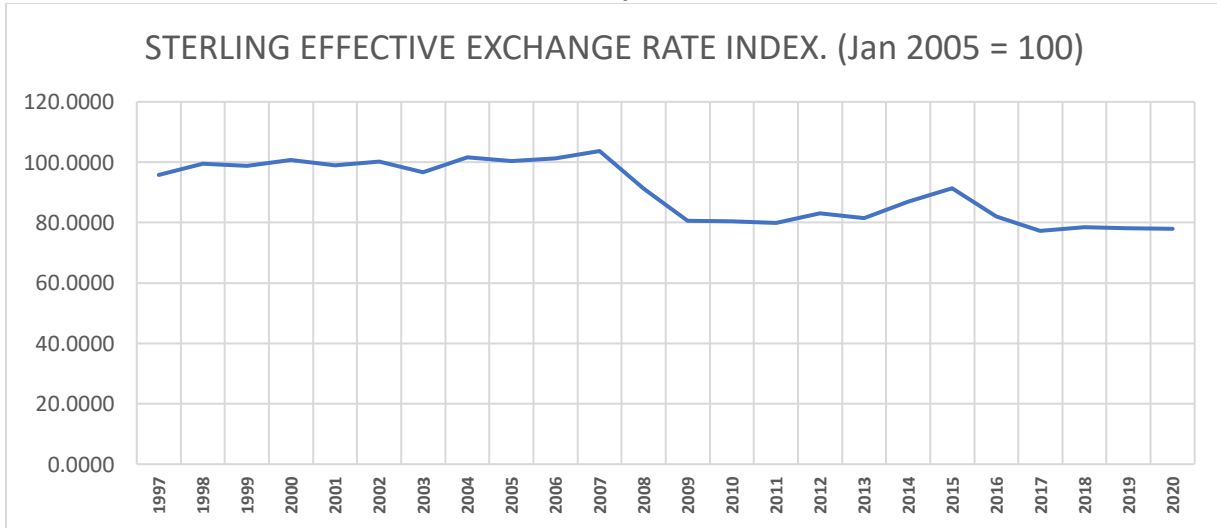
Graph 1.



<https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/latest>

Nor can these recent tame price rises be explained by any significant appreciation of Sterling, which would have reduced the costs of the food and energy imported into this country, because imports provide the bulk of the food and energy consumed here. (HSBC estimates up to 80% of food consumed in 2019 was imported when ingredients are added in.) There has simply been no significant appreciation in Sterling.

Graph 2.



(Source ONS Tables CDID BK67)

It seems looking at ONS data that food and energy prices are joined by the hip. Energy prices up to August barely moved. Admittedly these figures are backward looking, but nonetheless they were already clearly understated. This deflation of inflation may have an ulterior political motive. It has the virtue of restraining state pension rises because the CPI is one of the factors entering into the determination of the annual increase in the state pension. Should it exceed 2.5% which it did in August, then it would raise pensions next year in excess of the lower guaranteed minimum of 2.5%.

Prices catch fire. However, this month it was all change. Gas prices suddenly exploded. It was always envisaged that the cap on household energy bills would rise by up to £153 in October, but what is happening now is that energy prices are doubling. And worse, shortages in international and national food supply chains are adding to price rises. The working poor in this country are being mangled by stampeding prices, cuts to benefits, and impending rises in National Insurance as well as Council Taxes.

It is a recipe for workers anger' exploding in turn. Why should workers pay for the greed and incompetence of this government or a future one headed by the loyal Starmer who in February was still opposing a wealth tax? <https://skwawkbox.org/2021/02/26/poll-shows-starmers-really-got-his-finger-on-the-pulse-in-opposing-corporation-and-wealth-tax-rises/> First came the pandemic, followed by hunger and cold. Johnson offered workers a Global Britain, instead they got a Doleful Britain.

It is a “perfect storm” says the Citizens Advice Bureau, although falling through a trap door into the dark and cold would be a better metaphor. Already 2 million households are behind in their utility payments. “Go speak to your provider” is all the government can offer, provided your provider has not gone bust. A further 6 million households agonize about how to pay their heating and lighting bills. And mark, this study was released by the CAB in early August before gas prices exploded. <https://www.citizensadvice.org.uk/about-us/about-us1/media/press-releases/citizens-advice-warns-of-perfect-storm-of-energy-bill-rises-and-universal-credit-cut/>

Already a third of UK families are in financial crisis. Once again, the agonizing choice between Heating or Eating is raising its callous head. Only this time the financial shock is so great that it's likely that for countless thousands of families it will not be a choice; they are going to be going hungry and cold this winter.

Boris Johnson wept crocodile tears at the onset of the pandemic when his first proposal, to let Covid rip in order to build herd immunity while keeping the economy open, blew up in his face. The reason, which he was oblivious to because of his remote perch, was how poor the overall health of the UK population was. In reality 40% of forty year olds were chronically ill rising to 60% for 60 year olds. Truly a viral feast. Shocked, he declared his intention to build back better, which included improving the overall health of the nation. This £20 cut, which in the end will affect not 6 million, but 8 million claimants and their families as unemployment rises, multiplied by rampaging price inflation, will make an unhealthy nation even more unhealthy, both physically and mentally.

Which is why tagging on “treating” to the slogan is so important. Throughout the pandemic the dominant slogan was “Protect the NHS”. Well you protect the NHS in two ways. Firstly, you reverse privatization which is consuming the NHS from within. Secondly, you protect it from without, through preventative measures which in the end boils down to a well-nourished society which is comfortably housed and financially secure. The opposite of what the Tories are enacting. There will never be enough money for health services in a society where the general health of the population is deteriorating. The MBA trained clerks in the Treasury, glued to their ledgers and fixated by the deficit, don't understand that saving £6 billion in UC payments will cost a lot more because of its future health impacts.

Dislocated supply chains.

International supply chains can be compared to railway lines entering terminuses. Often, because of cost cutting, there is only a single track which can be closed by a tree falling across the line as happened with

a single component factory in Thailand. And of course, directing this web of tracks requires the most complex signaling (computing) network ever devised by human beings, choreography on an epic scale.

The terminuses (end users) are generally the large global corporations with well recognised brand names who either engage in final assembling or distributing as in the case of supermarkets. These large monopolies hold the whip hand. Most of the suppliers who feed the supply chains with food, parts and components are smaller corporations dependent on these monopolies. There are only two exceptions. The large mining corporations which include oil, and the two FAB companies (STMC & Samsung) which provide much of the computer chips used in products around the world.

Global supply chains emerged because of the depressed global rate of profit in the 1980s. Not because they were a good idea waiting to happen. They became a counter-vailing factor helping to restore the rate of profit because they reduced circulating capital dramatically in three distinct ways. Firstly, just in time, the driver in these chains, reduced the amount of inventory. Thus less capital needed to be laid out because fewer components or materials were in the pipeline and also less warehousing space was needed by the end users. Secondly end users obtained credit from suppliers so reducing the need to raise their own credit were these supplies to be produced in house. Thirdly, just in time improved the production process and productivity because workers did not have to step around inventories clogging up aisles.

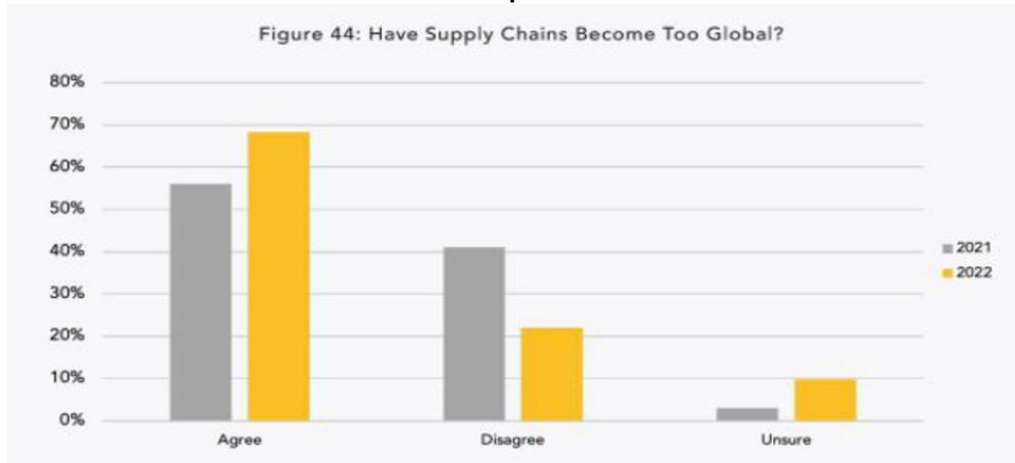
From the communist point of view, this is merely the deepening of the socialization of production. It represents an attempt to overcome the barriers of private property and borders to achieve the maximum efficiencies. Something to be welcomed when stripped of its aberrations. And it is these aberrations which have dislocated the supply chains under the pressure of Covid.

It was often said that the health services around the world were under-resourced for a pandemic. The same can be said for the supply chains. The reason for both is the same. It would have cost money or capital to do so, capital which could have been productively applied elsewhere, such as buying back shares. It was more profitable to keep the supply chains mean and lean. The problem with lean and mean is that this is ok when times are a-plenty, but when famine strikes, and there is no fat, things can and will go seriously wrong. Thus it was always going to be the case, that within the capitalist realm, the pleasing of investors with short-term profits, was going to cost them dearly in the end. And it has.

The Chump Oscar once again goes to Britain. In 2018, Centrica the leading gas supplier, closed its *Rough* undersea gas storage facility in order to rely on the European gas interconnector. This was the UK's sole remaining seasonal storage facility. This reduced the UK's share of gas storage to just 1% of the European total. In addition Centrica looked to LNG shipments if all else failed. They mistook LNG to mean Liquified Natural Gas instead of what it really meant; Look No Gas. Of course the UK government did not take over this strategic facility which it should have, instead it bowed to the cleverness of the market.

But it is not only the Pandemic that has shunted supply chains into the sidings. In a sense, the pandemic came at exactly the wrong time. Beginning in early 2018 with solar panels, Trump started to hack at the supply chains centered on China. This escalated throughout 2019. His purpose; to divert the supply chains away from China as well as centering them closer to home, if not at home. He seems to have won the argument.

Graph 3.

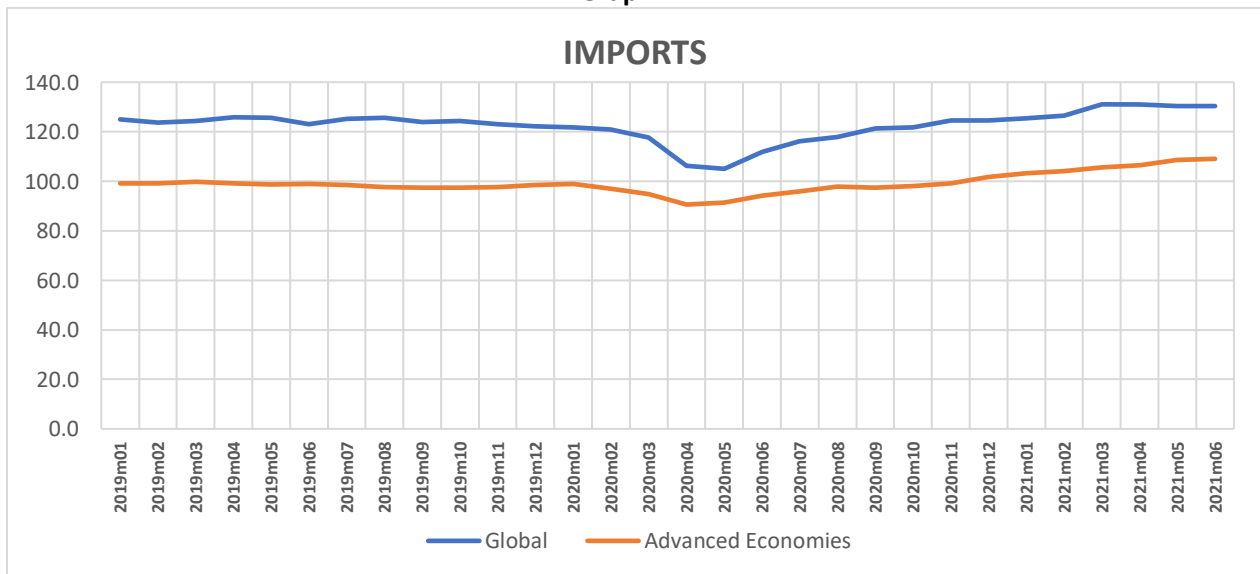


<https://www.forbes.com/sites/garthfriesen/2021/09/03/no-end-in-sight-for-the-covid-led-global-supply-chain-disruption/?sh=f7f0d613491f> (The time-line is 2020 and 2021, not 2021 and 2022.)

The above graph is taken from a Forbes article which appeared recently, so it embodies experiences of the pandemic itself, indicating that global CEOs and CFOs have been won over to the idea of relocating supply chains. Whatever their views now, in the two years running up to the pandemic, supply chains became disorganized and vulnerable. Additionally, strategic hoarding started to take place, particularly in China, and particularly focused on computer chips, which was to play havoc with production in 2021.

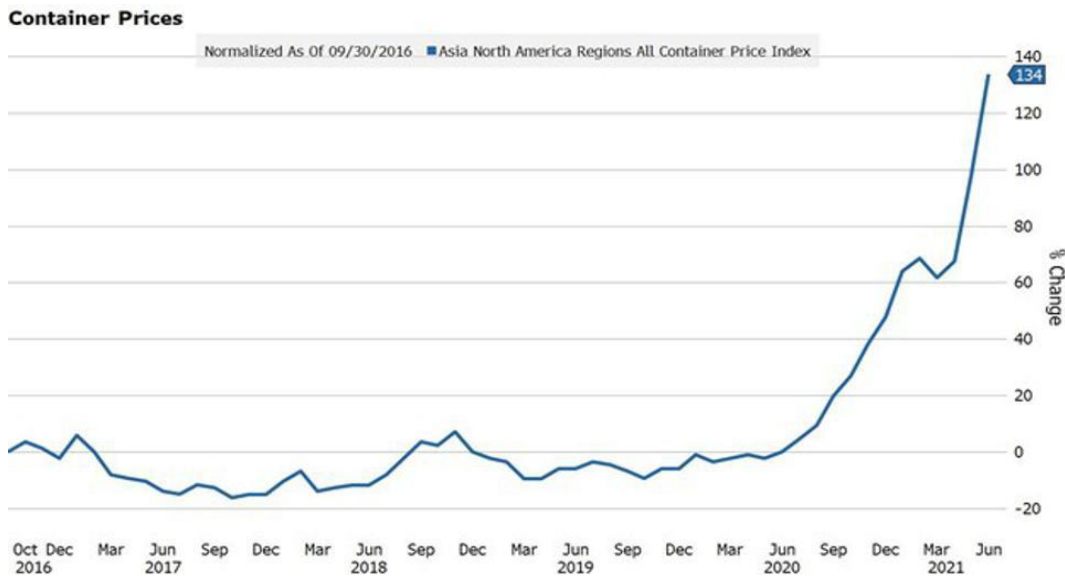
This re-organizing of supply chains will come at a cost. They are being re-organized to make them more robust and responsive. This restructuring will weigh on margins. Some of those corporations which favour “closer to market supply chains” are looking ahead to the internet of things and smart adaptive manufacturing to compensate for lower labour costs abroad. The jury is still out whether these advantages will materialize. However, despite this disruption, it is still difficult to account for the scale of the dislocation, particularly when import levels are not extraordinarily elevated as the graph below, taken from the CPB World Trade Monitor, shows. At least that was the picture until June.

Graph 4.



Shipping costs have multiplied since the middle of 2020. There are additional factors for this. The emergency which saw China pumping out PPE (personal protection equipment such as masks) left containers stranded in the wrong place. Despite making super profits, the shipping lines could not be bothered to divert their ships to collect empty containers and return them to where they were most needed. Whether this was deliberate or not it produced a shortage of containers and therefore a pretext for jacking up their prices. One interesting fact, FactSet's latest projection for profits in Quarter 3 which analyses Corporate forward looking statements, finds that most believe they will benefit from inflation rather than be hurt by it. We shall see. Seems it's snouts in the trough then and let the poor pay.

Graph 5. (Source: Bloomberg)



But what caused the shipping bottlenecks to endure was not missing containers but missing workers. It seems that time away from work had allowed transport and warehouse staff to reflect on their working conditions and pay. In the run up to the pandemic, end users had squeezed their suppliers and transport networks, which in turn forced these employers to squeeze their own drivers and packers. The result is that many did not return to work, at least not for the initial wages on offer.

Indeed the labour market today has a split personality. There is a shortage of workers in the lower paid areas of the economy, and a glut of workers in the higher paid areas of the economy especially office workers. The former is due in part to a lack of investment in transport, while in the latter, the cheaper investment in machine learning has reduced the demand for clerical work. However, in the end it is the workers producing and handling goods who get these goods onto shop shelves and Amazon vans.

What is compelling is how interconnected production and distribution has become. A problem here or a problem there leads to a cascading effect which is dramatized by the lack of redundancy (spare capacity) or what is the same thing, the lack of buffers. The disorganization of the supply chains has given new meaning to Chaos Theory, but in this case the math's is simple, all we need to do is minus out capitalism.

Brian Green, 22nd September 2021.