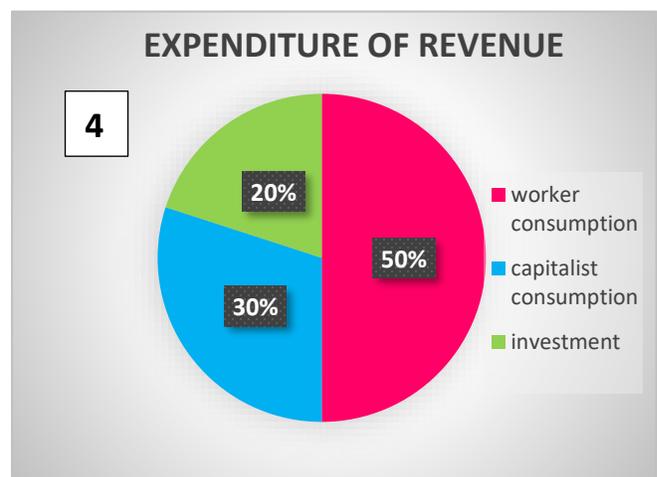
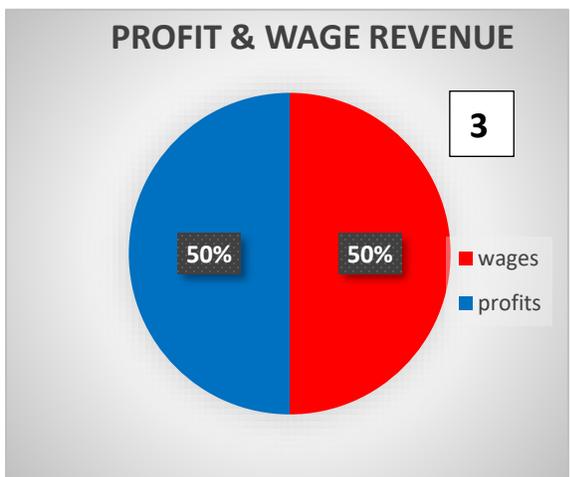
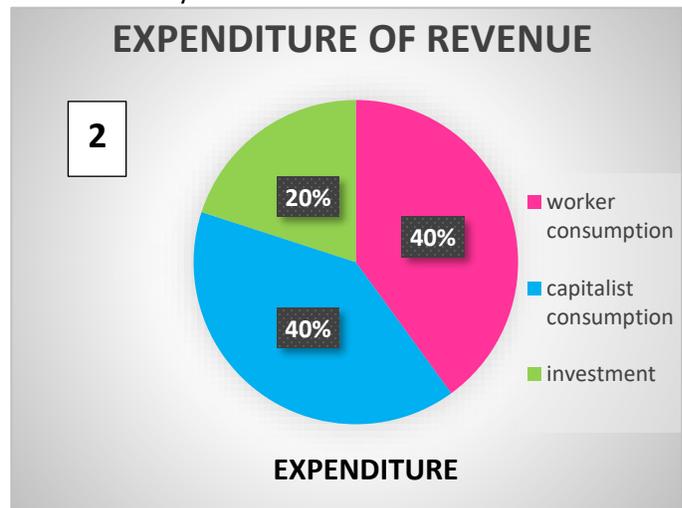
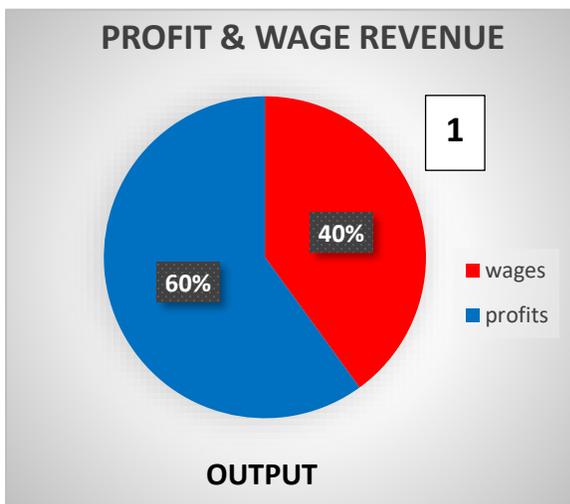


BRITISH WORKERS RISE UP, THE ECONOMY FALLS DOWN, AND THE PRIME MINISTER LANDS ON HIS ARSE.

Last Saturday was a significant day in the annals of British Trade Unionism. Up to 100,000 trade unionists from dozens of unions marched on Parliament to be met by the most militant speeches from their leaders since 2010. The mood was angry and determined, the kindling of struggle

The attack on the British working class has been savage. The most the government intends to offer public sector workers is a pay rise of 3% against price rises of 11%+ (there are unconfirmed leaks to the FT of 5%). If they succeed in holding the line on pay, 2022 will mark the biggest single-year fall in standards of living since the War. For a worker on £25,000, just above the median wage, a 7% fall in real wages would amount to a fall of £1750 less the adjustment of [£799 for taxes and energy support](#) from the government, or just under £1000 this year equal to a 5% fall in real take home pay.

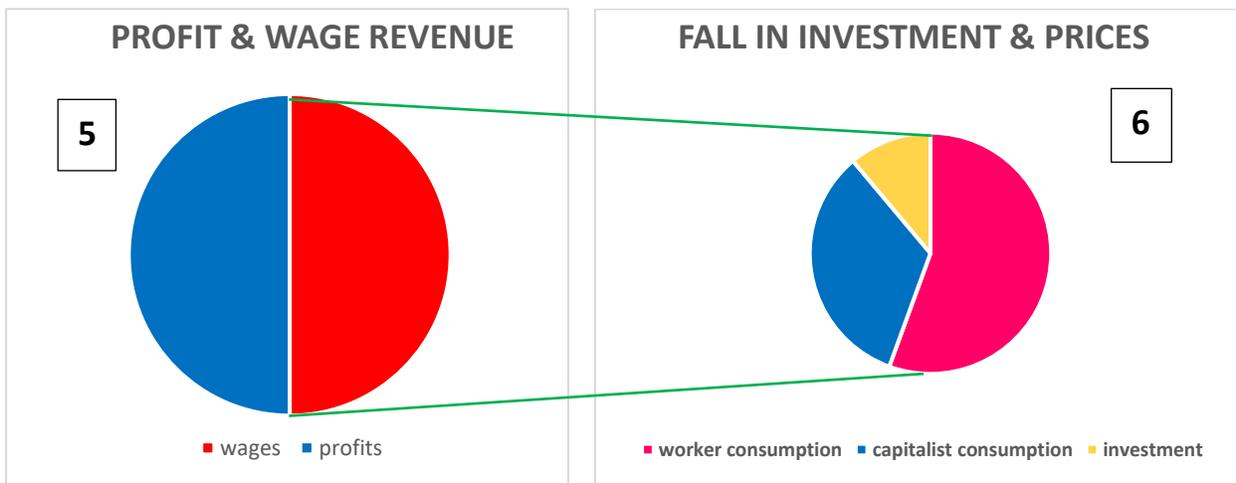
The bosses sweet talk pay-restraint. They say it is necessary to bring down prices. This is an argument they have reeled off for centuries, and they have been wrong for over two centuries. What pay rises do, is to reduce profits, rather than raise prices. These graphs will show why.



There are 4 pie charts, each marked. **1** shows that of all the revenue produced by workers, 60% is unpaid ending up as profit while the workers retain 40% in the form of wages. Assuming all is spent, workers will consume 40% of the pie while the capitalists will unproductively spend 40% on themselves and productively consume (invest) 20% making up the total of 60%. The size of the pies represents general price levels. We note that total revenue and total prices are the same size.

In chart **3** there is a change. Because of the class struggle workers have successfully clawed back part of their unpaid labour. As a result wages rise from 40% of the pie to 50% while the capitalists' profit share has fallen to 50%. Accordingly, in chart **4** consumption on the part of the workers has risen and that of the capitalists has fallen. Instead of unproductively consuming 40% of output, the capitalists have only 30% to spend on themselves. However, the pie sizes have not changed, meaning prices have not increased.

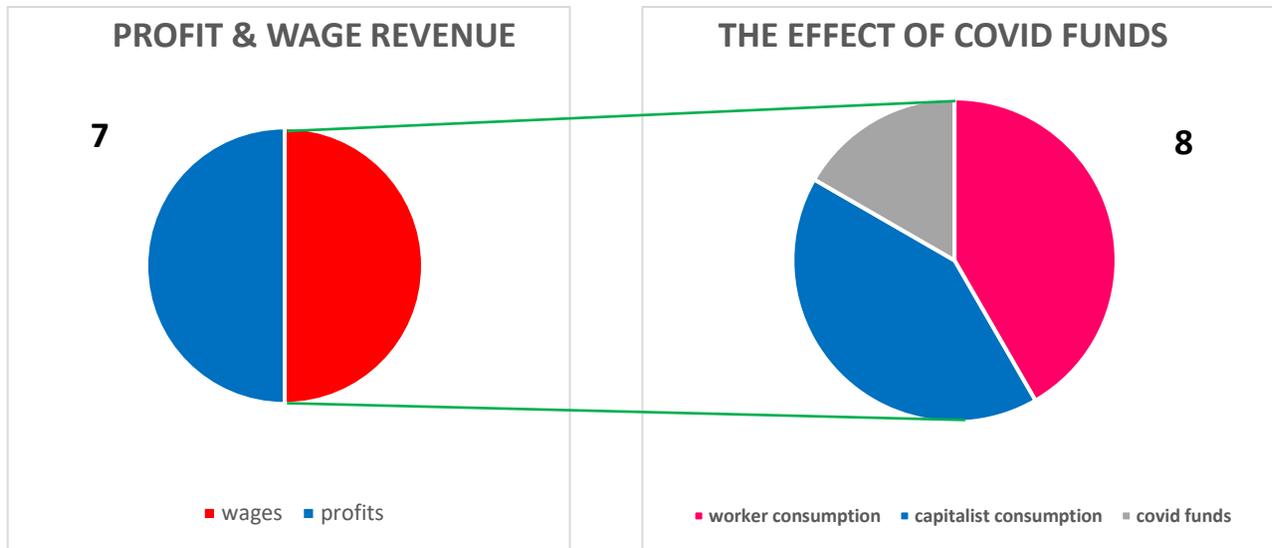
Of course there could be disruption. Capitalists and workers do not consume the same thing. And of course the capitalists could go on an investment strike because they have less profit. Let us say they reduce their investment from 20% to 10%, all things being equal this will happen.



We notice the pie charts **5** and **6** no longer are the same size. Pie chart **6** has shrunk. Here we have a fall in prices because the capitalists are sitting on a hoard of cash amounting to 10% which they refuse to invest. Therefore demand has fallen, leading to an excess of output of 10%, driving down prices.

Now let us see what happened during the pandemic. During the pandemic because of lockdowns, the value of output collapsed as shown in pie chart **7**. The pie shrank. However because of the tens of billions in Covid funds pumped into the economy, which led to the biggest and the most rapid increase in public debt since the War, the amount of spending power in the economy rose. As a result spending power increased but not output which was hamstrung by absenteeism and supply disruptions. The result was a spike in prices. This is shown by pie chart **8** which now exceeds the output chart **7**, because spending has increased relatively if not absolutely.

It must be pointed out that this is a unique form of inflation seldom experienced throughout the history of capitalism, one induced by the actual fall in output but not in spending.



The final graph used to demonstrate the effect of price rises on the spending power of wages is best done in the form of a bar graph. Here we assume a 10% rise in prices with only a 2% rise in wages. The result is that output is no longer shared 50:50 but 54:46. Compared to wages, profits have risen by 17% from 100% to 117% (54/46) The result is a fall in the standard of living of workers as the red column falls below the red line. This is what happened in 2021 and 2022.

Graph 9.



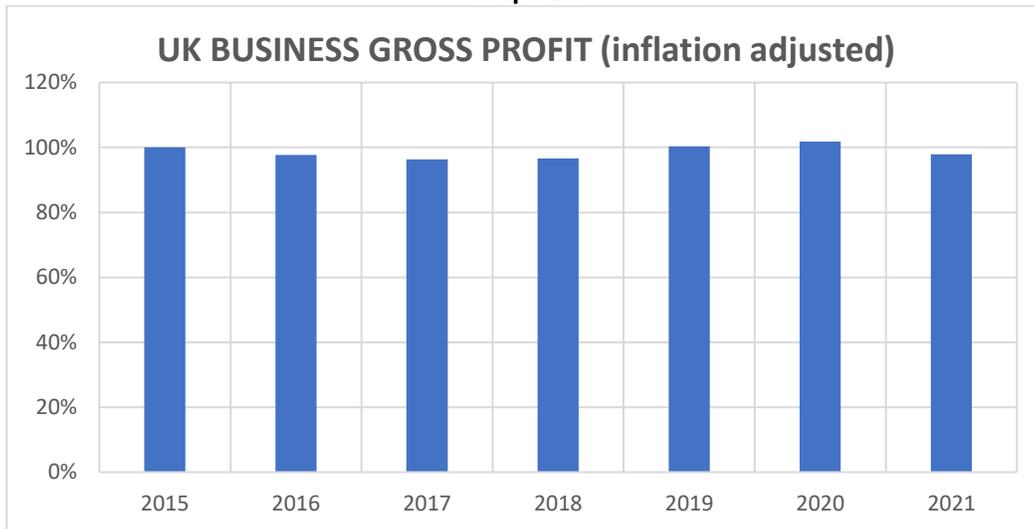
The final question to be answered is this. Will the depression in wages act on inflation? Indirectly it will, but only because of its effect on demand. Lower real wages mean workers can no longer afford certain items or as much of these items as before. In fact in this regard, depressing wages plays a bigger role in restraining inflation than does interest rates. Thus when the capitalists moan about the wage-spiral-inflation, what they mean is that unless wages are held back, interest rates will have to rise further to curb demand. And this they dislike intensely for they are addicted to cheap money. Witness the destruction of their paper wealth on the stock markets and bond markets as interest rates have risen.

In conclusion, before we examine the British economy, it is important to bear in mind that whereas profit is legalised theft, inflation is fraud. Inflation, or the debauching of money, is the means by which the bosses reduce the pay of the working class indirectly. All of the profits of the capitalist class represent unpaid labour; free to the capitalist but a cost to the worker who expends their labour. And so when the capitalists complain that workers' wage demands are driving up prices, our reply should be to call for an end to the 'wages-system' itself, an end to unpaid labour and therefore an end to the capitalist system.

The British Economy

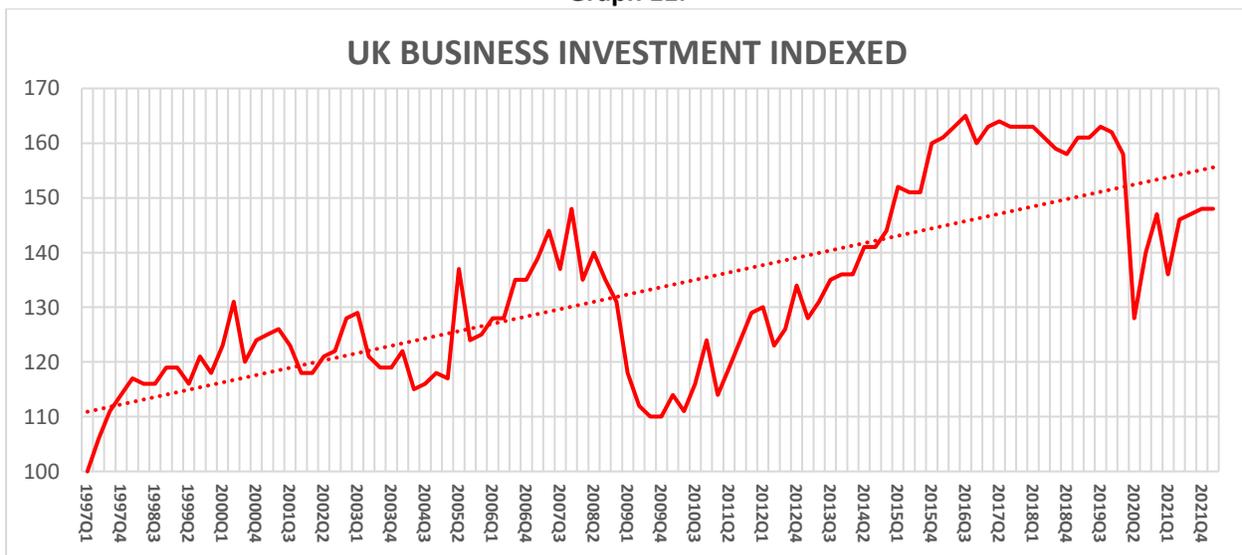
Contrary to the bleating of Tory MPs in the House of Commons, the UK economy is in a precarious state. Profitability is stagnating.

Graph 10.

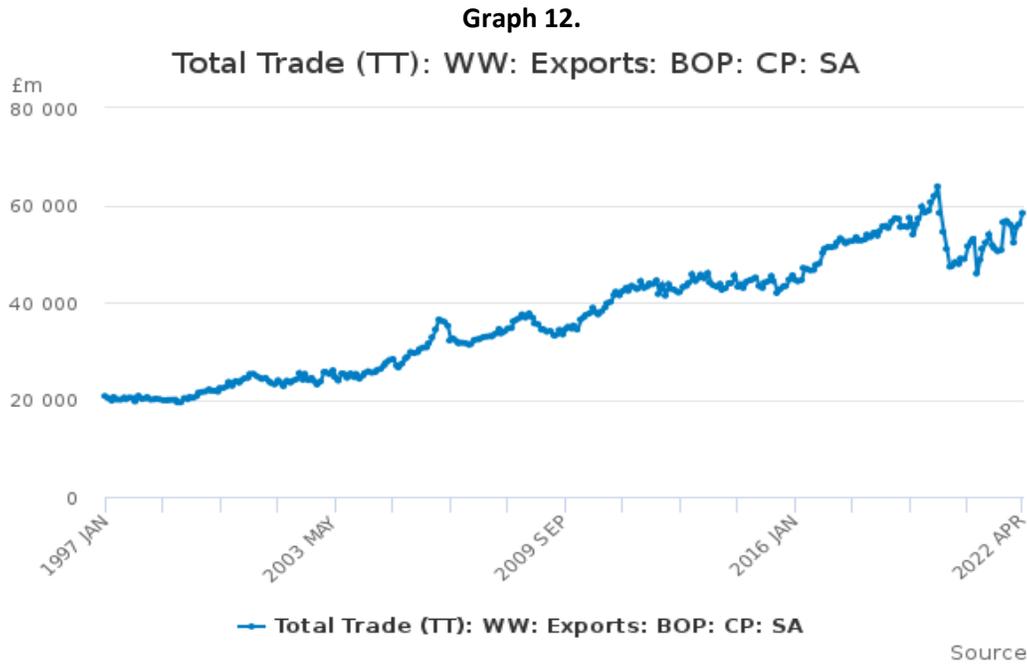


And so is investment, despite the Chancellors' 125% tax bung given to investors to encourage investment, "Quarter 1 (Jan to Mar) 2022 is now 9.1% below where it was pre-pandemic in Quarter 4 2019".

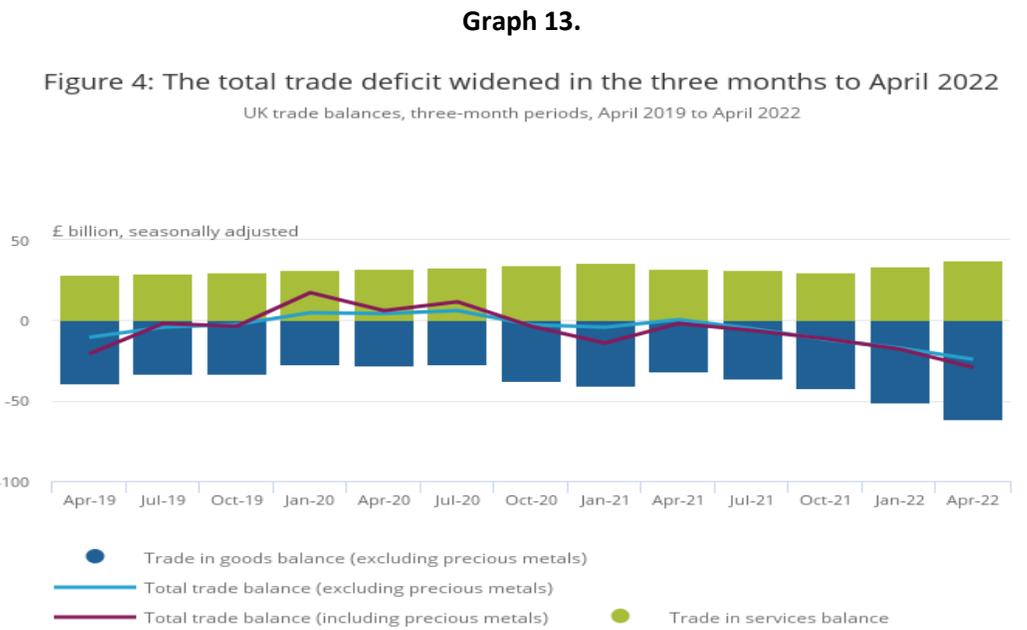
Graph 11.



And unlike Britain’s major competitors exports in nominal terms have not returned back to pre-pandemic levels.



The graph above is in nominal terms. In nominal terms, while exports are still 8.5% below the pre-pandemic level, adjusted by the PPI Output Index, they are actually down 27.2% in real terms. Hence the rapid increase in the trade deficit despite the surplus in service exports.

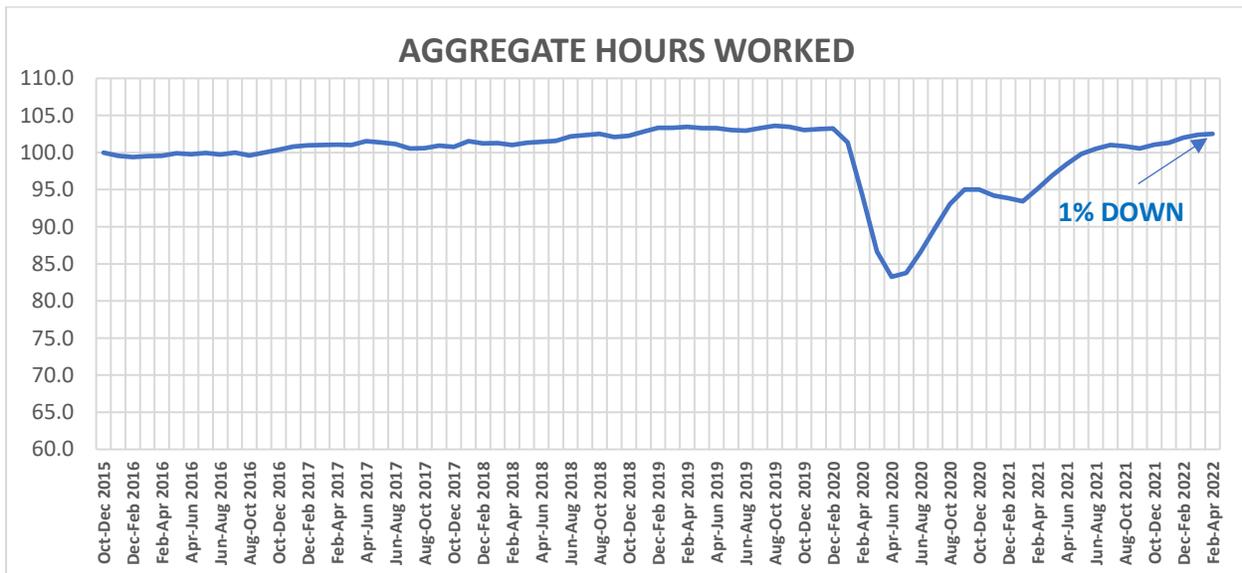


Source: Office for National Statistics – UK trade statistics, current prices, seasonally adjusted

“But, but, say the Tory MPs to cheers, we have created so many jobs”. “Labour could never have created so many jobs”. Firstly, the job figures in the UK are a disingenuous mirage. The Office for National Statistics counts anyone looking for work as being in employment. Those of us who have protested outside Job Centres or have been forced into them, know, that unless you are at death’s door or bedridden, to claim benefits you have to apply for non-existent jobs for at least 35 hours a week or face sanctions (loss of benefits). Not exactly prison labour but close. Therefore at any point in time over a million unemployed claimants are counted as employed.

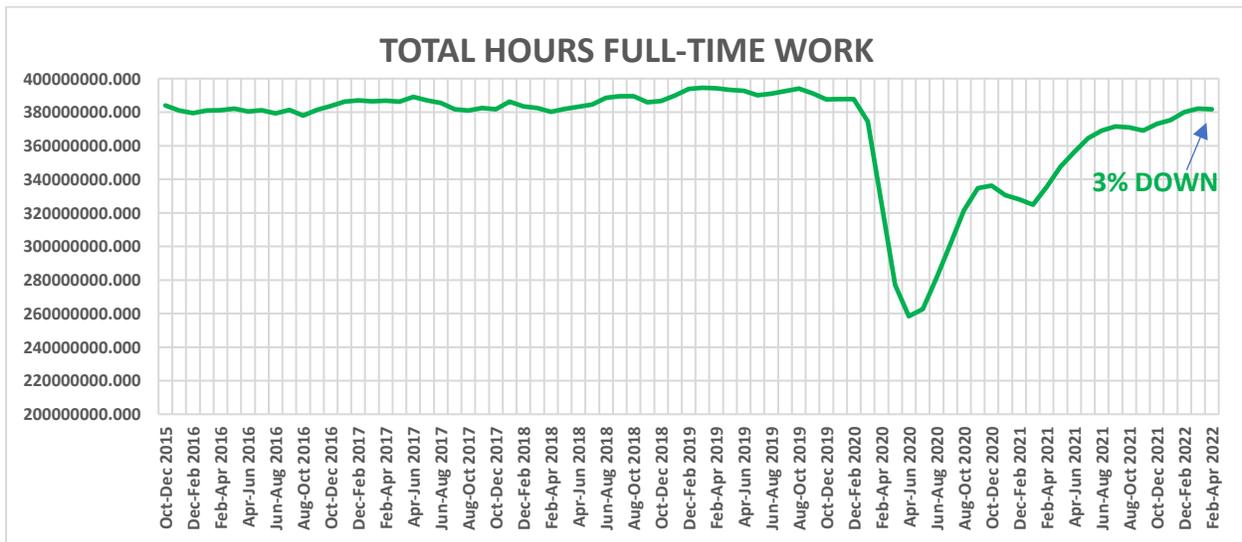
However, despite this neo-liberal, dishonest, massaging of the figures, when measured by total hours worked, employment has not recovered to pre-pandemic levels.

Graph 14.



It is even worse when measuring only full-time hours rather than overall hours.

Graph 15.



According to a recent Financial Times report [The Deafening silence Over Brexit](#) Britain is expected to have the slowest wage growth, the highest inflation, the weakest currency and the biggest fall in production of the G7, much of which is due to Brexit. *“Brexit increased average food prices by about 6 per cent over 2020 and 2021,” according to the research.* Despite Brexit turning into an economic wrecking ball, no party including the Labour Party seeks to revisit the referendum. *“Even so, a Starmer-led future Labour government would change UK relations with the EU. The party’s mantra has become ‘make Brexit work’: rejoining the single market may be off the agenda,…”*

Finally, Johnson continues to champion the sinister clown in the Ukraine, Zelensky. Here is one of the best reports on Zelensky who claims to be a [true democratic leader](#)(!). Equally interesting, the newly appointed [UK head of the armed forces](#) let the cat out of the bag by admitting, such is the volume of arm deliveries to the Ukraine, that it will take between 5 and 10 years to return UK stockpiles of weapons to pre-Ukrainian levels. This means that while the country is oven ready the army is not battle ready. It is likely that the same applies to other NATO countries as well. This shows the extent of the involvement of NATO in this war confirming it is in fact a proxy war.

Conclusion.

The Tories where slaughtered at the polls on Thursday by an electorate punishing them for not punishing Johnson and awarding him the order of the boot. Wakefield was less of an endorsement for Labour, because less than one in five registered voters voted for them. Starmer should contain his manufactured joy at the result.

Truly, populists like Prime Minister Johnson belong to the genus Clingon. It takes a right Charlie to want to remain the captain of a sinking ship.

Brian Green, 24th June 2022.