

## ECONOMIC STRESSES LEAD TO POLITICAL INSTABILITIES.

*“In the social production of their existence, men inevitably enter into definite relations, which are independent of their will, namely, relations of production appropriate to a given stage in the development of material forces of production. The totality of these relations of production constitutes the economic structure of society, the real foundation, on which arises a legal and political superstructure and to which correspond definite forms of social consciousness.”* (Marx) Academics may reject this base/superstructure model, but politicians do so at their peril, as Johnson and Biden have found out.

Prime Minister Johnson has resigned, but only after the government in the form of 59 senior and junior cabinet ministers, had resigned from him. Truly the emperor ended up without clothes. Populists burn brightly and furiously before going out but then refuse to quit.

Johnson lasted less than 3 years. He could have survived the sleaze that surrounded him had he been able to deliver a strong economy. But with the British Economy reeling, undoing all his promises, he was not only increasingly vulnerable but politically frail despite his bombast. The base and here I am not talking of the base of the Tory Party had the final say.

It was truly unedifying seeing the words “personal integrity” creeping into all the Tory resignation letters. This from a party that had attacked the most vulnerable in society with their endless cuts to benefits and services while raising their own salaries, that had destroyed the best healthcare system in the world with their ritualistic privatizations, that was willing to scoop refugees from rickety boats and shove them into planes to Rwanda, that refused to seriously act against unhealthy foods etc. Perhaps by personal integrity they mean personal relationships, not the economic relations which shape the whole of society.

And there is subterfuge behind this “personal integrity” mantra as well. Here is an extract from the British Chancellor’s resignation letter which sparked the crisis. *“We both want a low-tax, high-growth economy, and world class public services, but this can only be responsibly delivered if we are prepared to work hard, make sacrifices and take difficult decisions...In preparation for our proposed joint speech on the economy next week, it has become clear to me that **our approaches are fundamentally too different.**”* (my emphasis) Who pens the line that low taxes can fund world class public services? Only a rich idiot or what is the same thing, a politician. But let this lie. What this letter reveals is the seismic differences in the Tory Party between the shrinking populist faction and its fiscally conservative core. No doubt Johnson was intending to cling to power with another give-away, an additional £30 billion was being discussed, but this was being pushed back by the likes of the Chancellor as fiscally unaffordable. With Johnson’s populism ended, expect a more frugal government, one which will take an axe to the ‘money tree’.

Crossing the Atlantic pond to Washington, Biden’s current approval rating at -23 compares to -44 for Johnson at the end. Like the Johnson Administration, the Biden Administration is being undone by the dire economic conditions sweeping his country. Economic concerns dominate the priorities of the North American people. At 33% it is equal to the next 5 concerns added up together. This coincides with the University of Michigan’s polling of consumer sentiment which fell to 50, a record low.

Such is the diktat of the economy, that [Biden’s approval rating](#) is actually worse than Trump’s rating at this stage of their respective presidencies. Thus to precise Marx, not only does the superstructure of society rest on its economic base, but when that base is fracturing it rebounds on consciousness, which is why revolutions are not made in the best of economic times but in the worst of economic times.

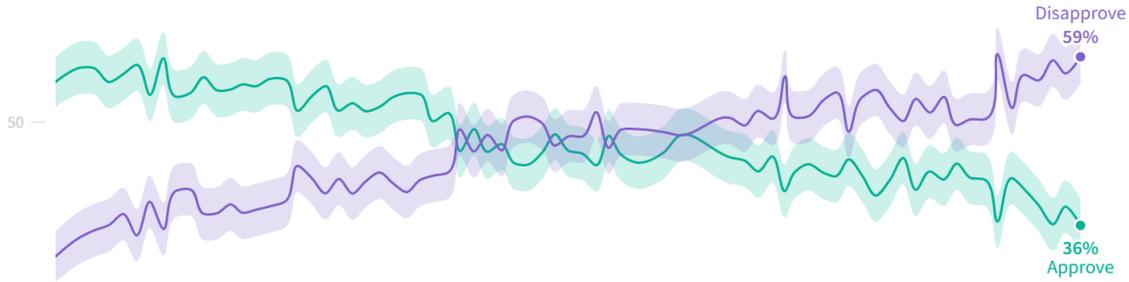
100% —

REUTERS / Ipsos

# 59% of Americans disapprove of the president

75 —

UPDATED JULY 7, 2022



## THE TOP ISSUE

**The economy** continues to be the most important issue concerning Americans, **43 weeks** running.

	All	Democrats	Republicans
The economy	33%	24	42
Crime	11%	10	13
Environment	6%	10	11
Terrorism	5%	9	6
Immigration	5%	8	5
Inequality	5%	6	3
Education	4%	6	3
Healthcare system	4%	5	3
Morality	4%	2	2
Public health	3%	2	1
War/conflict	2%	2	1
Energy issues	2%	1	<1

(Source: [Reuters](#))

## Final University of Michigan survey of consumer sentiment June 2022.

	Jun 2022	May 2022	Jun 2021	M-M Change	Y-Y Change
Index of Consumer Sentiment	<b>50.0</b>	58.4	85.5	-14.4%	-41.5%
Current Economic Conditions	<b>53.8</b>	63.3	88.6	-15.0%	-39.3%
Index of Consumer Expectations	<b>47.5</b>	55.2	83.5	-13.9%	-43.1%

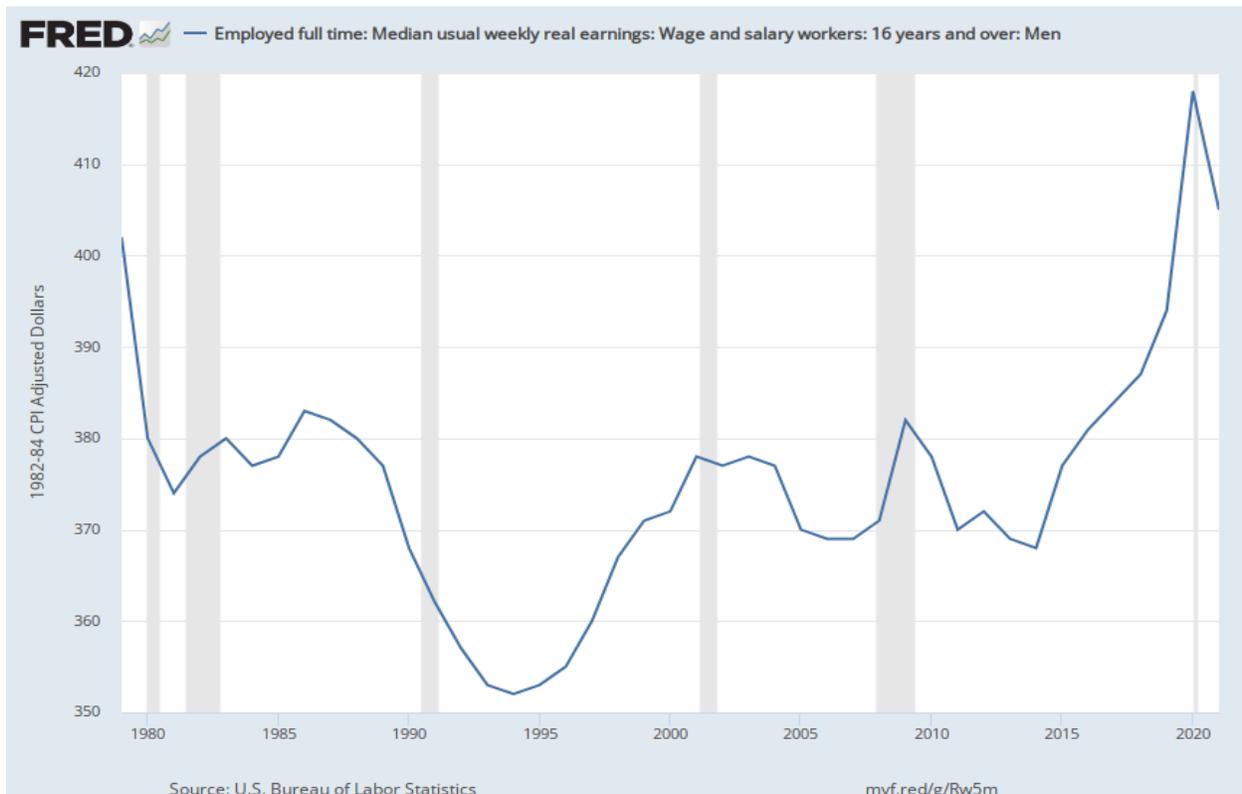
## Ruling by consent becomes baseless.

It is almost a century to the day that universal suffrage was introduced in the major European and North American economies. At first the capitalist class was reluctant to cede the vote fearing that the workers would take over their institutions and subordinate the market. But the move was irresistible. The growing social weight of the urban working class was altering the center of gravity of the nation, workers were increasingly political and organised, and of course there was the Russian Revolution inspiring change. The capitalists by degrees realised they could not rule in the old way, that they needed to domesticate this political movement and to do this they leant on the emerging labour bureaucracy.

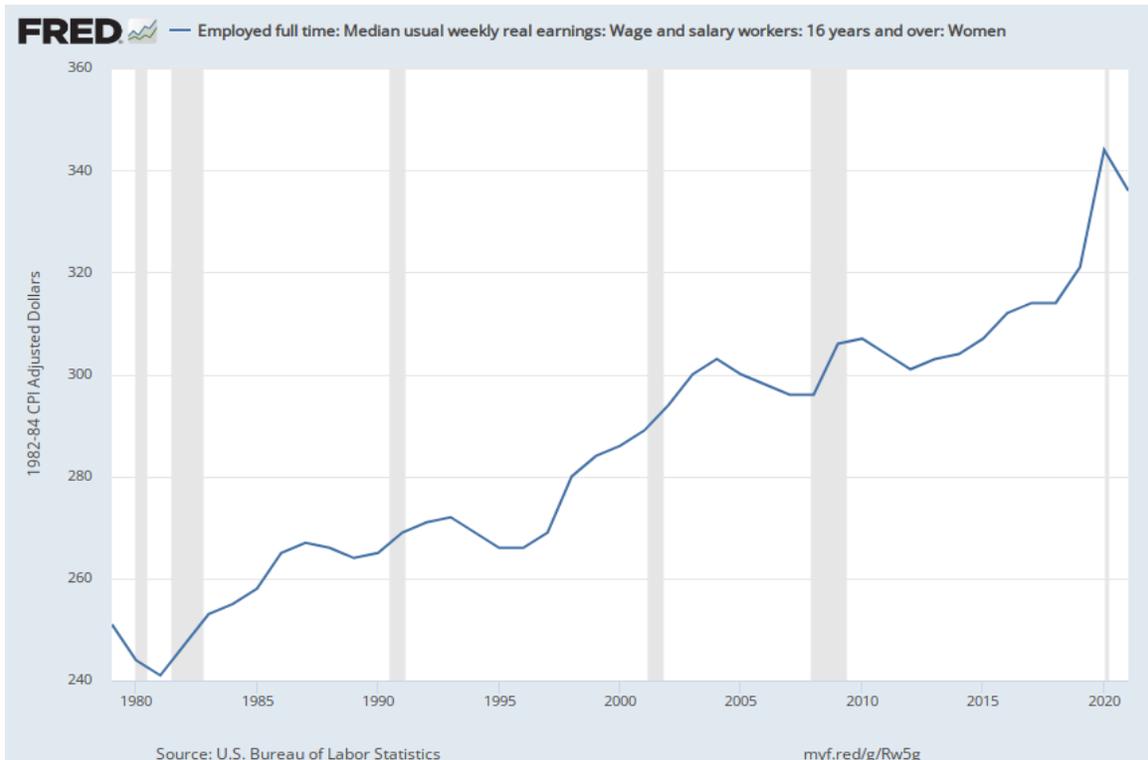
The result was rule by consent - through the ballot box. In hindsight, this political move by the capitalist class was their best yet. As in all things capitalist, the ballot box had a price. To be meaningful, rule by consent had to yield concessions, it had to lead to tangible benefits, and this depended on profitable investments raising productivity. The problem for capitalism is that it is crisis prone system because that pesky rate of profit has a tendency to fall. And when it does there can be no concessions, only cuts.

Which makes this period the most challenging for the over-developed capitalist economies such as Britain and the USA. Of all the tests for rule by consent it is movements in the standards of living. In turn this is best measured by the inflation adjusted median wage. To investigate this movement I have provided three graphs, two for the USA covering men and women, and the average for all workers in the UK.

**Graph 1.**



**Graph 2.**



**Graph 3.**

Figure 2: Annual growth in nominal total pay was 6.8%, nominal regular pay was 4.2%, real total pay was 0.4% and real regular pay was negative 2.2% in February to April 2022

Average weekly earnings annual growth rates in Great Britain, seasonally adjusted, January to March 2001 to February to April 2022



Source: Office for National Statistics – Monthly Wages and Salaries Survey

Beginning with male workers in the USA, we note that real pay has fallen more often than risen ending up lower than in 1979 itself lower than the peak year of 1973. There was however a rise during the Trump administration. This tended to underpin support for Trump by blue collar workers and has also become the stuff of folklore by the Alt Right. The rise in the median wage during the Biden years which has subsequently reversed needs to be ignored because of the effect of furlough during the pandemic which also led to a relatively greater loss of low paid jobs initially.

In the case of women workers in the USA there has been a 25% increase in real pay as women moved into better paying jobs. However, despite the improvement in women's wages and the fall in male wages, the gap between average wages between the genders has only narrowed, not closed. The average gap has closed from 3.7x in the 1960s to 1.7x in 2014 ([Saez & Zucman](#)) (Note 1.) It is also important to note that the fall in male wages came from a higher starting point than the rise in females' wages thereby reducing the overall wages bill to capital. Blending male and female wages results in a household standard of living that has barely improved over the course of fifty years, equal to two whole generations.

The same applies to the United Kingdom. It is simply not the case that average wages only fell after 2008. They did not rise before 2008 either, despite a Labour Government being in power. And we must remember, that within these numbers there was real falls in the standards of living of sections of workers.

Without understanding these stagnating to falling standards of living none of the recent political events can be understood. They have given rise to a brittle society. The Trump phenomenon, Brexit, Corbyn and Johnson all owe their genesis to this state of economic affairs. They are a foretaste of what is to come.

Managing rule by consent is the greatest challenge facing the capitalist class. Whole industries have sprung up to reinforce it. Academia, Television, Education, worker based parties, civil society groups, to mention the most important additions to the existing repressive superstructure, and they have only one purpose, to ideologically bind workers to the system by creating the impression they have a stake in it.

But all of this comes to naught if standards of living keep declining. We live in a world where each generation is becoming poorer than their parents' generation. All the best TV shows and video games cannot compensate nor distract from this. This growing poverty is gnawing at the ballot box. It is leading to growing abstentionism at the polls as more and more workers recognise that politicians are not only paid professional liars but the equivalent of political prison wardens.

It is leading to the decay of traditional parties that held office since the War. This process has accelerated in countries blessed by proportional representation, but it is also seen in 'first past the post' countries. It has led to the election of 'irregular' party leaders and sometimes elected government leaders such as Corbyn, Johnson and Trump. In Britain Johnson was the price the establishment paid to see off Corbyn and has it cost them dear? Good.

It is leading to the faster turnover of political goodwill. Elected leaders are more quickly found out by the electorate for having over-promised and under-delivered. Replacement leaders too. In the United States Biden who followed Trump, was soon upended despite the memories of the Trump administration. No doubt the next Tory leader, will be upended faster than Johnson despite their undoubted 'personal integrity'. The same applies to a Starmer led Labour Party should it win the next election.

The obituary for the rule by consent has been written before, only for the ballot box to be revived by left reformism. And it cannot be ruled out that the capitalists will tolerate a future Jeremy Corbyn as a last

resort should the class struggle flare up. But this time it appears different. The attack on workers’ living standards is now measured by the generation, no longer even by decades. The capitalists may boast about their profit margins, but their rates of profit tell a different story. Setting aside the distortions caused by Covid support funds, the rates of profit around the world have declined consistently from 2013 – 14 resulting in a stagnant world economy by 2019.

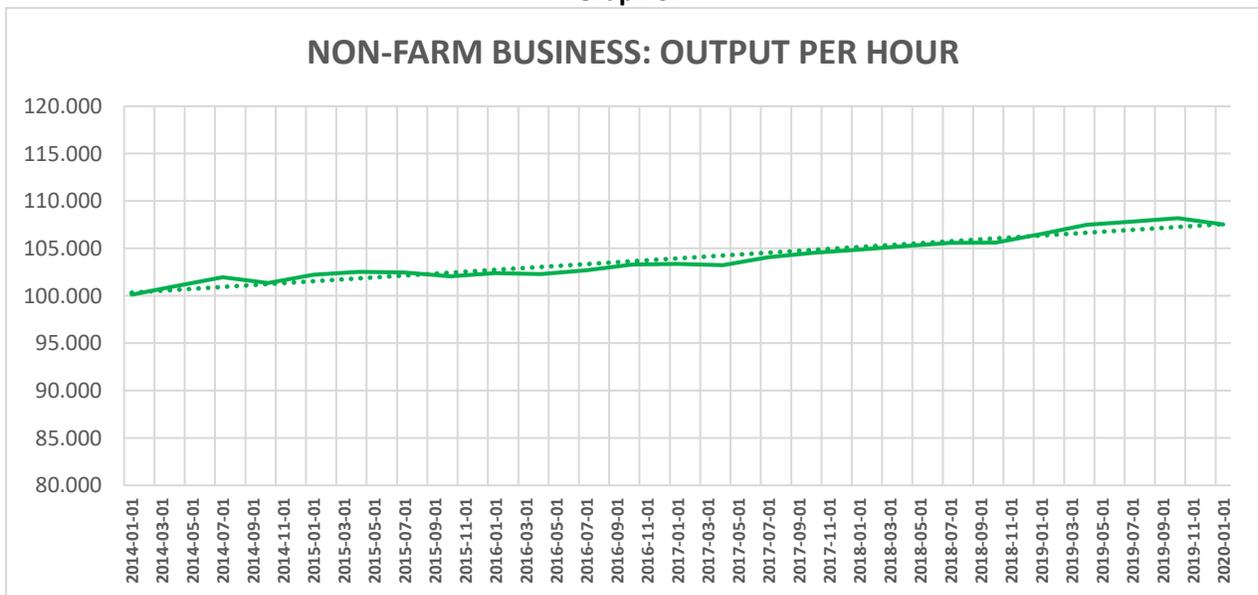
In the two graphs below we see the results of this investment strike., There we see the derisory growth in both production and productivity, the stuff of living standards. Excluding the special circumstances of the pandemic, production grew by under 1% p.a. while productivity in the USA grew by just over 1% p.a.

**Graph 4.**



(Source: [CPB World Trade Monitor](#))

**Graph 5.**



(Source: [FRED](#))

To elaborate further, Joseph the Economist not the Prophet, forewarned of 7 years of plenty followed by 2 years of famine. That is the typical business cycle (or as Marx phrased it the industrial cycle). Prosperity followed by bust. What mediated working class resistance to the sacrifices demanded by their employers was the perception that the bust was temporary and that their employers also suffered real economic pain too. That perception has gone, eroded by the systemic growth of inequality and the duration of the sacrifices demanded of workers, sacrifices which have become perennial rather than seasonal so to speak.

All these reasons alter the political conditions underpinning class-peace. These conditions will inexorably erode confidence in the ballot box despite the siren call from the bourgeois workers' parties such as the Labour Party in the UK. No doubt the capitalists are preparing for life beyond the ballot box, that is by an intensification of state repression, the further militarization of the police, knowing full well that rule by force will be short-lived and an act of desperation. This is the perspective we too should be preparing for.

### **The paradox of the COVID relief funds.**

There can be no doubt that the organised working class was crushed both in the UK and the USA during the 1980s by conditions previously prepared for by both the Carter Democratic Administration through deregulation and state imposed bargaining and the sheer provocations carried out by Callaghan Labour Government in the UK during the '*Winter of Discontent*'. The collapse of the USSR then mummified the international working class.

This defeat by its magnitude and duration amounted to a generational defeat for the working class. By the time the pandemic arrived, the international working class had barely picked itself off the canvas. And despite this, the capitalist class recognised it needed to dole out of tens of billions of Pounds and hundreds of billions of Dollars to support their workers during lockdown, in sharp contrast to the paltry support during the Spanish Flu epidemic when worker unrest was greater. This was not a result of embarrassment by the capitalist class for to their criminal failure to prepare for the high probability of a pending pandemic, but their lack of confidence that they could contain societal anger during the lockdowns without this financial support, in a society that had changed fundamentally.

Today the size of the working class as identified by Saez and Zucman adds up to over 80% of society. The measure used is objective relations of production and not subjective considerations. And given workers are now more urbanized than ever, therefore more concentrated, they are not as fooled to their status as many presume because of the restructuring of the working class.

The [British Social Attitudes Survey](#) is considered the gold standard worldwide. Contrary to the best efforts of Academia to write off the working class, the majority of society still identify as workers. More interestingly, was the uptick in identification following the 2008 financial crash, which disabused layers of workers of the perception they were middle class. It demonstrated that their lives belonged to another, their employers. Following this, the whole narrative of politicians changed. Whereas previously, Prescott and Blair had directed their messaging to "aspiring middle class supporters", this was now replaced by messaging towards "hard working families" or better still, "hard working class families".

The politician class had become more class conscious, or shall we say, more aligned to working class attitudes in an economy barely growing. Further, they were aware how fine the line was between *passive* pissed offness and *active* pissed offness. The shock of the Brexit victory followed by the Trump victory was proof positive that the working class was becoming restless.

Thus in their estimation, no doubt, not giving financial support during the pandemic was political suicide. Workers financial resilience had been eroded by decades of falling standards of living as had their health. It would only have brought forward the coming explosion. The behaviour of the capitalist class during the pandemic was dictated by their perception of the objective balance of class forces which they found and find to be unfavourable and potentially threatening.

**Conclusion.**

Over the course of a century, 'rule by consent' will be more threatened and challenged in the 2020s, than at any time previously. The tide of inflation, upon which the large corporations are feasting, has merely accelerated a process nearly 50 years in the making.

Note 1. Saez & Zucman have slightly more positive interpretations of post-tax distribution of income for lower earners in the PDF quoted.

Brian Green, 9<sup>th</sup> July 2022.