THE AUTUMN STATEMENT. FROM *PROFIT GOUGING* TO *INTEREST RATE* GOUGING.

On Thursday, produced in the Palace of Westminster with a supporting cast of MPs and directed by the markets, was the second series of Harmageddon, soon to be streaming into every workers' living room.

The Autumn Statement was a record breaker for all the wrong reasons. This was going to be the biggest fall in standards of living since records began, it was going to raise taxes to their highest levels in 60 years, it is forecast to be the longest British recession ever, and finally our area of concern, interest rates as a share of GDP will be at a post-War record.

The Office for Budget Responsibility (OBR) prepares the data and outlook on which the Chancellor and the Treasury depend when composing the Governments' Budget. It forecasts a recession of about 2% (it would have been 3% without the 1% of cost of living support) with standards of living falling 7.1% over two years. I will not comment on the accuracy of the OBR's predictions only to say that this is the minimum not the maximum, and that in any case, between its two most recent estimates the OBR's has changed its tune about the economy by over 3% from predicting a rise to now predicting a fall in GDP. In short the future is indeterminable at present as this is one of the most destructive periods in the history of capitalism.

Of course Hunt blamed the dire economic background on Putin. What was omitted of course, was that it was his predecessor, Johnson in the guise of a Churchill without the cigar, who was the actual villain. It was British Ministers not Putin who brought down the economic roof, because it was NATO with its *bait and trap* tactics, not Putin, who provoked this cruel war. And the sooner the British Public understand this the sooner these criminals will be brought to account.

This budget was all about the £55 billion black hole in government finances. What about the black hole in workers' finances? According to the Office for National Statistics the share of labour in GDP is about 54%. Here is one of their graphs.

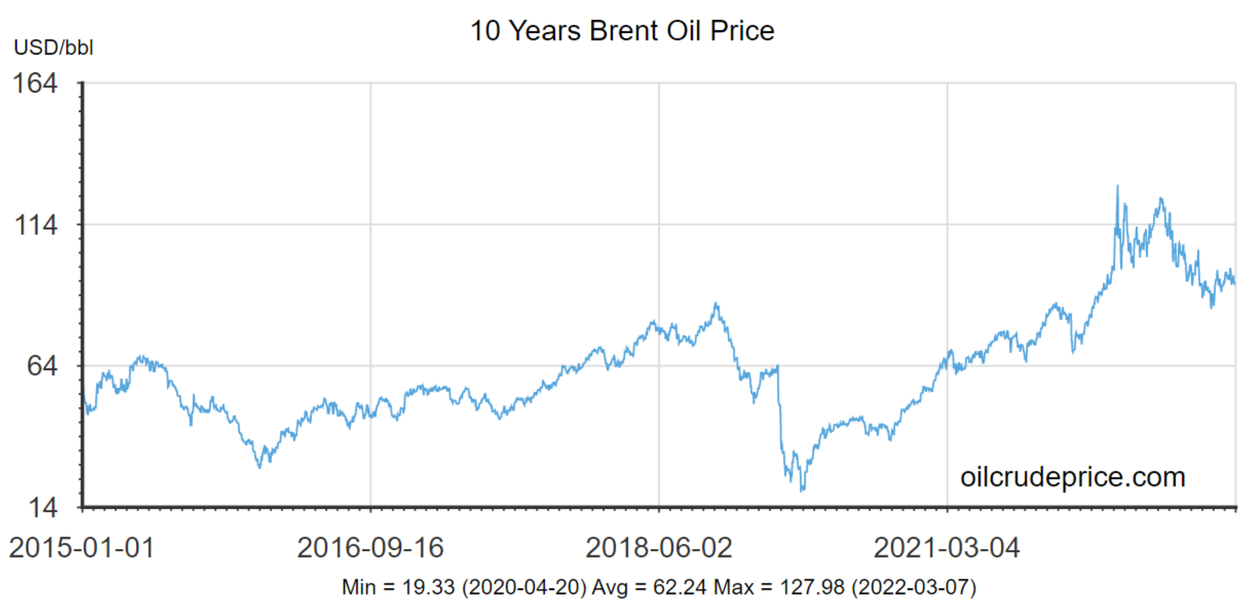
Graph 2.

At 54% of current GDP which is estimated to be [£2,500 billion], that amounts to £1,350 billion. With standards of living destined to fall by 4.3% according to Box 2 on page 18 of the OBR report, that amounts to £58 billion. Thus the black hole in workers budgets at £58 billion is bigger than the government's deficit. Guess which black hole will be feeding the other black hole. In the NHS for example where the average loss of pay currently before the strikes is of the order of 5.5%, nurses and doctors etc will be contributing £5.3 billion to the NHS compared to the £3.3 bn the Treasury will be contributing. And this on top of NHS workers covering the 10% of unfilled posts saving another £9 billion, which is why the government can get away with spending 20% less on health per head of population compared to other European countries.

Gas & Energy Prices.

Before proceeding I would like to discuss energy prices, windfall taxes and the consumer price cap. The media in the pay of the energy companies is creating the image that prices can only go upwards. So what is happening on the ground or should we under-ground. What are prices actually doing? Well on Friday the price of oil took another big step down falling below $90 a barrel despite the prospect of the Biden Administration soon turning off the spigot drawing oil from its strategic reserves. Effectively the oil price is down a third from its 2022 high when measured in Dollars.

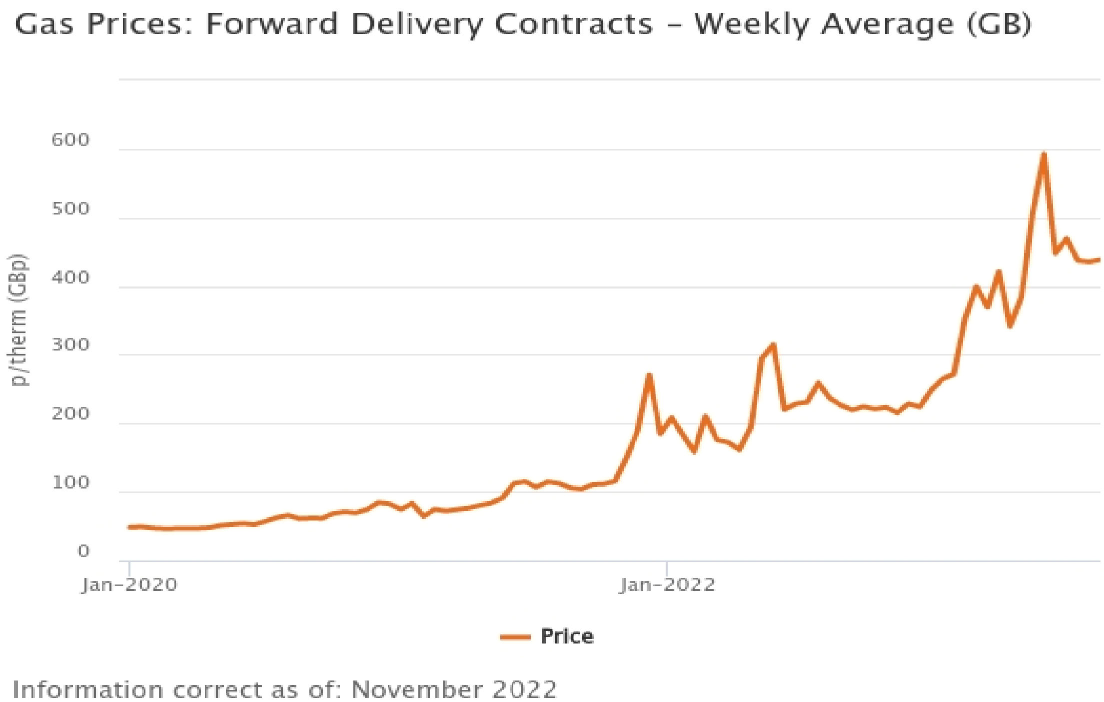
Graph 2.



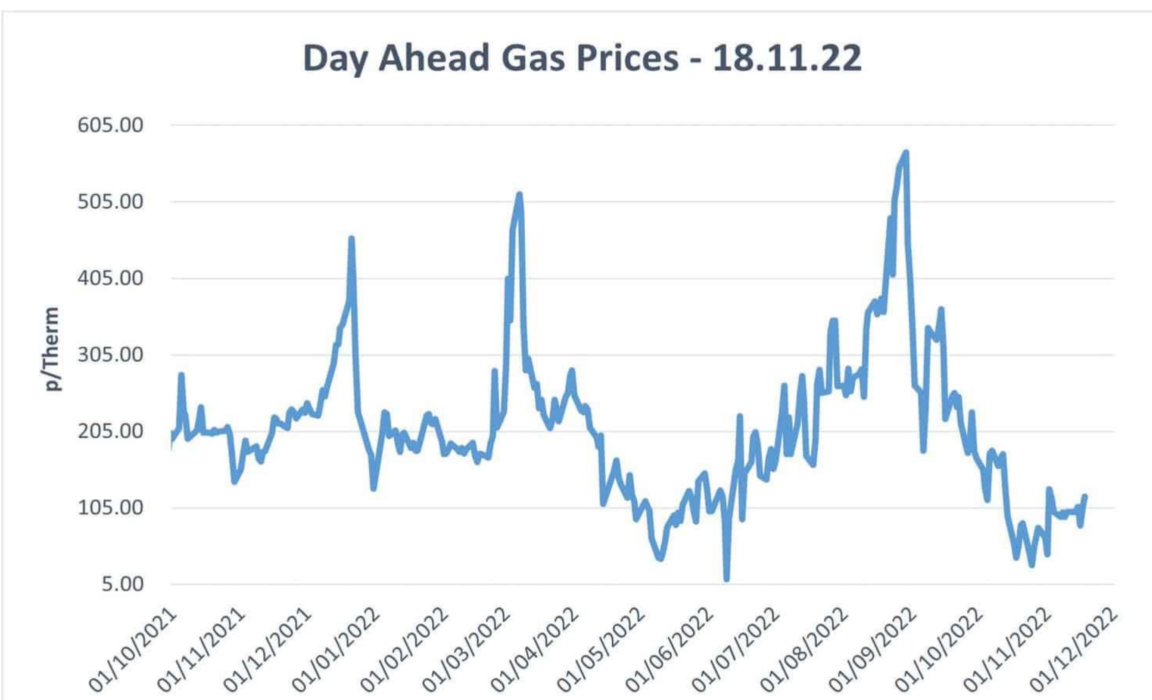
(Source: oilcrudeprice)

Before proceeding to look at gas two things need to be considered, firstly, the oil industry is much bigger than the gas industry as I have pointed out in an earlier article, and secondly, it is possible to substitute oil for gas in many power stations especially when the price of gas is currently equal to $205 a barrel oil equivalent. Well the same thing is happening with gas. But to understand it we need to examine two prices, contract prices and spot prices. They differ markedly. At times of high inflation and so called short supply, contract prices dominate. The suppliers seek to lock in higher prices and often refuse supply to users unless they accept contract prices. Given what has transpired this year with the embargoes on Russian energy, the suppliers have had the upper hand, for the time being that is. The spike in Graph 3 is for March delivery which just happens to coincide with end of the £2500 support package Ha Ha. More scare tactics no doubt to force the government to buy longer dated oil.

Graph 3.



Graph 4. (Spot Rates)



(Source: Catalyst)

But look at the more interesting spot rate. The current UK price is actually below the prices that prevailed before the Ukrainian war. That does not stop Britain having the highest prices for electricity in the world, not only Europe, the world. Seems that Britannia not so much rules the waves, as rules the currents.

Table 1.

Rank	Country	Price – pence per kWh
1	United Kingdom	19.31
2	Ireland	18.99
3	Spain	18.51
3	Belgium	16.34
3	Japan	15.64
6	Australia	14.01
7	Switzerland	14.00
8	Netherlands	13.98
9	Germany	13.58
10	Czech Republic	12.69

That is because Britain is the King (previously the Queen) of privatization. The legacy of Thatcher still hangs threateningly and darkly over the country. It was this cascade of privatization including the Big Bang in the City which Truss tried to replicate, that led to the biggest fall in living standards and the biggest cut in services of any G7 country in the aftermath of the 2008 crash, but then Britain did have the biggest bank of the world, more a sandcastle. This was The Royal Bank of Scotland 20% bigger than its nearest rival Deutsche Bank, so whilst British workers were burdened with saving The Royal Bank, the Greek workers were burdened with saving Deutsche and BNP Paribas the third biggest. (You would not think today that the biggest banks at the time were European and not American or Chinese.)

Getting back on track, what about windfall taxes? Well the thieves have already left the building and disappeared down the road having deposited the loot with their shareholders. With energy prices falling, profits will be plummeting and no doubt some will end up undeclared and underground in some tax haven in any case. The government is going to secure far less in windfall taxes than anticipated in the autumn Statement. It may have raised the corporate tax rate but it will end with a bigger slice of a much smaller than anticipated cake.

It is worth mentioning that the Tory Press hated the Autumn Statement. They were almost Truss like in their condemnation of the tax increases which the *Mail* said would "*soak the strivers"*, you know the ones who live off unpaid labour in the form of profits and dividends and it would: "*crush growth and gift investment, jobs and skilled high-flyers to lower-tax competitors*" according to the *Sun*. Some even branded it a Labour like budget because it was lite on cuts and heavy on tax rises.

Of course what the Government says about spending plans should be taken with a pinch of the white stuff and I am not talking salt. For example, a Freedom of Information request revealed the government had secretly withheld £1.5 billion a year from education for a number of years. In any case the proof is in the pudding not the detail. "*Central government current (or day-to-day) expenditure was £79.3 billion in September 2022, which was £5.8 billion more than in September 2021; this largely reflected a £2.5 billion increase in debt interest payable,"* this compares to "*Central government receipts were £71.2 billion in September 2022, which was £7.0 billion more than in September 2021;"* Here we will assume an aggregate 8% annual inflation rate. So government receipts were 1.8% above inflation but government spending only rose by 4.2% after excising interest payments, forcing it 3.8% below the rate of inflation. This real terms fall of 3.8% matched that found in August which I cited previously. If we were to assume a continuous monthly 3 – 4% shortfall that will amount to a stealthy £32 billion annual cut in services.

This is why I dismiss organisations like the IFS which say the cuts turned out to be lighter than were expected pre the Autumn Statement. Its not what the Chancellor says from the dispatch box in the Palace, its all about the continuous stealth cuts in every department bar Defense. Without these stealth cuts, the Autumn Statement would have had to deliver much higher cuts because the Government would have needed to find, not an extra £55 billion, but a market squirming £90 billion extra.

Finally, what about the cap on household energy prices. The British public have been the victim of the privatization of the energy market and the neo-liberal use of marginal costing to push up prices as I have shown previously. The question that now arises and which I have raised before, are these price-caps a **ceiling** for households or a **floor** for the energy producers' profits? What happens when the price of gas and therefore electricity falls below the cap, will energy providers continue to price energy in line with the cap especially when it rises to £3000 p.a.?

To answer this let us return to Graph 4. In 2021 the price for gas and electricity paid by direct debit was roughly half of the £2500 paid today. And yet when we examine Graph 4, the wholesale price despite inflation, is lower than it was in late 2021 and lower than after the outbreak of the Ukrainian war. It is also likely that the energy suppliers have conned the government into longer term contracts which are much dearer, around 200% dearer (see Graph 3) thereby guaranteeing the profits of the energy companies to the tune of £20 billion. In the end of course it will be the tax payers and households who will be subsidizing the energy companies because soon this cap will turn into a floor for energy providers when energy prices collapse further due to a deepening global slump.

From Profit gouging to interest rate gouging.

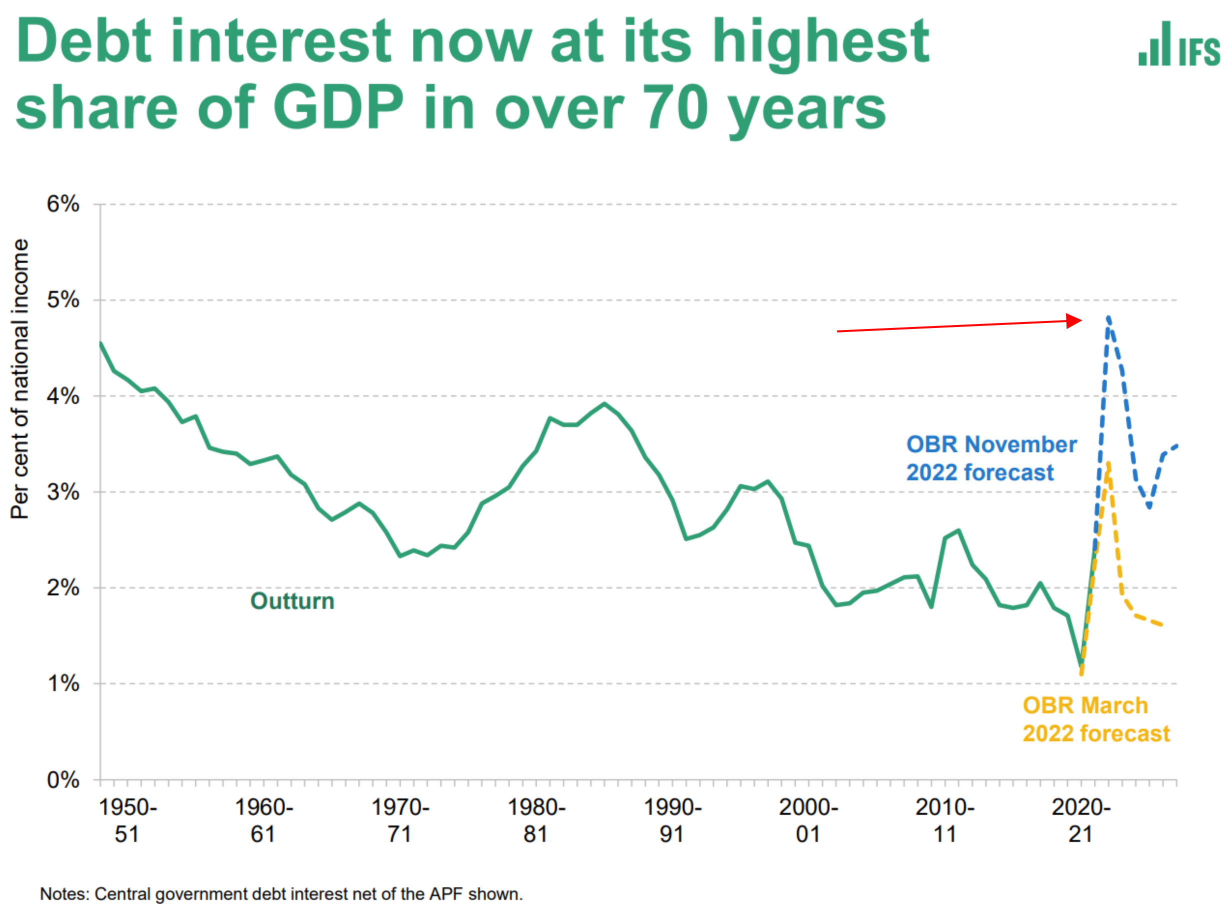
The legacy of 2008 still hangs over tax payers. To understand this let us revisit Quantitative Easing. The purpose of QE was two-fold, firstly to pump money into the economy and secondly to reward rentiers by driving up the price of Government Gilts (Bonds). So the holders of Bonds were enticed into selling them because of the capital gains made selling them. So mark, the sellers already profited from the sale.

Many of those sellers were commercial banks, and bless them they had all this surplus money on their hands. What do with it, should they build green power stations or simply park it with the Bank of England as a banking reserve earning interest. This is what they did and the reserves with the BOE grew and grew. The latest amount according to the BOE weekly report is £957 billion. Of this amount £838 billion has resulted from QE. (See link below for reference.)

At first the parking fees (interest) paid by the taxpayers on this reserve was bearable because interest rates were so low. But as interest rates have risen sharply recently, so too have the parking fees. This much was revealed recently by Paul Tucker previously a BOE member in a recent interview: *"Britain's* *[government](#) should review the Bank of England's policy of paying interest to banks on the reserves they hold there, potentially saving 30-45 billion pounds a year, former BoE deputy governor Paul Tucker wrote on Friday." "Banks are paid interest on the reserves at whatever is the BoE's current interest rate - just 0.1% less than a year ago, but 2.25% now and forecast by markets to exceed 5% next year."*

So the parking fees for this idle money has risen to £40 billion. Depending on how high interest rates go this will be at least one third of the total interest rate bill of £100 billion the biggest spending item after the NHS. The IFS has it rising to 5% of GDP, other analysts put the figure as high as 6%. Whatever the case both figures are the highest since the War.

Graph 5.



This figure of £40 billion paid to capitalist rentiers far exceeds the tax rises on corporations and the rich proposed in the Autumn Statement. They are still better off but ordinary savers are not. The low rates provided on saving accounts endures because of this glut of money meaning that savers too have been subsidizing the banks to the tune of tens of billions of Pounds each year. Any idiot banker standing on their head while juggling couldn't help but turn a profit under these conditions.

The response to these attacks.

I have been to a number of protest meetings including some attended by Jeremy Corbyn together with leaders of unions on strike. The common feature is that most of the protest meeting is taken up by speakers informing the audience about how deep the cuts are and how bad the Tories are. Very little time is left over for discussing what to do about it. I do not want to repeat this, so from now this article will deal with the response to this attack so far.

In spring this year there was a large union led protest march ending up in Parliament Square. It was notable for the militancy of the speakers most of them trade union leaders. Six months have passed and have all those leaders completed their strike ballots. Of course not. Take the NEU, traditionally considered a militant union with a number of Communist Party members in senior position, it will only conclude its ballot on the 23rd of January 2023. Next take the NHS. The Royal College of Nurses, whom many don't consider a proper union has already balloted its members, while UNISON the biggest union in the NHS will only be closing its ballot on the 25th November.

Now any child would know that to be effective, the unions especially unions in the public sector where pay rises are still below 3% on average, should have balloted altogether and immediately, given that it was abundantly clear what was coming. But no, they all balloted in their own good bureaucratic time. By any measure this should be considered treasonable behaviour, treason against the working class.

The Trade Union Congress if it was fit for purpose should have led from the front. It should have instructed unions to synchronize their ballots and to do so with haste. Instead we got this mealy mouthed call: "*The TUC will support unions to win ballots and vault the undemocratic thresholds that seek to prevent workers acting in defence of their interests."* In other words, you do we follow. It should have launched nationwide strike committees linking the various unions together. Instead the best it could do was set up *Solidarity Hubs* to cheer on strikers. What a dereliction of duty, but never mind it passed a resolution to support defense spending in the light of the Ukrainian events. "*As this paper has reported, TUC Congress last month narrowly approved a resolution instructing the general council to "campaign for immediate increases in defence spending*." True to form the bosses can always depend on the labour bureaucracy to support nationalism and therefore the war between nations, but workers would be fools to depend on the labour bureaucracy to lead the war between classes aka the class struggle.

Already we have seen the consequences of this deliberate disorganization and failure to concentrate the organised forces of the working class. The RMT (Railway Workers Union) this latter day NUM, has been isolated and forced into "*intensive negotiations"* with the employers, now seemingly called off. It was always likely that repeated 2 day strikes would wear out RMT members long before it wore down the employers. If the militant RMT strike collapses, this will be a great victory for the bosses and very demoralizing for the movement.

Until trade union officials can no longer be paid more than the median wage, until they have to submit to re-election every two years with 50% re-elected (or not) each year to overlap experience, until we have delegate based committees both regional then national making the decisions, until we have written into employment contracts that should an official fail to implement the decision of the committees nor follow their direction this will be a sackable offence without benefits, and finally, until such time as unions ultimately form an **international congress of unions** to prevent nationalism fracturing the class, unions will serve the interest of the officials rather than the rank and file, they will fail to defend or advance the interest of the working class.

And of course it can be expected that a Starmer led Labour Government will not overturn, what is the most restrictive, anti-union laws in Europe.

Conclusion.

This slump will be deeper than either the OBR or the Bank of England predicts. It will be global. How deep it will be ultimately is difficult to predict, for such a prediction must include the fight-back by workers. Any fight back, any resistance will block the capitalist path needed to restore this profit based economy, because that path is paved with anti-working class measures.

The slump will affect Britain more than any other major economy. It was always going to be the case that the negative if not destructive effect of Brexit would manifest itself most starkly when the economy was at its weakest, which is now. Not so much an *oven ready plan* as a pie in your face Mr Johnson. Yes Johnson, you and your hero Thatcher have done more damage to British society then you could have imagined nor will ever acknowledge.

It will also hammer the working class more than any recession despite all the nonsense talk of full employment. It is likely that the recession and its effect will lead to an average 15% fall in standards of living over time, more than undoing all the rises this century. For many that 15% fall will be the difference between living and barely surviving.

Unless we fight back, the magnitude of this slump will take its toll on the working class leading to widespread demoralization and degeneration. But this is a fight we can win. The working class is 85% of society, objectively it is society, objectively the latent balance of forces are overwhelmingly in its favour, but what is needed is unity in action, agreed tactics and a leadership worthy of the class. We are rapidly approaching history's crossroads, in one direction immiseration and the loss of the planet, and in the other, a new and revived world, the road chosen depends entirely on whether the international working class rises to the tasks history has set before it.

Brian Green, 19th November 2022.