

Crisis and Capitalism's Contradictions

Anarcho

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Anarchists have long argued that capitalism is an economic system riddled with contradictions. These express themselves in recurring crisis, when these contradictions expose themselves for all to see in generalised misery they produce.

Some of these contradictions can be seen from the *Bank of England's* quarterly inflation report. In Governor Mervyn King briefing on the 11th of May, he said growth would be weaker and inflation higher than the Bank had set out in its last set of forecasts three months ago.

"A year ago, we thought that growth in the fourth quarter of 2010 and the first quarter of 2011 would be 1.5%," King said. "That hasn't happened." He admitted that "the recent pattern of revisions to the projections over the next year – downward to growth and upward to inflation – has continued." Inflation was a problem in part due to "the increase in the standard rate of VAT" while the Bank had been forced to revise its growth forecasts down sharply over the past year as reality has repeatedly failed to meet the expectations of ideology.

In the latest lowering of the growth forecast by the Bank, this year has been reduced from 2% to 1.7% and 2012 from just under 3% to 2.2%. King admitted he had hoped for growth of 1.5% in the second half of last year but it turned out to be zero ("the level of output appears to have been broadly flat" over the last six months).

So much for Osborne's budget for growth...

King stated the fiscal clampdown would limit growth in the next two years as "household spending may have further to adjust to the significant squeeze in real incomes." In short, the reason why growth is expected to "somewhat weaker" is because of "a delayed recovery in consumption and a less pronounced boost from net exports." The report is more forthcoming – growth will be "weaker" due to reductions in "households' future real labour incomes and hence consumption."

Surely, then, we can boost growth by boosting working class income and so consumption? No, for inflation is too high and "resistance to the erosion of real take-home pay" would "put upward pressure on wages and prices." Happily, though, there were pressures on wages and prices downward with the "most obvious" being "the weak level of activity in the economy."

So for growth to rise, wages must rise; for inflation to fall, wages must fall.

King failed to explain how that particular contradiction will resolve itself but rest assured "the recent softness in activity will prove temporary" with a recovery "driven by a continuing rise

in business investment.” Yet why should firms invest when King admits “the outlook for growth and inflation is likely to remain unusually uncertain”?

And why is it so uncertain? Because of the Tories cuts in benefits, public sector pay, employment and services. This *increases* uncertainty for, unlike the private sector, state expenditures are steady and so create regular demand for goods during uncertain times. And is industry investing? The Bank’s report admits:

“Private domestic demand growth could be boosted if more of the historically large corporate financial surpluses were spent on capital investment or transferred to households in the form of higher wages or dividends.”

King did not explain why business would invest when consumer growth is so uncertain – business invests in order to meet demand and, as the Bank’s report admits, “consumer spending stagnated as real incomes fell.” Nor did King explain why higher wages could not eat into these “historically large” surpluses rather be passed on as higher prices. Could it be raising the more accurate “profit-price spiral” rather than “wages-price spiral” would send the wrong message?

So the Tory attack on public-sector workers and those on benefits means that growth is suffering and uncertainty is increasing. Both make it harder for the government to repay the deficit, the ostensible rationale for the cuts in the first place.

Still, King expected growth to bounce back later in the year. Why this prediction should be any more accurate than the Bank’s previous ones he did not explain.

Meanwhile, the propaganda war is stepping up a gear. A *Policy Exchange* report jumped upon with relish by the right-wing media, stated that public sector workers are 40% better off than their private sector counterparts. This dubious claim has now entered the narrative of the right’s attacks on workers and unions although the report is (as would be expected) deeply flawed. It does not compare like with like (as public sector workers are more skilled on average than those in the private sector). Taking into account skill, the pay gap shrinks to a mere 2% for men and 4% for women.

Of course, the real conclusion is not that public sector workers are overpaid. It is that private sector workers are *underpaid* (as the “historically large corporate financial surpluses” shows). If unionisation and struggle were higher in the private sector then so would be pay. Yet such obvious conclusions are not mentioned. Instead we get a twisted notion of “fairness” based on levelling *down* (for *us*, not for the rich obviously!).

Much of the current difference in income between public and private sectors arise because of the slump in the latter due to the recession. While the rich are doing well, the majority of workers have been suffering a fall in income as the Bank’s report notes. This, it admits, is having a negative impact on the economy. It seems incredulous to think *more* reductions in pay will have a different impact.

This must be stressed. Public sector pay and employment maintains aggregate demand in the face of private sector crisis. Targeting those sectors of the economy that have a counter-cyclical effect on the economy will only make the situation worse.

However, the Tories clearly wish to utilise this crisis to weaken labour and secure rising inequalities in wealth and power. It is being used to ram through their ideological goals (with the Lib-Dems abetting them). The day after King’s briefing, George Osborne proclaimed his desire to “reform” employment law to make it easier to fire workers. We are expected to receive less protection against redundancy, dismissal and workplace discrimination as well as a reduction in the consultation period for collective redundancies from 90 to 30 days. Given the existing laws

on balloting for industrial action, this would weaken the ability of trade unions to resist sackings before they happen. Osborne suggested no “reforms” to laws on industrial action although various Tories have argued that strikes have the backing of a majority of all balloted workers rather than a majority of those who vote (heaven forbid they apply that to *their* elections!).

Osborne attacked the trade unions as “the forces of stagnation” who “will try to stand in the way of the forces of enterprise.” Blaming the workers for capitalism’s contradictions is as old as that system. Proudhon mockingly noted that, for economists, “Political economy – that is, proprietary despotism – can never be in the wrong: it must be the proletariat.”

Presumably, given the downward trajectory of the economy (and King confirmed it is flat-lining), Osborne considers creating stagnation *his* job and so objects (like all capitalists) to competition. In reality, as the impact of his policies show, by cutting benefits and pay *he* is the one promoting stagnation, not the unions. For as Proudhon argued in 1846 “though the workers cost you [the capitalist] something, they are your customers: what will you do with your products, when, driven away by you, they shall consume them no longer? ... if production excludes consumption, it is soon obliged to stop itself.” Osborne seems keen to prove us right.

Only by workers organising and resisting can demand be bolstered and growth protected. Yet while we need to fight the cuts, exposing attempts to divide workers as ideologically driven rubbish to force *all* wages down and arguing for levelling-upwards, we also need to explain why capitalism remains the contradiction riddled system of exploitation and oppression anarchists have analysed since 1840.

If we fail then we can expect things to get much worse before they get better. Moreover, any eventual recovery will, due to the contradictions within capitalism, just lay the foundations for the next crisis. *We* will continue to pay the costs for the crisis in *their* system and, as Proudhon argued, capital will continue to “make the chains of serfdom heavier, render life more and more expensive, and deepen the abyss which separates the class that commands and enjoys from the class that obeys and suffers.”

Ultimately, capitalism’s contradictions can only be solved by ending it once and for all in favour of, to quote Proudhon, “a solution based upon equality, – in other words, the organisation of labour, which involves the negation of political economy and the end of property.”

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