

THE BAIL OUTS WILL COST LIVES AGAIN.

A picture is forming. It appears that governments in the major economies are about to inject the equivalent of 15% of annual GDP to support industry and commerce during the pandemic. Nothing is free in a capitalist society except the unpaid labour of the working class which is expropriated by the capitalist class in the form of profit, rent, interest and tax. Everything else has to be paid for or paid back, including any emergency government funding. When that happens, workers are exploited twice over, because it is they who have to pay back this funding.

What follows is the cruellest of equations. At what point will the corona virus pandemic kill more people through the poverty it will generate as production collapses and jobs are lost, than will be killed by the virus itself. Hundreds of millions of workers have been sucked into this maelstrom. The majority do not live in the advanced capitalist countries where some form of safety-net exists. The majority live in Asia, Africa and Latin America. Millions will lose jobs and income permanently because of the shut down of the world economy and borders.

But even if they live in the advanced capitalist countries this is no guarantee of longevity. In 2017 the medical journal *The Lancet* published an article that shocked the British people sufficient to improve Labour's poll ratings. The journal reported on a study which found that between 120,000 and 200,000 people would die unnecessarily between 2010 and 2020 because of austerity. One of the authors called it "economic murder". <https://www.independent.co.uk/news/health/tory-austerity-deaths-study-report-people-die-social-care-government-policy-a8057306.html>

Since then, a more recent analysis has been presented in the *Lancet* covering the period up to 2018, but which has been made invisible by the pandemic. *"Over the whole study period, 877 082 premature deaths (about a third of all such deaths) were ascribed to inequality, that is one every 10 min."* This study covered 2003 to 2018, and the death rate per annum works out at 58,500, compared to the earlier study of just under 10,000 p.a. when taking the higher figure. *"...the peak relative effect of inequality is in childhood for both sexes and in working age men: for men aged 40–44 years, as much as 77% of premature mortality is attributable to inequality."* Additionally, this article showed that this increase in the death rate was deep enough to lop 3.3 years off the average age of some groups. <https://www.thelancet.com/action/showPdf?pii=S2468-2667%2819%2930242-7>

If we take the new estimate, and, extrapolate it over the period of austerity.¹, which runs in folklore from 2010 to 2020, then we are talking of 585,000 unnecessary or avoidable deaths. Call it state murder. This is double the 250,000 deaths estimated by the *Imperial College Covid-19 response team* which would occur if the government did not change its policy of delaying and mitigating the spread of the disease. <https://www.mirror.co.uk/news/politics/coronavirus-uk-only-realised-last-21705035> It was this 250,000 figure that moved the government's position over to "contain" this week.

We were told Austerity is over.

We were also told Brexit would be good for us, but that is another matter. In my review of last week's budget, I pointed out that the figures and projections were meaningless and not worth the paper it was written on. Yesterday proved the point. Commentators widely agree that the budget announced last week has been shredded by yesterday's emergency announcement. The announcement has not been fully costed but it looks like the government will end up with around £300 billion in extra debt, meaning that by the time this is all over, government debt will be around 100% of GDP. Higher if support is added in the months ahead. This compares to the highpoint of 86.9% resulting from the 2008 crash AS Table 1 taken from the Office of National Statistics shows.

TABLE 1

year	2011	2012	2013	2014	2015	2016	2017	2018
amount	1,328.8	1,424.8	1,499.8	1,604.9	1,666.2	1,731.8	1,786.7	1,838.2
% GDP	80.1	83.2	84.2	86.2	86.9	86.8	86.2	85.7

<https://www.ons.gov.uk/economy/governmentpublicsectorandtaxes/publicspending/bulletins/ukgovernmentdebtanddeficitforeurostatmaast/september2019>

So, austerity is not dead. It never was. The proclamation in the budget was still born, fathered by hubris. All the virus will do is to make austerity more virulent and uncontained. Of course, austerity has been misunderstood. The official position of the Labour Party is that it was unnecessary and counterproductive. It really is tiresome to listen to reformists lecturing the capitalist class on how to run their economy, especially when it is done from a position of ignorance.

Austerity was not an option after the financial crash. What was an option was how deep it would bite? It could have been mitigated by increasing the tax on the rich rather than exacerbating it to produce the room for the tax cuts lavished on the rich and their corporations. Those tax cuts were criminal and because they resulted in so many additional deaths, those politicians who voted for these cuts will be held to account.

Austerity was not an option, but a necessity if the finances of the state was to be protected, and with it, the state's ability to under-write its currency, in this case the Pound. The state in general does not produce value but appropriates it in the form of a variety of direct and indirect taxes. It then returns this value to the economy via its expenditure. Should its tax revenue and expenditure become disconnected or dissociated, two things will happen; its credit rating would plummet and the fiat currency it backs would be jeopardised. That is the nature of capitalist economics. Austerity was needed to protect state finances and support the Pound.

By mid-Feb 2020 the estimate for the global market capitalisation of stock markets was in excess of \$90 trillion. Since then they have fallen by over 25% heading for 40%. Thus, the losses are around \$25 trillion to date. Put another way, by the same February date, this market cap was approaching 100% of global GDP. Health spending world-wide was \$8 trillion in 2018 and an estimated \$8.3 trillion in 2019 or 10% of GDP. This can be seen in the link below which also shows, how high-income countries spent seventy times more per head on health care than did low income countries. https://www.who.int/health_financing/documents/health-expenditure-report-2019.pdf?ua=1

The stock market losses from the pandemic are already equal to three years of global health spending. And yet, knowing that a pandemic was inevitable, none of the capitalist states planned ahead nor created surplus capacity to deal with it. Given that these pandemics usually attack lung function this would have meant stockpiling hundreds of thousands of ventilators, millions of protective gear and tens of millions of face masks. Instead in the name of cutting costs, this was not done. Yet that \$10 billion investment would have been a mere 1% of the global annual spend on military budgets.

Instead, this stinginess has led to losses over a thousand times the \$10 billion. You may ask why is capitalism so primitive? The answer is the balance of class forces. All the progressive features found in capitalist societies have always been the product of class struggle. The more the balance of class forces favours the capitalist class the more they erode these gains, the more their single-minded pursuit of cost cutting and trimming government expenditure intensifies. Workers do not have the same accounting outlook that the capitalists have. This lack of class restraint leads capitalists to become more reckless, to ignore advice, and to become more arrogant because they know they can

dump their losses on the working class. The slogan “*privatising profits and socialising losses*” sums it up succinctly.

So once again, unless the class struggle flares up, it will be workers paying for the financial costs of the corona virus (groaner virus). Austerity will continue and deepen. The Tories promise to their North of England voters will be shown not to be worth spit. Their vision of expanded investment will turn out to be a mirage. And many thousands of workers will continue to die unnecessarily from the cuts, often the most vulnerable and those without a voice.

In the end the capitalists will blame the crash on the virus, not on a vulnerable and unprepared capitalist system that put society at risk. They will invoke the wartime spirit of everyone pulling together. Every day, at every opportunity, ministers line up to declare society needs to pull together and society needs to look after each other. Have these Tories already forgotten their political reason for being, have they forgotten Margaret Thatcher’s famous dictum: “*there is no such thing as society*”. Well when it comes to the scramble for toilet paper, she may have had her way.

Of course not, once the emergency is over, all this nonsense about the “state looking after society” or “the state willingly compensating society for the sacrifices demanded of it”, will be put aside. It will be back to the business of squeezing the workers. Workers will once again be presented with the bill, We will be thrown back to 2010. If we are to break this *Groundhog Day*, workers must refuse to bail the system out again as once they did after 2008.

Brian Green, 18th March 2020.