A WINTER OF DISCONTENT OR DISORGANIZATION.

The number of strikes has intensified. However, there is no attempt yet to bring the strikes together in one general public sector strike. Nothing less will suffice to break the bosses resolve. This article explains why. The capitalists in England have their back to the wall or is it the cliff?!

This week the latest data on the government's finances was released by the Office for National Statistics (ONS) as was the second release of GDP data for the third quarter.

In November 2022, the public sector spent more than it received in taxes and other income, requiring it to borrow (public sector net borrowing excluding public sector banks (PSNB ex)) £22.0 billion, which was £13.9 billion more than in November 2021, and the highest November borrowing since monthly records began in 1993. Compared to the period up to November 2022 the trend deteriorated primarily because of the energy support and escalating interest payments.

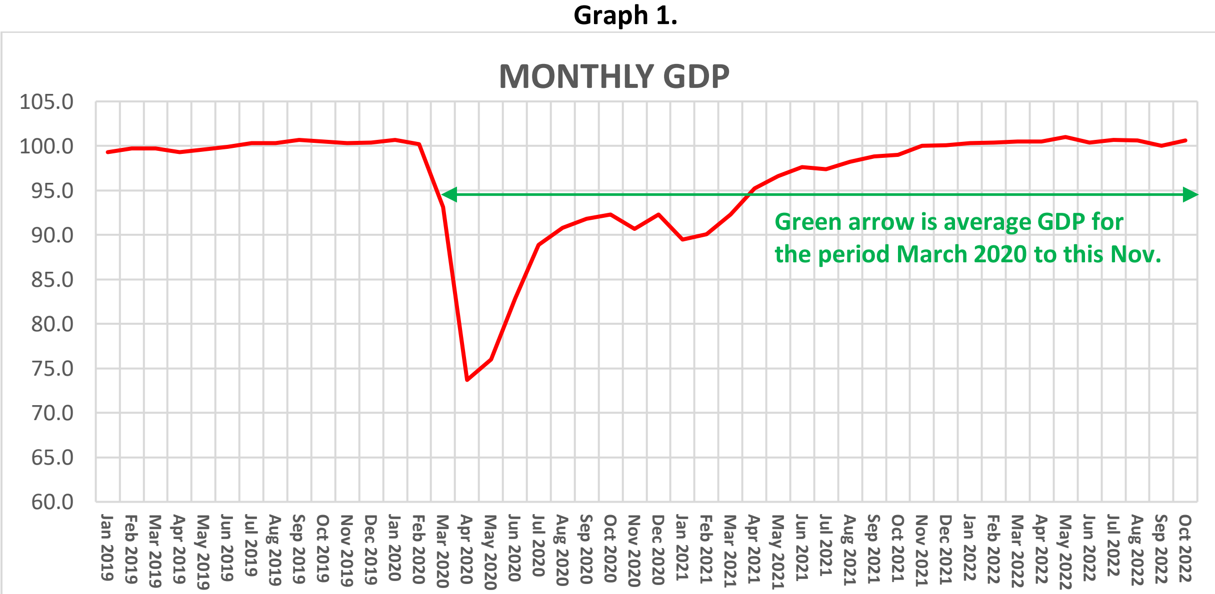
In November, as the table below shows, both government income and expenditure rose above or fell below trend. Thus the shortfall of £22 billion was due to November's spending rising by £3.1 billion above trend while income fell by £3.3 billion. In many ways the fall in the income figure is the more important because it points to a deepening recession.

Table 1. (All figures in Billions of Pounds)

Total spending	Average spending	Nov. spending	Total income	Average income	Nov. income
685.8	85.7	88.8	580.1	72.5	69.2
		+3.1 difference			-3.3 difference

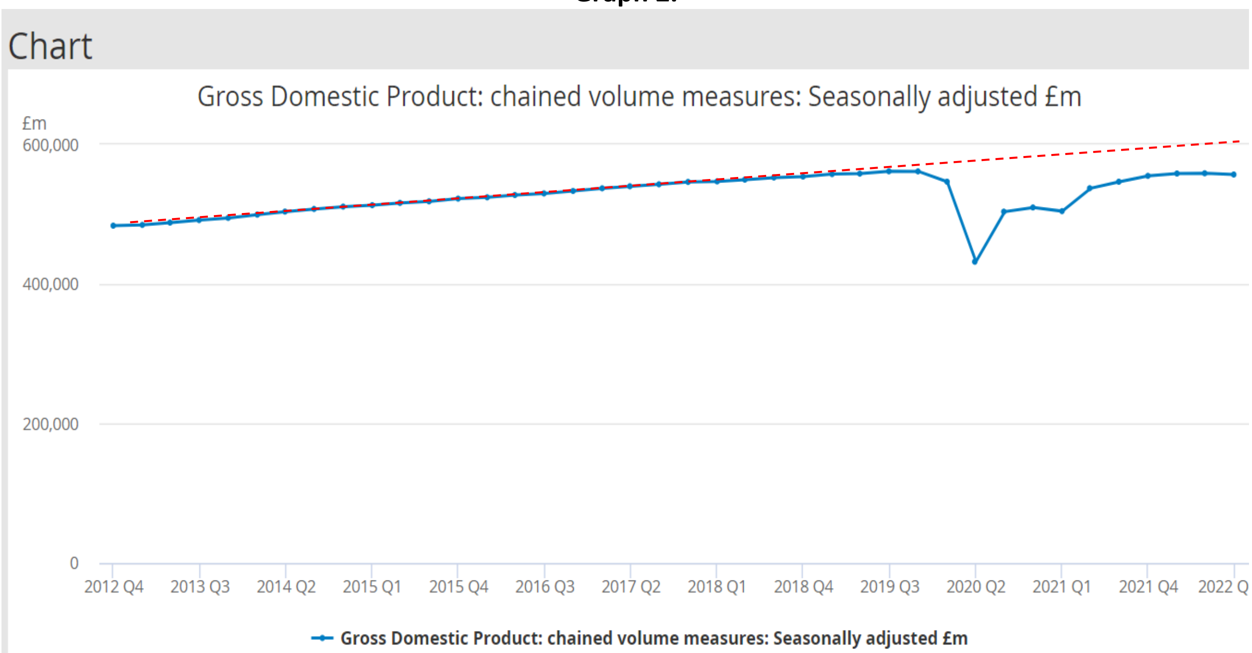
Though the October GDP data, as plotted in the Graph below, recovered from the September fall, the tax data for November would indicate a renewed fall. There are two more takeaways from the graph. For the last 12 months GDP has not grown while the annualized average GDP from March 2020 to this November is still 5% below 2019 GDP. Thus the total loss in GDP over these two and a half years is around 13%.

Graph 1.



The ONS second release of quarterly GDP data this week estimated that the economy had shrunk by 0.3% in the third quarter rather than its -0.2% first estimate, and it also downwardly revised its comparison to 2019. "*[UK gross domestic product (GDP)](#) is estimated to have fallen by 0.3% in Quarter 3 (July to Sept) 2022, downwardly revised from a first estimate fall of 0.2%. In output terms, the services sector grew by 0.1% while the production sector fell by 2.5% in Quarter 3 2022 (including falls in all 13 manufacturing sub-sectors) as well as a fall in the construction sector of 0.2%. The level of real GDP in Quarter 3 2022 is now estimated to* ***be 0.8% below where it was pre-coronavirus*** *at Quarter 4 (Oct to Dec) 2019, downwardly revised from the previous estimate of 0.4% below.*" These trends can be seen in the ONS graph below. Again it shows an economy recovering then stalling out. (Incidentally this fall of 0.8% compares to a rise of 4.3% in the USA and 2.2% for the EU, provided the estimates are accurate. Some Brexit penalty wot!)

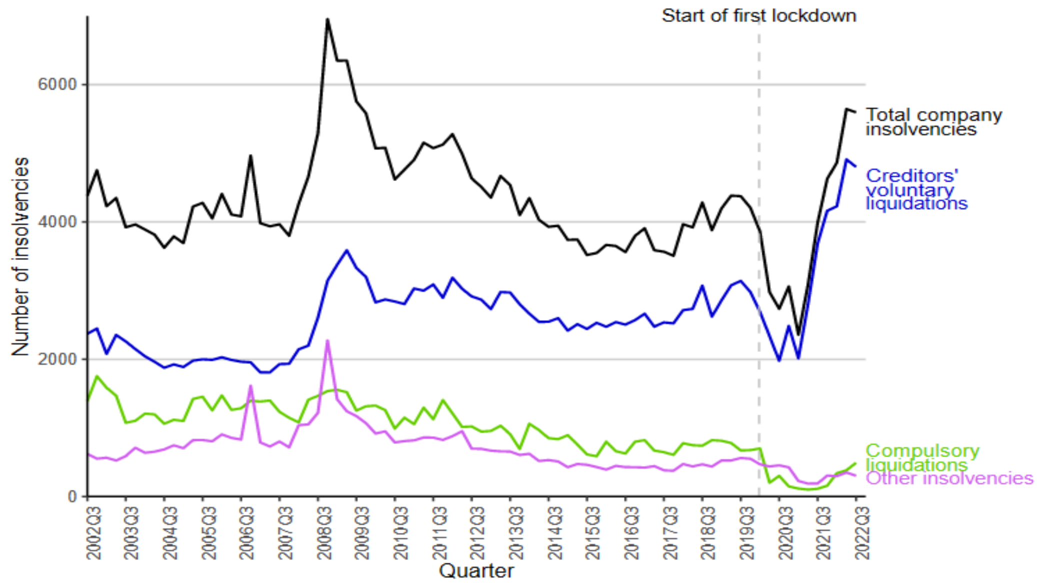
Graph 2.



One of the reasons for the downward revision in quarterly GDP was the fall in investment. "*Business investment in the UK fell by 2.5% in Quarter 3 (July to Sept) 2022. This figure has been revised down from the provisional estimate of a 0.5% fall.*" So despite all the tax breaks given to business when Sunak was chancellor under Johnson, investment is falling significantly, and that was before the strike wave broke.

The lack of liquidity in many firms did not help investment. This can be seen in terms of the numbers of insolvencies found in Graph 3. While there was a slight reprieve in the third quarter, the combined number of insolvencies and liquidations continue to be equal to that found at the time of the Financial Crash and its aftermath. "*Company insolvencies in England and Wales have been rising since 2021. Total company insolvencies, on a seasonally adjusted basis, in England and Wales attained its highest quarterly level since Quarter 3 (July to Sept) 2009 in the second quarter of 2022, according to National Statistics by the Insolvency Service.*" Within these figures, one fifth of insolvencies were firms in the construction industry. This is the industry which is most vulnerable to interest rate movements because of its effect on mortgages and therefore the financial levering of the property sector. Despite this the ONS insists investment in dwellings continued to grow. Expect more future downward revisions to current GDP.

Graph 3.



In sum, the mood continues to be negative. Britain is suffering a deeper malaise than its large competitors. It alone out of the G7 economies has not reached the output figures which obtained in 2019. With each passing month, the Bank of England's prediction of a recession lasting all the while through to the end of 2023, is confirmed. Should that be the case, the loss in GDP could exceed the loss experienced in the Great Depression during the 1930. That Depression which lasted 5 years, beginning in 1929 and ending in 1934 when trade, production and employment began to increase, resulted in a cumulative 5% loss in GDP.

Now note, from February 2019 to November 2022 the cumulative loss in GDP was already 5% though the duration of this loss was more limited. By the end of 2023 it will be significantly higher. Moreover, unlike the 1930s, there was no grants to furloughed workers nor grants to businesses. That being the case, the actual fall in value production is much greater than the 5% fall in GDP registered, because the equivalent of 10% of GDP over two years was injected back into the economy boosting national income while also causing the biggest deficits recorded by a British Government between wars.

The crown jewels start to go missing.

No, not the jewels locked up in Tower Hill, but the jewel in the economic crown, the City of London. The City of London is the heart of the UK economy. While it officially generates less than 10% of GDP, this is misleading and an underestimate. It is much better to view the estimates for London as a whole. Most of the estimates for regional GDP derive from the ONS which finds that London generates 23.4% of GDP, while the London Metropolitan area which includes the South Eastern Shires, generates 38% of UK GDP.

Why is the 23.4% a better measure? Because, besides the City, there are no large-scale export industries left in the London environs. Admittedly there has been an upsurge in Tech firms around Old Street adjacent to the City including FinTech firms but as funds have dried up this year they are panting for additional liquidity. What industry there is provides for London itself, i.e. construction firms, infrastructural firms, distributive and allied trades and so on. Thus if the City of London goes down it will take down London before it takes down the rest of the country despite the fact that the City's tax surplus helps cover deficits in other parts of the country.

And the City of London is withering. It is now palpable. The City of London in many ways was a bigger and more important post-war financial centre than New York. This is due to their unique histories. Britain became a global economy before the USA which remained largely a continental economy until the Second World War, and even then, its inability to trade its own currency (Eurodollars) outside the USA gave the City a leg up. This is why the City became the centre for global currency exchanges, both real and derivative, the centre for insurance, the centre for the commodity trades in both hards and softs aka The London Metal Exchange (LME) , Brent Crude, The International Coffee Organisation and so on.

But since Brexit it has been besieged on all sides. Recently it lost its European crown to Paris for the most shares traded on its bourses. It is losing out to Amsterdam on Euro trades. It is threatened by Shanghai over its monopoly of commodity trades and New York is filching its currency trades. Given the restructuring of the global financial system due to the centre of gravity moving to Asia, the last thing the City needed was Brexit. The City's survival depended on it remaining the Financial Hub for Europe.

Enter Chancellor Hunt with his Edinburg proposals, all 30 of them. An exercise in how to turn a disaster into a sponge cake. These proposals are presented by the tax-dodging Brexiteers as being proactive, gifted to the City when it freed itself from the overbearing regulations emanating from Brussels. To the more sober-headed, these proposals are reactive, seeking to stem the City's decline resulting from Brexit. These divergent views are important, because they influence the perception of risk.

First an overview of these proposals. The Edinburg recommendations to reshape the City of London should not be considered as a second "Big Bang", as the extent of the deregulations are much weaker and more incremental. Also, they will not be introduced until after they have gone out to consultation, which means they will reach fruition just as financial conditions implode in 2023, rendering them doubtful. These 30 recommendations include lowering the fence between retail and investment banking, reducing the penalties for senior bankers indulging in brute speculation, reducing the capital reserves on smaller lenders and introducing innovative forms of consumer credit. In other words they seek to dilute the conditions and brakes put on the banking sector after the 2008 Financial Crash. (The issue of reducing capital reserves on smaller banks is really ill-considered given that in the USA, the greater use of the FED's discount window by smaller banks, indicates looming liquidity issues in this sector.)

Or to put it bluntly, under the cover of Brexit and getting rid of burdensome Brussel laws, they seek to minimize regulations in London below that found in the USA or the EU in order to attract more speculators to the Thames. This is confirmed by Sir Win Bischoff, chair of JPMorgan: *"The Edinburgh Reforms will however be useful in arresting the relative and measurable decline of the City over the past five years."* Thus the proposals are an answer to a political crisis which will undoubtedly raise the risks of a future financial crisis.

Of course the bankers and the tax dodgers who financed and led the Brexit Campaign supported these relaxations calling them "sensible" and "well timed". But for every supporter there were multiple detractors. Here are some of the choicest comments. "*Sir John Vickers, a senior economist who led the independent commission reviewing the UK banking industry after the 2007-08 crisis, said key elements of a deregulation package unveiled by Jeremy Hunt on Friday could put Britain's financial stability at risk. I think this whole idea that there is a massive dividend from Brexit (for finance) is flawed,".* Economics professor Steve Schifferes at City, University of London, told AFP. "*The ringfencing reform is the most controversial bit (and) the most unwise" aspect of the proposals",* Fran Boait, executive director of the pro-consumer campaign group Positive Money, said the end to ringfencing was *"extremely concerning".*

"Behind the spin, today's announcements amount to wide-ranging deregulation that threatens to destabilise an increasingly fragile financial sector, with huge risks to the public and little benefit,"

These days the supporters of Brexit are much quieter especially in government. Of course they continue down their ritualistic pilgrimage, but they know that Jenny and Joe Bloggs who may have voted for Brexit have come to the conclusion that Brexit has done more harm than good and that they were duped by the lying likes of Johnson. Much of the country has turned against Brexit, though you would not know this by listening to those two political cowards - Starmer and Reeves - who have taken a vow of silence on this subject. Brexit is one of the major reasons why the British Economy is the weakest in the G7, and most of the capitalist class are desperate to be rid of it.

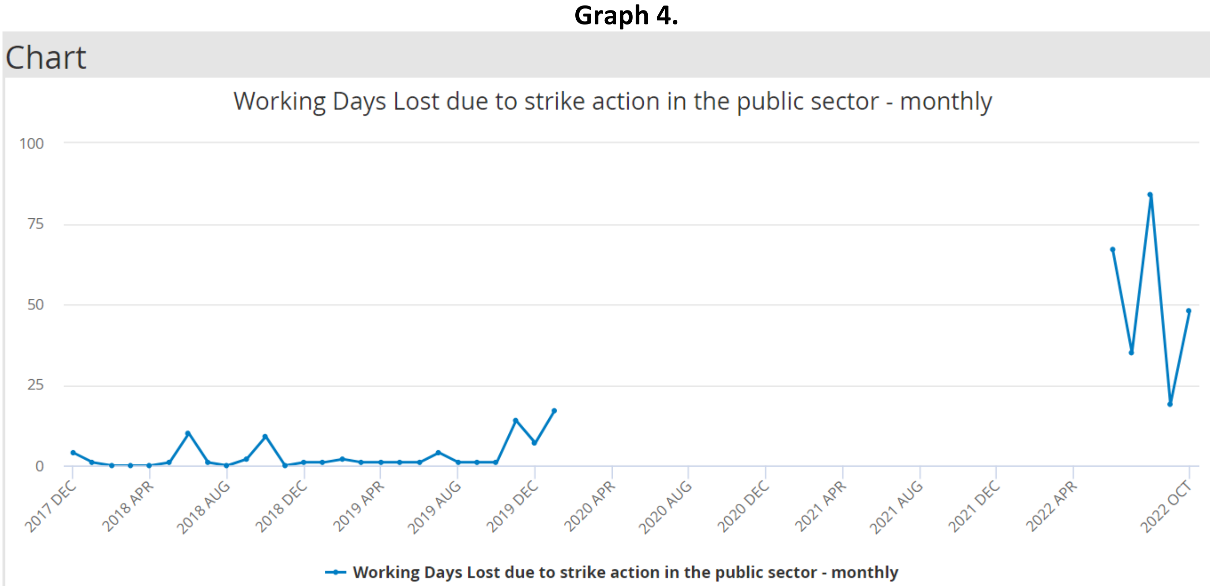
The fact is that the British economy is too weak and too uncompetitive to stand alone, and if the City crumbles, then Marx's expectation that the international communist revolution could break out in England may be proved correct after all. More to the point, the weakness of the City adds to the weakness of the economy which adds to the weakness of government finances, making the bosses more desperate to hold the line against the many strikes.

The class struggle is being misdirected and misled.

British workers, as elsewhere are facing the most severe attack on their living standards and conditions since the War. As a result there is tinder everywhere waiting to be ignited. But instead of a big fire we are experiencing a number of smaller fires breaking out here and there, now and then.

While it is true that the number of workers on strikes is increasing as the graph below shows, what is lacking is leadership. The capitalists act as one, but our trade union leaders act like local barons. They act on their own. This suits the bosses and their government because it weakens our movement.

Graph 4.



The trade union leaders and the TUC are playing to the bosses strengths. The repeated calling out of union members for a couple of days loses wages and wears them down. This can even be seen in the RMT where the last offer following *intensive negotiations* was only rejected by 63% of the membership. Another improved offer of say 1%, and it could be over. In the meantime strike funds are being depleted with little to show for it. Belatedly the call is going out to the working class for donations to help support strikers. This was inevitable. Going on the bucket was never optional, not if there were going to be mass strikes of longer duration. But the lack of advanced preparedness for this probability by the TUC based on their underestimating of the resolve of the government, is breath taking.

Every trade union leader indicates their willingness to negotiate. They blame the employers for not wanting to negotiate or when negotiating doing so in bad faith courtesy of the government. Well stop blaming the employers and drive them to the negotiating table. At the first hint of a general strike these toffs will come scuttling to the unions begging for peace talks. It's the 'facts on the ground' which dictate.

Let us be quite clear, nothing short of a general strike will make the government budge. With every day that passes, with every strike failing to achieve its goals, it is becoming clear to the union rank and file that it is political madness to repeat these scattered short strikes. They recognise the struggle must change, it must become more generalised with the unions striking together on the same days.

The government claims that it will cost £28 billion to raise public sector pay to 11% thereby matching inflation. But this figure is disputed by the *IFS* because it is based on the wrong figures and does not include the taxes higher pay would attract as this article shows. On the other hand were workers in the private sector to be encouraged by such a public sector win, then the cost to the capitalist economy would be far higher than £28 billion.

But even if we took this £28 billion figure, it is no more than the interest paid to the banks for parking their idle money as reserves in the Bank of England car park. Austerity was never just about cutting workers' pay and services, but cutting it sufficiently to allow for tax cuts for the rich. What Sunak aims to achieve is sufficient pay and service cuts to enable the Tories to offer tax cuts at the next election.

His problem however is that economic conditions are more treacherous than he anticipated, and this being so, his determination to ride out these disputes is all the greater. But in many ways this is much, much more than just about tax cuts. The British economy is in real trouble. The outlook is grim. It brings into relief as always, that what is good for workers in these circumstances is frightful for the capitalist class. That is why the conditions which herald a general strike, also bring into question the very wages system, the very battlefield on which this struggle is fought. For this reason, it can only end in one of two ways, a decisive victory for workers or a decisive victory for the capitalists.

That is what keeps the labour bureaucrats awake at night. These time servers who work to their job description would like nothing more than for their years of tenure to pass undisturbed by class war. They know the capitalists tolerate them, even fete them when needed, but they fear an aroused and mobilised working class. And so they should, because militant and politicised workers would not put up with these time wasters for even one second.

Our New Year's resolution must be to help promote and organise *THE GENERAL STRIKE*. The conditions are ripe in every respect for this call and outcome.

Brian Green, 23rd December 2022.