

Britain: Why the ‘markets’ are not god

Wednesday 19 October 2022, by [KELLAWAY Dave](#) (Date first published: 19 October 2022).

Dave Kellaway argues that challenging the dominance of capital requires economic acumen on the part of those engaging in anti-capitalist struggle.

Like many socialists over the last two weeks, we can take some pleasure in the Tories’ meltdown. It makes it unlikely they will win the next election, which would be a step forward for working people and our movement. Truss and her team have been skewered by the very gods they worship — the so-called “free” market and the supposedly iron laws of the capitalist economy. Her economic package was the supercharged dream of the Brexiteers – a lean state, even fewer regulations for bosses to worry about, and the fantasy that giving tax breaks to the rich would trickle down in benefits to everyone else. But £70 million of unfunded tax cuts completely spooked the national and international capitalist class, who feared rampant inflation and financial instability. A crashing British economy would hit their assets since so much of their money is tied up in bankrolling government spending through the purchase of government bonds.

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Although Truss sees herself as a latter-day Thatcher, the Iron Lady always paid attention to the interests of international capital. Even though most of the media liked the original “mini-budget,” it has since spread the message that you can’t go against the markets. Any government has to tailor its policies to the limits that the markets define. Pundits, armed with multiple graphs, have slavishly recited ad nauseum these so-called immutable laws. Both the government and the media are already laying the groundwork for another round of harsh cuts to public spending and austerity, which are seen as an unavoidable result of how the “economy” must work.

Here is where there is a major problem for any socialist or eco-activist who believes another world is possible. Indeed, it is a problem even for those in the labour movement who may want to make some reforms against neo-liberalism without accepting an anti-capitalist framework. If you agree with the current ideology that stresses the need to respect the markets, then any progressive reforms, even a limited wealth tax or forms of common ownership, will face an attack even stronger than what we saw against Trussonomics. Today, Truss had to go through a painful Prime Minister’s Questions, where she made the surprising announcement that the Tories would keep their promise to keep the

triple lock on pensions. The lock means that pensions go up every year by the Consumer Price Index rate of inflation, average wage growth, or 2.5%, whichever is higher.

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You'd think Labour would be presenting itself as the best defender of pensioners, vehemently opposing any weakening of the lock, which has meant that the poorest pensioners—those who rely primarily on the state pension—would be partially protected. Given that the majority of pensioners vote Tory, such a line of attack would boost Labour exactly where it was needed. In the morning media round, Lisa Nandy – obviously wrong-footed since she assumed that the Tories were going to ditch the triple lock – failed to clearly commit Labour to defending the triple lock.

We can be categorical that we've consistently voted to keep it, and we don't want to see more pensioners pushed into poverty.

But what I can't do today, and I'm not going to do, is make commitments for the next general election, which we think will be in a couple of years' time, because we don't know what we're going to inherit from the government.

We think it's going to be the worst economic situation that an incoming government has inherited in potentially the last century, and every commitment that we make in the next general election will be fully costed.

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In other words, Nandy is tamely accepting the unchangeable laws of “the economic situation.” If the markets say in 2024 that keeping the triple lock would damage “British economic stability” or be inflationary, then Labour would cave in. Rachel Reeves' speeches are full of this kind of stuff. Starmer talks of probably not being able to do “good Labour things” because of the economic mess the Tories will leave. Here are all the echoes of Blair and Brown accepting the budgetary restraints

laid down by the Tories for the first two years of their 1997 government. The Conservatives will almost certainly challenge Labour to take a position on all of the spending cutbacks that will be proposed in the upcoming budget in a week's time. Expect more of the same waffle as we heard from Nandy this morning.

Josh Ryan Collins, a professor from UCL, makes some very good points in his Guardian [opinion piece](#) on October 18. He explains that you can increase public spending in redistributive ways without creating destabilising inflationary pressures:

Labour must thus not shy away from making the argument for major public investment that ultimately can help reduce inflationary shocks, in particular from energy prices. The obvious short-term target for such investment should be a national [home retrofitting scheme](#) that would reduce energy bills, create skilled jobs and support the transition to a greener economy.

He goes on to explain why spending more to encourage more investment, like Labour's plan for the Great British Energy Company, would not cause inflation. Similarly, if you tax the rich more, then demand is taken out of the economy, particularly if you tax assets or unearned wealth. Any radical plan needs to break down barriers and make sure that fiscal and monetary policy work together. Truss managed to create a situation where they were pulling in different directions at the same time! Another way to reduce instability is to restore final salary and defined benefit pensions rather than leave us at the mercy of stock market funds.

James Meadway in an [article](#) at the Open Democracy website on the 17 October also exposes how needless public spending cuts are 'justified' using the same ideological mythology of the 'markets'

But the cuts are also unnecessary - the so-called "hole" in the public finances exists only because the government has set itself a target of its debt falling, compared to the size of the economy, in three years' time. Change this arbitrary target - a modest change to five or seven years, say - and the "hole" shrinks or disappears. It's not "markets" making this debt problem - it's the government's own bad choices.

People are fed the lie that power lies in parliament and that, following Brexit, "people have taken back control". The coup against the Truss/Kwarteng economic programme shows where real power is located. As Meadway points out, even a radical left social democratic government has to have clear, robust, costed plans to resist the likely attack on their economic policies—something that John McDonnell consistently argued for.

Yes, we need clear radical plans, but there is another key way we have to respond to the anti-democratic machinations of the capitalist establishment. Working people also need to get together and organise themselves if they want to challenge capitalist rule or make a more decisive break with it. The working class has shown their power in the wave of recent strikes. Financiers and bankers do not produce the wealth of this country; working people do. If working people stop producing commodities or providing vital services, then society stops. Political change can be imposed by mass action. Millions of people can impose political change. The miners' action effectively ended the Heath government in the 1970s.

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The problem we have with the Labour leadership and the historical role of the party is that it almost exclusively relies on a majority in parliament to bring about any progressive changes. At the same time, it accepts the basic framework of capitalism and so will always retreat when threatened with “market” pressures. The reason Starmer and his team have worked so hard to eliminate any influence of Corbynism from the party is that they want to convince the capitalists that it will not challenge the way the economy works. If too many people in Labour are pushing for different goals, it makes it harder to work as an alternative team against the Conservatives. This is also the reason Starmer refuses to support workers on picket lines and to back their wage demands. The capitalist establishment sees workers on strike or in struggle as a threat, and the Labour leadership may not be able to control them.

For anti-capitalist resistance to work, we need to come up with costed plans that can challenge the rule of capital while also building working people’s political confidence and ability to organise themselves.

Dave Kellaway

P.S.

- Anti*Capitalist Resistance. 19 Oct 2022:
<https://anticapitalistresistance.org/why-the-markets-are-not-god/>
- Dave Kellaway is on the Editorial Board of Anti*Capitalist Resistance, a member of Socialist Resistance, and Hackney and Stoke Newington Labour Party, a contributor to International Viewpoint and Europe Solidaire Sans Frontieres.