A poor future

On October 20th the TUC will march for “a future that works” and against austerity. In a booklet the TUC analyses “what went wrong” and spells out what the future should look like. In general terms, the programme is no different from the 2011 march under the slogan “Jobs, Growth, Justice.” That is, the TUC effectively invites its supporters to the streets to demand a future of poverty for the sake of the British economy and state.

On banks and industries

The TUC’s demands are based on its analysis what went wrong:

“...The worldwide economic crash did great damage to our economy. It destroyed jobs, hit living standards and caused a deficit. “

The first thing we take from this statement is that “our economy” in tandem with other economies was not the subject that destroys living standards. Instead, the crash – with all its undesirable effects – was something done to “our economy”. The subject of the crash is also identified: “The crash was due to the banks.” The picture the TUC paints is one where “our economy” is contrasted with “finance”.

“...Too big a role of finance, and not enough for manufacturing and other productive industries. “

This is curious. How did these banks manage to bring down “our economy”? How is it possible that a crisis in a financial derivatives market can lead to a worldwide economic crash? How come factories shut down, people get fired, whole national economies are under threat of collapse and most importantly, to us, living standards decline, if something external to these things bursts its own bubble? Perhaps, these banks are not as external to “our economy” as the TUC wants us to believe in its opening statement or when it demands:

“Instead of letting the banks go back to business and bonuses as usual, we need policies that promote new and old industries. “

In this claim, the TUC understands very well that credit is not something external to “our economy” but an integral part of it. Without credit, almost no business gets started in modern capitalism – no high-speed rail is built, no solar panel designed, not even most corner shops can open without it. The TUC understands the importance of credit so well that they want to ensure its availability through mandate. The TUC is interested in the utility of private banking for business and criticises banks for failing to assume their necessary role. Indeed, there is a difference between credit’s economic function for the national economy and the purposes of those able to grant it. The state instituted a system where the credit provision for society is dependent on the calculations, competition and success of private banks. The Bank of England creates money and offers to lend it to financial institutions. These banks can then invest this money according to their own calculations, for example, by lending it to industrial companies. By assessing investment opportunities according to their own calculations banks grant credit to businesses they expect to be profitable. In doing so they also provide them with the fundamental means to be successful in “our economy”: Everything a company needs to be successful is available for a price: machines, workers, scientific insight, distribution channels, brand appeal. Vice versa, companies which do not offer worthy profit promises are cut off. This way, the “credit supply” in society is regulated according to how much profitable business can be started with credit.

“...The existing banks aren’t lending to growing businesses. We need new banks interested in jobs and the needs of the economy. A national industrial bank can fund big projects, while every region could have its own local bank. “

For the TUC, however, this fact is not the starting point to inquire about the nature of a society where, on the one hand, productivity is so high that not everybody needs to work eight hours a day and where, on the other hand, having too much free time is a serious economic problem. It does not inquire about the nature of a society where perfectly well functioning factories are closed down not because everybody is provided for with their products but because their operation is not profitable any more. It does not inquire about a nature of a society which neatly divides those who own and those who do not as the TUC puts it a “gap between the super-rich and everyone else”. Perhaps jobs are a means for companies to make profits and not an end

The TUC does not oppose business as usual and bonuses for a job well done in “new and old industries”. On the contrary, it wants to promote these industries. In the eyes of the TUC then, there must be a difference between “new and old industries” and the banks. Something is off about banks and by typesetting “bonuses as usual” in bold the TUC lets us know what it is: they are only looking after their own interests instead of looking after the greater, national good which somehow trickles down to those people the TUC calls on to march. What these banks should be doing instead of looking after their own interests is clarified when the TUC proposes its solution:

On companies and investment strikes

But the TUC also does a quid pro quo when it appreciates “new and old industries” by identifying the effect of these industries, they use workers to produce useful things, with their purpose: economic growth measurable in money. That is, the TUC pretends the purpose of “old and new industries” was to pay taxes and to create jobs and decries another “imbalance” when they do not live up to this alleged purpose:

“...Companies more interested in avoiding tax than creating jobs. “

In times of crisis, however, the desired economic effect – the issuance of credit – and the purposes of financial institutions can be in open conflict or as the TUC puts it there can be an “imbalance” between finance and industry. Then, politicians, journalists and trade union congresses blame financial institutions for exercising their rationality of profitability without the desired outcome.

1 Trade Union Congress, “A future that works”, July 2012. When not stated otherwise all quotes in this text are taken from this booklet.


3 In this piece we focus on the TUC’s take on “our economy”. In particular, we do not engage with the TUC’s understanding of the state and sovereign debt. What sovereign debt is, how it works and common fallacies such as those of the TUC we critique in “Sovereign Debt and the Crisis in the Eurozone” available at http://bit.ly/3yKct77. For example, it is absurd to claim that the worldwide economic crash “caused a deficit.” Every capitalist state almost always runs a deficit – in bust and boom.

4 “...when it is not presenting a scapegoat as in “the crash was due to the banks”.

5 Too much credit could lead to inflation: more money but not enough investment opportunities. Too little credit would mean investment opportunities are missed – deadly sin when economic growth is the first and foremost purpose.
itself and perhaps paying taxes is not what making profits is about? Again, the TUC knows all this. The point is that the TUC has no problem with subjecting the production of bare necessities to profitability:

“UK companies are sitting on a £700 bn cash surplus. The are on an investment strike because they do not see profitable returns in a depressed austerity Britain economy.”

The simple truth is that the production of useful things commences if and only if it is predicted to be profitable. Just because people are hungry is not sufficient justification to start production in this society, this happens only if the results of production can be sold for a profit – the TUC knows this, it just does not want to draw the obvious conclusion.

Just like the provision of the economy with credit is subjected to the profitability calculations of banks, the provision of people with useful goods – or even their ability to produce these things – is subject to the calculations of “UK companies” who are not interested in these useful goods per se, but their profits. All production in this society is subjected to this criterion and the separation of “new and old industries” from “the banks” is unfounded. In both cases profitability is the overarching criterion and credit or useful things respectively the material to accomplish it. Of course, a life without credit, capital, money, exchange is conceivable – well desirable – but not without useful goods. However, how this leads to an appraisal of “new and old industries” who exploit the dependency on these useful goods is inexplicable.

On customers and wages

But for the TUC it is not enough that people can only eat and play video-games when it explains that if “customers have less to spend, businesses will neither invest nor take on staff.” The TUC’s problem with poor people is not their poverty but that they do not allow companies to invest. ⁶

After cheerleading the fact that the production of useful things is subjected to profitability and demanding that poor people do their part in keeping this relation profitable, i.e., to spend their money, the TUC discovered a positive side-effect for its audience – which it mistakes as the fundamental purpose:

“This new approach would create jobs, especially for young people. It would encourage companies to raise average pay, penalise big bonuses and invest in training and long-term growth.”

The best the TUC has in store for its supporters is the possibility of serving UK companies to realise their profits long-term. If companies then grow in the long-term they might raise wages – at least to what the TUC hopes. However, the relation between wages and success is closer to the opposite than what the TUC claims.

For a company to be profitable total wages paid and other expenditures must be lower than the sum of money a company makes by selling the products produced by its employees. The wage of an employee is a cost in the books of a company. That is, a necessary expenditure for the sake of making more than was initial advanced. The whole calculation of profitability is based on the difference of what a company has to pay for wages and raw materials and what it can charge for the end result. Hence, the lower the wage and the higher the efficiency of the workers, the higher the profit. Put differently, the “gap between super-rich and everyone else” is not something that came about in crisis but is the result of “business as usual” in “new and old industries”. The TUC admits it itself when it declares a widening of this gap during crisis.

The price of labour – the wage – is like any other commodity determined on the market, in this case the labour market. More people competing for the same number of jobs usually means lower wages, as workers accept lower and lower pay in order to get a job at all. But economic growth does not necessarily mean more jobs. As profits are the difference between expenditure and return, techniques to lower expenditure are means to increase the rate of profit. One such technique is to make production more productive. Instead of having, say, 100 workers produce 100 pairs of shoes a day, 10 workers produce the same amount of shoes with the help of new technology. If this new technology costs less than the wages of 90 workers, the second option throws these workers on the streets while increasing profitability.” A look into modern production facilities shows that this is not an abstract possibility but common practice.

On the nation and families

The dependence of everybody on the success of the British economy is objective as long – and only as long – as everything is subjected to profitability. What is not an objective necessity, is the TUC’s cheerleading for the economic principles of this society – neither is the pride with which the TUC subjects its audience to these principles. It is no accident that the TUC does not simply speak of people or workers:

“We need policies for the future to put right what has gone wrong and give us an economy that works for ordinary British families.”

Despite the fact that its audience is composed of a variety of people in different social situations it calls its audience “ordinary” to clarify that all they want is a normal, i.e., small, piece of the pie – nothing more. Despite the fact that much of the “everybody else” are not British citizens it calls its audience “British” to call for a national unity of sacrifice. Finally, addressing each member of the audience as a “family” member, it emphasises that nothing less than the decent nucleus of the British fatherland is at stake. And so the material interests of those on the receiving end of austerity are transformed into a proud collective sacrifice for Great Britain.

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1. In reality, the TUC does not really believe that government spending on poor people was such a great means to get an economy going. If that was the case, why not increase benefits massively? Why not give everybody on the dole £4,000 each month? That would surely generate much more demand than simply maintaining the meagre current benefits. By restricting its demands to the current poverty level the TUC indicates that it too has not found a convincing argument why material provision for everyone would make sense according to the principles of economic growth.

2. “On the other hand, if the wage of 100 workers can be lowered enough to be cheaper than 10 workers + new machines, then this option is more profitable. This is mentioned to dispel the urban legend that capitalist production always means increases in productivity and big machinery. Sweat shops exist not inspite of the productivity in “the West” but because of and in competition with it.

3. The TUC gives an example of successful government intervention: “US unemployment has gone down, while it has continued to go up in the UK.” It fails to mention that this was accompanied by an effective universal wage cut – wages growing less than the rate of inflation – and that falling unemployment figures are partly due to people giving up looking for a job (http://buff.to/Rlx0tB). The choice is pest or cholera.