Growing calls for early general election in Britain

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The crisis gripping Parliament, as the *Daily Telegraph* has released details of MPs' expenses, is being used by the financial oligarchy and their media spokesmen to shift the agenda of official politics to the right. Under cover of ringing declarations that corruption must be rooted from the body politic, a frontal assault is being prepared on the welfare state and the living standards of millions of working people. This is what, in reality, lies behind the calls by the Conservatives and sections of the media for an early election.

There must in any case be an election within the next 12 months, so what is the source of this urgency? An indication can be found in the negative report on UK public finances by the Standard and Poors credit rating agency and the recent report from the International Monetary Fund (IMF) that also pointed to a dangerously high level of borrowing by the Labour government of Prime Minister Gordon Brown.

Bank of England Governor Mervyn King has expressed the same concerns. He publicly warned the government that it could not afford to carry out another fiscal stimulus package. The danger that the Bank, the IMF, and Standard and Poors are pointing to is that the level of UK borrowing is so high, principally as a result of the bank bailouts, that international investors will refuse to lend money to the British government.

The failure of an auction of government debt last month was a sign that the perceived risk of a default was increasing. British government debt has always been regarded as a safe investment, hence the name "gilts". But, with government borrowing running at 49 percent of GDP, gilts are looking decidedly tarnished.

Only months ago Brown was basking in the glow of media approval. He was hailed as the man who had saved the banks, or as he put it himself in a Freudian slip, "saved the world". Now, with bank shares rising on the world's stock exchanges, the questions is not who will save the banks, but who will pay the price of that rescue package. The answer, as far as the global financial aristocracy is concerned, is that working people must pay the lot.

Labour's recent budget was entirely unsatisfactory for the financial elite. Not only did Chancellor Alistair Darling fail to bring in significant spending cuts, but he had the audacity to impose a 50 percent tax rate on a small part of the income of the wealthiest members of society. Most of them will be able to avoid that tax, but it sent entirely the wrong political signals. At a time when influential sections of the ruling class are positioning themselves for a fresh attack on the working class, Darling and Brown were attempting to placate workers by giving the impression that public spending could be maintained.

Since it came to office in 1997, Labour has done everything in its power to defend the interests of the City and the global finance capitalists who have made it their favoured base. It has taken part in wars of colonial expansion in the Balkans, Iraq and Afghanistan, shifted the burden of taxation from the rich to the poor, forced new layers of the population into low-paid work and opened public services up to private profit. But even a decade of sycophancy does not buy loyalty or gratitude from the financial elite. Brown has become yesterday's man.

Standard and Poors put the UK's AAA credit rating on negative watch because the agency fears that the public debt will rise to 100 percent of GDP in the medium term. The UK's gross debt is expected to reach the Maastricht top limit of 60 percent by next year. This is the highest level it has been since the mid-1970s when Britain had to approach the IMF for a loan and deep cuts were imposed on public spending.

It is widely believed that Alistair Darling's projections for the coming year are too optimistic. The economy is expected to shrink by 4.1 percent this year—the biggest peacetime contraction since the Great Depression of the 1930s.

Unemployment is already rising more rapidly than anticipated. Government spending is likely to rise as a result by 10 to 15 percent a year, rather than the 5 to 7 percent that Darling's budget predicted. Government revenue will decline as the tax take falls due to unemployment.

Britain's debt currently stands at £93.4 billion. The government expects it to rise to £175 billion over the next year, but it may well go higher. Just a year ago the figure was £37 billion. With another bank bailout predicted by the IMF in the coming months, this level of debt can only increase.

Professor Robert Shiller of Yale University, who predicted the collapse of the dot-com bubble, has warned that Britain faces a further downturn. Mortgage defaults, rising unemployment and another wave of company failures “could surprise us yet,” Shiller told the *Sunday Times*. The banks, he warned, were still holding toxic assets, drawing a parallel with 1931when a brief recovery in share prices was followed by a further collapse.

Faced with the prospect of protracted recession, the Bank of England has sided with the Tory opposition. The *Financial Times* reports “barely disguised dislike” between Brown and King. One observer told the paper, “You sit in the room with them and you see two people thinking how much they would like to get rid of the other.” According to the *Financial Times,* “the Bank’s viewpoint—which sometimes represents an alternative economic stance to the government—is increasingly being reflected by George Osborne, shadow chancellor”.

The Bank’s unprecedented political role reflects the power that the Labour government gave it by making the Bank independent of government, effectively putting economic policy in the hands of an unelected body. As long as the City was satisfied with Labour’s performance the relationship between Downing Street and Threadneedle Street could be relatively harmonious. Under the impact of the financial meltdown and the government’s failure to deliver the kind of policies that the super-rich want, the relationship is breaking down.

The *Telegraph* proclaims that “the state has borrowed and spent too much. Even now, households are still doing so. Retail sales remain surprising buoyant, though with the savings ratio improving it is hard to believe the High Street will remain so resilient once unemployment climbs towards three million... Pain in this process will be impossible to avoid and may even be a necessary corrective.”

Exactly what the financial elite wants was spelt out by Rupert Murdoch’s adviser Irwin Stelzer. Writing in the *Times,* he called on leader of the Conservative Party, David Cameron, to be “tougher than the Iron Lady”.

“Cameron will have to top Thatcher's iron with a show of the steel,” Stelzer insists, “First, he will have to take on the millions of public-sector workers if he is to avoid a knock on the door of Number 11 by the International Monetary Fund.”

He lists public sector pay, pensions and jobs as issues to be tackled by an incoming Tory government. “The hard part,” he writes, “will be rolling back the welfare state.”

Stelzer regards it as axiomatic that a free National Health Service cannot be sustained. “[Either] the man [Cameron] who rose to prominence as the acceptable face of Tory conservatism will end up as the hard man of 21st?century British politics—or the Prime Minister who let the IMF do his dirty work.”

Stelzer is perfectly clear what the job facing the next government will be. It is nothing less than the wholesale destruction of the welfare state.

He is well aware that such a programme must lead to major clashes with the working class. He is prepared for “a summer, winter, spring, or autumn of discontent”.

Cameron will not even be able to offer the sop of “popular capitalism” that was associated with Thatcher—a brief period in which the middle classes shared a small portion of the spoils of the fire-sale accompanying the privatisation of public assets. He must attack the living standards of wide sections of the population who rely on the state sector for their income or services. The global financial aristocracy and its political representatives are preparing themselves for the social conflicts that will be the inevitable response to such measures.

Neither Labour, nor any remnant of that party, can lead opposition to the onslaught that is being prepared. The party cannot be supported as somehow a lesser evil than its Tory challengers.

Labour faces political annihilation precisely because working class voters have deserted en masse a party that, under Blair and Brown, adopted wholesale the policies of Thatcher. Despite recent efforts to present a left face, because the entire economic perspective on which it was based has collapsed, Labour will implement whatever attacks on working people are demanded by its masters.

The dire economic situation poses in the most acute form the need for a new party that will unite working people internationally on a socialist programme to defend jobs, wages and services.