Global energy price surge hits workers

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Global energy prices have surged this month, compounding inflation and putting further strain on working-class households throughout the world.

Natural gas prices have recorded some of their largest ever increases on record. Both the European and Asian benchmarks for natural gas reached record highs last week. According to the International Energy Agency (IEA), they are up by almost 1,000 percent, compared to where they were a year ago—effectively going vertical, in their price increase, the last few weeks.

Coal, which remains a cornerstone of the global economy, has seen massive price increases. Imported coal in the EU is up 420 percent compared to a year ago, according to the IEA. In China, home to 30 percent of global industry, coal prices have reached all-time highs, more than doubling this year.

The price of electricity is surging around the world as well. Dependent, in many places, on the price of both coal and natural gas, electricity prices have risen the most in places like Germany or Spain, which rely on these fuels. The price of power is up by over 500 percent in Germany compared to one year ago, their highest on record.

Crude oil prices are rising as well, however, not by the extremes that coal and natural gas have risen in Asia and Europe.

The price of Brent, the most widely used oil benchmark, has doubled over the last year.

In the United States, average gasoline prices have risen by $1.10 per gallon at the pump. They now average $3.27 nationally, according to the American Automobile Association (AAA). The US crude benchmark (West Texas Intermediate) rose to $80 per barrel, the highest since 2014. Meanwhile, natural gas prices have increased 112 percent in the US since January, causing fears of a bitter winter.

The global surge in energy prices only adds to the already considerable inflation that has occurred last year.

In the US, consumer price inflation is up 5.4 percent from a year ago. That means that every worker has received an equivalent of a 5.4 percent *wage cut* on whatever they earn, compared to a year ago. If anything, this is a low assessment as the index does not adequately consider the soaring cost of rent and housing.

Food costs have increased 12.6 percent over the last year in the US. It increased by 1.2 percent just last month alone.

Yesterday, the International Monetary Fund (IMF) revised global growth estimates downward in response to these surging costs. The downward revision came also in response to the dysfunction that is occurring in global logistics.

Around the world there are significant crises emerging at major ports and supply hubs. In Los Angeles, for example, dozens of massive container ships—each with 20,000 containers or more—stand, waiting outside its two ports (Long Beach and Los Angeles). Videos posted to social media give a sense of the magnitude of the crisis. Hundreds of thousands of containers are backed up in ports awaiting truck drivers, and dozens of container ships wait to be unloaded. All of this ricochets across the supply chain, backing up production.

Several major exporting nations have already significantly cut back industrial production as a result, laying off workers.

Industrial production in Germany declined by 4 percent in August, compared to the previous month. The German car multinational Opel announced it would halt its operations, in response to *both* the rising cost of electricity and the semiconductor shortage.

Similarly, in Sweden, the economy shrunk by 3.8 percent in August. In particular, shortages and logistics dysfunction pushed manufacturing output down 4.5

percent. The Volvo Group, which was the seat of a critical strike of workers earlier this year, announced it would shut down production in September, citing the semiconductor shortage.

China's economy will slow this quarter. Surging power costs, the breakdown of massive property developer Evergrande, and general economic dysfunction globally, will all contribute to China scoring just 5.1 percent growth this quarter (down from 7.9 percent the previous quarter). Car sales in China have fallen 20 percent over the last year, indicating pressures confronting better off sections of the working class and its middle class.

The collective mess (energy prices, supply-chain disruptions, food prices, declining industrial output, etc.) spells danger for global capitalism.

The rise of inflation comes as workers in most corners of the globe have sought to challenge their employers. In the US a number of significant strikes, labor actions, and "no-votes" on sell-out contracts have occurred. In particular, 10,000 workers at John Deere just overwhelmingly voted down a concessions contract which the United Auto Workers (UAW) tried to foist on them.

While the wealth of the global financial oligarchy is at all-time highs, evading taxation as it pleases (See: 'Pandora Papers' points to major tax evasion…), workers from all countries are stuck in the tightening grip of inflation. Energy and food prices disproportionately affect the poor, because they spend a larger share of their income on them.

The reasons behind high energy prices and the reasons behind the global supply dysfunction

point back to one thing, the inherent anarchy of the capitalist economy.

The IEA has warned for several years on the mismatch between global energy investment and global energy demand. Even before the onset of COVID-19, the agency urged governments to support measures to dramatically enhance investments, particularly in renewables. However, locked in competition and driven by short-term decisions, it is impossible for global energy companies to rationally plan their future. COVID-19 only made worse these pre-existing problems.

Another cause of rising energy prices has been extreme weather events, such as the heavy rains in China and Hurricane Ida. However, such events are the predictable, increasing outcome of climate change, something capitalist politicians have no intention of seriously combatting.

Of course, the other great cause, COVID-19 and its ongoing devastation, is likewise the product of the capitalist system. While a known, science-based plan exists to eradicate the virus, governments throughout the world are giving up on any plan to significantly slow, let alone stop, the spread of the virus. A systematic global effort to eliminate the virus could succeed in a matter of weeks, but the capitalist press, in its profit-driven, nationalist logic denies the very possibility of doing so, suggesting everyone "live with the virus."

A chief investment officer at Crossman Global Investments told CNBC that he did not expect inflation to be going away any time soon. He stated, "Hopefully, we start solving our supply shortage problem. But when the dust settles, inflation is not going back to zero to 2 [percent] where it was for the last decade."

This same fear motivated the International Monetary Fund (IMF) to warns the US Fed and other central banks to prepare plans to deal with extreme inflation. They said that there was "high uncertainty" around the issue and urged central banks to begin easing unprecedented injections of cash into global financial markets.

On Wednesday, the Fed responded, suggesting it would begin to draw back its monthly $80 billion injections into financial markets during November. However, such a move threatens to disrupt the mechanisms which keep US markets afloat—risking the bursting of any number of new toxic debt bubbles that have emerged since the 2008 financial crisis.