Bank of England governor tells workers, we “need to see a moderation of wage rises”

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On Thursday, the governor of the Bank of England Andrew Bailey openly declared the brutal class war to be waged on the working class.

Asked in an interview on the Bank’s efforts to curb inflation if he was telling people not to ask for a pay rise, he responded, “Broadly, yes. We do need to see a moderation of wage rises. Now that’s painful. I don’t want to in any sense sugar that message. It is painful. But we need to see that.”

Bailey issued this edict after the Bank’s Monetary Policy Committee announced that CPI inflation would rise to 7.25 percent this April, the highest rate since 1991. It is currently at 5.4 percent. The higher RPI measure of inflation is already at 7.5 percent and will climb more sharply since it includes mortgage payments, likely to rise due to the Bank’s decision to lift interest rates from 0.25 to 0.5 percent.

Workers’ pay, already falling behind prices, will be devastated, dwarfing even the catastrophic impact of the 2008 recession. According to the Bank’s measure of real post-tax labour income, real take-home pay will fall by 2 percent overall this year—the biggest drop since comparable records began in 1990. For comparison, the fall in 2008 after the financial crash was 1.4 percent.

For millions, living standards will fall far further, with price rises concentrated in the goods which make up the bulk of poorer households’ budgets.

On the day Bailey made his comments, regulator Ofgem lifted the price cap on energy bills by a record 54 percent, meaning an average increase of £693, or £708 for those on pre-payment meters. The Resolution Foundation thinktank predicts that the number of people spending more than 10 percent of their disposable income on energy bills will double to more than 10 percent, or 5 million people. Analysts expect the cap to rise again in October by up to another £500.

Petrol prices are up 26.8 percent this year and the price of second-hand cars up 30 percent.

According to landlord and tenant insurer HomeLet, average rents in the UK increased 8.3 percent over 2021, to £1,060 a month. With the raise in interest rates, payments on a £150,000 mortgage will cost £254 extra a year; a £200,000 mortgage will cost an additional £324.

Overall food price inflation was running at 4.8 percent in December, but this disguises much higher increases in staple foods. Pasta, margarine, apples and pears have risen in price by more than a quarter, cooking oil is up 13 percent and tomatoes and mushrooms up 8 percent. The increases are frequently higher for the cheapest options.

The Bank also forecasts that unemployment, after falling to 3.8 percent in the early part of this year, will then rise to 5 percent. But these figures are some way off the real picture. The Institute of Employment Studies reported in January that, despite improving unemployment figures, there are 600,000 fewer people in employment than before the pandemic, driven by a sharp rise in economic inactivity. Tellingly, the bulk of the increase is from people off work due to long-term ill-health.

Bailey, paid half a million pounds a year, justified his insistence that workers tighten their belts in these conditions with the claim that inflation would otherwise become “ingrained”. He told Sky News the Bank had to “ensure… there isn’t more inflation pressure domestically. That would come for instance from things like wage bargaining.”

He told the BBC Radio’s *Today*, “We are looking to see quite clear restraint in the bargaining process. Otherwise it will get out of control.”

The *Financial Times* explained ahead of the Bank’s Thursday meeting, “Most forecasters expect the monetary policy committee to raise interest rates when it meets on Thursday, to avert the risk of a so-called wage-price spiral developing, when workers demand pay rises to match higher living costs and companies raise prices to protect their margins in a repeating, self-fulfilling process."

The reality is that wages are falling behind price rises. The Office for National Statistics reported last month that pay grew at an annual rate of just 3.5 percent last November, with CPI inflation then at 5.1 percent.

The Bank claims that average wage growth for the year is now around 4 percent, well behind current CPI inflation (5.4 percent) and even further behind RPI inflation (7.5 percent). It expects wage "growth" to rise minimally to just under 5 percent over the next year as prices race ahead, before falling back towards 2 percent.

For the 6 million people receiving Universal Credit welfare payments, of whom 40 percent are low paid workers, the situation is even worse. The government will increase those payments just 3.1 percent this April, less than half the Bank's expected rate of inflation.

What Bailey is really saying is that corporate profits need to be secured by ensuring prices rise faster than wages, to make good the huge debts racked up by the government bailing out the corporations and the super-rich in response to the pandemic crisis.

Since March 2020, the UK government has spent £368 billion on COVID-19 measures, according to the National Audit Office. The bulk of the money, £154 billion, has been handed to businesses. An incredible £900 billion has been spent by the Bank of England in quantitative easing programmes, pumping money into the stock market.

As a result, the UK's national debt climbed from £1.877 trillion (84.7 percent of GDP) in March 2020 to £2.223 trillion (103.7 percent of GDP) in March 2021. Its annual spending deficit has increased from 2.7 percent of GDP to 15.3 percent.

This debt represents the ever-expanding fortunes of a tiny oligarchy, sustained by round after round of quantitative easing and near-zero interest rates since 2008. It must be paid by workers' increased exploitation.

The same imperative underlies the drive to declare the COVID pandemic "over", ending all restrictions of the economy, and the escalating drive to war with Russia, whose vast resources the imperialist powers hope to secure for themselves.

Talk of a "wage-price spiral" reveals the ruling class's deepest fear that this agenda will encounter fierce resistance in the working class. A spokesperson for Prime Minister Boris Johnson responded nervously yesterday that Bailey's demand for restraint was "not something that the Prime Minister is calling for… we want wages to increase."

This is a lie. Johnson's worry, amid a worsening government crisis, is that the Bank of England governor has let the cat out of the bag: an unprecedentedly savage assault on workers' living standards is being prepared.

Responsibility for enforcing this agenda lies with the trade unions, whose statements of protest against Bailey are motivated by the same concern as Johnson's. They know they are sitting on a powder keg.

Throughout the pandemic, the union bureaucracy has worked flat out to hold back a wave of class struggle as workers seek to defend their pay and conditions. Innumerable strikes have been blocked, isolated and betrayed to keep wage rises in check. Their role was summed up by the health unions' demobilisation of a pay struggle of National Health Service workers, allowing the government to impose a massively below inflation 3 percent deal.

At companies like British Gas, JDE and Go-Ahead, devastating *cuts* to pay, pensions and conditions have been implemented under the threat of "fire and rehire". This will increasingly become the model.

But the continued development of strikes in education, distribution, transport and other sectors shows that the working class is determined to fight.

Last year, the *World Socialist Web Site* launched the International Workers Alliance for Rank-and-File Committees to help the working class "coordinate its struggles in different factories, industries and countries in opposition to the ruling class and the corporatist unions." Against the austerity offensive of the ruling class and its union henchmen, these rank-and-file committees must be formed to defend workers' interests, based on a socialist programme of class struggle for the expropriation of the oligarchy and an economic system serving social need, not private profit.