Ruling elite celebrate UK economy’s “rebound” at workers’ expense

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Britain’s economy grew by 7.5 percent in 2021, after taking a smaller than expected hit in December when the Conservative government was forced to implement some restrictions in the face of the surging Omicron variant.

It was the occasion for rejoicing by the political and financial elites and their bought and paid for media commentators, with all noting that this was the largest expansion since 1941 and made Britain the fastest growing economy of all the rich countries in 2021. The pubs and bars in the City of London were full of bankers drinking vintage champagne after being awarded £4 billion in bonuses, their biggest haul since before the 2008 global financial crisis.

The International Monetary Fund (IMF) expects the UK economy to grow at 4.7 percent in 2022, slightly less than its October prediction as a result of Omicron, but still more than the world’s other largest capitalist economies in the G7.

Chancellor Rishi Sunak, a multi-millionaire, patted himself on the back, saying, “Thanks to our package of support and making the right calls at the right time, the economy has been remarkably resilient.” The “support” he refers to includes the Bank of England’s £900 billion in quantitative easing and cuts in interest rates, as well as the government’s low-interest loans, debt repayment holiday, and other subventions to businesses, banks and the stock market. He did not explain that the cost of all this is to be clawed back from workers in the form of tax rises, cuts in public services and runaway inflation that is decimating living standards.

The rebound comes after Britain suffered a far sharper economic contraction than its peers. Its largely consumer service-based economy collapsed by 9.4 percent in 2020 as lockdowns were imposed in March and December, around twice the fall following the 2008-09 global financial crisis. This means that output as reflected in GDP is still smaller than in the last quarter of 2019, while the US and France have recovered to pre-pandemic levels.

Nevertheless, it confirms why Prime Minister Johnson was so adamant in October 2020 that there must be “No more fucking lockdowns” even if this meant the bodies would “pile high in their thousands!” The “herd immunity” strategy favoured by the government from the outset of the pandemic had nothing to do with science and everything to do with allowing nothing to impinge on the flow of profits to the corporations and the super-rich.

It was only on March 23, 2020, faced with mounting public anger and scientists insisting that the current policy would lead to hundreds of thousands of deaths, that the government reluctantly implemented a partial lockdown to limit the spread of COVID-19 behind which it carried through its real imperative—funneling hundreds of billions of state funds to big businesses, including a furlough scheme for workers unable to work during the pandemic.

Within weeks of recklessly reopening the economy, including overseas travel, in July 2020, to restore the profits of the corporations, and announcing an £840 million “eat out to help out” programme as a subsidy for the hospitality industry, the pandemic was on the rise again. A few, even less stringent, measures were imposed in September and reluctantly increased in the following months, culminating in the closure of schools between January and May 2021 as part of a set of unavoidable restrictions.

But by summer 2021, all restrictions were lifted, including on foreign travel at the insistence of the airlines and hospitality industry, even as infections remained widespread. The furlough scheme and other support measures for workers were withdrawn in October.

In December, even as the country faced the spread of the highly contagious Omicron variant, the government imposed only the most minimal social distancing measures and called on people to work from home where possible. All this too has since been lifted.

Now the Conservative government, the Labour Party, trade unions and the media proclaim with one voice that the pandemic is “over”, Omicron is equivalent to the flu or common cold and we must “live with” a supposedly endemic virus. It is this removal of all restrictions that might hamper profits and the ever more brutal exploitation of the working class that accounts for the UK economy’s rebound, one paid for with the loss of 180,000 lives and 1.3 million people suffering from Long COVID. This is what the political and financial establishment and the media are celebrating.

But while output, particularly manufacturing and construction, if not services, expanded and profits rose—the high street banks’ annual profits alone are expected to exceed £34 billion, the highest since 2007 during the boom before the financial crisis—workers’ living standards were and are falling. This follows decades of wage restraint, courtesy of the trade unions that have done everything in their power to isolate and sell out workers’ struggles, leading to labour’s share of GDP falling from around 58-61 percent in the 1960s and 70s to around 53 percent in the 1980s, where it has remained.

Whatever meagre wage rises workers may have won, their pay falls ever further behind rising inflation, now at the highest level for 30 years, amid a huge increase in the cost of energy, petrol, consumer goods and food—goods that make up the bulk of poorer households’ budgets. Domestic energy prices are set to rise by a massive 54 percent in April as the energy regulator green lights tariff increases for the gas and electricity companies, while National Insurance contributions will also increase. Rising inflation also means that the Bank of England is likely to raise interest rates again, triggering an increase in mortgages that struggling households will find hard to pay.

The Bank of England expects inflation to increase from its current rate of 5.4 percent to 7.25 percent in April. With taxes also set to rise, it warns that households will see the biggest fall in disposable income since 1949, when records began. Pensioners and the 6 million people receiving Universal Credit welfare payments, of which 40 percent are low-paid workers, will see their benefits rise by just 3.1 percent, less than half the expected increase in living costs.

That did not stop the Bank’s governor Andrew Bailey, who earned £575,538 last year, demanding that workers refrain from asking for a pay rise to help control inflation, a declaration of the brutal class war to be waged on the working class. Wages must be held back to ensure that corporate profits continue to rise, the CEOs get their fat bonuses, shareholders their unearned dividends and the huge loans handed out by the government can be partially repaid.

Furthermore, the number of people in work is still more than half a million below pre-pandemic levels, largely as a result of a big fall in the number of self-employed—down 850,000 on two years ago—and older workers, as well as an increase in the number of long-term sick, all to a large degree the fallout from the pandemic and government policies that prioritised profits before all else.

What constitutes a “successful” capitalist economy worthy of celebration is fundamentally hostile to the needs of the working people who produce all of society’s wealth. It poses the urgent necessity for the international working class to mobilise in opposition to the entire social order, based on a socialist programme of class struggle for the expropriation of the oligarchy and establishment of an economic system that serves social need, not private profit.