

Inflation surge past 11 percent in UK a disaster for millions

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In speeches to Parliament and big business, UK Chancellor Rishi Sunak's declared war on the working class. He confirmed that no measures will be taken to stop millions being hammered by a never-ending surge in the cost of living.

Addressing MPs Tuesday, Sunak stated, "Families up and down the country are being hit hard by the rise in prices of fuel, of food and of heating." But, he added, "There is no measure any government can take and no law we can pass that can make these global forces disappear overnight."

Sunak spoke just 24 hours before the latest inflation surge was announced, with the Consumer Prices Index (CPI) measure to April increasing 2 points (7 percent to 9 percent) to a 40-year high. The more accurate Retail Price Index (RPI) measure, which includes housing costs, shot up into double digits from 9 percent to 11.1 percent.

This is a devastating blow for workers whose wages and welfare benefits lag far behind both inflation measures.

Speaking to the Confederation of British Industry (CBI) Wednesday, Sunak declared, "The Bank of England now expect inflation to peak at 10% later this year."

The reality is that inflation is headed far higher. *Sky News* economics and data editor Dan Conway commented that "what we're facing now is a very broad-based inflation... producer price inflation, which measures those costs manufacturers face, rose from an annual rate of 11.9 percent in March to a whopping 14 percent in April. In short, it's clear that this period of high prices isn't coming to an end any time soon."

Numerous reports attest to acute social distress, including millions of people suffering soaring levels of hunger.

Sky News published this survey showing 27 percent of Britons aged 16-75 "skipped meals" in April. Sixty-five percent sought to reduce costs by not turning on their heating. Research cited this week by the Labour Party found that 250,000 families, including 500,000 children will be plunged into absolute poverty over the next year. Even prior to the pandemic which massively accelerated the social crisis, 14.5 million people, more than one in five of the UK population, were already in poverty.

April's inflation hike is primarily due to the massive increase in household fuel and energy costs. Almost three-quarters of the increase was accounted for by the 54 percent increase in the energy price cap which came in this month. This will lead to household energy bills soaring up to £1,971 by October, before another massive increase is imposed.

Inflation impacts hardest on the poor, who spend a far higher portion of their income on gas and electricity. The *Financial Times* cited Heidi Karjalainen, economist at the Institute of Fiscal Studies who "estimated that inflation for the poorest 10 percent of Britain's households was running at 10.9 percent in April, compared with 7.9 percent among the richest 10 percent. With state benefits rising only 3.1 percent in April, it meant 'big real-terms cuts to the living standards', said Karjalainen."

Last month, financial expert Martin Lewis warned that unless people were fed and able to keep warm, there would be "civil unrest." Repeating the warnings this week to ITV's Robert Peston he said, "The government needs to get a handle on it ... and they need to stop people making choices of whether they feed themselves or feed their children. And we are in that now. We used to have a relative poverty condition in this country and we are moving to absolute poverty,

and we cannot allow that to happen.”

Pointing to a projected household energy increase in October pushing up bills to hitherto unseen levels, Lewis declared the “public mood is desperate, it’s angry and... If we don’t sort this, when those bill rises come in the middle of October to £2,600 in the middle of winter, I worry about civil unrest.”

Tens of millions of people face catastrophe, but those at the top have never had it so good. According to the Office for Budget Responsibility (OBR), “End-of-year rewards in the financial sector will jump 20 percent year-on-year in 2021-22, following a record period of deal-making.” It noted that “bonuses in professional services firms, which include the likes of lawyers and accountants, will soar 31 percent.”

Sunak told the CBI that he had already “introduced the biggest two-year business tax cut in modern British history.” There would be no respite for the working class, said the multi-millionaire chancellor, but “in the autumn budget we will cut your taxes...”

In contrast there has been a collapse in workers’ wages. Average wage rises are at 4 percent, now nearly three times less than RPI. The poorest 10 percent of workers saw pay increase by just 0.9 percent. The Office for National Statistics (ONS) calculated that real pay collapsed by 2.9 percent in March taking CPI inflation into account

The ONS’s April survey of average weekly earnings shows that real terms wage growth is effectively over. It reported, “In real terms (adjusted for inflation), in December 2021 to February 2022, growth in total pay was 0.4% and regular pay fell on the year at negative 1.0%.”

This is the result of a policy aimed at forcing workers to pay for the hundreds of billions in public funds handed out to big business during the pandemic and the £3 billion and counting that has been funnelled by the Johnson government, with Labour’s backing, to Ukraine for NATO’s proxy war against Russia.

The contribution of wages to inflation growth is negligible. Inflation is being driven mainly by the massive rise in asset values though speculation and share buy-back schemes—accelerated by the gigantic sums of finance made available to big business in quantitative easing (QE). A further £500 billion in QE was made available to big business by the Bank of England during the pandemic, taking the total to £895

billion since 2009.

Yet Bank of England (BoE) Governor Andrew Bailey has twice in a matter of weeks insisted that workers show wage restraint, even as he described the surge in food prices as “apocalyptic.” The Bank’s main policy response is to increase interest rates. On May 5, interest rates were raised from 0.75 to 1 percent, the fourth successive increase to their highest level since February 2009.

During Bailey’s appearance at Parliament’s Treasury Committee Monday, he said, “The most important thing we can do is to get inflation back to target [of 2 percent] and to get back to target without unnecessary disruption to the economy.” The *Financial Times* commented, “He implied the BoE would not shy away from generating a recession to do that if it was necessary.”

Sunak’s declaration that there is nothing that can be done to stop the onslaught against the working class is based solely on the ability of the Tory government and the capitalist class to rely on the imposition of below-inflation pay awards and the suppression and betrayal of strikes by their industrial police force: the trade union bureaucracy.

What is required in Britain is the organisation for a mass insurgent socialist movement of the working class, breaking through the sabotage of the class struggle by the trade unions. Central to this is the fight for the formation of rank-and-file democratically run committees in every workplace, operating independently of the trade union apparatus. This is the perspective fought for by the Socialist Equality Party.



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