Britain on the brink of a social explosion after pound's collapse

Socialist Equality Party (Britain)
29 September 2022

The unprecedented collapse in the value of the pound will accelerate the savage austerity offensive against the working class, paving the way for a massive eruption of class struggle. This poses urgently the need for workers to formulate a strategy to defeat the Truss government and its de facto Labour Party allies.

Prime Minister Liz Truss came to power after declaring her readiness to trigger "global annihilation" in a nuclear war with Russia. She has instead pressed the nuclear button on the UK economy and sent British imperialism into meltdown.

By taking on £72 billion in government debt to fund £45 billion in "smash and grab" tax breaks for the corporations and the Tories' friends in the City, Chancellor Kwasi Kwarteng lost the confidence of international finance. The concern of global investors is not that Truss has carried out yet another gargantuan handout to big business, but that she has not prepared this through ever deeper attacks on social services and workers' wages. As former Conservative government chancellor and chief architect of Britain's post-2008 austerity agenda George Osborne explained, "You can't have small-state taxes and big-state spending."

As the value of sterling plummeted, the Bank of England announced that it would begin purchasing long-term UK government bonds on "whatever scale is necessary" to prevent a financial collapse. The £65 billion pledged will be added to the vast sums that must now be clawed from the backs of workers. Investors also made clear that they expect a rapid rise in interest rates to discipline the working class and combat the growing wave of strikes demanding a living wage to combat rapidly rising inflation.

The global outrage of the financiers at Truss's moves demonstrates that the crisis of British imperialism is only an advanced expression of a crisis of the entire world capitalist system. Britain is the eye of a financial storm tearing through the world's markets and currencies. In 2008, and then again in the pandemic, trillions of dollars were poured directly into the coffers of the banks and major corporations entirely unconnected with production. Exacerbated by the war in Ukraine and sanctions against Russia, this has led to an inflationary spiral that threatens to end in a crash. The demands and policies of the Bank of England, the US Federal Reserve and other central banks are for the raising of interest rates, slashing of public spending and implementation of other measures seeking to impose the burden of this crisis entirely on the working class.

Truss has set a fire on top of a social powder keg. The winter of fuel and food poverty already looming in the UK will be made worse as the weak pound drives up the price of imports, particularly gas, oil and food. It also threatens to be a winter of evictions as real wages shrink while mortgages rise, and of a possible collapse in pensions.

Former Bank of England Governor Mark Carney said his successor "rightly stepped in at the point where the system was about not to function." The main threat he identified was the immediate need to safeguard government bonds and pension funds from being "unable to make short-term obligations… that would cascade through financial markets."

Neither the government's own agenda nor the demands of its critics can be carried through without breaking the strike wave that began this summer and is rapidly escalating to encompass hundreds of thousands of workers. Truss has so far defended the mini-budget and has refused to back down or remove Kwarteng. Cutting taxes for the rich was "not necessarily popular" Truss said, but "helps everybody because it helps grow the economy… For too long, the debate in this country has been about distribution." Her spokesman at No 10 said, "The PM and the chancellor are working on the supply side reforms needed to grow the economy which will be announced in the coming weeks".

But her government made clear that the attacks on workers would be stepped up. Chief Secretary to the Treasury Chris Philp also said he was "not going to apologise" for the pound's slide against the dollar, but indicated that a planned 10 percent rise in welfare benefits was now "under review"—after they only rose by 3 percent over this final year. He would also "look for efficiencies [cuts] wherever we can find them."

Things will not stop at cuts. Former Bank of England Deputy Governor Sir Charlie Bean warned, "Frankly, the only way you can really deal with this is with a very fundamental rethinking of the boundaries of the state… you have to be prepared, say, to move away from our own health service, which is free at the point of delivery to one funded by social insurance".

Truss's hardline stance only raises the prospect that the government might fall. There are deep divisions in the Tory Party, which has never truly recovered from the factional warfare that led to the removal of Boris Johnson. Most of the criticisms raised against Truss this week echo the positions of her main leadership rival and former chancellor Rishi Sunak. One Tory MP told the press that Truss and Kwarteng "have blown the bloody doors off the economy," adding, "I have no idea how they are going to carry on now." There are reports of letters of no confidence being submitted to the Tory backbench 1922 Committee.

This time, however, a "palace coup" may not be enough to save the Tories. Throughout the summer, the UK has seen the broadest wave of industrial action since the 1980s, involving hundreds of thousands of workers. The key role in policing and supressing these struggles has been played by the trade unions, which, by rigorously separating the strikes by different groups of workers, even in the same industry, such as rail, and a seemingly endless round of balloting of the largest groups of workers in education and the National Health Service, have so far kept this from developing into a combined offensive involving millions.

But strike action is still escalating. All three rail unions have been forced to call additional strikes, as has the Communication Workers Union, which announced another 21 days of action in October and November. Strikes have also erupted at Britain's two largest container ports, Felixstowe and Liverpool, and wildcat action has broken out in direct defiance of the union in oil and gas refineries and rigs and among non-unionised workers at Amazon.

© World Socialist Web Site

Labour offers to rescue British imperialism

In the face of an extraordinary crisis of rule, the Labour Party is being prepared for a role in government to save British imperialism from an insurgent movement of the working class. This was the reason behind the grotesque spectacle of this month's Labour conference and Sir Keir Starmer's boosting by the media as a potential prime minister.

Starmer meticulously organised the annual party conference to trumpet Labour's political credentials as a right-wing nationalist party of business, austerity and war.

Conference opened with a minute's silence for the queen and an historically unprecedented singing of "God Save the King" under a giant Union Flag and an even larger portrait of the queen. In his keynote speech, Starmer won his greatest round of applause for his sabre rattling against Russia, pledging that Labour would "never allow Putin's threats and imperialism to succeed," and calling on congress to proclaim the fascist-inspired slogan, "Slava Ukraini!"—Glory to Ukraine.

To the bourgeoisie, Starmer advanced Labour as committed to "reduce debt as a share of our economy," and to "make sure public spending targets the national interest".

Moreover, unlike the Tories, he could do so by offering up not only Labour's services but those of the trade unions in suppressing the class struggle—"a true partnership between government, business and trade unions."

His watchword would be "country first, party second."

Starmer was clearly not only detailing the political mission of a Labour government in the event the Tories fall. He was restating Labour's readiness to join a government of national unity to combat the growing emergency facing imperialism.

Starmer made such a pledge immediately on becoming Labour leader in April 2020, utilising the devastating impact of the pandemic to declare, "Our willingness to come together like this as a nation has been lying dormant for too long… Under my leadership we will engage constructively with the government, not opposition for opposition's sake. Not scoring party political points or making impossible demands. But with the courage to support where that's the right thing to do." He rang then Prime Minister Boris Johnson to offer "to work constructively with the government".

On the previous day several sources close to Starmer had spoken to the *Financial Times* to sound out the possibility of an alliance with the Tories, with one stressing that if the offer to join a unity government was made, it would be "hard to say no" given Sir Keir's "statesmanlike" instincts. "You can't appear to be churlish to the British public when there is a crisis and people are dying," he said. Another added, "If bodies start to mount up in a serious way and lockdown has to continue and we start to see civil unrest… Johnson might say, 'Why don't you come in and help us?'"

Lessons of the 1931 National Government

The implications for the working class of the barely concealed conspiracy between the Tories and the Blairites are underscored by an examination of the formation of the National Government of 1931.

The political situation then has powerful echoes of the crisis now engulfing British and world capitalism. Two years after the Wall Street Crash had heralded the onset of the Great Depression, the minority Labour government of Ramsay MacDonald was tasked with imposing massive attacks on the working class after a run on the pound. With a significant minority of the party and the trade unions fearing this would lead to mass political unrest, MacDonald went to offer his resignation to King George V, who interceded to urge him to meet with the leaders of the Conservative and Liberal parties. On the king's instigation they agreed to form a coalition, with the Tories providing the bulk of the MPs. MacDonald and 14 other Labour MPs split from the party to form National Labour.

Leon Trotsky commented scathingly, "when the collapse of the capitalist system and the sharpening of the class struggle made the revolutionary fight of the proletariat for power an actual and living question for Britain also, MacDonald left the Labour camp for that of the Conservative bourgeoisie with just as little bother as when a passenger changes from a smoking compartment to a non-smoking."

The National Government enforced such punitive economic policies—many of them carried over from the Labour administration—that there were pitched battles between tens of thousands of workers and police on the streets of Glasgow and Salford within a month: the Battles of Glasgow Green and Bexley Square. Around 1,000 sailors at Invergordon mutinied over a Navy pay cut.

But the working class had been politically disarmed by Labour. Discredited by its spending cuts and failure to address unemployment in office, the party was crushed by MacDonald's coalition in an election in October. Throughout the 1930s, Britain was ruled by National governments led by the Tories, with workers made to suffer the terrible deprivation of the "Hungry Thirties" before being dragooned into the inter-imperialist slaughter of the Second World War.

For a general election and a general strike

Who would Starmer have to break with today to follow in MacDonald's footsteps? Labour's Corbynite "left" is a dwindling rump defined by its slavish loyalty to the Blairites, abandoning any shred of criticism of NATO on Starmer's say so, refusing to fight a witch-hunt that has seen 200,000 Labour members leave in disgust, and backing Starmer's support for Johnson's government of social murder during the pandemic.

Like the 1930s, a decade of social misery and war is threatened internationally—only on a drastically accelerated and intensified scale.

The working class must act to prevent Labour and Tories plunging millions into destitution, destroying what remains of the health, housing, education and welfare system and bringing the world ever closer to nuclear Armageddon.

Workers all over the world are pushing for strike action, including in critical sectors like transport and shipping, in a global resurgence of the class struggle. A political programme is needed which can unify all sections of the British and international working class and direct its immense social power against the ruling class and all its political representatives.

Since the 1930s, the standing of the trade unions and the Labour Party has been massively eroded. Decades of betrayals have more than halved trade union membership since its high point in 1979, while Labour's open embrace of Thatcherism, warmongering and hostility to working class struggles has alienated millions of workers. But these malignant bureaucracies must be politically challenged.

Workers must bring an end to the sabotage of their struggles by the trade union leaders by building rank-and-file committees in every workplace and neighbourhood so they can take charge themselves. This would enable workers in every industry to join their struggles in a general strike to break the power of the banks and big business, seize the major corporations and begin organising economic life according to social need, not private profit.

© World Socialist Web Site

Such a struggle, waged globally, would be coordinated through the International Workers' Alliance of Rank-and-File Committees.

This industrial offensive must be linked to the demand for an immediate general election. The task facing workers is to put an end to the conspiracy in Westminster between the Tories and Labour aimed at maintaining the unchallenged political domination of the financial oligarchy. This means building the genuinely socialist, internationalist and revolutionary leadership of the Socialist Equality Party.

To contact the WSWS and the Socialist Equality Party visit:

wsws.org/contact

© World Socialist Web Site