The Plebs News

Apr 24 daveberrygmb@yahoo.co.uk

Whatever Happened to the 8 hour day? And “good jobs”.


Pics: Wikimedia & Rawpixel

I have just finished reading Jon Cruddas’ The Dignity of Labour ,his book recalling the life of his constituency Dagenham and Rainham and its long death at the hands of de-industrialisation, particularly the Ford plant and its rebirth as a multi cultural melting pot with new wealth but still the echoes of the past and new poverty. I know his constituency through family and Ford connections with Dagenham and know that Cruddas is a popular and respected MP. He began his working life in the Labour Research Dept. and at one time was talked of a future leader. He has very often diagnosed the problems of neo liberalism but never acquired a large enough following or high enough office to turn the theory into practice. Although part of the Blair Project his history and union connections never allowed him to be trusted enough to be introduced to the inner circle whilst on the Left his ideas of community and family has seen him condemned as “Blue Labour” and false connotations of nationalism.

In the book he confronts the problems of neoliberalism and the damage it causes to communities but also criticises the “new” Left who see the end of work through AI and automation as a new nirvana also as a dead end for communities. Paul Mason and his book Post Capitalism comes in for particular criticism. Cruddas returns to some of his earlier studies Marx, Ricardo and Adam Smith all of whom saw Labour as the foundation of value in economics and essential part of “mans” being. Cruddas, like Marx, also saw that work was more than just utilitarian economics but as a bridge to comradeship, community and intellectual satisfaction.

The book is a good read and a gateway to further reading but also examination to where we are to day. De-industrialisation not only robs communities of jobs , it robs them of respect, independence and the freedom. to lead a fulfilling life. We currently remember the Miners Strike and pit closures that devastated mining communities spreading social as well as economic decay. Two recent TV dramas This Town and The Way have shown equal devastation in the West Midlands and S. Wales. Plebs News this month also features the campaign by Unite to save the existing steel plants in Wales.

Equally damaging is the deskilling and monotomy of many of todays jobs as well as the low pay. Our movement began with the fight for an 8 hour day and yet whole sectors now rely on 12 hour shifts. At the other end of the scale the “precariat” receive no contractual hours guarantee and live hand to mouth and week to week. In his book Bullshit Jobs David Graeber argues that many of todays jobs provide no useful function and are economically pointless therefore there must be political decisions behind them. He argues that work is a status reward to discipline us in a neoliberal society, even if it is pointless. The idea of “wage slavery” has to be disguised through management discipline or intellectual manipulation. The dystopian view of where it ends is seen in Charlie Brookers Black Mirror episode 15 Million Credits.

Politically, the conformism encouraged by the chase for career, status and promotion is equally as personally damaging as the economic discipline of the “precariat” and the individualism it brings is equally as damaging to communities. Designing decent jobs with satisfaction and should be considered as well as the economics of pay and security of contract.

Port Talbot’s Betrayal Shows Britain’s Lack of Direction

By Joe Guinan- tribune Mar 24

The unfolding crisis in Port Talbot is depressingly familiar. It is a story that has played out over and over again in recent years, from Grangemouth in Scotland to Redcar on Teesside and now once more in South Wales: the devastating impact of plant closures on local economies and communities heavily dependent upon single industries and long battered by deindustrialisation, with no plan to counteract successive waves of disinvestment, displacement, and disempowerment.

The Indian-owned multinational Tata Steel has just announced the closure of the two blast furnaces at the Port Talbot steelworks, with the potential loss of around 2,800 jobs in a town of 32,000, where steelmaking has been the major local employer for more than a century.

‘It will absolutely ruin the community,’ Andrew Gutteridge, chairman of the Multi Unions Llanwern works, told PA Media. ‘Your local newsagents, your chip shops, your supermarkets – everything in this area will be affected. And not just here in this area, in Bridgend, Neath, up in the Valleys which are already decimated from the mines years ago. This is a massive, massive kick for the whole of South Wales really.’

Evidence from elsewhere shows that he is likely correct. The direct headline loss of 2,800 jobs probably conceals many more, once supply chains and multiplier effects are taken into account. Studies of plant closures in other areas have found that for every direct job loss there is often an additional one-half to one job lost indirectly, via loss of wages recirculating through the regional economy.

At the same time there are value-added and other costs to be borne in mind, including higher costs to the state in terms of unemployment, re-training, and social services, not to mention consequences further downstream including mental health and depression, drug and alcohol abuse.

Tata’s rationalisation of its Port Talbot operations also means the dismantling of critical manufacturing capacity and the severing of a vital link in Britain’s industrial supply chain. By any account, this must be considered a colossal failure of planning, aforethought, and anything claiming to be an industrial strategy for the British economy.

In most other advanced economies, the preservation of virgin steel production capacity would be considered an issue of vital national security and resilience, falling within the scope of measures such as the Defense Production Act in the United States or resulting in emergency nationalisation of a kind regularly employed by France (where even the ownership of a large yogurt company was considered a matter of strategic national importance).

Only in Britain is there such total disregard for long-term economic outcomes, a symptom of an outdated but persistent ideological dogma which views serious intervention in industry as anti-free market.

A Broken Economic Model

The tragedy of Port Talbot, then, is part of a wider malaise, in which financialisation and extraction dominate a rentier economy oriented toward capital gains and asset price inflation.

The British economy is plagued by short-termism, whereby state contracts go to corporate cronies, trumping long-term economic strategy, and where lobbying by the wealthy and powerful is heard above the common-sense views of communities, devolved and local governments, and workers and their trade unions.

One result is that Britain’s manufacturing production has been mostly flat since the late 1990s and has still not recovered fully from the 2008 financial crisis, let alone from more recent shocks, leaving a yawning trade deficit in industrial goods.

Addressing this gap has been a repeated promise of British governments in recent years, as the political unsustainability of the extractive economy has taken its toll. Theresa May set up the Department for Business, Energy, and Industrial Strategy (BEIS) in the wake of Brexit – itself a 'Revolt of the Rust Belt' – recognising the need for regional rebalancing in a country which boasts the greatest regional inequality in Europe.

Boris Johnson continued this rhetorical emphasis on 'active government within a market economy,' approving so many government bailouts and rescues of railway operators and energy companies that former Shadow Chancellor John McDonnell quipped ironically that Johnson 'carried out more nationalisations than any Labour prime minister since Harold Wilson.'

Taken together, there has been much talk but little action on proactive industrial strategy, with the focus being entirely on temporary assistance to stricken private companies rather than anything more structural or transformative. The opportunity for Britain to craft a new set of post-Brexit state aid rules has been an oft-cited but – as of yet – never-utilised benefit of leaving behind the competition policies and single market strictures of the European Union.

In keeping with such policy lassitude, and contrary to warm words from government ministers, state support to Tata Steel in Port Talbot has effectively been a corporate subsidy not an industrial strategy. It has served to benefit the company bottom line, not the preservation of jobs or productive capacity — as is now laid bare for all to see.

What workers and communities need is an actual industrial strategy, anchored in public benefit and local collective democratic ownership of vital economic assets.

Corporate Locational Extortion

Tata's decision in Port Talbot underscores the grotesque power that private corporations continue to wield over workers and communities through their locational decisions.

Under neoliberalism, cities and regions are encouraged to compete fiercely with one another for jobs and investment in a context of corporate locational blackmail or extortion. Billions are wasted on this form of 'smokestack chasing' economic development through tax incentives, outsourcing, and public-private partnerships, which subsidise the extraction of profit by footloose multinational corporations that have no loyalty to local communities.

This plays out as a zero-sum – sometimes even negative-sum – game hugely beneficial to corporations but far less so for localities and ordinary people.

The conventional development model usually requires huge sums in publicly-funded inducements per job created. Of course, these supposedly 'new' jobs are often not really new jobs at all, but jobs that were formerly elsewhere. When the subsidies expire, the game is often played out all over again, with a new location as victim of the corporate shakedown.

This dynamic can clearly be seen in Port Talbot, where union officials dismiss Tata's claim that the closures are about greening their operations globally. 'It's nothing to do with green,' says Gary Keogh, vice-chair of the Port Talbot multi unions. 'This is about pounds, shilling and pence … They want to make their steel in Jamshedpur [in India] … bring it thousands of miles across the ocean on ships with diesel engines, and call it green. It's time people were honest.'

Viewed from the perspective of the economy as a whole, the fickle behaviour of mobile international corporate capital and its peripatetic 'investment' produces short-term shareholder value at the expense of 'throw-away cities' in which entire communities and regions are tossed on the rubbish heap. As firms pick up and move their production elsewhere – usually in pursuit of cheaper labour for their bottom line – they leave behind empty factories and houses, and half-empty schools and hospitals, with all that implies in terms of associated capital and carbon costs and wasted lives.

In an era in which such waste is simply no longer affordable (in planetary biophysical as well as social terms), it is past time we returned to the possibilities inherent in a proactive industrial strategy, both locally and nationally.

Building Community Wealth

Whenever there are plant closures, there are common sense counterproposals from trade unions and local elected officials – as is the case in Port Talbot, where moves to address energy costs and institute new 'Buy British' procurement rules could create industrial and social resilience and rebalance the competitiveness of local steel production. Such proposals should be examined and, where feasible, supported and implemented as a means of retaining jobs and vital industrial capacity.

Eventually, however, workers and communities are going to have to move from a reactive to a proactive position on such economic restructuring — as a matter of climate necessity if nothing else.

This is where we need new Community Wealth Building approaches that protect workers and communities, increase productivity, and recirculate profits to anchor jobs, build local multipliers, and accelerate the green transition.

A true community-sustaining industrial strategy would consist of the deliberate direction of capital to sectors, localities, and regions so as to balance out market trends and prevent communities from falling into decay, while also ensuring the investment in research and development necessary to maintain a highly productive economy.

In some cases, this might mean state assistance and resources to allow workers to buy up facilities and keep them running. In other cases, it might involve re-training workers for new skills and re-fitting facilities for work in a different industry. In either case, affected localities and populations should be active participants in planning, able to draw upon public resources whose aim is to help secure the long-term stability of community and, overall, to sustain national production in key sectors and industries.

Community-sustaining policy to preserve particular places should be married to sector-based approaches. Green manufacturing strategies and services (such as home and business energy retrofits) can support the building and sustaining of demand and production capacities for ecologically sustainable forms of energy and technology. An industrial strategy designed to underpin such a Green New Deal could help Britain overcome multiple economic challenges, providing high-wage jobs, generating revenue, expanding exports, and reducing trade deficits — all while reducing greenhouse gas emissions and improving air quality and public health.

A key principle underlying a community-supporting industrial strategy must be the preservation of existing communities and their productive capacities on a long-term basis. Deals like that last year with Tata that keep facilities open for a time but allow private owners to scale back or close them at their convenience do not merit the public subsidies and support they currently receive.

A democratic, participatory industrial strategy would help ensure that productive capacities stay in use in such circumstances and provide guidance on how to organise conversion when a shift to a different product is required.

Depending on the needs and desires of the community, as well as economic considerations, this may mean adopting some form of community, public, or worker ownership. In the medium-term, it should also entail the conversion of certain anti-social industries, such as armaments, to socially beneficial purposes.

Such approaches begin to offer the local building blocks by which we can set about a transformation of our economy. Instead of the ongoing concentration of wealth in the hands of a narrow elite, the broad dispersal of the ownership of assets. Instead of icily indifferent global markets, the rooted participatory democratic local economy. Instead of the extractive multinational corporation, the recirculatory economy, mobilising the purchasing power of the public sector and of large place-based anchor institutions – local government, hospitals, educational institutions – in support of socially oriented firms that are often democratically owned and controlled by their workers or the community. And on and on. Viewed in this way, Community Wealth Building approaches are economic system change, starting at the local level.

Social cost-benefit analysis

Port Talbot reveals the failure of politicians to escape the confines of neoliberal thinking regarding economic costs and benefits, which are viewed solely through the overly narrow prism of corporate balance sheets. ‘This plant isn’t part of the community, it is the community,’ Port Talbot’s Gary Keogh told one reporter. ‘We’re now fighting for a way of life.’

Viewing the future simply from the vantage point of Tata’s books is to ignore the embedded costs of place, both physical and human, and the above-mentioned huge sunk public and private investments in public goods and common assets that now risk being abandoned to fall into disuse and decay.

Moreover, there are also the stark political costs arising from decades of neglect that must be factored in — including the advance of a dangerously radicalised right-wing populism that is once again on the march.

To meet the challenges of both economic and climate change we need a new conceptual framework for thinking about true value in our local and regional economies.

This should measure the real-world costs and benefits of different forms of intervention and non-intervention using a total local public balance sheet — one that fully weighs all aspects of economic activity, including its impact socially, environmentally, and politically.

Such a ‘social cost-benefit analysis’ would look at everything from increased taxes, reduced welfare, and the cost of unemployment, social services, and other ‘externalities’ on a given locality to create a more comprehensive guide for evaluating public action or inaction than conventional considerations of profit and loss based only on the books of private firms — a narrow and anti-social view.

Wave of the future

We must also rally to the workers and community in Port Talbot, and demand that the government act to prevent such vandalism to the social fabric and industrial base.

This is in keeping with the wave of the future, already evident in shifts in the economic strategies of the major global powers. The political ground internationally has already shifted away from neoliberal anti-interventionist approaches and in favour of a debate about how rather than whether to intervene. We need to accelerate this very different national conversation to the one we have grown used to.

The needs and opportunities are obvious — and well within our grasp. What we lack are politicians with the vision and commitment to deliver such beneficial outcomes, who seem instead to be entirely in the pockets of extractive corporate capital and neoliberal finance.

As deglobalisation takes hold still further in a new era of active state intervention and strategic competition, a different model is needed, one based upon democratic autonomy, locally embedded economies, and the policy space required for a new approach to regional and national development.

Such an approach would open up the prospect of reindustrialisation, improved economic and job security, and community stability — a means by which people could genuinely take back control over their lives and the fortunes of their communities in a meaningful way that would give renewed relevance to democratic politics. For it is rebuilding the economic basis for democratic politics, in the final analysis, that is now at stake in the sea of challenges that lie ahead for us all.

Workers put up 'Steel Not for Sale' signs up in Newport

WORKERS in Newport erected Steel Not For Sale signs today as their campaign to save the industry intensifies.

Steelworkers' union Unite erected over 100 estate agent-style boards in front gardens across Liswerry, Newport, over job cuts at the Llanwern steelworks.

The signs showed the strength of the town's opposition to the plans put forward by Tata and the British government.

The union is balloting 1,500 members at Llanwern and Port Talbot for strike action.

Unite general secretary Sharon Graham said: "More and more people in Newport are joining the fight for the future of its steel industry.

"Unite has already secured a pledge that a Labour government will invest £3 billion to revitalise UK steel.

"It makes no sense for Tata to press ahead with its devastating plans.

"Unite is urging our members to vote Yes to strike action and working with the community in Newport."

Pont y Faen resident Keith Hobbs said: "I worked in the steel industry for 43 years and worked at Port Talbot and Llanwern.

"Everybody who used to live around here worked at the steelworks but over the years the jobs at the steelworks have been eroded."

Morning Star 24/03

SHEFFIELD NEWSLETTER

ISSUE 1: DECEMBER 2023

DID YOU SPOT THE BANNERS?

2 November

The wettest day (it seemed) on record, yet the turn out for this event was excellent. Supporters, activists and Unite reps from our steel industry came out in the rain and marched from Sheffield train station down to Park Square where they dropped giant banners over the pedestrian bridges for all to see.

Did you see our banners at Park Square roundabout?

Our Unite reps gave interviews about the issues facing the industry and how we urge the government to back the plan to make vital changes by safeguarding existing employment and creating thousands of new decent jobs for generations to come.

PETITIONS AND STALLS ACROSS SHEFFIELD

Our petition has been running alongside the campaign, and has now gathered almost 25,000 signatures and growing. Residents, businesses and community groups have signed our open letter, asking the government to support Unite's pledges for UK Steel.

Unite organisers and supporters have been building working class power in large areas of Sheffield including Sharrow Vale, Moor Market, Orchard Square, Darnell and London Road to list but a few! Experiences and stories have been shared by the public whilst raising awareness of the campaign. Local businesses have shown support by signing the petitions and displaying posters in their windows.

Business owner Jill Gianotta said: "Sheffield IS steel. It's part of our community fabric. We need government action to secure a future for the steel industry and make sure we have sustainable steel jobs for the future."

LAUNCH OF THE WORKERS' PLAN FOR UK STEEL

20 September

Unite formally launched the **Workers' Plan for Steel** campaign in Sheffield near the iconic Forgemasters building on Meadowhall Road.

Digital and static billboards were displayed for a number of weeks all over Sheffield, and in other steel towns, asking all our politicians:

"Whose side are you on?"

It was a great day attended by Unite reps and supporters of UK Steel.

Sheffield Boxing Centre joined the fight for steel

Unite - Fighting for Jobs • Pay • Conditions

Have you spotted our mural in Exchange Street?

HOW CAN YOU SUPPORT THE CAMPAIGN?

As we continue our campaign, we are asking you to join us to help make a difference.

1. Join our WhatsApp group and stay up to date about our campaign.

In the New Year, we will be hosting a meeting to inform supporters about the next steps in the **Workers' Plan for Steel** and how you can help drive this plan forward.

Can you help the steel industry have a brighter future? **Please scan the QR code to join the WhatsApp group.**

2. Invite a friend and bring them along to our open, friendly meetings.

SUPPORT UK STEEL MURALS

Our fantastic artists Mack Colours and Frodrik collaborated on this piece in Exchange Street. Keep your eyes peeled for another coming along soon!

Great support from all the team at Hallam FC

OPEN LETTER PRESENTED AT HALLAM FC

28 November

Over 150 community groups, businesses, sports clubs and social clubs came together to sign an open letter to the media. This was presented by Support UK Steel campaigners at half time during the Hallam FC vs Golcar football match at the historic Sandygate ground.

Open letters were presented simultaneously at other steel towns - Port Talbot, Teesside and Scunthorpe. We received great coverage from local and national media including BBC, ITV and the Sheffield Star.

We hope to see you and some new faces in the New Year. Merry Christmas to you and your families.

Find out how you can help to #SupportUKsteel

Facebook
Unite for a Workers' Economy
(@Unite4WorkersEconomy)

Twitter
@UniteEconomy

Instagram
@unite4workerseconomy

Click the QR code or contact your Sheffield Unite organisers to find out more:

Becky - 07718 666 584

Ruth - 07960 091 801

Michael - 07803 136 091

The Bank of England Independence Disaster

By Grace Blakeley- Tribune Magazine Jan 24

As we move into a new year, the world's economic forecasters are consulting their crystal balls, and the picture seems mixed. Most of the world's largest financial institutions anticipate falls in both inflation and headline rates of economic growth for the advanced economies.

Economists at Deutsche Bank predict recessions in both the US and the EU in the first half of 2024. Those at J. P. Morgan strike a more optimistic tone, anticipating a so-called 'soft landing' — monetary tightening without a recession — for the US economy.

One thing that all observers agree on is that, barring any unforeseen shocks, inflation will continue to fall over the course of the next twelve months. From the perspective of central bankers, the hard part is over, and they can give themselves a pat on the back for having achieved their mandate of lowering inflation.

This mandate is a key part of the macroeconomic orthodoxy that has been in place since the 1990s, when many central banks gained independence. The independence of the Bank of England was a central pillar of the New Labour policy agenda — though it was kept deliberately vague over the course of the 1997 election campaign.

The idea was that insulating monetary policy-makers from democratic pressure would ensure that economic policy was being made based on evidence rather than on the short-term interests of politicians. This technocratic shift was part of a much broader 'hollowing out' of democracy that took place under New Labour, and which has been analysed deftly by political scientists like Peter Mair.

While it was initially easy to disguise the distributive effects of decisions being taken by central bankers under high headline rates of growth, the politics of monetary policy have become much more contentious since the financial crisis of 2008 — and the unaccountability of central bankers has become particularly obvious during the cost-of-living crisis.

Neoliberal Shift

The first discussion of independent central banks can be found in a 1962 article by renowned neoliberal economist Milton Friedman. Friedman argued that an independent central bank, staffed by technocrats and operating under a mandate set by central government, had never truly existed, as monetary authorities were always subject to the influence of politicians.

Yet Friedman went on to reject the idea of an independent central bank, stating that such an institution would undermine democratic norms. It would, he argued, be unthinkable 'to have so much power concentrated in one body free from any kind of direct, effective political control'.

For the next decade, the monetary policy consensus remained largely fixed, governed by the system of exchange rate pegging established at Bretton Woods after the Second World War. But this system broke down at the start of the 1970s when Nixon ended the convertibility of the dollar into gold.

A few years later, the world was hit by an inflationary shock not unlike the one experienced in 2022. A decision by OPEC — the cartel of oil-producing states — sent oil prices skyrocketing, which drove up inflation throughout the global economy.

The main difference between the price shocks of the early 1970s and those of the early 2020s was that in the 1970s workers had real power to protect themselves from rising prices.

When prices started to rise, workers in the rich world organised to demand wage increases in line with inflation. Their relative success meant that prices continued to rise, at the expense of corporate and financial profits.

The social democratic settlement meant that governments — like those of Edward Heath and Harold Wilson in the UK — saw it as their role to mediate between workers and bosses, balancing the interests of both groups to ensure industrial peace. The decisions of central banks flowed from compromises that were organised between labour and capital with the help of the state.

But as prices rose, the post-war consensus began to show signs of strain. The combination of high inflation and slow growth that plagued many economies during the 1970s, especially the UK, meant that workers and bosses were fighting a zero-sum game.

The neoliberal shift, while framed in the language of freedom, was all about making sure that bosses won this game. And monetary policy was a key part of the transition.

Disciplining Workers

The crises caused by the stagflation and industrial conflict of the 1970s provided the ideal backdrop for the neoliberal revolution. Milton Friedman famously argued that a crisis was the perfect time to implement radical ideological change.

Radicals like Margaret Thatcher and Ronald Reagan came to power promising an end to economic stagnation through the championing of free markets. Privatisations, tax cuts, and a war on the trade unions were all boilerplate neoliberal policies.

Central bank independence was not on the cards during the first iteration of the neoliberal shift. Instead, monetary policy was used by politicians like Thatcher as another weapon in the war against organised labour.

By hiking up interest rates, Thatcher and Reagan engineered recessions that led to dramatic increases in unemployment. Layoffs weakened existing union structures, and the fear of unemployment made it less likely that new workers would join a union.

At the time, policy-makers claimed that economic turmoil forced them to make ‘tough choices’, but they have often been caught out celebrating the impact that central bank–initiated recessions have had on worker power. A Freedom of Information request recently revealed that in the mid-1990s, Janet Yellen, then a member of the Fed’s Board of Governors in the US and currently the Treasury secretary, celebrated unemployment as a ‘worker discipline device’.

They were aided by hardcore monetarist economists like Friedman who claimed that inflation was ‘always and everywhere a monetary phenomenon’, which had to be tackled by constraining the growth of the money supply. Higher interest rates meant less borrowing, which would supposedly achieve this goal.

Monetarism was later widely discredited. Thatcher’s deregulation of the finance sector actually led to a dramatic expansion in the money supply over the course of her premiership. But her monetary (and military) war on the unions did bring down prices because it broke the power of the unions, meaning workers absorbed inflationary pressure in the form of unemployment and lower wages while bosses were protected.

When monetarism went out of vogue, so-called ‘rational expectations’ models took its place. According to this theory, business and consumer expectations are a critical factor in explaining the future state of the economy. For example, if consumers believe prices are going to rise, they’re likely to purchase more goods today, driving up demand and increasing inflation.

Applied to monetary policy, this theory implied that policy-makers faced a credibility problem. While politicians claimed to want to keep inflation low, they would always be tempted to make borrowing cheaper in the run-up to an election in order to make voters feel they were better off, even if this meant stoking inflation over the medium term.

As a result, economic actors would not trust policy-makers when the latter claimed that they intended to keep inflation low. And these expectations of future inflation would eventually become self-reinforcing.

Central bank independence was presented as the solution. Central banks would gain institutional independence from government, meaning democratically elected politicians would have no say in day-to-day monetary policy decisions.

Instead, the central bank would receive a mandate from government and central bankers would use the tools at their disposal to meet this mandate, which generally involved keeping inflation within a certain target range.

As we've seen, many early neoliberals rejected central bank independence as unduly technocratic, and it was never implemented by either Thatcher or Reagan. It was, however, one of the first policies introduced by Tony Blair's government.

Giving Away Power

To understand why central bank independence was so central to the New Labour policy programme, we have to understand what this programme was all about.

Many see Blairism simply as a continuation of Thatcherism. Thatcher herself cast Blair's election as one of her greatest achievements. Yet New Labourism diverged from Thatcherism in a number of important ways — including on monetary policy.

By the 1990s, centre-left parties had been forced to adapt to the new neoliberal 'common sense'. They sought to remove the fiery, revolutionary rhetoric of individual freedom and replace it with an appeal to 'common sense' and 'evidence' in the policy- making process.

Gone, of course, was the social democratic focus on the distribution of the gains from economic growth and the balance of power between different classes. The Third Way appealed to the rational, utility-maximising median voter who just wanted a stable economy and functioning public services.

Politicians like Blair treated voters as passive consumers of public services rather than citizens engaged in conflict and debate over questions of power and the distribution of resources. Policy-making came to be framed in the neutral-sounding language of 'efficiency' rather than distribution.

The result of this shift was to naturalise and normalise what were, in fact, highly political processes that were made to seem natural and unavoidable — like the weather. The abstruse and technical language of economics replaced the conflictual language of politics. Issues like taxation went from being questions of the balance of economic power to questions of the 'optimal' rate of taxation calculated using economic models.

Central bank independence followed naturally from this way of thinking. Variables like the rate of interest would be taken out of the arena of political contestation altogether, and instead placed in the hands of 'neutral' technocrats whose only job was to use their expertise to maintain economic equilibrium.

In one sense, Blairism therefore represented the normalisation of neoliberalism. Policy variables like rates of interest and taxation would no longer be the subject of political contestation. Instead, policy decisions would be made by 'experts' groomed in economics departments dominated by neoliberal academics.

But, in another sense, New Labour warped neoliberal ideology by merging a libertarian project with a managerialist one.

Early neoliberals often defined their project in terms of constraining state intervention in the free market. This concern with freedom was tempered by a recognition that, on their own, markets would not remain free. A powerful state would be required to limit the influence of 'vested interests' like unions.

Yet with the arrival of the Third Way, these vested interests returned with a vengeance in the guise of 'key stakeholders' and 'technical experts'. Regulatory bodies would, for example, seek an 'evidence-based' approach by consulting groups of stakeholders on the introduction of new rules.

But the stakeholders with the most resources, and the greatest incentive, to influence the regulatory process were always the very individuals and institutions most likely to be subject to new regulation — rather than the public at large. The apogee of this logic was the 'self-regulation' of financial institutions before 2008, which helped to cause the financial crisis.

In short, the neoliberal revolution removed one 'vested interest' from the policy- making process — workers — only to replace it with another: capitalists.

While allegedly 'independent' central banks are insulated from the pressures of democracy, they are not insulated from the pressures imposed by vested interests within the financial system. As a result, monetary policy and financial regulation promulgated by these institutions consistently tend to benefit capital over labour.

Just compare the inflationary spiral of the 1970s with that which followed the pandemic. As we've seen, workers in the 1970s initially managed to shift the burden of rising oil costs onto bosses, protecting themselves from the impact of inflation.

In 2022–3, the reverse situation obtained. Workers were forced to take massive real-terms pay cuts — on the back of a decade of wage stagnation — in order to protect corporate and financial profits. And it was this corporate profiteering that was responsible for keeping prices high as the impact of the initial shock subsided.

In part, this was simply due to the fact that workers have less bargaining power today than they did in the 1970s. Today, it is far harder for workers — especially those in insecure, poorly unionised workplaces — to demand wage increases in line with inflation.

But central banks also played a key role. Even though inflation was being driven by a combination of supply-side issues and corporate profiteering, central banks relied on the lazy assumption that the only way to bring inflation down over the long run would be to punish workers. At one point in early 2022, Andrew Bailey, governor of the Bank of England, who earns more than half a million pounds a year, insisted that workers should exercise 'restraint' when negotiating with bosses over wages. Large corporations, whose profiteering drove up prices significantly during this period, were not asked to show the same restraint.

So, after a decade of pumping money into the financial system to boost the returns of wealthy investors, central banks suddenly changed course, hiking up interest rates in order to engineer economic slowdowns that would discourage workers from demanding wage increases in line with inflation.

In 2022, the result was the biggest shock to workers' incomes seen since 1977. And while inflation may be falling, prices are still rising — albeit at a slower rate than last year. Meanwhile, high interest rates make borrowing much more expensive for households, particularly those with large mortgages, meaning the cost-of-living crisis is far from over.

Keir Starmer's Labour Party has not, of course, dared to speak out in favour of workers. Rachel Reeves, former economist at the Bank of England, has been endorsed by Mark Carney, former governor of the Bank of England, as a 'serious economist'. In other words, she poses absolutely zero threat to the macroeconomic status quo that has brought so much misery on workers in recent years.

Milton Friedman was right to argue that it would be intolerable 'to have so much power concentrated in one body free from any kind of direct, effective political control' in an allegedly free, democratic society.

Democratic politics can be a long, frustrating, and messy process. But the most fractious democracy is infinitely preferable to the most efficient oligarchy — and any true liberal would be forced to agree.

Ben Bernanke’s review of the Bank of England was doomed from the outset because he didn’t ask the right questions

Richard Murphy

There has been lots of comment in the media on the criticisms that former chair of the US Federal Reserve and economics Nobel prize winner, Ben Bernanke, has made of the Bank of England's forecasting techniques. He undertook a review of these methods at the invitation of the Bank because so much concern has been raised about how poor their forecasting has been, particularly since the Covid crisis.

In general, observers have suggested that Bernanke must have been thorough because he has made twelve recommendations for what people think to be significant reforms within the Bank. Bank of England boss, Andrew Bailey, has already said that he will act upon them. That, however, to me is the surest sign that Bernanke has missed his target. If he had suggested anything that would have created real change Bailey might have resisted his recommendations a lot more obviously.

A long time ago a wise person taught me that I should, when reading reports of this nature, not consider what is said within them, but what is left unsaid, meaning that an issue has been ignored. It is in this light that I have read the report.

Before noting those exceptions let me make it clear that I am unsurprised that he has said that (and I am summarising his twelve, heavily overlapping, recommendations when noting these issues):

The Bank's methodologies are out of date.

The Bank's technology is outmoded.

The Bank is over-reliant on data analysis.

The Bank has structures that do not encourage the promotion of expertise.

There has been resistance to change within the Bank.

Critical thinking that challenges the Bank's forecasting has been discouraged, even in the Monetary Policy Committee.

The Bank's systems are orientated to processing normality, and not exceptions to the norm.

There is a bias against narrative explanation of the Bank's opinions and forecasts.

Its reporting methods might be familiar due to their habitual use but they are not necessarily useful.

I stress, this is not how Bernanke puts things; I offer these as reasonable interpretations of what he says. To me they say that the Bank:

Is outmoded in its thinking.

Has failed to invest despite the enormous resources available to it.

Requires compliant obsequiousness from its staff.

Does not encourage critical thinking.

Hides behind opacity.

Lacks creativity.

Most of all, is seeking to reinforce what it thinks it knows rather than what might actually be happening.

Again, I stress he did not say that: it is what I think he means.

That said, there are, in my opinion, major failings in what Bernanke has done. For example, has not questioned the basis of the economic approach adopted by the bank, which is based on what is described as dynamic stochastic general equilibrium modelling (DGSE). This is unsurprising. Bernanke is deeply invested in this economic method methodology, as all central bankers are. However, the model is profoundly unsound. There are a number of reasons.

Firstly, the model is based upon microeconomic foundations. It assumes that the model of decision-making that is appropriate for individuals, households and companies is also appropriate for the state. To put this another way, the household analogy is built into it from the outset. The result is an inherent logic that the government is just another player within the economy when it is nothing of the sort. It role is not only normally the inverse of all other actors within the economy, it also sets the rule for everyone else.

There is another problem arising from the use of microeconomic foundations. Many of the crass assumptions within microeconomics, including that markets can produce optimal outcomes and that they can clear supply and demand, are implicit in DGSE modelling, quite inappropriately. You cannot build sound economic forecast on the basis of nonsense. Bernanke does not say this.

Secondly, although it is claimed that these mathematical models can handle uncertainty, I do not think that is true. They can only handle risk, which is probabilistic. I am not convinced that they can handle uncertainty, to which probability cannot be attached, although it happens, nonetheless. This is why they were quite unable to handle the global financial crisis of 2008 and the Covid crisis. Those events simply did not exist within the range of forecast probabilities. Bernanke does not point this out.

Third, these models assume that there is such a thing as equilibrium, i.e. an optimal economic outcome to which we can aspire. There is no evidence that such a state as ever been achieved. In that case, why it is appropriate to assume that this is the basis for forecasting is very hard to explain. Bernanke offers no such explanation.

Fourth, as Steve Keen has explained, relentlessly, models of this sort are based upon the assumption of a barter economy where there is no role for money. Any adaptations within the model to include the role of money are necessarily a fudge. Why the Bank is using such a model to control monetary policy is hard to explain.

Fifth, if, instead of an equilibrium state being modelled there is instead a model that presumes that the status quo prevails (which Bernanke implies to be the case), then the model has built within it an assumption of reversion to the norm. That would be great if that norm was what everyone desired, but very clearly the norm within the economy in which we all live at present is not working. That means that the model is inherently in conflict with society - and what is happening in the real world.

Sixth, the most massive macroeconomic externality, in the form of climate change, is effectively ignored within this model, because that is what its microeconomic foundation necessitates. This fact pretty much undermines just about everything the Bank does.

I could go on, but I think that my reservations are now clear. I am, of course, aware of that I am generalising, but I also know that in almost every model of this sort where adaptation is introduced to try to accommodate the criticisms made, the assumption is that the exception from the model's requirements is contrary to economic well-being i.e. the model always tries to make prediction that resort to its implicit over-riding assumption that pure market economies must exist, fundamentally free of government interference. The reality that a central bank exists to implement government policy is in fact contrary to the implicit assumptions in the models that presume that no such thing should happen.

Bernanke mentions none of this. As a result what he says will fail us.

But that was also guaranteed for another reason. It would appear from the commentary that he has provided that he spoke to no one, at least of consequence, outside the Bank when undertaking his work. In other words, he has made recommendations for reform of the way in which the Bank works without ever once considering the opinion, or needs, of the Bank's stakeholders, whether they be the government, other politicians, society at large, or business of all sizes. His comments do, therefore, represent the ultimate statement of central banker arrogance. In the opinion of central bankers, nothing but their view matters. Bernanke did not say this, but whether he recognises it or not, it is clear that he thinks it.

Bernanke was always the wrong person for this job. He was a central banker marking another central banker's homework, without ever questioning the assumptions on which the central bank worked. This investigation was doomed from the outset as a consequence.

And these are the people that Rachael Reeves is placing her faith in to run the economy when a Labour government is in office.

Dynamic stochastic general equilibrium

Dynamic stochastic general equilibrium modeling (abbreviated as DSGE, or DGE, or sometimes SDGE) is a macroeconomic method which is often employed by monetary and fiscal authorities for policy analysis, explaining historical time-series data, as well as future forecasting purposes.[1] DSGE econometric modelling applies general equilibrium theory and microeconomic principles in a tractable manner to postulate economic phenomena, such as economic growth and business cycles, as well as policy effects and market shocks.

Terminology

As a practical matter, people often use the term "DSGE models" to refer to a particular class of classically quantitative econometric models of business cycles or economic growth called real business cycle (RBC) models. DSGE models were initially proposed by Kydland & Prescott, and Long & Plosser; Charles Plosser described RBC models as a precursor for DSGE modeling.

As mentioned in the Introduction, DSGE models are the predominant framework of macroeconomic analysis. They are multifaceted, and their combination of micro-foundations and optimising economic behaviour of rational agents allows for a comprehensive analysis of macro effects. As indicated by their name, their defining characteristics are as follows:

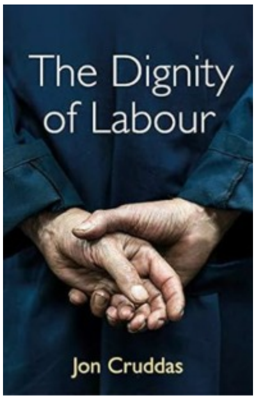
Dynamic: The effect of current choices on future uncertainty makes the models dynamic and assigns a certain relevance to the expectations of agents in forming macroeconomic outcomes.

Stochastic: The models take into consideration the transmission of random shocks into the economy and the consequent economic fluctuations.

General: referring to the entire economy as a whole (within the model) in that price levels and output levels are determined jointly. This is opposed to a partial equilibrium, where price levels are taken as given and only output levels are determined within the model economy.

Equilibrium: In accordance with Léon Walras's General Competitive Equilibrium Theory, the model captures the interaction between policy actions and behaviour of agents.

Reading and Media



Does work give our lives purpose, meaning and status? Or is it a tedious necessity that will soon be abolished by automation, leaving humans free to enjoy a life of leisure and basic income?

In this erudite and highly readable book, Jon Cruddas MP argues that it is imperative that the Left rejects the siren call of technological determinism and roots it politics firmly in the workplace. Drawing from his experience of his own Dagenham and Rainham constituency, he examines the history of Marxist and social democratic thinking about work in order to critique the fatalism of both Blairism and radical left techno-utopianism, which, he contends, have more in common than either would like to admit. He argues that, especially in the context of COVID-19, socialists must embrace an ethical socialist politics based on the dignity and agency of the labour interest.

This timely book is a brilliant intervention in the highly contentious debate on the future of work, as well as an ambitious account of how the left must rediscover its

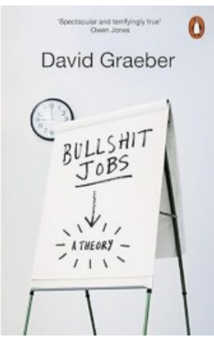
This Town

Birmingham 1981: a city on edge, a music scene set to explode and a fight to choose your own future. Feuds, family and fierce music from Peaky Blinders creator Steven Knight.

The series focuses on the devastation of the 80’s West Midlands but does little to recall how the region got there.

In the 60’s the West Midlands was an industrial heartland with Birmingham and Coventry at the centre of the car and engineering industry. The Bullring shopping centre and Coventry’s new Cathedral were emblems of a prosperous future. The 1970s, however, saw a decline in the British motor industry and Coventry suffered particularly badly, especially towards the end of that decade. By the 1970s, most of Coventry's motor companies had been absorbed and rationalised into larger companies, such as British Leyland and Chrysler which subsequently collapsed. The early 1980s recession dealt Coventry a particularly severe blow: By 1981, Coventry was in an economic crisis, with one in six of its residents unemployed. By 1982, the number of British Leyland employees in the city had fallen from 27,000 at its height, to just 8,000. Other Coventry industrial giants such as the tool manufacturer Alfred Herbert also collapsed during this time. The recession of the early 1980s saw Birmingham's economy collapse, with unprecedented levels of unemployment and outbreaks of social unrest in inner-city districts.

Was it economic necessity or political revenge for worker militancy and resistance? Thatcher’s policy saw a third of the Uk manufacturing disappear setting the scene for the dystopia of “This Town”.



In the early twentieth century, people prophesied that technology would see us all working fifteen-hour weeks and driving flying cars. Instead, something curious happened. Not only have the flying cars not materialised, but average working hours have increased rather than decreased. And now, across the developed world, three-quarters of all jobs are in services, finance or admin: jobs that don't seem to contribute anything to society. In Bullshit Jobs, David Graeber explores how this phenomenon - one more associated with the Soviet Union, but which capitalism was supposed to eliminate - has happened. In doing so, he looks at how, rather than producing anything, work has become an end in itself; the way such work maintains the current broken system of finance capital; and, finally, how we can get out of it.