**Inflation**

The mainstream economic view of inflation (as upheld by senior economists at the Bank of England) is that it’s caused by “too much money chasing too few goods.” High levels of effective demand (e.g. due to government stimulus) are thought to disturb the equilibrium between supply and demand and push up the price of goods. Although these conditions are important factors, it’s also important to explain why the increase in demand does not translate into an increase in supply, thereby producing equilibrium conditions and relative price stability. With covid this is obvious, but mainstream economic analyses have struggled to provide convincing accounts of the market’s failure to self-regulate in previous inflationary periods, with less obvious constraints on supply.

The key is that the scale of production is not determined by demand but by profitability. Without either the realisation or expectation of adequate profits capitalists will not make the investments required to expand production in line with the expansion of effective demand. This reflects the fact that there are more factors than supply and demand alone which determine market prices and profits. Other significant factors include the costs of production, market competition and monopoly/monopsony conditions, subsidies, international exchange rates, and government credit and monetary policies. Given the complex interaction of these factors, inflation is better understood less as a straightforward reflection of disproportionate supply and demand and more as a capitalist tactic for defending profits under stress.

We can see this in practice in response to different state strategies for dealing with economic recessions. The traditional Keynesian response is to have governments tax or borrow capitalists’ uninvested funds and expand production by making investments themselves (e.g. through infrastructure projects, welfare programmes or military spending). This is a limited means to expand the economy however because the revenues the state pumps into production are only those revenues which it’s already sucked out in taxes or loans. This results in redistribution, but not, by itself, expansion. Heightened borrowing for this purpose can also have the effect of pushing up interest rates, which also increases the costs for businesses. In response to high taxes and interest rates, capitalist defend their profits by pushing up prices, incentivising wage struggles which can further erode profits, risking ‘runaway’ inflation.

In response to the global financial crisis quantitative easing was widely adopted in place of Keynesian stimulus. In these cases, states ‘printed money’ and used it to purchase bonds, pushing down their yields and pushing investors into stocks. This sustained the market price of stocks, which, in conjunction with low taxes, interest rates, and wages (e.g. low ‘cost-push’ factors) as well as low effective demand, diffused the incentive to raise the market price of goods and services – promoting a relatively inflation-free expansion (although one broadly limited to financial speculation).

In 2020 states commonly responded to the economic impact of the coronavirus shutdowns with a combination of both approaches: quantitative easing and economic stimulus. Taxes and interest rates have remained low but the massive disruption of international supply chains and sky-rocketing energy costs have still had a significant impact on the cost of production. Capitalists have responded by raising prices (well in excess of increased costs, expanding profits) and attacking employment and conditions. At the time of writing, the Retail Price Index recorded 12 month inflation at 9.9%.

**Responses**

In terms of the global response it’s striking that most of the initial unrest has centred in countries that played prominent roles in the 2018-2020 wave of protests (e.g. Argentina, France, Iran, Iraq, Nigeria, Peru). Pakistan’s claimed the first government to fall with potential for Sri Lanka to follow.

In the UK the main response so far seems to be resignation and individual adaptation. There has been a noticeable uptick in wage struggles, although with the exception of the North Sea oil rigs and a few barricades here and there these have mostly remained within a conventional trade union framework. A national TUC demonstration in London is planned for the 18th of June (I think initially postponed in response to the outbreak of war in Ukraine). The People’s Assembly have been organising monthly rallies but nothing of interest to report there. A small group close to Plan C in London have begun organising for an energy bill autoreduction campaign. In general, the response so far has been pretty tepid, but there’s scope for that to change as time goes on.

At the time of writing the government are attempting to reach agreement on a mini-Budget containing relief measures which they’ll either present on Thursday (25th May) or in early June after the Parliamentary recess. They’re keen to push ‘Partygate’ out of the headlines but Sunak and Johnson seem stuck at loggerheads. As far as I can tell, Sunak is opposed to universal support measures (e.g. tax cuts, despite internal pressure from the party) because of anxieties about them fuelling inflation, and favours targeted measures delivered via Universal Credit and/or the Warm Home Discount and potentially financed through a windfall tax on energy companies. Johnson is opposed to the tax on the grounds of it being ‘ideologically unconservative’. Whatever measures are eventually settled on are likely to remain extremely limited (the FT is citing figures in the range of £150-500 relief only for the most impoverished families).

**Proposals**

I’m reproducing here the proposals we took to the AFed assembly, basically just because I haven’t got any further in terms of practical thinking.

* There’s been a lot of conflict on buses and trains recently. In Australia and Japan bus and train workers use non-collection of fares as a tactic in disputes and we could see if there’s any potential to use that here. In 2002 RMT balloted for ‘no fares’ days in a dispute with Arriva Northern Trains but I can’t tell if they actually went ahead. There were legal threats against the tactic but then RMT threatened them again against the same company in 2007, so who knows. There’re ongoing strikes on Arriva buses in south London and at the Brixton depot they’re definitely fucked off with their union. We could see if they’re receptive.
* There’s an ongoing dispute at Cadent Gas (I think the biggest gas distributor in the UK) and the fire-and-rehire campaign at British Gas wasn’t that long ago. Calling on workers to refuse disconnection for non-payment is a bit far-fetched, but maybe there are other more realistic objectives we could aim for? Workers at Exxon’s Fawley refinery are also currently striking but it’s even harder to see what could happen there.
* In retail there have been recent successful ballots by warehouse workers organised with USDAW, Unite and GMB. Some of the supermarket cafes have been offering kids eat free deals during the holiday and we wondered if there was scope for workers to pressure the companies to somehow expand these schemes, or something similar. Supermarkets also distribute a lot of stuff to charities and foodbanks and maybe there could be potential for some kind of more worker-led redistribution. Something confrontational which promotes some sense of workers’ control.