WORKERS' fight

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"The emancipation of the working class will only be achieved by the working class itself" (Karl Marx)

OSBORNE'S ASKING FOR A FIGHT!

Osborne's "Summer Budget" began with the usual boasts about Britain's achievements: "*we're growing faster than any other major advanced economy... "* So was this to be a budget for good times? Not exactly.

In fact Osborne had already announced that it was to be part 2 of the Tories' austerity programme. However, the cuts would be less deep: after the £21 billion in welfare cuts in the last government, this second Osborne term would see "just" £12 billion in cuts! Except that the prime targets - the unemployed, disabled and low-paid are to be hit even harder!

The 20th June protest: a lot more will be needed!

Reinventing the benefits trap

In short, this budget can be summarised as follows: "welfare for the poorest, down; welfare for the well-off and big business, up"!

Osborne said it was "*a plan for working families*". Indeed, it is a plan to cut the incomes of working class families. And significantly, by cutting both out-of-work and in-work benefits.

The level of earnings above which household Tax Credits and Universal Credit are reduced will be more than halved. What's more, the child element will only be available for the first two children born after April 2017. In other words, the poor are supposed to stop having more kids!

Osborne's justification? When he came to office in 2010, "... *a benefit that was intended to support lower income households, was instead available to 9 out of 10 families... Now, our properly focussed reformed Tax Credit system will provide support to 5 out of 10 families*". In other words, people's actual needs are irrelevant!

NLW: we cannot live on it!

However Osborne used a bit of theatre to try to regain some populist appeal. His "grand finale" announced the so-called National Living Wage - £7.20 from next April and £9 in 2020. He hijacked the TUC's "*Britain needs a pay rise*" slogan - claiming Britain was now getting one... But even if the NLW was introduced today, it would still be far too low to make ends meet - except by lots of overtime. And who knows what £9/hr will be worth by 2020?

Then comes the small print. This NLW will only be applicable to over-25s. Will the present minimum wage for younger workers be scrapped altogether? With the bosses seeking every possible way to boost their profits, nothing is off the table.

As for public sector workers, Osborne's announcement that increases would remain frozen at 1% for the next 4 years, i.e., a wage cut in real terms, on top of the previous five years of wage freeze, said it all about this Tory champion of "pay rises".

Welfare for the thieves

Never mind, though, the rich are taken care of: they can leave £1m-worth of their assets to their children, including a "mansion", without paying a penny in inheritance tax.

Then - and this is the big one - an additional 1% is cut from corporation tax in 2017 and another 1% in 2020, down to 18%. Osborne already cut this tax from 28% to 20% during the previous Parliament. It is meant to make up for the additional cost to bosses of the NLW. Except that the NLW will add only around 0.8% to costs! The cut in corporation tax amounts to a £4bn giveaway - equivalent to the tax credit cuts being foisted on 5 million hard-working claimants!

If all these handouts are added up, by 2020, companies will have received a total tax break of around £80bn over the previous decade - hugely more than the "savings" made at the expense of the working class during the same period! The only answer is to force these thieves to pay back the money, by mounting a collective fightback. And sooner rather than later! ❒

Budget

• Making sure work won't pay

The earnings level at which the tax credits and housing benefit start to be withdrawn is to be reduced radically - from £6,420 to £3,850! In other words it would make sense to earn less to retain a certain level of benefit...

This is nothing but the reintroduction of the old "benefit trap" - always criticised as a disincentive to work!

To quote Osborne: " *taken all together, the freeze in working age benefits, the downrating of social rents, and the focus of tax credits and Universal Credit on the lowest income households will reduce the welfare bill by £9 billion a year by 2019-20.*" Incredible. He boasts about making the poor pay - while at the same time partly abolishing inheritance tax for some dead millionaires' houses - whose estates can be passed to heirs and heiresses tax-free! Even the right-wing bosses' Economist magazine called this "*indefensible*", and "*perhaps the daftest economic policy of the decade*". It isn't daft, of course. It is just a policy for the rich by the rich.

• The deficit is part of the system

Does Osborne believe his lie that the deficit is due to "too much" public spending by past Labour governments? As if he didn't know that the banks' bailout was its cause. Blaming Labour certainly helped win votes and no tears need be shed on its behalf - the party didn't even have the gumption to defend itself and agreed with most subsequent cuts. In fact, Labour has even announced it won't oppose Osborne's new welfare cuts!

But does Osborne believe in his own "solution", i.e., binding future governments by law to a new "Fiscal Charter" to either balance their books or run a surplus "*in normal times*"? If so, how is the state supposed to make long-term investments? These always require long-term borrowing and produce deficits. If it had not been for chronic deficits and a long-term US loan, the economy would never have been rebuilt post WWII and there would have been no NHS!

More likely, Osborne's new "fiscal law" is just a pretext to justify cuts for the poorest. But we can rest assured that the day he needs to give even more handouts to the capitalists, he will declare that "abnormal times" have arrived... Beyond political gimmick, it's another admission that the state is there to serve as a crutch for a bankrupt system - nothing else!

How to justify welfare cuts: lie

According to Osborne, Britain accounts for 1% of the world's population, but 4% of its GDP and 7% of its welfare spending. As Osborne knows (didn't he also announce in his budget that he will abolish "*statistics, damn, lies and statistics*"?), absolute figures don't mean much! What matters is welfare spending as a proportion of GDP, i.e., the total wealth produced. On that score, Britain is actually in the lower half of the advanced countries' league, spending 21.7%, which is less than Greece!

As for the claim that spending on benefits for the disabled, one of Osborne's main targets, is greater now than in the past, it depends on how far back you want to go. In fact spending on the main disability benefits for working age people has been declining for 20 years, in real terms and as a percentage of GDP. The numbers claiming these benefits grew sharply from the 1980s, thanks partly to ministers and jobcentre managers who found them a useful way of hiding unemployment. That was until the Tories set about hounding people off them again, denouncing them as malingerers! Today, it's just different lies, but it's the same game - shielding the rich.

• Switch them off!

A day before the budget, the BBC told us that "millions of people" were paying too much for their gas and electricity. As if we didn't already know! Apparently a new report from the Competitions and Markets Authority (CMA) showed how E-On, British Gas, NPower, EDF, Scottish Power and SSE made £1.2bn extra between 2009 and 2014, because customers failed to switch to their cheapest supplier. The average household (spending £1,200 or at least 10% of their income) might have saved £160. So this on top of record profits and price rises of 125% and 75% for gas and electricity respectively over 10 years...

But what about those who can't even "switch"? The Citizens Advice Bureau (CAB) highlighted the plight of the poorest, usually saddled with pre-pay meters and top-up cards or tokens, who pay the highest tariffs of all! Often charged up to £180 to have them fitted or removed, they then pay an average £226 (as much as £405!) more than the cheapest direct debit tariff. The CMA and CAB are right to point to the rip-off. But constantly switching from one profiteer to another, no matter which payment method you have, isn't the answer. Energy provision should be according to need and under workers' control, full stop.

The poverty of Tory philosophy

Anticipating embarrassing figures on rising child poverty levels in the coming months, while making £12bn in welfare cuts, the Tories are redefining poverty!

Not only have they found figures to show that child poverty has fallen since 2010 (funny that the use of food banks has risen exponentially in the same period!), but we're now told the official measure which counts as poor all those below 60% of median income, is "narrowly financial". So to be "broad", the new Tory wisdom explains poverty as a "life-style problem", caused by family breakdown, debt, and addiction!

Of course, once poverty is de-linked from wages and salaries and attributed to "moral degeneracy", taking us back to Victorian times and the "deserving and undeserving poor", they would find it much easier to justify cuts in tax-credits for low-income families.

This is another of their transparent attempts to put "hard-pressed taxpayers" against the poorest in society. But it won't wash.

Behind the present crisis

Greece

Today, Greece's public debt stands at 314 billion euros (around £224 billion). This is almost equivalent to Britain's welfare budget - a colossal amount for a country whose population is less than one sixth of Britain's. Most of this is owed to international institutions - the European Central Bank, the European Union and the International Monetary Fund - as a result of the country's so-called "bailout". But, why this bailout and where did the money actually go?

How the banks sharks took their cut...

In 2008, like every other country, the Greek government bailed out its banks, by taking over their debt. In order to do this, it had to borrow massively from the big international banks.

By that time, the banking system had virtually ground to a halt. But the world was awash with money in search of profits. The big international banks were keen to find "safe" borrowers for this money. They targeted certain states: the very rich ones, or course, but also poorer countries, like Greece, assuming it would get the financial support of the rich euro-zone countries in case of trouble. But the banks imposed draconian interest rates on loans to these poorer countries, claiming they were "taking risks". Of course, this was just a pretext for them to make a quick buck. And they certainly did!

So, Greece was caught in a Wonga-type vicious circle. The more it borrowed, the more its interest bill went up. The more its interest bill went up, the more it had to borrow. And the more indebted it got, the more the banks hiked up the interest rate they demanded, which went to well over 20%!

One of the ironical twists was that some of the big lenders to Greece were banks like the German Deutsche Bank, the German-Irish Depfa, the French Crédit Agricole and the Franco-Belgium Dexia, whose Greek subsidiaries had been bailed out earlier by the Greek government! So, these big international banks managed to squeeze Greece's public finances twice - first by being bailed out and then, by earning interest on their own bailout!

... and took it again

There was no possible end to this vicious circle. Everyone knew that Greece would never repay its debt. It was the fear that this situation could end in tears for the big international banks - and for the world banking system - which prompted the international institutions to intervene with their "bailout" packages - first in 2010 and then, again, in 2012 - for a total of £170 billion.

Out of this amount, £101 billion was used just to repay most of the country's outstanding debt to the big international banks. Some of it was written off by means of a "haircut". But this still left these banks with a hefty profit - all the more so, as they got the additional bonus of lending the funds for the bailout. So they were paid by the international institutions to bail themselves out!

Once the Greek government had paid what it owed to local banks, pension funds and other domestic creditors, it was left with just 10% of the total to help meet the actual needs of the population! So this bailout did not and could not improve the economic situation in Greece - but nor was it meant to. Beyond the official rhetoric, its aim was to bail out the big international banks - period! In order to protect the profits of these banks, the international institutions just replaced them as Greece's creditors. But this has left Greece with an unsustainable debt and more massive interest payments - in short, in the same vicious circle.

• *The unacceptable cost of austerity*

While the international banks were lining their pockets out of the country's public funds, the Greek population was facing a rapidly deteriorating economic situation which was turned into a catastrophe by the austerity measures demanded by the international creditors - and willingly implemented by local politicians, at least until Syriza came into office in January this year.

The result is that the economy has shrunk by 25%. At £2.82/hr, the minimum wage is now 25% lower than in 2012. Unemployment is over 26% - almost 50% among the youth. One adult in three and two children in three live below the poverty line. One sixth of the population cannot afford the daily cost of food and one third has no health cover of any kind. Social benefits have been cut by 45%, leaving half of the country's pensioners below the poverty line. Over 300,000 households are under threat of expulsion from their homes. Etc..

This is the kind of social catastrophe that had not been seen in an industrialised country since the Great Depression of the 1930s - and all that, courtesy of the international banks and their lackeys in government!

• *British leeches also feeding on Greek blood*

When the crisis broke out, the loans made by British financial institutions to Greece were comparatively small - only about £10 billion. Nevertheless, like their German and French rivals which made much bigger loans, they were able to recover most of their investment thanks to the international bailout, in 2012.

Strangely enough, though, by the beginning of 2015 it emerged that British loans to Greece were back to almost the same level as in 2008. How did this happen?

Behind the scenes, some British financial outfits, known as "debt vultures", had bought £5bn worth of Greek debt from the banks before the bailout - at a bargain-basement price. Then, having refused to benefit from the international bailout (since it involved a taking haircut) they sought to have this debt paid back in full by the Greek government. They were able to use this trick because these loans had been made under British law: unlike the Greek parliament which had legislated to impose the bailout on creditors, the British government refused to do so, no doubt in the name of what it calls the "national interest". And this allows the British "debt vultures" to carry on extorting huge interest payments from the Greek population!

Greece

The population strangled by the bankers

Anti-austerity protest in 2011

On 12 July, after five months of negotiations, the international institutions finally agreed on a new bailout package for Greece. This deal should pave the way for the restructuring of the country's debt. In the short term, it will provide its economy with a temporary lifeline - in particular by restoring the access that its banks no longer had to the funds of the European Central Bank (ECB) and allowing the government to take emergency loans.

Big finance's screw

The spectacular "ATM crisis", whereby cash withdrawals were limited to 60 euros per person and per day, had nothing to do with economics. In response to the announcement of the Greek referendum over the austerity demanded by international creditors, the ECB suspended the flow of euros between Greek banks and the rest of the eurozone. This was part of their blackmail, designed to browbeat Greek voters into endorsing more of the same austerity which had been strangling them for years. But this blackmail was a failure, with 61% rejecting the austerity plan.

For all their democratic rhetoric, the very idea that Greek voters should be given a say on a matter which directly concerned them, caused outrage among the rich countries' leaders. Of course, the likes of Osborne would never dream of putting their own austerity programmes to the vote - would they?

For these leaders, there was no question of allowing the Greek population to stand in the way of the profiteering of big finance. The country had to repay its creditors come what may, including if this meant bleeding the population dry. Greece is a small country and its bankruptcy could have been easily absorbed by the eurozone. But it was a matter of principle. Greece had to be made an example, to make sure that no other poor country would ever dare to stand up against big finance.

Tsipras' "compromise"

Days after the referendum, Greek prime minister Tsipras came up with a new austerity plan designed to unlock the negotiations with the international institutions. It is this plan which, in the main, provided the basis for the 12 July agreement.

It involves £8.6bn (10%) worth of spending cuts. Retirement age is to be increased from 65 to 67, solidarity payments to top up the smallest pensions are to be phased out and pension contributions increased; VAT is to be increased on a range of products; corporation is to be increased from 26 to 28% (Syriza wanted 29% but the IMF objected!); a range of deregulation and privatisation measures; restrictions to collective bargaining ; etc..

As to Tsipras' past promise to restore the minimum wage to its 2012 level, it has disappeared, together with his pledge to repeal the land tax introduced by the previous right-wing government, which badly affects even the poorest in a country where most people are homeowners.

Although he came to power on an anti-austerity platform, Tsipras' agenda was primarily nationalist, aimed at defending the dignity of his people against foreign interference. Other nationalist leaders before him held their ground for much longer - after all, Cuba's Castro held out against the US for half a century! As it turns out, Tsipras only managed to stick to his guns for 6 months.

The role of the working class

Far more importantly, Tsipras did not represent the interests of the working class and poor who were at the receiving end of the austerity policies - nor did he ever claim to. He was willing to mobilise the support of his population in the ballot box. But he was never prepared to seek the support of a social mobilisation in the streets, against all profiteers - both Greek or foreign.

However, only one thing can make the big financial institutions which rule the world and their men in government change course: a force which is strong enough to threaten their profits. And only the working class, whether in Greece or in any other country, has the means to create such a force, because of its collective strength and its role in the economy.

Beyond what happens in Greece today - or, on a more limited scale, with Osborne's austerity in Britain - the real issue, of course, is this capitalist system which has become so corrupt that it can only survive as a parasite of the majority of the population, causing always more suffering. And this is why, ultimately, the only possible way forward for the working class will be to expropriate big business and take over control of the whole of society. ☐

In addition to this monthly paper, we publish fortnightly bulletins in several large workplaces in the South East, a quarterly journal, "Class Struggle" and the "Internationalist Communist Forums" - a series of pamphlets on topical issues.

If you wish to find out more about our ideas, activities and publications, contact the Workers' Fight activist who sold you this issue of our paper, or write to us either by e-mail, at contact@w-fight.org, or by postal mail at:

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