

Funding the Future

The Bank of England is engaged in the most massive clas...

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I [posted this thread on Twitter](#) today in response to noises coming out of the Bank of England on the need for interest rate increases:

The Bank of England is telling us that although raising interest rates will not tackle the causes of inflation that we're suffering they have to increase them anyway to prevent the 'second-round effects' of inflation. This is very dangerous to working people. A thread.....

The 'first-round effects' of inflation are the price increases that create inflation. Right now those are mainly increases in the prices of energy, fuel and food that are taking place even though the cost of production of almost none of these has actually increased.

The Bank of England recognises it has no tool available to it to prevent these price increases, which are happening as a resulting of companies exploitatively profiteering on the basis of supposed shortages arising from Covid and the war in Ukraine.

The second-round effects of inflation are the wage increases that people demand to make sure that they can continue to enjoy the standard of living that they had before the inflation created by corporate profiteering made many things unaffordable for them.

The Bank of England is determined to stop this second-round effect. It is seeking to do that by increasing the price of money. In other words, it is increasing interest rates. That's how the price of money rises. The action is, of course, in itself inherently inflationary.

The Bank's intention is to reduce the money available to people to buy the things that they already cannot afford because corporate profiteering has pushed them beyond the reach of many people either directly or because they now have to spend all their money

on basics instead.

They do this by increasing the amount of interest they have to pay. They know that will then cut the demand for other goods and services. As a result they think the price of those other goods and services will be cut to match reduced demand and so they say inflation will fall.

This might work if people were enjoying wage rises and incomes in excess of the inflation rate right now. But they aren't, and it's obvious there is no chance that they will. No one thinks wage rises are going to in any way keep up with inflation at present.

So all the Bank are doing is hitting those on wages exceptionally hard when their incomes are already guaranteed to be falling. This certainly won't persuade working people not to demand pay rises. In fact, it will make them demand bigger pay rises.

But it will also not reduce inflation - because it's not that people will offer to pay lower prices for the goods and services they once enjoyed, so bringing inflation down. Instead people just won't be able to buy them, putting the suppliers of those things out of business.

But whilst this disaster unfolds what the Bank will also be doing is guaranteeing that the first-order impacts of inflation (that is, the exploitative price increases we are now suffering) will remain in place unaddressed, benefiting those companies imposing them.

And whilst that goes on the Bank of England will try its very best to make sure that people will never have the chance to make good what they have lost in terms of real wages.

So the net outcome of the Bank of England policy is to create a permanent shift in the income of the country away from those who work for a living towards those who run exploitative, speculative companies. They're engaged in massive class warfare for the elite, in other words.

But as a side effect they will create a recession, ensure large number of small business failures and create significantly higher unemployment. Maybe they'll create a banking crisis too when people can no longer pay their mortgages.

And all of this is because the Bank of England thinks that there are 'secondary effects' of inflation they can crush with interest rate rises when in reality those rate rises are going to crush the whole lifeblood out of the economy, all to help those who exploit us.

You can't make something this bad up. It has to be planned. It is being planned. And it is being planned by those who think working people are overpaid and should be made to pay more to companies to boost the unearned profits that a few in society enjoy.

And that is what the Bank of England calls policy.