The Politics of Inflation

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We have entered a new era of global inflation and price hikes are visible everywhere. In Sri Lanka, many people have had to skip meals because the price of wheat flour and white rice has risen by 30 per cent since 2012. Tens of thousands have rioted, leading to the burning down of a government minister's house. In Turkey, inflation has hit the staggering rate of 70 per cent because there has been a major devaluation of its currency, the lira. This is turn is linked to a government decision not to raise interest rates.

Global inflation pervades many aspects of our lives in ways that are barely noticed. Few people can afford an electric car, but the Greens championed them as a transition away from petrol. They argued that the market price of the cars would fall, bringing them within reach of ordinary individuals. For a period this looked realistic because there was a decrease in the price of lithium from a peak of €15,000 a ton in 2018 to half that in 2020. Yet this trend has now been dramatically reversed and lithium has risen to $40,000 a ton, destroying all projections about the transition.[1]

Or look at Irish government plans to tackle the housing crisis. The Fianna Fail-Fine Gael-Green government's Housing for All strategy projected that an average of 33,000 houses would be constructed each year until 2030. Yet this took little account of inflation, which has soared since. The price of timber is 64 per cent higher than it was 12 months ago. Plaster is a third more expensive, while the price of steel and reinforcing metal has risen by 27 per cent. A spike in the cost of MDI—a key raw material used in plastic piping and insulation—is also pushing up prices.[2] In one of the craziest moves ever made, the government has guaranteed builders that they will cover 70 per cent of the inflationary increases. There is no end date and it looks like a blank cheque has just been signed.

Americans have coined a term for one of the trickier ways corporations respond to inflation. Rather than increasing prices, they shrink the quantity of the product you buy. Hence the term: 'shrinkflation.' Teenagers report that when they buy their chicken nuggets, they get less in a packet than they previously got. Chocolate bars are smaller, and packets of many foods contain less. The technique is to change the packaging so that it looks like the same product but in reality is different.

Everywhere, inflation is changing our lives and increasing social suffering.

A NEW ERA

Since the 1980s, the core of the capitalist system has experienced a low level of inflation. State officials used whatever economic tools they could to keep prices low. This was linked to an unspoken strategy: weaken union organisation by ensuring they did not take strike action for wage claims. In other words, the low-inflation era was a key element of the neoliberal paradigm.

The decisive event was the Volcker Shock in 1979. In the 1970s there had been a period of high inflation which was often combined with low levels of growth. Hence the term 'stagflation.' Paul Volker took over as chair of the Federal Reserve in 1979, and as one of Jimmy Carter's advisors noted, he was 'selected because he was the candidate of Wall Street.'[3] He decided to use the economic levers at his disposal to trigger a recession in order to break the power of labour and reduce expectations of wage increases. The key mechanisms were a rise in interest rates and restrictions on bank lending. The Federal Reserve base rate rose from an average of 8 per cent in 1978 to over 19 per cent at the start of 1981, and did not consistently return to double digits until 1984.[4] This helped to trigger the desired recession, as companies closed for lack of financial liquidity. Contrary to mainstream economic historians, it was not just a technical decision but a deeply political move in a class war. In 1980, the giant car company Chrysler faced bankruptcy proceedings and the US Congress insisted that Volcker sit on its board and negotiate with the unions. He demanded that the United Automobile Union accept wage cuts and outsourcing as conditions for a state loan. In 1981, Ronald Reagan followed up this attack with the smashing of the air-traffic controllers' strike. Their union, PATCO, was totally broken after Reagan ordered the sacking of its members. Volcker would later say that 'the most important single action of the administration in helping the anti-inflation fight was defeating the air-traffic controllers' strike.' [5]

The Volker Shock helped produce a number of consequences that were central to the victory of neoliberalism. First, it set off a long-term decline in US wages and union membership. Between 1947 and 1979, average growth in annual earnings was 2.1 per cent. Between 1979 and 2016, however, the average growth rate fell by more than half, to 0.9 per cent per year.[6]

Second, the Volcker Shock led to a rise in global interest rates, which dramatically affected poorer countries. Throughout the seventies, these countries had been encouraged to borrow heavily to stimulate an export-led growth strategy. The rise in interest rates, combined with a slowdown in the global economy, left them high and dry. The result was a debt crisis. This in turn created the opportunity for the IMF and the World Bank to promote structural adjustment programmes around the world. These embodied the main conditions of neoliberalism: cuts in public spending; privatisation; removal of food subsidies; liberalisation for foreign capital.

Third, the Volcker Shock helped to restore American financial leadership across the world. By sucking in foreign investment, the Federal Reserve reconstructed the dollar as a 'safe haven' for profitable returns. Over the four years from 1975 to 1978, foreign direct investment in the US had totalled $18.5 billion. But in the period 1981–87, it averaged $22.9 billion *per year*.[7] Although the Volcker Shock had helped trigger a global slowdown, it also sent out a message: American interests come first. As Panitch and Gindin put it, 'With the Volcker shock, the US effectively secured acceptance by other states and financial capital of the asymmetric treatment of its external deficit because, indeed, 'it correspond[ed] to an asymmetry in the real world.'[8] The influx of huge amounts of foreign investment allowed the US state to run up huge levels of debts, which persist to this day. While interest rates declined after the 1980s, the image of the dollar as a 'safe haven' for global capital remains.

Fourth, the Volker Shock served as an object lesson to other capitalist elites around the world. The 1970s had been a period of instability, and the expectations of workers for decent wages and conditions had remained high. By taking a lead in breaking the upward cycle of the workers' movement, Volker showed how ruling-class 'discipline' could be restored. The key lesson was that there needed to be an 'independent' central bank in each country which could take measures to tackle inflation. The original mandate of the Federal Reserve was to 'promote effectively the goals of maximum employment,' but this was simply ignored. Inflation-busting and wage discipline became the watchwords of independent central bankers all over the world. 'Independence' in this context meant insulation from public pressure—even from elected members of parliament. It also meant that the central bankers became more subject to the pressure of financial markets, which periodically would send out signals for more 'discipline.'

This, then, is how the architecture of neoliberalism was put in place across the world. But there was one problem with its much-vaunted claim to have tackled inflation. As Greta Krippner observed, 'The result (of the Volker regime) was to transfer inflation from the nonfinancial to the financial economy—where it was not visible (or conceptualized) as such.'[9] As money began to flow into the US, all sorts of new credit instruments were created to increase the circulation of money. Their owners were guaranteed that their 'passive investments' would not be eroded by inflation. They only had to seek out the best speculative opportunities and the financialisation of the US economy gathered pace. Manufacturing had accounted for over 40 per cent of US corporate profits in 1968, well over double the 17 per cent portion from finance, real estate and insurance. By 2000, their respective shares were 10 per cent and 45 per cent [10]

As money searched for ever greater opportunities for speculation, a new form of asset inflation emerged. Leilani Farha, the UN special rapporteur on housing, gives one example.

> Housing and commercial real estate have become the 'commodity of choice' for corporate finance and the pace at which financial corporations and funds are taking over housing and real estate in many cities is staggering. The value of global real estate is about US$217 trillion, nearly 60 per cent of the value of all global assets, with residential real estate comprising 75 per cent of the total. In the course of one year, from mid-2013 to mid-2014, corporate buying of larger properties in the top 100 recipient global cities rose from US$600 billion to US$1 trillion. Housing is at

> the centre of an historic structural transformation in global investment and the economies of the industrialized world with profound consequences for those in need of adequate housing.[11]

The global 'wall of cash' that has flowed into housing in many countries has led to property speculation, increased rents and the locking out of a whole generation from owning their own homes. Yet inflated house prices only feature marginally, if ever, in official inflation figures. Ireland provides a particularly bad case of the ignoring of house prices in the calculation of inflation. Here is the Irish Central Statistics Office explaining why they do not include house prices in their measure of consumer inflation.

> The purchase of a house is an investment in a capital asset, purchased over a long period of time that usually appreciates in value. It does not form part of consumption. House prices are excluded from the index. The CPI does, however, include the current costs of housing, such as mortgage interest costs. These costs reflect not only changes in interest rates but also the size of the average mortgage. Measurement of the latter takes into account the trend in house prices and as a result these price trends are taken into account, indirectly, in the index.[12]

This bureaucratic speak makes two key points. First, as it states baldly, 'house prices are excluded from the index.' Second, there is the cover-up point that the index measures interest rates. Yet when these are low—as they have been in recent times—the index will show a decrease. The reference to 'taking into account' is meaningless.

The era of low inflation is now coming to an end. This may be temporary in the sense of being an era. However, it is not temporary in the sense that mainstream economists like Philip Lane, the former governor of the Irish Central Bank, suggest. He confidently predicted that 'the inflation rate will start to come down in the second half of the year.'[13] This pronouncement has the same relationship to scientific assessment as comfort food has to good food. It is designed to lull working people into a sense of complacency so that there is no push for high wages. Its impact is most likely felt among union leaders of the ICTU, who, until now, have been repeating this line to their members.

EXPLANATIONS AND EXCUSES

Let's now look at the explanations for why inflation has taken off.

There are two main bourgeois arguments, reflecting a division of opinion between 'monetarists,' and 'Keynesians.' The monetarists are followers of Milton Freidman and emphasise state spending. Friedman's argument was that 'inflation is always and everywhere a monetary phenomenon.'[14] By this he meant that price increases occur because there is too rapid an increase in the money supply or too much money about. Governments control the supply of money as they circulate a fiat currency: in other words, paper that is not tied to a definite weight of gold. Governments can, therefore, print money at will. When they increase its supply, this results in the nominal price of commodities increasing. Friedman argued that 'inflation is only made in Washington DC,' because only the US government has the printing press with which to expand the money supply.

The experience of the European Central Bank provides a simple refutation of this theory. In 2015, it started to pump €60 billion a month into the European economy through its Assets Purchase Programme. This was a response to stagnant growth rates after the 2008 crash. EU policymakers noted that the US economy was growing faster after it adopted a 'quantitative easing' programme, and so between 2015 and 2019 the ECB purchased €2.6 trillion of governments.[15] It did so by effectively turning the handles on its printing press, as Friedman might claim. Yet there was no sign of inflation rising until recently. If anything, the failure of prices to rise was taken as a sign of a stagnant economy, and so every effort to 'taper off' the stimulus was resisted. If the massive influx of money did not lead to an increase in inflation, then Friedman's theory falls to pieces.

The other main explanation of inflation comes from Keynesians, who originally supported the model of the Phillips curve. This model claimed that there is an inverse relationship between inflation and unemployment. When unemployment is low, inflation is high, and when unemployment is high, inflation is low. The empirical evidence for a correlation between the two has long been disputed. Nevertheless. Keynesians emphasise the possibilities for governmental management of a capitalist economy. They assume that inflation arises from an 'overheating' of an economy because under conditions of full employment workers press for higher wages. And just as government must intervene to stimulate an economy when it is threatening a slowdown, so too must it manage overheating. The standard way to do this is through a prices-and-incomes policy that lobbies for voluntary agreement on wage restraint. Profit restraint, strangely, is never mentioned.

However, the assumption that inflation arises primarily as a result of workers pushing for higher wages does not explain what is happening in most countries, because there has been a decline in the wage share in most economies. If anything, this decline accelerated in the decade of the 2010s, as employers used the crash of 2008 to engage in wage suppression. As Michael Roberts points out, 'Unit labour costs (i.e., the costs of labour per unit of production) fell over a three-year stretch from the recession's trough in the second quarter of 2009 to the middle of 2012'[16] So if real wages have been falling, how could workers be responsible for inflation?

Moreover, the push for higher wages follows rather than precedes a rise in prices. Marx made this point in his pamphlet, 'Value, Price and Profit.' He wrote:

> A struggle for a rise of wages follows only in the track of previous changes, and is the necessary offspring of previous changes in the amount of production, the productive powers of labour, the value of labour, the value of money, the extent or the intensity of labour extracted, the fluctuations of market prices, dependent upon the fluctuations of demand and supply, and consistent with the different phases of the industrial cycle; in one word, as reactions of labour against the previous action of capital.[17]

Despite this pattern, it might still be suggested that if workers were to push for higher wages in response to price increases, it would set off an 'inflationary spiral.' This is in fact the main argument used by the Irish establishment to discourage workers looking for increases that go beyond a miserly 3 per cent. However, it is no more than a scare story. The leading economists who lecture on this danger never mention the word 'profit.' Yet if workers forgo wage increases, employers are more likely to maintain or even increase their profit levels. Increased wages can eat into the level of profits rather than necessarily being passed onto consumers.

Wages are also just one factor in a production process. Other items include the cost of raw materials, marketing and machinery. So, for example, a 10 per cent increase in wages does not translate into a 10 per cent increase in the price of goods. If building workers did nothing about rising prices, the costs of raw materials would push up prices. Similarly, if they increased their wages, this would only lead to small price increase—if the bosses insist on maintaining the same level of profit.

Finally, the price of any good or service is determined both by capitalist competition and by the level of investment that accompanies the labour effort. Higher levels of investment tend to lead to higher levels of productivity as machinery substitutes for human labour and each worker produces more. The growth in productivity can—depending on the circumstances—lead to a decline in unit prices. However, workers have no control over the level of investment. In fact, the more they are willing to accept low wages, the more capitalists feel they do not have to increase their level of investment to gain desired profits. By contrast, the more workers increase the real value of their labour power, the more the capitalists use investment as a way of increasing productivity.

SO WHAT IS REALLY HAPPENING?

The rapid increase in inflation is a result of a combination of factors that arise from the sheer anarchy and greed of capitalism. Its apologists claim that under this system 'the customer is king,' and that 'the market' responds to need, provided that need is expressed through money. However, as Marx pointed out, this is simply untrue. The primary driver of the system is the 'self-expansion of capital'—its need to constantly accumulate profit to augment original capital. Hence the rate of return on investment is the key determinant that drives it forward.

Faced with a decline of its relative size in the global economy, US capital began to significantly outsource production to South East Asia in the 1970s. This tactic was swiftly followed by others, and so the whole 'science' of logistics and supply=chain management was born. Capitalist production methods were decentered and long supply lines were created. Within those supply chains, each independent company sought to maintain its profit levels.

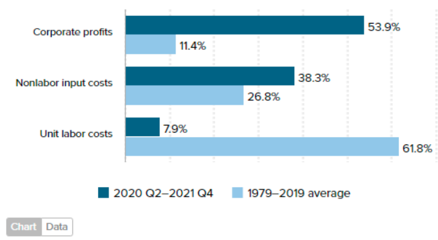
COVID-19 was in one sense an external shock, but the dynamics of its gestation and spread can be traced back to the capitalist system of food production that created possibilities for zoonosis. For the present purposes, however, the pandemic can be conceived as having caused a sudden, sharp break in the economic cycle. It exposed the singular weakness of a system that is driven by the pursuit of profit rather than by a planned approach to protect society. COVID-19 resulted in capitalists suddenly shutting down production lines as they foresaw a recession. Each decision to cut orders echoed further back the supply chain, disrupting trade relationships between individual companies. The result has been slowdowns in supply, and this was exacerbated by the 'just-in-time' system whereby companies kept lower levels of inventories. When the system reopened, many companies found they had supply-chain problems, and so prices started rising. Those corporations that had built-up supplies were able to make huge profits. Those who were not happy enough with their profit levels jacked up prices. In brief, the anarchy of the system has created a supply shock which has pushed up prices.

Microchips provide a stark example of how this anarchy works out, as they are used everywhere in a modern economy. They power cars, electronics, medical devices and other products. Yet, while demand for semiconductors increased 17 per cent from 2019 to 2021, there was no commensurate increase in supply. Instead, the COVID-19 shock, combined with the unplanned nature of production, meant that the vast majority of semiconductor fabrication plants were already using about 90 per cent of their capacity to manufacture chips and could not increase supply.[18] The companies who made the chips experienced a huge surge in profits, with the share price of ASML rising by 85 per cent, and that of AEX rising by 37 per cent. Down the production line, however, the result has been an increase in prices for all manner of goods. Capitalist optimists claim that the market will eventually lead to an abatement of these inflationary pressures as the rising prices will send a signal to other capitalists to enter this sector. However, creating a chip-manufacturing facility takes time and huge investment, and the prospects of this being righted quite soon are slim.

The other factor that has helped to increase inflation has been profiteering. This is never mentioned in official accounts, as profit is presented as an invisible 'reward' that belongs to the private sphere of dividend holders. Yet the price of commodities is determined by three factors: labour costs,; non-labour costs(such as raw machinery) and profit, which in conventional terms is viewed as a 'mark-up.' There is now considerable evidence, as Michael Roberts has pointed out, that profit margins have increased in the last few years to compensate for the slowdown in global economies. He cites a finding from the Economic Policy Institute in the US to show that since the second quarter of 2020, overall prices in the producing sectors of the US economy have risen by 6.1 per cent. Over half of this increase can be attributed to higher profit margins, with labour costs contributing just 8 per cent of the increase.[19] To illustrate how this development differs from an historic pattern, Roberts produces the following table from the Economic Policy Institute based on an analysis of official accounts.

FIGURE A

Normal and recent contributions to growth in unit prices in the nonfinancial corporate sector



Source: Author's analysis of data from Table 1.15 from the National Income and Product Accounts (NIPA) of the Bureau of Economic Analysis (BEA).

Economic Policy Institute

Roberts also cites a study by the Bank of International Settlement which also points to how companies are imposing higher mark-up prices to increase profits.

> Firms' pricing power, as measured by the markup of prices over costs, has increased to historical highs. In the low and stable inflation environment of the pre-pandemic era, higher markups lowered wage-price pass-through. But in a high-inflation environment, higher markups could fuel inflation as businesses pay more attention to aggregate price growth and incorporate it into their pricing decisions. Indeed, this could be one reason why inflationary pressures have broadened recently in sectors that were not directly hit by bottlenecks.[20]

A similar analysis from the Guardian newspaper found that

> margins—the share of sales converted into profits—also improved for the majority of

> the companies.… Economists who reviewed the data say it's more evidence of a clear reality: Consumers are taking a financial hit as companies and shareholders profit or are largely shielded.[21]

The newspaper reported noted that last year US Commerce Department data showed that corporate profits rose by 35 per cent during the last year and are at their highest level since 1950. As gas prices soared, for example, Chevron, the giant US company, saw its profit jump by 240 per cent. Chevron claimed that it had experienced 'the best two quarters the company has ever seen.'[22] Nike saw its profit jump by 53 per cent even while it was complaining about supply-chain problems. Figures on corporate profitability are much less clear in Ireland, and their publication is often delayed. However, one figure indicates that a similar pattern is at work. Since the pandemic began, Irish billionaires have increased their wealth by 58 per cent. They are now worth a staggering €50 billion.[23]

The third factor causing inflation has been the war in Ukraine. Russia and Ukraine have been key suppliers of grain and fertilisers. Thirty-two per cent of maize and corn that is imported into Ireland comes from Ukraine; 39 per cent of compound fertiliser comes from Russia, as does 11 per cent of potash.[24] It is the same story across much of the world, as both countries supply a quarter of the world's wheat. It has become increasingly clear that the war is both a defensive conflict waged by Ukrainians against a Russia invasion and also a proxy war between the US and its imperialist rival in Russia. The US war aim, expressed through billions in supplies of weapons, has expanded to include permanently 'weakening Russia,' as US defence secretary Lloyd Austin put it. After its own defeat in Afghanistan, the US moved quickly to seize an opportunity presented by Putin's gross miscalculation that he could overrun Ukraine in days. As the war has progressed, the US expanded its war aims and now thinks that it can permanently shrink the regional power of Russia. However, this is only its short-term ambition. It sees Russia as an ally of China, and in the longer term knows that the latter country will be the primary target of its imperialist rivalry.

This was made abundantly clear when Biden addressed workers at the Lockheed Martin plant in Troy, Alabama. He first described the present moment as a turning point in world history.

> We're at an inflection point in history, for real—it comes along about every six or eight generations—where things are changing so rapidly that we have to be in control. Folks, there's an ongoing battle in the world between autocracy and democracy.[25]

He indicated that China was the main opponent of democracy and described the US as the 'arsenal of democracy.'[26] In other words, the inflection point in Ukraine is about restoring US leadership through a reassertion of its military might. If anyone had any doubts about how this would benefit the US, he spelled it out. 'Being the arsenal of democracy also means good-paying jobs for American workers in Alabama and the states all across America where defence equipment is manufactured and assembled.' [27]

The war in Ukraine signals a new era of imperialist rivalry and war. Those who will pay will be working people all over the world. The FAO (Food and Agriculture Organisation) index for global food prices has jumped by 34 per cent in one year, and many poorer countries are struggling. Food accounts for 17 per cent of spending in advanced countries, but this is only an average, because poorer people in advanced countries spend more. In the less developed parts of the world, such as Sub-Saharan Africa, food amounts to 40 per cent of all expenditure.[28] When you add in the push for oil and gas sanctions against Russia, many are facing catastrophe. In Europe, natural gas supplies will be twice as expensive in 2022 as they were in 2021; oil will be 50 per cent more expensive, and coal prices will be 80 per cent higher.[29] These are the figures that currently pertain. When the EU, under US prodding, moves to cut off Russian energy supplies completely, they will rise even further.

Food prices are at a record high

UN FAO food price index (2014-16=100)

It is abundantly clear, therefore, that imperialist rivalries are a major factor in inflation. The left must be clear in opposing sanctions, because they are weapons wielded not just against ordinary Russians but against workers in Ireland and Europe.

RESPONSES

The new era of inflation will lead to major changes in how the world system is organised. Those who run the system are faced with a major economic dilemma.

For the past decade, they have pumped money into their economies as they were threatened with an anaemic recovery after the crash of 2008. Credit is cheap, and now central banks are faced with the option of raising interest rates in a bid to 'cool down' the economy. In a capitalist system, there are relatively few levers that a central authority has over a system that is controlled by private interests. Credit-rate and tax increases tend to be the standard instruments that are used. However, tax increases are much too difficult to implement when the population is already enraged over rising prices. Interest-rate hikes are, therefore, on the cards, with devastating consequences for Irish mortgage holders. But interest-rate increases carry their own risk of depressing economies that are already beginning to show signs of stagflation—high price levels with stagnant growth. The IMF managing director, Kristalina Georgieva, has put it bluntly: 'In economic terms, growth is down and inflation is up. In human terms, people's income is down and hardship is up.'[30]

Given these difficulties, the global elite are frightened. This is why they are searching for a 'balanced' response to the inflation crisis. They worry that if interest-rate hikes are too high, they will trigger an even greater downturn. But they are also terrified that inflation will set off a new era of social unrest if it is not tamed. Lest anyone think that the IMF is solely concerned with 'economics,' they should note that the agency maintains a Reported Social Unrest Index.[31] It has already detected a return to pre-pandemic levels of mobilisation, but as there is a time lag in the collection of data, this is already an underestimate. The key issue for them—and for socialists—is the extent to which rising social unrest will lead to a revival of working-class militancy.

Historically, working people have had two responses to rising prices. The first has been to engage in demonstrations and riots to demand that governments protect them from inflation. The main demand they have made has been for price controls, and the French Revolution will serve as the paradigmatic example here. This arose from a political crisis in the French state over the debts accrued fighting wars with Britain. But a key trigger of the actual revolt was steep increases in the price of grain, flour and bread. At the time, bread absorbed between a third and a half of a worker's wage.[32] Any account of the tumultuous events of the revolutionary decade notes that there was a major conflict between the mainly bourgeois and professional leaders of the Convention and the Parisian crowd. The sans-culottes organised in local sections around Paris and periodically mobilised to impose their demands on the Convention, pushing it in a more radical direction. On 29 September, 1793, they forced the Convention to pass the General Maximum Law, which imposed price controls on a wide range of goods defined as necessities. A Subsistence Commission, answerable to the Committee on Public Safety, took power to make bulk purchases, regulate exports and imports and provide grants to those in need. Significantly, when the Thermidorian reaction set in after 1794, the Convention abolished the General Maximum, arguing that the free market would lead to abundance and price reductions.

This pattern of working people mobilising to demand that governments protect them from the ravages of the market has been repeated many times since. The 1917 Revolution in Russia was set off by women marching in February over bread shortages. In 1977, Egyptian workers rioted when bread prices rose because of an IMF programme to cut subsidies. After fierce repression which saw 79 people murdered by the state, subsidies were restored. In 2011, the Arab Spring was triggered by rising food prices. In Sri Lanka today, protests have escalated after inflation rose by 30 per cent. The central demand of the masses is that the government should resign so that a new government can control prices. Similarly, in Albania, thousands have marched to demand price controls after energy costs rose by 40 per cent in one week. The pattern is clear: when conditions are unbearable, working people will march and riot to demand a political response from their states. Inevitably, this will involve an implicit demand to subordinate the market to human need. That demand may not be expressed in explicitly socialist terms, as many define the problem as being due to corruption or incompetence. But it creates conditions under which masses of people can start examining how control of the economy will require a different system.

That is why socialists should always support a demand for price controls when it arises from mass mobilisation on the streets.

A second way working people respond is through strike action demanding higher wages. In the late sixties and early seventies, this was the primary way European workers enforced their demands. High levels of working-class confidence meant that 'do-it-yourself' reformism emerged as militant shop stewards and rank-and-file activists drove a movement forward. Often this strike movement for higher pay was conducted unofficially, as workers felt no need to ask permission of union officials before acting. Today the context has changed, and workers are more likely to seek the support of their union officials before acting. The degree to which the apparatus of the union is subject to grassroots pressure is, therefore, crucial. When union leadership is more responsive to its base, it will tend to sanction action. Where it has become more sealed off, it is less responsive. The contrast between the North and South of Ireland provides a stark example of this dynamic. The North is currently experiencing a mini strike wave as bus workers, bakers, council staff and a host of other groups have taken action. In the South, by contrast, there has been little action so far, although the Medical Laboratories Staff Association has taken an important lead. The union bureaucracy in the South is addicted to social partnership and has seen union density fall to historically low levels. This can, of course, change, but it will require even greater pressure from grassroots workers.

In the coming months, therefore, socialists need to be sensitive to both methods by which working people can fight inflation. The newly formed Coalition on the Cost of Living, which involves a broad united front which stretches from Sinn Féin to People Before Profit, and from the Senior Citizens Parliament to the Union of Students in Ireland, provides an important mobilising vehicle to put people onto the streets to demand price controls, rent controls and the renationalisation of the energy sector. But this has also to be combined with a push into the unions to encourage grassroots workers to put in pay claims. It is not a matter of there being different ways to solve the problem facing working people. Rather, the more street protests combine with workers' action, the greater the possibility that many will draw radical conclusions from the present conjecture.

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[19] Roberts, 'Inflation versus profits.'

[20] Ibid.

[21] 'Revealed: Top US Corporations Raising Prices on Americas even as Prices Surge,' *Guardian*, 27 April, 2022.

[22] Ibid.

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