

MYTHS, LIES AND AUSTERITY. 11.5.14

Lyn Jones, Edinburgh RIC Economics Working Group

Lyn took the meeting through the pamphlet, *Myths, Lies and Austerity*, produced by Edinburgh RIC Economics Working Group. This can be seen at:-

<https://mythsliesausterity.files.wordpress.com/2015/04/myths-lies-and-austerity-final2.pdf>

Discussion

Matthew asked where does the government get its money from?

Lyn said that the bond markets are used to get loans. Bonds are bought by pension funds, investment funds, banks and corporations using spare money. Gilts are the favoured type of investment, since they are seen as ultra-safe - the Government will never default.

Stuart said that the opposition argued that just as you can not drink your way out of a hangover, so you can not spend your way out of debt. He suggested the use of a metaphor, which would be understandable even to those who thought in such terms. In order to buy a house you need to get a mortgage. In order to become more skilled you need to get loans for education.

He thought that the current austerity offensive had little to do with economics, but was a deliberate attempt to create the political conditions to enhance corporate power, as outlined in Naomi Klein's *Shock Doctrine*.

Duncan said there could not be a better time for taking out government loans. The interest rates were low, and could be obtained on a long term basis.

? said we had seen a considerable rise of political lying by the Tories and their press and other media backers. Labour had just meekly accepted that they were responsible for the debt. However, Labour's responsibility did not lie in the level of public debt in 2008, but in their prior moves to deregulate the banks. The Tories had wanted even greater deregulation.

? said that all the Second international parties have bought into neo-liberalism. They have become Tories.

Roger asked if it was not the case that if government spending increases, leading to increasing consumer demand. there would be a decline in the balance of payments, since Britain was no longer a manufacturing country, and goods would be imported from places like China.

Thomas Piketty, author of *Capital*, had also argued that the post-1945 period of historical growth was the exception rather than the rule.

Lyn replied that the first beneficiaries of increased consumer demand were most likely to be those companies in the UK which had capacity, but had been left without demand as a result of the 2008 Crash.

He said that any future model of economic growth had to be based on sustainability.

Ian said that any government committed to challenging the City would be held to ransom by Moody & Fitch. They would downgrade their credit rating making it much harder to sell bonds at a lower rate of interest. This is happening to countries like Greece now in the EU.

? said that after 30 years of neo-liberalism has become the new orthodoxy. However, corporate profitability continues to decline.

Roger said there is now a much more integrated world economy. Spending on construction is less likely to lead to a ride of imports. However, we need a European-wide response.

? said we need more discussions like this. Key myths needed to be broken down. The Greens are already discussing such issues. We need a Green New Deal.

Alistair said that we needed to make contacts south of the border. The Peoples Assemblies are places where such arguments can be taken.

Mark said that the neo-liberal agenda isn't confined to economics. They want to radically change society. Social provision has to give way to private provision. There is an increasing concentration on the individual at the cost of the social.

Allan said that as well as the slippage of Labour into accepting that public spending was responsible for the 2008 Crash, there has been a slippage by much of the Left into ignoring the role of the banks and the financial sector. Instead people have moved on to the ground of suggesting neo-Keynesian anti-austerity measures to pay off the bankers' debts more effectively.

Allan said that Ian had pointed to one problem with this. Any country trying this in isolation would be subjected to offensive action by the world banks, IMF, European Bank and City of London. The global finance dominated economic order needs to be addressed, since it promotes an anti-social and unsustainable economic order.

Lyn said that RIC had been involved in the explosion of people in Scotland involved in a wider debate about our future. We needed to take this debate south of the border.