

Commentary by Sean Corrigan  
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## Let them eat cake!

By hiring its supporters at others' expense in the traditional fashion – i.e. by putting them to work pushing trolleys around hospitals and in holding first-day-of-term 'bonding sessions' in junior schools – the UK Neuearbeitspartei contributed materially to the release of what must have been a spin doctor's dream, a payroll statistic which caused several business editors to trumpet the news that the country currently enjoys 'record employment'.

Well, yes. Fair enough, as far as it goes.

But when you consider that since the Neuearbeitspartei celebrated its first Hogmanay in office, 790,000 public sector jobs have been created (a gain of roughly 1 in 8) at the almost exact numerical expense of 781,000 manufacturing jobs (losses of more than 1 in 6), perhaps the reality is that they have a little less about which to crow than they think.

After all, taking the ratio of paper shufflers and thought police from 140 to every 100 engineers, metal benders, and machine tool designers, up to 190 in under six years is a pretty worrying trend and one which means nearly one in every four jobs in our supposed free market economy is now a State job – a proportion which is at least a three decade high.

Furthermore, overall, non-government jobs (you know, the ones which create the wealth, not dissipate or redistribute it) are still some 86,000 off their June 2001 peak, at a level they first attained in December 2000 and, in truth, they are also barely above the heights attained just before the Lawson Boom exploded and the population was smaller.

So we can see that this chorus of positive soundbites in reality constitutes a very hollow triumph, indeed.

Bear in mind that private sector workers can only hope to earn some goodly fraction of what their productive output will raise on the free market – and *that* is determined alone by how well they are satisfying consumers' wants (effectively their own, in a closed society) in the process.

So, in a world free of distortions, they would pay what they earned and buy what they produced – in the round, at least.

But public sector workers – or should we perhaps take a moment to rename them, so as to take away that subtle hint of selflessness and heroism, which is conveyed by the contradistinction of the adjective ‘public’ with the snarling, egotistical gluttons who only toil for their ‘private’ gain, and call them the Imperial Household? – they only do what they are told to do, or labour at making sure others comply with the diktats emanating from above.

They function by taking money which was freely earned by others in the act of satisfying people’s genuinely expressed wants and they use the implicit threat of legal violence, backed by all the awful and pitiless apparatus of the State, to secure these funds from their rightful owners.

Then, having paid themselves a hefty stipend for the privilege, they offer up as the justification for their theft what are laughably called ‘free’ goods and services with the shrunken residue: goods, moreover, which are not allotted according to any rational process, but only by target and by fiat and so effectively at the Imperial whim.

Since the Household lackeys do not have to earn their living honestly (which is not to imply most of them are not personally honest), their wages can be whatever the Imperium sees fit to dole out to them from its pile of booty. After all, any shortfall can always be made up at the customs post, the toll booth, the licence office, or the printing press

Thus, in the past eleven months, for instance, public sector wages in the UK have risen at over 6% annualized - more than twice the official rate of price inflation and double the gains accruing to the private sector. The government’s so-called ‘key’ workers – the only key, in truth being that to the padlock which secures the anchor-chain about the productive sector’s ankles – are doing rather well in these difficult times, as usual.

But if the cost of the public sector is rising inexorably, what is it they offering in return? Well, in part, this is a trick question to which there is no satisfactory answer.

This is because the Emperor’s retinue neither have any economic motives to do well at their work, nor – even where the individuals involved are conscientious on ethical grounds, as many inarguably are – do they have any way of knowing how to do well, for they operate outside the price mechanism and in the realm of coercion, no less so because the mailed hauberk is covered in the serge of the tax inspector’s uniform these days.

Whereas private endeavour seeks to offer the fruits of its own labour for a freely agreed upon portion of another’s, to the mutual benefit of both counterparties, the Imperial conceit offers only as few services as it needs to, in order to buy just sufficient crosses on ballot papers every few years that it can maintain its elective dictatorship in the interim.

Thus, it is methodologically impossible to ascribe a value to public output - even in the case of its employees who are actually attempting to provide one and not

just busy prohibiting or inhibiting all the other things individuals would gladly undertake if left to their own volition.

The State, then, not only squeezes out private businesses by bidding up resources, frustrating best practice, and pushing up costs in general, but, by separating payment from provision, through the myth of 'free at the point of delivery', it also guarantees an excess of demand for what are perceived as under-priced goods and so it generates shortages, failures and, inevitably, more insistent demands for yet more funding.

Nor, when faced with the monopolistic force of the State, can anyone hope to compete privately – on a mass scale, at least – in order to rectify these failings. For instance, private medical insurance and private education are largely beyond the means of most - and hence can be conveniently charged with the smear of being elitist and 'unfair' – but they are so expensive as to preclude mass take-up not least because, to take the first case, so many doctors and nurses, so many drugs and potions, so much plant and equipment, are being commandeered by that most price-insensitive of monopsonists, the Public Sector!

Under this onslaught, private businesses and private wealth in general can soon falter. Into this maelstrom of waste and futility can disappear not just the prosperity, but also the vitality, of the nation.

As a case in point, over the past two years, the government portion of UK GDP has risen nearly three times as fast as its private counterpart in nominal terms (at 10% per annum, compounded), but also its implied rate of price increase of 5.4% annualized (2 ½ times the private rate) has eaten up well over half the effects, even if we accord them a full worth which not only our arguments, but also the verdict of the National Audit Office, greatly dispute.

Looking at this another way, government outlays have surged 11.4% to date in Fiscal 2003/4 versus 2002/3 and by nearly 20% since FY2001/2, pushing the deficit up – despite a steeply rising tax burden – to its worst for a like period since 1995/6, and this despite the background of 'record employment' !!!

Nor should we ignore the fact that this pernicious combination of overdemand and underproduction is also a major factor in a trade balance which has deteriorated to the tune of 19% in the first seven months of this year (using EU, rather than the ever-changing ONS numbers) and which could hit £58 bln (around 5.3% of GDP) if the rest of the year scales up over 2002 in the same manner as the first part has.

Meanwhile, the tottering private sector is plagued by a spiralling personal indebtedness, rising at 1% of income a month, debt which is being contracted partly due to the effect of lax credit on house prices and partly in order to maintain a lifestyle made impossible by the less abundant after-tax fruits of production. Nor does it end there, for private enterprise is further beset by sharp declines in gross - and a foray into negative net – business investment, as returns on capital have sagged to multi-year lows in an economy where resource allocation has gone increasingly haywire.

Yet amid this, up on the Capitoline Hill, the State lives high on the confiscated hog in its unionized, bureaucratized and market-insulated splendour. More join the ranks of its liveried servants each day, or earn the money to pay their taxes by catering to its needs directly, and, as a result, the search for untapped sources of private income and - in many ways, worse – the treasure of private capital becomes ever more insistent, arbitrary and vindictive.

Oh, yes, Mr Keynes!

For your precious government is not in any sense a contributor to the feast at which it sits, uninvited. Not only does it cram a big part of the pie into its greedy maw at the expense of those who baked it, unfairly altering, but not adding to, the portions of which it consists, but soon its rapacity puts bakers, millers, and farmers on the dole, too, so there will be much less pie for all to eat in future.

This is the fundamental reason why the adherents to what is, in fact, a very loose corset, under any rational analysis, the European Stability Pact, are more correct than the opposing Relaxationists.

This is why US Voodooconomics is doomed to deliver, at best, inflationary disaffection – whatever the misleading macro-economic numbers tell us in the meanwhile.

This is why Japan has struggled for far too long to excise the cancer of its own Bubble.

And this is why ultimately why Robespierre and his ineffable Chancellor will be humbled before that very tribunal of history to which the Messiah of Millbank has already grandiosely appealed in a rather different context.

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