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There is no price stability on a dying planet

If inflation is to be understood as one of the first effects of the climate crisis, which is also clearly felt in Germany, this alliance seems more than evident. In this "hot autumn" we must fight to stop the long-term collapse of Earth's ecological systems. There is no price stability on a dying planet.



The costs of heating, housing, food and mobility soar, the social crisis reaches its peak. More and more people are realizing that they can no longer afford to meet the most basic necessities of everyday life.

Since the federal government is facing, at best, the dramatic rise in the cost of living, but refuses to take effective action, a "hot autumn" of social protests is imminent.

In this situation, the left must formulate convincing counterproposals to government policies, which are capable of providing a short-term remedy while addressing the underlying causes of inflation. Ecosocialist ideas can play a fundamental role in this

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regard. After all, this autumn it will finally be negotiated who should foot the bill for the effects of ecological crises, increasingly noticeable from Europe.



Inflation is the class struggle

Like all inflation, the current price crisis is at bottom a conflict between social classes over the distribution of a limited supply of goods that society as a whole can produce. In today's general scarcity situation, firms have a structural advantage over workers thanks to their ability to set prices, while workers can only collectively push for higher wages. The concentration of market power in many sectors not only allows large companies to pass on to the increase in raw material costs, but also to increase their profit margins. Speculative bubbles in highly volatile financial markets, which are ultimately a bet on physical scarcity, also provide huge profits for some, while driving up prices for others.

Moreover, the principle of marginal costs currently guarantees excess profits in many markets, for example in the electricity sector: if demand for a scarce good is so high that even suppliers with higher purchasing and production costs can find a buyer, then suppliers who buy and produce cheaper can also raise their prices. Thus, the difference between the price of a product and the unit costs of manufacturers increases, and with it the profit. This is precisely what is observed in many industries. According to estimates by the Economic Policy Institute, at least in the US, most of today's price increases are due to rising profits.

This means that workers are now not only paying the consequences of rising production costs, but are also transferring an increasing share of their income to companies, which they count as profits for them. While many companies, such as those in the energy sector, make excessive profits, wage developments lag behind rising prices, so workers' real purchasing power declines.

Central banks are also siding with capital in this conflict: they try to dampen demand by raising interest rates to the point of increasing unemployment. In principle, prices must be lowered so that fewer people can afford certain goods. But the growing "reserve army" of jobseekers also limits workers' bargaining power and thus their wage demands.

The labor struggle is not enough

Strong unions must fight for the interests of the working class. But its real power is limited in the current situation. All 34 million workers who pay social security contributions in Germany are affected by the price increase. At the same time, under the usual rules of collective bargaining policy, only about 10 million workers will be able to negotiate new wages this year. Even IG Metall's demand, perhaps the most powerful union in the country, for an 8% wage increase corresponds, at best, to compensation for inflation. Presumably, the union wants to avoid starting a spiral in wage prices, which, so far, is a mere chimera. But even if unions could force widespread wage increases, this would at best be a defense of the status quo. However, in view of the looming recession, the chances of this happening are slim.



In addition, the aid packages of the "traffic light coalition" are completely inadequate. Many households don't get what they need in a short time to get through the winter. The successes of wage policy are therefore unquestionably necessary, but they must be accompanied by other measures of state support to at least curb the real loss of purchasing power. And even they cannot combat the underlying causes of inflation. First, the global supply of energy and food is dwindling – an effect of ecological crises and the faltering end of the fossil age – and, second, the satisfaction of essential needs in neoliberal capitalism is inevitably accompanied by injustice and inefficiency.

Inflation as an ecological crisis

We are currently witnessing how the predictions of natural scientists and heterodox economists, who have long warned us of the consequences of our way of doing business, are being fulfilled one after another. Essential goods are becoming increasingly scarce due to climate breakdown, pandemics and other ecological crises, in addition to the war in Ukraine, as part of this acute catastrophe.

Extreme weather and climate change are driving up prices in almost every sector. Due to the fourth consecutive summer of drought, the water level of many rivers in Germany has dropped to historic lows, which has triggered the costs of inland navigation and, therefore, of many goods, since barges can only be partially loaded into such low channels. However, the increased frequency of extreme weather conditions not only causes delays on the various transport routes, but also an increase in insurance premiums. Even the risk that companies could be sued for their climate-damaging business practices is now being assessed. The price increases of raw materials such as wood are largely due to damage to forests due to climate change, as well as the necessary reconstruction of houses destroyed by increasingly frequent natural disasters. Finally, labour productivity is already declining in many parts of the world because it is simply too hot.



However, the climate crisis is hitting particularly hard the three sectors that, according to the ECB's analysis, are almost entirely responsible for the current price increases: agriculture, mobility and housing (statistics include heating and private electricity consumption in this category). In all other sectors, inflation is below the current headline average of 8.3 per cent. This makes it clear that costs are being driven by the various ecological crises.

This is especially evident when looking at food prices, which have been rising for years. In addition to the disruption of food exports from Ukraine, Russia and India, related to the war and sanctions, the effects of global warming have had a significant impact on world agriculture in recent years. The entire American West and much of Europe have faced severe droughts this summer, which have led to lower yields or even total crop failures and thus higher prices. The impact of the climate crisis on food prices is a long-term trend that will intensify unless drastic climate protection measures are taken. To take an example: In 2020, the Intergovernmental Panel on Climate Change (IPCC) projected that cereal prices would rise by up to 30% by 2050 due to more extreme weather. The effects of various ecological crises, from soil erosion to mass pollinator deaths, among which there are also causal relationships, were not even fully considered in this forecast.

However, according to <https://blogs.adb.org/blog/one-way-address-inflation-take-action-climate-change> recent announcements by the Food and Agriculture Organization of the United Nations (FAO), average global food prices have already risen by exactly 30% from 2020 to 2021. The *Welthungerhilfe's* global food price index has almost doubled between 2020 and 2022. In Germany, too, food prices have been rising for years, lately by an average of 15%, and in the case of many products, such as vegetable oils, wheat or pork, even more than 50%. This translates into massive restrictions for poverty-stricken people in Germany and record numbers at food banks, which are a matter of life and death for millions of people around the world.

Of course, in addition to higher costs, higher profit margins also play an important role in food, not least because an oligopoly of four wholesale chains can largely dictate consumer prices. In addition, food prices tend to follow energy prices, as agriculture continues to rely predominantly on fossil fuels and fertilizers. High energy prices are also an incentive for women farmers to switch from food production to biofuels, which has steadily increased in the EU over the past three years. Finally, speculators in world commodity markets anticipate and thus aggravate any increase in food costs, whether due to war or crop failures.

In addition to food, the worst price increases affect basic heating and mobility needs. More than half of the inflation in the eurozone in spring 2022 was due to rising energy costs and profits for energy companies. While gas prices continue to rise, the price of electricity in Germany has also reached record levels of more than 1,000 euros per megawatt hour. This

worries many German households, who do not know if they will be able to afford heating in winter.

The most important cause of the current drastic increase in the cost of living is dependence on fossil fuels, which stems from the sluggish expansion of renewable energy systems and sustainable public transport infrastructure. Russia's loss of oil and gas imports seems insignificant compared to the drastic reduction in fossil fuel consumption that would be necessary to avoid catastrophic global warming. Increased heat and the increased frequency of extreme weather events are also increasingly causing problems in conventional energy production. Due to global droughts, French nuclear power plants and Chinese coal plants have failed in recent months.

For months, the federal government has been struggling to convince Germany's citizens to reduce their individual energy consumption, while distributing revenues from the gas tax to energy companies, which are already making record profits. This policy is paradigmatic of a central mechanism of capitalism: the artificial creation of scarcity that allows the owners of capital to make huge profits.

Basic needs are not a matter for the market

It is clearly unacceptable for consumers to pay the consequences of powerful companies blocking the energy and agricultural transition for years. However, it is much more serious that companies with market power can use the resulting cost increases to further expand their profit margins.

However, the fundamental problem is that, at present, basic needs can only be fully satisfied through the purchase of goods on the market. This commodification of life is responsible for the increase in costs, which leads to massive social crises. While public goods serve, in principle, to satisfy the needs of all, commodities - in the sense of goods traded on markets - are, by their very nature, accessible only to those who have sufficient purchasing power to acquire them.

This creates scarcity, which has three main effects: First, it allows companies to make a profit, since what is abundant cannot be sold at a high price. Secondly, the production of goods for individual consumption leads to unnecessary consumption of energy and resources, and precisely in this way drives ecological crises, which in turn lead to further rising costs. The satisfaction of basic needs through market systems often consumes the energy and resources that an equivalent public supply would require. To get about fifty people to their workplace, a bus requires a fraction of the energy and raw materials that fifty cars would use to travel the same distance. The rise in rents is largely due to the

benefits of speculation with housing shortages; A public housing company would not have to participate in it. The production and distribution of food is also simultaneously a waste and a great injustice: every year in Germany, the yield of 25% of arable land ends up in the dustbin and 60% in canteens, while supermarkets and speculators gain from the increase in the prices of basic foodstuffs. At the same time, queues at food banks show that waste and scarcity coexist.

The third effect of artificial scarcity concerns wage labour: in order to afford to meet basic needs through commodities, workers have to earn much higher incomes and work accordingly more than would be necessary in a world with public supply systems. The problem worsens every time the commons – such as the health system – are privatized and subjected to the logic of profit. In other words, we have to produce more and more goods for the market, which nobody really needs, just to access what everyone really needs. Thus, wage labour becomes part of the spiral of capitalist growth.

In the current inflation crisis, this dynamic is reaching its peak, as an increasing share of the income generated as profit is diverted – the general scarcity of important raw materials allows it. It is not surprising, then, that neoliberals like Sigmar Gabriel are now calling for an extension of the working week to "fight inflation", while Economy Minister Lindner is aggravating the hardships, among other things, by eliminating the transport pass at 9 euros, the most effective instrument of the traffic light coalition against inflation so far. Austerity also means that basic needs must increasingly be met through the market, with low-income women being the first to suffer from it.

Securing basic supply

A response of the left to the inflationary crisis should be the organization of the satisfaction of basic needs outside the market, ultimately removing the meaning of the very term "cost of living." After all, this is the central idea shared by ecosocialist ideas, from degrowth to the Green New Deal: A basic solidarity supply generates the same use value with lower energy consumption, less socially necessary labor time and a lower impact on ecosystems compared to capitalist markets. It guarantees universal access to material conditions for a good life, thus undermining the central driving force that forces people to perform excessive wage labor under capitalism.

At the same time, public services enable a democratically planned and socially just reduction in energy and resource consumption. Without that reduction in the Global North, it is impossible de facto to limit global warming to 1.5 degrees.

In addition, efficient basic public supply also removes price pressure on remaining markets, adjusting global economic demand for limited resources and energy to declining supply. A basic public supply thus offers an effective means of combating both the acute social crisis and its economic and ecological causes.

The good news is that many ecosocialist measures are currently enormously popular. Among them are the socialization of large real estate companies, the public provision of mobility through the expansion of public transport and a permanent subscription of 9 euros, as well as a limitation on the price of gas for basic needs, which will be introduced in one form or another throughout Europe, presumably also in Germany. Other ideas go further: a socialization of energy production, as called for by the "Expropriate RWE & Co" campaign, for example, could drastically accelerate the energy transition, whether in the expansion of renewable energy and storage capacities, the installation of heat pumps or the insulation of homes.

Agriculture must also change. But until now, sustainable production methods have been largely confined to a social niche: people need to be able to afford vegan, organic and regionally produced food. At the same time, especially in rural areas, there is often a lack of basic services at the place of residence. So why not socialize supermarkets? Through democratic planning, layoffs could be eliminated, food waste reduced and the entire supply chain organized according to social and ecological criteria rather than a purely lucrative logic. A grocery store in each village, complemented by community gardens and public kitchens – for everyone who wants to use these offers – could guarantee access to organically and regionally produced food for all inhabitants of Germany.

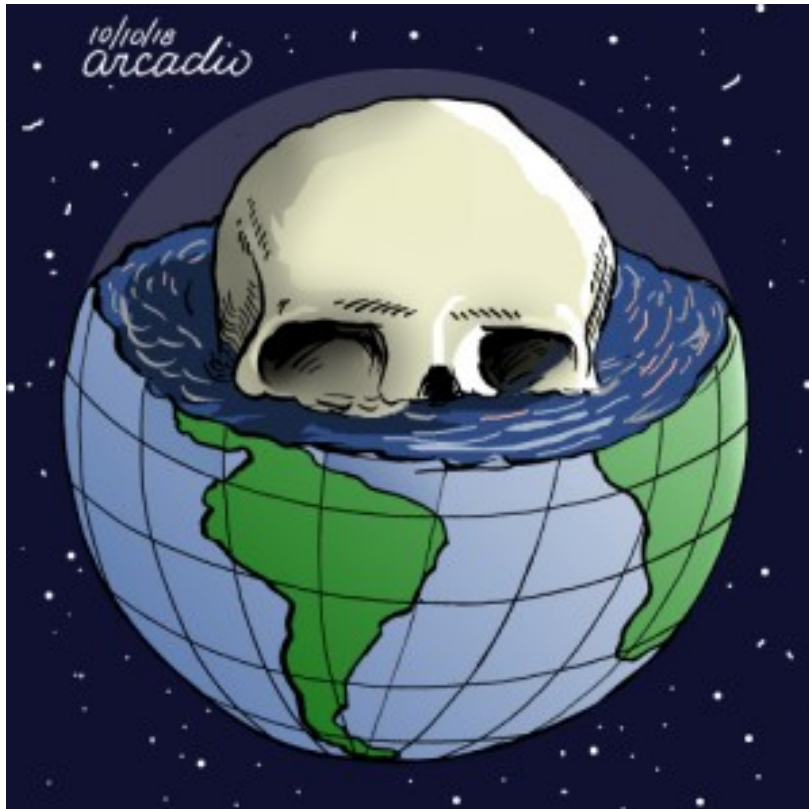
An economic framework for transformation

Would the necessary massive expansion of public pension systems be bankable? Well, the only factor that limits the level of public spending is precisely inflation. Therefore, there is nothing to say against increased spending on measures to combat inflation and its social consequences. Not investing now would be tantamount to giving up before the struggle has actually begun. However, the debt brake, which is currently only circumvented in a deceptive manner, should be officially lifted. A tax on excess profits could also help eliminate excess purchasing power in the hands of firms, thus helping to stop the current price-profit spiral.

Once both the price and the absolute scarcity of energy become a problem - for example, with gas - industrial companies that do not fulfil an important social or ecological

function will have to be the first to close. Given that sensible projects currently threaten to fail due to the real shortage of well-trained labor – and this will not change in the foreseeable future – stopping socially and ecologically absurd projects such as the expansion of highways, airports or shopping malls could free up capacities for the necessary projects. Without this prioritization, social and ecological transformation will fail in any case.

End of the month, end of the world



Even the best political concepts will never prevail on their own; Political actors are needed to fight for them. Does it follow from the fact that inflation is also partly caused by ecological issues that the upcoming social protests should not be the responsibility of the labor movement but of the climate justice movement? Not at all. Neither group alone would probably be able to push through such a broad political reform agenda. Only if the concrete interests and relatively large bargaining power of women workers are combined with a long-term response to ecological crises, which also interests part of the middle class, can the most popular proposals be implemented, from the limit on the price of gas to the permanent payment of 9 euros. As a slogan of the yellow vests says: "End of the month, end of the world: it's the same struggle!"

The stagflation of the 1970s, also largely caused by energy crises, paved the way for the emergence of neoliberalism, whose central political promise was to resolve the acute

conflict of social distribution through privatization and more growth. The current moment could be a historic opportunity to test a diametrically opposed response, forging an alliance between trade unions and climate activists. An alliance that, the latter in particular, have been waiting for a long time.

If inflation is to be understood as one of the first effects of the climate crisis, which is also clearly felt in Germany, this alliance seems more than evident. In this "hot autumn" we must fight to stop the long-term collapse of Earth's ecological systems. There is no price stability on a dying planet.

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