German inflation to stay in double digits despite gas price brake: *Bundesbank*

REUTERS – Inflation in Germany may well remain in double digits into next year despite the government's efforts to curb energy prices, the Bundesbank said on Wednesday.

With consumer prices in Germany rising by 11.6% last month, their fastest pace since the early 1950s, Berlin is trying to cap a surge in energy bills that mirrors an explosion in the market price for natural gas following Russia's military operation in Ukraine.

But the Bundesbank said the effect of this so called "brake" on gas prices may not become immediately visible, and would only be temporary anyway.

"The inflation rate could stay in double digits also beyond the turn of the year," the German central bank said in its monthly report.

It added the first leg of the government's plan, which will see it foot gas bills in December, would bring relief to consumers but may not register in the official inflation calculation.

The second, more significant part of the plan, in which 80% of households' and small companies' gas consumption will be subsidised, may knock 1 percentage point off inflation. But only while it lasts.

"As soon as the gas and electricity price brakes expire, the effect on the inflation rate will reverse," the Bundesbank said.

The Bundesbank, which is a vocal supporter of the European Central Bank's efforts to curb inflation via a steady diet of interest rate hikes, took some comfort from the latest wage deals in the German chemical and metal sectors.

Workers in those industries agreed to what will likely prove to be below-inflation pay increases in return for one-off compensation payments.

"From a macroeconomic perspective, it makes it easier to return to lower wage increases when the temporary components expire," the Bundesbank said.

"This could reduce the extent of second-round effects on the inflation rate, especially in the medium-term, and help ensure that the current high inflation rates do not further solidify."

It warned, however, that union demands, such as the 10.5% increase put forward for public-sector workers, were "exceptionally high".

The Bundesbank also reiterated its long-standing call for a recession in the last quarter of this year and the first quarter of 2023.

A general view of a manometer at the gas trading company VNG AG in Bad Lauchstaedt, Germany.
ANNEGRET HILSE/REUTERS

A rail strike looms and impact on US economy could be broad

An Amtrak passenger train departs Chicago in the early evening headed south on Sept. 2022 ,14, in Chicago.
CHARLES REX ARBOGAST/AP

AP – American consumers and nearly every industry will be affected if freight trains grind to a halt next month.

One of the biggest rail unions rejected its deal Monday, joining three others that have failed to approve contracts over concerns about demanding schedules and the lack of paid sick time. That raises the risk of a strike, which could start as soon as Dec. 9 under a deadline that was pushed back Tuesday.

It wouldn't take long for the effects of a rail strike to trickle through the economy. Many businesses only have a few days' worth of raw materials and space for finished goods. Makers of food, fuel, cars and chemicals would all feel the squeeze, as would their customers.

That's not to mention the commuters who would be left stranded because many passenger railroads use tracks owned by the freight railroads.

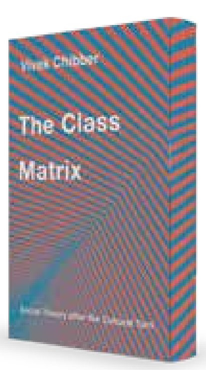
The stakes are so high for the economy that Congress is expected to intervene and impose contract terms on railroad workers. The last time U.S. railroads went on strike was in 1992. That strike lasted two days before Congress intervened. An extended rail shutdown has not happened for a century, partly because a law passed in 1926 that governs rail negotiations made it much harder for workers to strike.

Railroads haul about 40% of the nation's freight each year. The railroads estimated that a rail strike would cost the economy $2b a day in a report issued earlier this fall. Another recent report put together by a chemical industry trade group projected that if a strike drags on for a month some 700,000 jobs would be lost as manufacturers who rely on railroads shut down, prices of nearly everything increase even more and the economy is potentially thrust into a recession.

New York University sociologist Vivek Chibber:

Workers resist exploitation individually rather than collectively

EXCLUSIVE



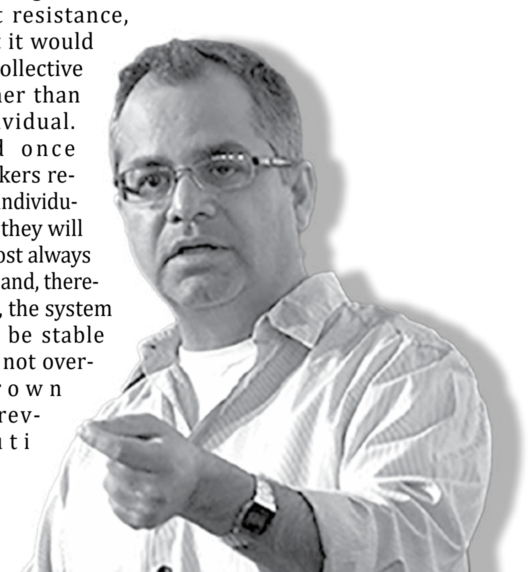
As part of a more extensive interview on his book 'The Class Matrix: Social Theory after the Cultural Turn' (Harvard University Press, 2022), we asked Vivek Chibber, professor of sociology at New York University, about his (re)reading of Marx's theory on workers' predicament in a capitalist system. The whole interview will be soon published by Iran Daily.

IRAN DAILY: Let's go to start with the class matrix. What is this thing that, according to your account, defines the inner machinations of capitalism?

VIVEK CHIBBER: What the book is intended to show that when it comes to capitalism, its basic dynamics come from its class structure; and that the class structure has its properties without having to rely on any particular socialization or cultural training or cultural orientation on the part of its incumbents. In other words, regardless of whether you're a Hindu, Muslim, Christian, or follower of any other religion, regardless of how you've been socialized, regardless of what your cultural training has been, if you are placed in a capitalist class structure, you will respond in very predictable and very consistent ways. And so the system is able to work across the world, regardless of culture, because the signals and the demands that it makes on people don't rely on any particular aspect of the cultures that people have been socialized into. It rather relies on certain universal needs and universal drives that people have. We call this materialism.

Okay, so if your argument is that the people "respond in very predictable ways" when they are put into a capitalist system, why is it that the Marxist theory has been unable to predict the future? Or actually it made some predictions, but they didn't come through?

That's a very good question. My argument in the book is that Marxists wrongly understood their own theory. So they made predictions that were based on a misunderstanding of the theory, rather than an accurate understanding. An accurate understanding of the theory predicts that revolutions and worker uprisings will actually be very rare and very unusual. And that it's in very unusual circumstances that you should expect to find collective action and collective organizing by workers. What the book tries to show is that Marx was right in insisting that workers in capitalism are exploited. He was also right in suggesting that workers will resist their exploitation. Marxists wrongly took this to mean that when they resist their exploitation, workers will do so collectively. In fact, what the theory shows is that it's more rational for them to resist individually and not collectively. So, Marx was right in predicting the fact of resistance. But his followers were wrong in thinking about the form of that resistance, that it would be collective rather than individual. And once workers resist individually, they will almost always lose and, therefore, the system will be stable and not overthrown by revolution.



NEWS IN BRIEF

EU considers imposing price cap of $65-$70 on Russian oil

REUTERS

BLOOMBERG – The EU is discussing a price cap on Russian oil between $65 and $70 a barrel, according to people familiar with the matter, a level that would be more generous to Moscow than many expected when the Group of Seven first proposed the idea.

The range is well above Russia's cost of production and higher than some countries had been pushing for. As Russia is already selling its crude at discounts, a high cap may have minimal impact on trading.

Credit Suisse expects Q4 pre-tax loss of $1.6b

REUTERS

AFP – Credit Suisse predicted a surprise fourth-quarter pre-tax loss of up to $1.6b as the beleaguered bank undertakes a radical overhaul, sending stocks tumbling again on Wednesday.

Shaken by repeated scandals, Switzerland's second-biggest bank unveiled a rejig in late October but accepted its accounts would take a hit of up to 1.5b Swiss francs ($1.6b) in the final three months of the year.