Bank of England governor warns of threat to capitalism

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Last month, Bank of England Governor Mark Carney delivered a speech at a conference in London on "inclusive capitalism". He issued a series of warnings on the danger confronting the profit system.

Capitalism would destroy itself unless bankers realised their ethical responsibilities, Carney declared. "We simply cannot take the capitalist system, which produces such plenty and so many solutions, for granted. Prosperity requires not just investment in economic capital, but investment in social capital", he told the conference.

"Just as any revolution eats its children, unchecked market fundamentalism can devour the social capital essential for the long-term dynamism of capitalism itself", Carney continued. "To counteract this tendency, individuals and their firms must have a sense of their responsibilities for the broader system." As a result, it was necessary to establish "principles of fair markets, codes of conduct for specific markets, and even regulatory obligations within this framework."

Coming in the context of a series of reports and studies depicting the truly astronomical levels of social inequality both in Britain and internationally, Carney's comments are a sharp warning to ruling circles over the growing instability of their social order and the inevitability that mass social opposition will emerge.

Just one week prior to his speech, the annual *Sunday Times* rich list showed that the top 1,000 individuals in the UK control wealth equivalent to one third of total GDP. The three weeks since have seen reports in the United States and from the International Labour Organisation exposing the growing gulf between rich and poor globally.

Carney's pose of concern over such monumental injustices is ludicrous. He was addressing a gathering that was part of the "inclusive capitalism initiative" (ICI), a project started by the neo-conservative Henry Jackson Society. The event was co-hosted by the City of London Corporation and investment firm E.L. Rothschild. The list of attendees included individuals who manage one-third of total investable assets, or $30 trillion.

Notwithstanding his professed concerns over the social consequences of mounting inequality, Carney oversees a central bank that has pumped billions of pounds into the financial system over recent years, allowing the financial aristocracy to recommence their speculative activities unhindered. Policies such as quantitative easing and the US Federal Reserve's asset-buying programme have seen a further multi-billion bonanza for the banks on top of the government-led bailouts—producing historic highs on global stock markets and devastating cuts to wages and public services.

The call for the financial sector to discover its ethical conscience is even more grotesque, given that not a single major figure has been held to account for their role in precipitating the deepest crisis of the capitalist system since the Great Depression. While regulators have been content to issue several modest fines to financial institutions amounting to nothing more than a slap on the wrist, no criminal prosecutions of bankers have been brought, in spite of the uncovering of a long list of corrupt practices.

Now, the public is being asked to believe that the very same speculators responsible for the widespread social misery that has followed are capable of self-regulation in the interests of society as a whole.

Participants at the gathering included former US President Bill Clinton, under whose administration the key pillars of financial regulation implemented in the wake of the Depression were removed. The repeal of the Glass-Steagall Act, which had separated retail and investment banking, played a decisive role in the orgy of speculation that precipitated the financial collapse of 2008.

Also present were representatives of the trade union bureaucracy to discuss an agenda item on how labour, management and business can work together to improve capitalism. The discussion was introduced by Michael Sommer, who only recently stepped down as head of the German trade union confederation (DGB).

The presence of the unions testifies only to the indispensable role they have played for the ruling class in enforcing their dictates against the opposition of working people.

Christine Lagarde, the director of the International Monetary Fund, also spoke at the conference and warned that capitalism had to be made more sustainable if it was to increase its effectiveness. Lagarde heads an organisation that has led the way in implementing some of the most devastating austerity programmes throughout Europe, resulting in a vast redistribution of wealth to a super-rich elite.

The conference drew an enthusiastic response from Labour, which implemented the multi-billion-pound bank bailout in Britain and commenced the programme of mass austerity subsequently deepened by the Conservative-Liberal Democrat coalition.

In an *Evening Times* article entitled “Labour’s plan for a capitalism that works for all,” Shadow Universities Minister Liam Byrne and head of Labour’s policy review, John Cruddas, both of whom are on the party’s right wing, claimed the conference represented a “win-win agenda for business and politicians” and a “plan for national renewal.”

A “new alliance between business, unions, government and civil society” should work together to boost economic growth, “creating an economy that is pro-company and pro-worker.”

This economic “recovery” is almost exclusively bound up with the financial sector.

In Britain, the financial industry accounts for 40 percent of GDP, and its benefits flow overwhelmingly to a tiny super-rich elite. Labour’s plan for economic “growth” is predicated on the further enrichment of this fabulously wealthy layer at the expense of working people, whose wages and living standards are to be slashed to boost profits.

ICI obviously has no intention of fundamentally altering this state of affairs, but merely seeks to warn the financial elite to offer a few token concessions to assuage public anger. As the German news magazine *Deutsche Welle* aptly remarked on the gathering, “The tone of ICI seems rather noblesse-oblige.”

The pleas for reforms to restrain capitalism’s worst excesses do not, however, confront merely the subjective hostility of a modern-day aristocracy unwilling to relinquish any of its wealth and privilege, important as that is. Such obscene levels of inequality result not only from the reckless and often criminal behaviour of the financial elite, but are a direct product of the objective processes of capitalism discovered by Marx nearly 150 years ago.

In the first volume of *Capital*, Marx showed how the very process of competition, and the accumulation of capital, produced a tendency towards monopolisation and centralisation, with the inevitable outcome that capital becomes concentrated in a few hands. In chapter 25, Marx identified the “two most powerful levers of centralisation” as “competition and credit.”

“Today, therefore,” Marx concluded, “the force of attraction, drawing together individual capitals, and the tendency to centralisation are stronger than ever before.”

The process described by Marx has intensified dramatically over the last century and a half. Moreover, the accumulation of capital has become increasingly divorced from the process of production, exemplified above all by the explosion of financialisation in the major economies over the past three decades and the emergence of the fabulously wealthy super-rich layer represented at the ICI conference.

Any attempt to reform or regulate this system is destined to failure.

The elimination of the vast social inequities that are an inherent product of capitalism can only be achieved through a political movement committed to the abolition of the profit system and the establishment of socialism.