

Bank of England governor warns of the “spectre of communism”

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12 December 2016

Last week, the Governor of the Bank of England delivered his first major economic speech since June’s Brexit referendum and the election of Donald Trump in November.

Speaking at Liverpool John Moores University, Mark Carney’s speech was titled, “The Spectre of Monetarism” and was described as being about “monetary policy and inequality.”

However, monetarism was not the ghost that Carney wanted to exorcise. He spoke in front of a massive projected image of Karl Marx and the frontispiece of Marx’s seminal work on the objective laws of capitalism, *Das Kapital*. He began by saying that real incomes had been falling for a decade. The legacy of a “searing financial crisis” was weighing on confidence and growth, and the nature of work had been “disrupted by a technological revolution.”

He then revealed that he was speaking not about the 21st century, but “the middle of the 19th century... And Karl Marx was scribbling in the British Library, warning of the spectre haunting Europe, the spectre of communism.”

Carney’s comparison between today and the period of revolutionary crisis that gripped Europe in 1848, the year Marx published the Communist Manifesto, gave way to a depiction of the last quarter century, during which there had been “a series of profound disruptions to the way we work, trade, consume and live.”

The fall of the Berlin Wall and the capitalist reforms initiated by Deng Xiaoping, he said, had “led to the integration of a third of humankind into the global labour force.”

“The deepening of the symbiotic relationship between global markets and technological progress has lifted more than a billion people out of poverty,” he claimed—referring to the World Bank’s definition of poverty as earning less than \$1.90 a day. But rather than this supposed abundance of riches bringing “a new golden age,” he said, “globalisation is associated with low wages, insecure employment, stateless corporations and striking inequalities.”

Carney warned that “public support for open markets is under threat.”

In another comparison to the 19th century, he displayed a graph showing the “lost decades” of the 1860s and today, with real wages in the UK falling in both periods.

For those at the top of society, however, the picture is the opposite. “In Anglo-Saxon countries, the income share of the top 1 percent has risen notably since 1980. Today, in the US, the richest 1 percent of households receive 20 percent of all income.”

These enormous income inequalities are dwarfed by staggering wealth inequalities, Carney said. “Globally, the share of wealth held by the richest 1 percent in the world rose from one-third in 2000 to one-half in 2010.”

At the same time, weak income growth had “focused growing attention on its distribution.” In an example of staggering understatement, he added, “Inequalities which might have been tolerated during generalised prosperity are felt more acutely when economies stagnate.”

Carney pointed to the long-lasting impact of the “large structural shift” introduced under the Thatcher government, i.e., the wholesale privatisation of valuable public assets and the financialisation of the economy. In the context of globalisation, the income share of the top 1 percent in the UK had “tripled from 5 percent in the early 1980s to 15 percent by 2009.”

Carney highlighted the way that capitalism has condemned a whole generation of young people to unemployment, low wages and precarious jobs: “For both income and wealth, some of the most significant shifts have happened across generations. A typical millennial earned £8,000 less during their twenties than their predecessors.”

Recessions “disproportionately affect the young. Graduating in a recession is generally bad news for someone’s earnings trajectory. The most advantaged graduates tend, over time, to recover, but the least advantaged can be permanently affected,” Carney said.

The challenge, he said, was “how to manage and moderate the forces of innovation and integration [i.e., globalisation]” which “foster isolation and detachment for substantial proportions of the population.

“The combination of open markets and technology means that returns in a globalised world amplifies the rewards of the superstar and the lucky [i.e., the top 10 percent for whom Carney speaks]. Now may be the time of the famous or fortunate, but what of the frustrated and frightened?”

“For free trade to benefit all requires some redistribution,” he declared. “We need to move towards more inclusive growth where everyone has a stake in globalisation,” because people across the advanced world are “losing trust” in a system that did not “raise all boats.”

Carney’s answer was to proclaim the necessity to rebalance “the mix of monetary policy, fiscal policy and structural reforms” and “move towards more inclusive growth where everyone has a stake in globalisation.” Otherwise, “it is not surprising that people are largely ignoring pieties about the virtues of open markets and new technologies.”

What this rebalancing consists of was framed initially as a defence of his own record as governor of the Bank of England. Reducing interest rates to virtually zero and handing over billions to the banks and stock markets in the form of quantitative easing had meant “mass unemployment and debt deflation have been avoided,” he claimed. But then why, he asked, “doesn’t it feel like the good old days?”

He answered, “Because anxiety about the future has increased, because productivity hasn’t recovered, and, as a consequence of the latter, because real wages are below where they were a decade ago—something that no-one alive today has experienced before.”

This was Carney’s last reference to the fate of the working class or to the youth. Instead, he suggested policies that he claims will resuscitate the fortunes of small and medium size enterprises, which in ruling circles are routinely assigned the role of economic knights coming to the rescue of the socially distressed masses whenever hostility to the major corporations and banks threatens to get out of control.

“Why,” Carney asked, “doesn’t the G20 pursue global free trade for Small and Medium Size Enterprises,” which “holds out the prospect of a more inclusive form of global commerce with the individual at its centre?”

The answer to Carney’s question is that the suggestion itself is patent nonsense.

Paeans to “redistribution,” a “globalisation that works for all” and a “more inclusive form of global commerce” bear no reference to the reality of contemporary global capitalism. Nor to the developments that followed the writing of *Das Kapital*, which confirmed Marx’s observation in that work that “capital comes dripping from head to toe, from every pore, with blood and dirt.”

By the turn of the 20th century, the entire world had become an arena of violent struggle between competing and

hostile great powers.

Written 100 years ago, in 1916, Lenin’s *Imperialism* lays bare the underlying economic processes that had led to this situation and in the process exposes the chimera advanced by Carney that capitalism can be returned to a new era of free competition, a “fair go” for small and medium size businesses and even reforms to better the lot of workers and young people.

“Imperialism is the epoch of finance capital and of monopolies, which introduce everywhere the striving for domination, not for freedom,” Lenin wrote in the midst of the slaughter of the First World War, which claimed the lives of at least 17 million people and injured over 20 million more. Accompanying the development of monopolies was “the division of the world ... the transition from a colonial policy which has extended without hindrance to territories unseized by any capitalist power, to a colonial policy of monopolist possession of the territory of the world, which has been completely divided up.”

Having been completely divided up, the only way the world could be re-divided was through war. From 1914, within the space of just 25 years, the bitter struggle between the imperialist Great Powers had plunged the world into two world wars, which, combined, claimed the lives of over 80 million people. In the period between the wars, the Great Depression had blighted the lives of millions more.

The sort of economic policies advocated by Carney in his speech, and which are supported by Labour leader Jeremy Corbyn, were pursued only for a relatively brief period in the aftermath of World War Two. But they have proved incapable of overcoming the reactionary and objective essence of imperialism, a system based on the brutal exploitation of the world’s working class and oppressed masses. As the calls for protectionism grow on both sides of the Atlantic, so do the preparations for trade war and a new world war. Under such conditions, Carney’s plea for a “globalisation that works for all” is like a dog barking at the moon.



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