Financial press reflects growing nervousness in ruling circles

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A scan of the pages of the financial press reveals a deepening sense of foreboding, confusion and outright fear as a series of intractable problems triggered by the COVID-19 pandemic continue to mount.

The issues of most concern are the surge in inflation, the fragility and disruption of vital global supply chains, indications of a slowdown in the global economy, the continued impact of the pandemic in key areas of the economy and, above all, fear of the implications of the rising ride of class struggle in the US, the centre of world capitalism, and internationally.

In the past few days one can find headlines in the *Wall Street Journal* such as "4.3 million workers are missing. Where did they go?" "Post-Covid global economy falters due to inflation and supply-chain woes" and Accelerating inflation spreads through the economy."

The *Financial Times* (FT) carries similar articles: "US inflation heats up in September as pressure persist," "Europe's trucker shortage becoming 'extremely dangerous,'" "Economists slash German growth forecast as supply problems hit," "The supply chain crisis and US ports: 'Disruption on top of disruption'" and "China factory gate prices rise at fastest rate since 1995."

The content of the articles matches the headlines. Reporting on Europe and Asia, for example, the *Wall Street Journal* said that the outlook for the global economy had "darkened" as a stream of data suggested faltering growth in the third quarter because of supply chain snarls, sharply accelerating inflation and impact of the highly infectious Delta variant.

"From Sweden and the UK to Germany and Japan, jammed ports and bottlenecks in the global flow of raw materials and components have rocked manufacturers, causing factories to halt production and executives to warn customers they will have to wait for urgently needed goods."

According to the *Journal*, article around 3.8 million small and medium-sized companies in Germany were struggling with supply chain issues, with shortages affecting not only computer chips but steel, aluminium, copper and other metal as well as plastics, packaging materials and timber.

US growth is expected to slow to 1.4 percent in the third quarter compared to an average of 6.5 percent in the first half of the year, according to business tracking firm IHS Markit.

Commentary on the worsening economic situation is voicing the view that the growing problems are not transitory, but an expression of deeper shifts and government and financial authorities are out of their depth when it comes to dealing with them.

In a recent FT comment, Stephen Roach, former Morgan Stanley Asia chair, now at Yale University wrote: "Echoes of an earlier, darker period of economic history are growing louder."

He was referring to the stagflation of the 1970s—a period of low growth and recessions combined with high inflation following the end of the post-war boom.

Roach took issue with the claim by the US Fed and other central banks that the present inflation is transitory, noting that similar things had been said at the beginning of the 1970s in response the OPEC oil embargo and El Niño related weather events.

He claimed that central bankers were wiser today but confronted new problems of their own making as a result of "breathtaking quantitative easing"—the injection of trillions of dollars into the financial system since 2008, accelerated after March 2020, in order to prevent a collapse.

"Therein lies a serious risk that was not present in the

1970s," he wrote. "Central bankers haven't a clue about the links between their asset holdings and the forces of supply and demand that are currently wreaking havoc on inflation."

He noted that global value chains had become an engine of growth and a source of disinflation in the search for increased efficiencies. But as a result, "these chains were stretched taut and have become increasingly fragile."

Roach's comment that central bankers "haven't a clue" about the effect of their own, massive, asset holdings is on the mark as the Fed and other central banks walk the tightrope in deciding the future direction of monetary policy as inflation sets in.

On the one hand past conventional wisdom tells them they must increase interest rates and cut asset purchases to try to counter inflation. On the other hand, they fear that such as become the dependence of the financial system on the inflow of cheap money this will cause a crisis.

The confusion and disorientation at the Fed—no doubt reflected at other central banks—has been highlighted by a research paper issued by staff economist Jeremy Rudd, reported on by the *Wall Street Journal*.

His report begins: "Mainstream economics is replete with ideas that 'everyone knows' to be true, but are actually arrant nonsense."

According to the *Journal* article, Rudd takes issue with the Fed's sanguine outlook for inflation—the insistence by chair Powell that it is "transitory" but extends this to the entire field "accusing economists of routinely making assumptions because they suit their models and theories, not because they fit the facts."

And in a rare moment of honesty, Rudd makes the extraordinary statement in a footnote: "I leave aside the deeper concern that the primary role of mainstream economics in our society is to provide apologetics for a criminally oppressive, unsustainable, and unjust social order."

Those sentiments are now finding living expression in the developing strike wave, particularly in the US. Workers are moving beyond the notion they should simply receive their "fair share." There is a growing sentiment that increased exploitation, going back over decades and intensified during the pandemic, leading to enormous wealth for the corporate and financial elites, has got to end.

There is nothing which strikes fear in the ruling classes as the resistance of the working class and the development of the class struggle. The politics of the past three decades has rested on the suppression of the working class and so the growing strike wave has far-reaching political implications.

It is significant that the *Financial Times*, which generally does not feature extensive reports on industrial action, has carried an article in recent days on the US Kellogg's strike. It reported comments by labour historian Bryant Simon that what was termed "frustration" among workers was highest among those who were considered essential early in the pandemic but who have seen their conditions stagnate or deteriorate as businesses have reopened.

Using a somewhat measured academic tone, Simon at least pointed to the deeper issues in the developing upsurge. "There is a kind of turmoil right now about what a job should be, what it should entail, and what is the basic social construct."

The movement is only at its early stages, but already political issues are emerging. They concern not only wages and conditions as such but the very nature of society itself.

The situation in which wealth has been heaped upon the upper echelons to the tune of trillions of dollars, while the conditions of life for the millions who create have worsened, has not gone unnoticed. The extraordinary growth of social inequality to levels never seen in history is a powerful motivating factor.

And the growing perplexity of the ruling classes over what to do about the deepening economic crisis, and the myriad of problems bound up with it, is creating the conditions for the working class to come forward as the new leader of society on a global scale in the fight for an international socialist program.