

# Jackson Hole meeting of central bankers reveals a deepening crisis of capitalist rule

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If a single word could be used to sum up the conclave of central bankers held at Jackson Hole, Wyoming over the weekend, it would be the one used by Leon Trotsky to characterise bourgeois policymakers at the end of the 1930s—“perplexity.”

At that time, the ruling classes were confronted by the effects of the deepest economic depression in history as the world hurtled towards war. There are of course many differences between then and now, but the present situation is just as serious, if not more so, because all the contradictions of the capitalist system have intensified in the period since.

In its report on the meeting, the *Financial Times* noted that officials and economists had traded last year’s angst about inflation and central bank credibility “for fear that the upheaval caused by the pandemic and war in Ukraine have ushered in a new era for the global economy.”

But as the deliberations revealed, the supposed guardians of global capitalism have no real idea of its dynamics, much less how to deal with it.

Federal Reserve Chairman Jerome Powell, delivering a keynote address on Friday morning, said central bankers were “navigating by the stars under cloudy skies.”

He did not elaborate further, but speaking later in the day, European Central Bank President Christine Lagarde pointed to the growing uncertainties confronting policymakers.

Giving expression to the sense of bewilderment, she said that “in this age of shifts and breaks, where we do not yet know whether we are returning to the old world or entering a new one, how can we ensure policymaking remains robust?”

She did not provide any answers in her address, and concluded: “There is no pre-existing playbook for the situation we are facing today—and so our task is to draw up a new one.”

Lagarde indicated three areas of major change. The

labour market had been transformed by the pandemic and was now “historically tight across advanced economies.”

There was a profound transformation in energy markets as a result of accelerating climate change and the push towards renewables.

“Third, we are facing a deepening geopolitical divide and a global economy that is fragmenting into competing blocs,” she continued. “This is being accompanied by rising levels of protectionism as countries reconfigure their supply chains to align with new strategic goals.” She noted that “over the past decade, the number of trade restrictions in place has increased tenfold.”

As is well known, the division of the world into rival competing blocs during the 1930s was a major contributing factor to the outbreak of World War II in 1939.

There are many processes that express the deepening breakdown of the global capitalist order to which a number of other contributors referred.

In what was described as a widely discussed presentation, University of California economist Barry Eichengreen issued a warning about the level of public debt, saying that however desirable a reduction might be, it was politically and financially unfeasible to do it.

International Monetary Fund (IMF) chief economist Pierre-Gourinchas told the *Financial Times* he was concerned whether governments had the capacity to provide increased fiscal support in the event of another shock to the global economy.

“I don’t think they can do it again,” he said. “We don’t have an insurance policy anymore. We are at the edge.”

Economist Carmen Reinhart, who has worked at both the IMF and the World Bank, told the FT that around 60 percent of the poorest countries were at or close to debt distress in a “shock-prone, fragmented environment.”

“It can become self-perpetuating. With weaker financial conditions, if you get hit by a shock, you don’t have the

ability to respond very much and therefore you have a weaker recovery.”

On the immediate question of central banks’ interest rate tightening, supposedly the cure for higher inflation, there was no degree of certainty, despite inflation rates coming down in recent months.

Deputy Bank of England Governor Ben Broadbent said it was “unlikely” that inflation would disappear as rapidly as it had arrived, and interest rates “will probably have to remain in restrictive territory for quite some time yet.”

But as he indicated in a panel discussion, the key central bankers have no real idea of what is taking place.

“There’s a risk that we’ve underdone this [and] we have to go further,” he said, because the inflation problem “is just bigger than we thought.” He added, “There’s also a risk that we’ve already done not just enough but too much.”

One of the attendees, Kristin Forbes, a professor at the Massachusetts Institute of Technology, highlighted the perplexity of policymakers in an interview with the *Wall Street Journal* in which she likened central bankers to a group climbing a mountain where the trail disappears beyond the tree line.

“You know where you want to go. You know where the summit is, but there are no more markers and you have to feel your way. ... It’s steeper. It’s rockier.”

Among the rocky obstacles she did not mention are the major economic slowdown in China—the most significant contributor to global growth since the financial crisis of 2008—the impact of higher interest rates on the stock market and the financial system, the looming crisis in commercial property, the attempts by a number of major countries to lessen their dependence on the US dollar, and the growing political turmoil in the United States exemplified by the virtual transformation of the Republican Party into a fascistic organisation, to name a few.

And above all, there is the issue of the developing global upsurge of the working class against which the high interest rate regime is directed in a bid to crush wage demands. As the Jackson Hole summit was taking place, US auto workers voted by 97 percent to authorize a strike, setting the stage for a showdown not only with the auto companies, but with the entire capitalist class and government.

This movement was not openly discussed, but it was ever-present, like a black cloud, in the Jackson Hole deliberations, no doubt especially in those held behind closed doors.

Insofar as it was publicly raised, Powell made it clear in his address that not enough had been done so far to slow the economy in order to deal with the “tight” labour market, and Lagarde emphasised the need to prevent a wage-price spiral.

“We are attentive to signs that the economy may not be cooling as expected,” Powell said.

Whatever their confusion, the ruling classes do have a perspective: That the very future of the profit system depends on crushing the working class by all means necessary.

But their perplexity does have a profound political significance. The issue confronting the working class is not just the development of the most militant struggles against the ruling classes, decisive as that is.

As was said in the struggle against the feudal monarchies, if you don’t get rid of the king, he is still there.

The working class, therefore, must utilise the extreme ideological crisis of the representatives of the ruling strata to advance the fight for an independent socialist perspective to abolish the profit system.

For long decades the capitalist class has rested ideologically on the claim that only it possesses the necessary knowledge and expertise to guide the fate of society, and that the profit system is the only possible form of socio-economic organisation.

That fiction is being exposed every day as the reality of its program is ever more clearly revealed in the form of war, impoverishment of the working masses, and the development of authoritarian and outright fascist forms of rule.

To advance its struggles, the working class must recognise that it is the bearer of the higher form of society, international socialism, and undertake the building of the sole party which fights for this perspective, the International Committee of the Fourth International.



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