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Federal Government Renews Bank of Canada Mandate on Inflation

An Exercise in Being Earnest When Saying Nothing of Substance

Federal Finance Minister Chrystia Freeland and Bank of Canada Governor Tiff Macklem unveiled the Bank's renewed five year monetary mandate at a news conference in Ottawa on December 13. The conference took over an hour with two presentations and a twenty minute question and answer session with official media.

Freeland summed up the proceedings in a later tweet writing, "Today's renewal of Canada's monetary policy framework is fundamental to Canada's economic success. This is about continuity and continuing to do what we know works. The renewed framework will keep the Bank focused on delivering low, stable, and predictable inflation."

The Bank's previous five year monetary mandate was to keep price inflation at two per cent annually within a range between one and three per cent. According to the press conference this mandate remains the same.

Canada's annual price inflation rate rose to over four per cent during the summer and is now approaching six per cent. The oligarchy has integrated Canada's economy into the U.S. war economy where price inflation was 6.8 per cent in November.

The Freeland/Macklem press conference and questions from the official media seemed disconnected from the real world. Freeland began with glowing words of praise for the Bank and the exemplary situation of the economy that, according to her, is progressing wonderfully out of the collapse during the pandemic. The Governor returned her kind words with equal praise for the economic situation. The two members of the ruling elite and fawning media appeared unconcerned and not at all embarrassed with their disconnect from the real world and the many problems facing the people and economy.

Their lack of concern with the situation of rapidly rising prices of everything except what is paid for labour, and their dogged determination only to talk of their policy mandate of two per cent inflation made the entire press conference appear silly. The silliness was compounded in particular with the earnestness with which Minister Freeland tried to appear earnest. Her words were made to sound extremely profound and thoughtful and not at all detached from reality. She even unleashed her best impression of a scornful professor admonishing a student for doubting the brilliance of her presentation. This was in response to a question suggesting the monetary mandate had in fact been changed to a "dual" one with the addition of keeping unemployment low as a consideration.

Governor Macklem praised the Bank for its handling of "quantitative easing," glossing over the fact that the Bank had massively increased government debt to private moneylenders who are already beginning to demand higher interest rates for their money. The Bank has reduced itself to managing government borrowing from the global financial oligarchy and ensuring the moneylenders receive their pound of flesh from the people who will be forced to pay higher taxes along with higher interest rates on money they have to borrow such as mortgages and student loans.

The earnestness of Freeland, contrived to contrast with the cavalier performance of Justin Trudeau so as to make her appear as a credible alternative, all serves to divert attention from the fact that it is wages which will be kept down. It is a show to make believe that government is concerned with the plight of the working people and in control of the economy. In fact, the country's political and economic affairs rest firmly in the hands of the global oligarchy, of which Freeland is a prime conduit.

Minister Freeland continues her campaign of appearances outside Parliament on December 14 with the release of her fall economic and fiscal update. Despite her feigned earnestness, the Finance Minister has come under increasing criticism from Members of Parliament for refusing to discuss any of these economic matters in the House of Commons and its committees. The entire performance further renders Parliament and civil society as irrelevant to governance.

Canadians Lack Control Over Economy

- K.C. Adams -

Statistics Canada (StatCan) reports that investment in Canada's fixed social wealth continues to decline. The new report is for the year 2020 and indicates a continuation of a five-year trend of falling investment in Canada's fixed social wealth comprised of the country's material means of production and residential and commercial property.

The report neither elaborates the reasons why investment is falling nor what Canadians can do to change the situation. The silence on this important matter emerges from an absence of Canadians' control over the accumulated new and old value they produce and how it should be used and distributed, and generally in having no control over the country's economic and political affairs. The ruling elite who exercise economic and political authority consider the lack of people's control over the economy as natural and unchangeable. But change, development and motion are a rule of nature and going from an absence of control to control of, for and by the working people would change the situation dramatically and open a path forward to build the New.

National Bank Chief Economist Stéfane Marion in referring to the StatCan report writes, "Canadian factories are currently operating with the lowest capital stock in 35 years." He adds, "We are bleeding capital."[1]

Economists of the financial oligarchy use the word "capital" to describe social wealth held either privately or by the state. "Bleeding capital" refers to the imperialist aim of investing social wealth for maximum profit wherever in the world, which in Canada's case means more social wealth leaving the country than coming in as foreign investment. This "bleeding" of social wealth includes even Canadians' pension funds, which invest more abroad than in Canada. The imperialist aim of maximum profit, which dictates investment decisions, means that investing social wealth in order to strengthen the local economy, to meet and guarantee the needs and security of the people and to humanize the social and natural environment are not considerations.

Marion says an analysis of StatCan's figures indicates that new investment in privately-owned productive capacity in 2020 was less than the depreciation of these means of production. Marion found this contraction by "stripping out public sector investment in infrastructure" from the report and examining only private sector investment. Apparently this is the first time an absolute contraction of private productive capacity has occurred since StatCan began recording investment.

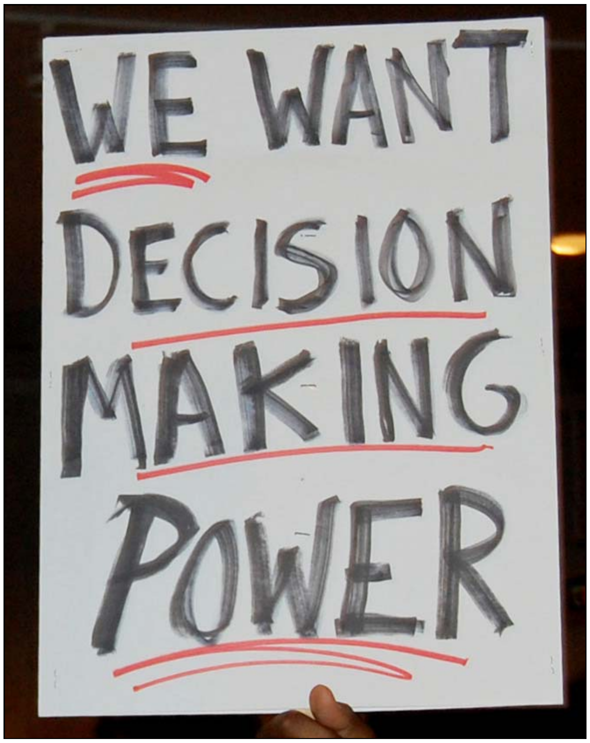
Marion says the decline is further highlighted by the fact that investment in residential real estate now exceeds investment in productive sectors of the economy for the first time since 1961, when such data was first recorded.

The report shows total investment in fixed social wealth increased by 1.3 per cent in 2020 after increasing only 1.8 per cent in 2019. Overall this barely covers depreciation even though the population continues to increase. The growth in residential fixed wealth is explained in part from investment in home renovations during the pandemic and new housing to accommodate immigrants who bring not only the value of their acquired skills to Canada but in many cases accumulated wealth as well.

Marion sees the decline in investment of productive capacity as a subjective feature arising from policy decisions not as objectively emerging from the imperialist conditions, control and aim. In reality, the conditions, control and aim of those who own and control large amounts of social wealth dictate where they put the social wealth they control so as to generate maximum profit. The people are not privy to these decisions nor do any human-centred considerations factor into the decisions. Self-centred greed of the oligarchs for maximum profit is the dictating force.

Marion reiterates a common theme of economists saying Canada has a successful immigration policy that will soon again be attracting 400,000 highly skilled newcomers every year. Yet, they declare, without foreign investment Canada will not be able to harness those skills to grow the economy. "Foreign investors are too important to ignore," Marion writes. "Clearly we are not doing well when our own domestic pension funds prefer to invest heavily abroad rather than in Canada." Clearly, Marion wants policy changes to guarantee maximum profit in Canada using pay-the-rich schemes and deregulation, not changes to the imperialist economic, social and political conditions.

The recent decline in investment in Canadian mining and oil extraction was compounded by a drop in investment in manufacturing, the report says. The ruling elite declare these investment decisions are not the people's to make, and besides, they contend, even the investment decisions of the oligarchs are often the result of factors beyond their control such as climate change and the precipitous drop in the price of oil from $107 a barrel of West Texas Intermediate (WTI) in summer 2014 to $26 in early 2016. Rendering the economy, including changes in prices, mysterious and beyond the control of mere mortals are ways to spread false ideological beliefs among working people to block them from organizing and engaging in conscious acts to take control of their work, economy and lives.



Marion suggests that Canada has huge potential in areas like carbon capture and could be a net beneficiary of the transition to a greener economy. But as Marion and other economists say, to be a net beneficiary foreign investment is crucial along with Canadians investing in their own economy. But Canadians do not control their own economy or investment funds. They do not even control their own pension and savings funds. How can they decide to invest in Canada and what they consider necessary according to their own modern aim when they do not control the economy and politics of the country?

In fact, foreign investment can only be considered crucial if Canadians accept as immutable their position as passive observers of their fate and not makers of history. A modern socialized economy of industrial mass production in a country the size of Canada can generate enough new value on its own without relying on foreign investment.

How Canadians gain control over their socialized economy, create new social and political forms to do so, and begin to make history in their favour is the issue. Bemoaning the situation as it presents itself as seemingly beyond the people's control, such as falling investment in productive capacity and prices wildly rising or falling, does nothing to open a path forward. Canadians must organize and engage in conscious acts to gain control of their political and economic affairs. By doing so, the people can bring control of the economy and its relations of production into harmony with its modern socialized nature. From there, the possibilities are endless for development in a positive direction to guarantee the rights and needs of the people and humanize the social and natural environment.

Note

1. "Canada Can't Afford to Bleed Capital Like This," - Stéfane Marion, National Bank Chief Economist, November 30, 2021.