

Mark Carney, *Value(s): Climate, Credit, Covid and How We Focus on What Matters*, London, Williams Collins, 2021.

Mark Carney was the rockstar among central bankers, to some even a Sean Connery. His overall compensation package to become Governor of the Bank of England in July 2013 was suitably stratospheric. As the first non-Brit in the job, it included considerable moving expenses for his family from Canada. Yet arguably he earned every penny of his pay that sunny morning in June 2016 when Britain unexpectedly embarked on Brexit. As David Cameron announced he was going AWOL, and Boris Johnson and Michael Gove appeared gobsmacked on TV, Mark Carney stepped in to fill the void in public policy. He gave a short announcement that “we [the Bank] are well prepared for this”.¹ While he was later criticised for his negative assessments of the sunny uplands of Brexit, the Bank actually staved off market chaos, by announcing it was ready to pump £250 billion into the markets if necessary. As Janan Ganesh noted, “[i]t takes some craft to play down a shock while making handsome provisions for it”.² In mid-March 2020, Mark Carney handed over his job to Andrew Bailey seamlessly, as planned: again while Downing Street fumbled, the Bank had been preparing for the impending tsunami of Covid-19.

Given this record, following earlier damage limitation successes as Governor of the Bank of Canada during the global financial crisis (or GFC of 2007-2009), Mark Carney may be forgiven for his lengthy discoursing over good management practices in this wide-ranging “must-read” to fix not just politics and economics, but to save the world from climate change. His advice that leadership should set clear purposes for organisations, be transparent, draw on diversity and encourage employees to be engaged in their work seems simple enough, though far from easy to implement.

But in looking at *Value(s)*, Mark Carney’s book begins by examining the first principles of political economy, before extensively analysing the GFC and climate change as massive market failures. Appropriately, he starts with the scientific revolution which saw economics give up its search for understanding value, and focus instead on price formation. Referring to Oscar Wilde’s aphorism about knowing “the price of everything and the value of nothing”, he notes that this shift in economics was profound as it meant moving from an objective to a subjective theory of value. Whereas philosophers from Aristotle to Adam Smith to Karl Marx had analysed value as following from the nature of production and especially the time and quality of labour needed to make things, the neo-classical revolution in the late 19th century established that prices are driven by preferences, and to a “lesser extent by scarcity”.

This has had far-reaching consequences. It strips out Aristotle’s concern for “justice” and a “just price” in exchange. It also means that everything which cannot be priced in a market society is “neither valued nor valuable”. Not surprisingly, recent decades in particular have led to widespread “commodification” as “[t]he logic of buying and selling no longer applies only to material goods but increasingly governs the whole of life from the allocation of healthcare to education, public safety and environmental protection”. As a result, “we have moved from a market economy to a market society, and this is now undermining our basic

¹ <<https://www.youtube.com/watch?v=IK3By6uQ8gU>>, retrieved 20 January 2022.

² Janan Ganesh, “Brexiters who bully central banker Mark Carney will target others”, *The Financial Times*, 31 October 2016.

social contract of relative equality of outcomes, equality of opportunity and fairness across generations”. It almost sounds neo-Marxist.

Apart from undermining the social contract, the price mechanism, though powerful in allocating resources, also suffers from numerous structural failures. Specifically in terms of finance, the move towards mark-to-market asset evaluations (i.e., evaluating assets only by their immediate market price and not by their more fundamental economic performance) compounds price fluctuations: yesterday’s booming prices encourage overly optimistic borrowing to buy, while tomorrow’s price collapse completely changes investors’ balance sheets. Even if the income flows from assets change little, banks stop lending, “turning liquidity problems into solvency ones overnight”. This is what happened in the US housing market, which triggered the GFC.

Far more serious, however, has been the complete failure of markets and prices to value nature, and so compound the crisis of climate change (and one could add plastics pollution and other forms of pollution more generally). Since he left the Bank of England, Carney has been appointed United Nations special envoy for climate action and finance, while also working in asset management responsible for environmental, social and governance (ESG) strategy.³ His examination of the causes of climate change, its consequences and the costs of limiting global warming to 1.5°C as set out in the Paris COP25 agreement is extensive and authoritative. The world’s economic development, so far, has essentially given little value to nature, and its destruction and depletion of the biosphere are not priced into the way our economies work. If, however, the extra carbon that can be released into the atmosphere before breaching the 1.5°C ceiling in global warming is viewed as a carbon budget being spent, then the outlook is dramatic: “If we had started [cutting emissions] in 2000, we could have hit the 1.5°C objective by halving emissions every thirty years. Now, we must halve emissions every ten years. If we wait another four years, the challenge will be to halve emissions every year. If we wait another eight years, our 1.5°C carbon budget will be exhausted”.

One way or another, the impending climate shock will cost trillions, either in insurance payments to meet catastrophic events and hits to production and societies – to say nothing of loss of life – as temperatures rise, or through the spending to restructure our economies and societies: Carney quotes figures by the International Energy Agency, for example, that it will take \$3.5 trillion in investment per year (twice the present rate) – for decades – to transform the energy sector. Yet, he optimistically argues that clever government priming and incentives will help release the private capital necessary – to transform everything. We shall see.

To end on a more positive note, Carney reiterates the point that the predominant response to the Covid-19 pandemic, at least in its first phase, has been to put human life ahead of economic calculation. So, there is some solidarity still, to build a better future.

³ < https://en.wikipedia.org/wiki/Mark_Carney#Since_2020 >, retrieved 20 January 2022