

No I'm [not talking that one](#) - which is heading for the Oscars. I'm talking About the speech that Mervyn King made in Newcastle on Monday, which I have so far not referred to for all sorts of good reasons.

In [that speech he](#) made the most extraordinary admission for a Governor of the Bank of England. He said:

*The three factors I described — higher import and energy prices and taxes — have squeezed real take-home pay by around 12%. Average real take-home pay normally rises as productivity increases — money wages normally rise faster than prices. But the opposite was true last year, so real wages fell sharply. And given the rise in VAT and other price rises this year, real wages are likely to fall again. As a result, in 2011 real wages are likely to be no higher than they were in 2005. One has to go back to the 1920s to find a time when real wages fell over a period of six years.*

And he also said that none of that inflation arose as a consequence of pressure from within the UK economy. It arose because of the necessary deflation in the value of our currency to help manage the banking crisis; it arose because of the increase in raw material prices, exacerbated by the fall in the value of our currency, and it arose because of government policy ( yes, in small part Labour's, and exacerbated enormously now by the ConDems).

Despite this [bank say there is no evidence of any need to their structure](#) to be changed. But let us be totally and completely unambiguous about this. It was the failure of banking that caused this crisis. It was the failure of neoliberal economics that gave rise to that failure. Yes Labour bought into that economic policy, and I hope it has really realised its mistake. At least it shows signs of doing so - and that is to its credit. Osborne and Cameron show no signs of that - they are still supporting the causes of failure.

And that's the key difference.

And in the meantime families are paying the price.

And bankers' don't care.

And that's the divide in our society we have to address.

And which will be addressed.