

Globalisation, Jospin and the political program of Attac

Part Two

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PART ONE

The Tobin tax—the basis of Attac's program—was first advanced in 1972 in the aftermath of President Nixon's removal of the gold backing from the US dollar in August 1971 and the collapse of fixed currency exchange rates.

Tobin was a follower of the English economist John Maynard Keynes, one of the architects of the Bretton Woods monetary system. During the post-war period, Keynes' theories of regulated capitalism were the guiding ideology of capitalist governments. Tobin recognised that unless some mechanism could be found to slow down the international movement of capital, then the policies of national governments would be undermined whenever they conflicted with the demands of international financial markets. Accordingly, he proposed that a tax—rated at between 0.1 percent and 1 percent—be charged on all international currency transactions. The tax would have little impact on long-term investment because it would represent only a marginal increase in the cost of capital for these purposes. However, in the case of speculative movements of capital, taking place in many instances over a matter of a few days, even a relatively small tax rate would represent a significant impost. This would “throw sand in the gears of international finance”, slow down the movement of hot money and allow national governments more room to manoeuvre.

Since the tax was first proposed, the international financial market has expanded exponentially. According to studies by the Bank for International Settlements, the amount of money passing through international currency markets has grown from around \$18 billion per day in the 1970s to more than \$1,500 billion by the end of the 1990s.

The first point to note is that the imposition of a transaction tax would be completely ineffective in the face of such global capital flows. Notwithstanding the claims of its proponents, a Tobin tax could not have prevented any of the major financial crises of the past decade—the collapse of the European Exchange Rate Mechanism in 1992, the crisis of the Mexican peso in 1994-95 or the Asian financial crisis of 1997-98.

This is because even if the tax had been set at the relatively high rate of 1 percent, it would have been completely outweighed by the scope of subsequent currency devaluations. Such was the disequilibrium in financial markets that the banks, financial institutions and global investment funds would still have found it profitable to move their funds.

In other words, even assuming that agreement were able to be reached among the rival capitalist powers about the need for such a tax—and the existence of conflicting interests virtually rules this out—it would only be able to operate in periods of relative stability on international markets. In the face of vast movements of capital it would be powerless—unable to halt the eruption of the very crisis it had been introduced to prevent.

Aside from the fact that it cannot meet its stated aim, there is a more

fundamental flaw in the Tobin tax program. This derives from its attempt to separate the operations of the financial markets and the monetary system from the capitalist economy as a whole. Such a method has a long history.

More than 150 years ago, in his polemic against the petty-bourgeois anarchist Proudhon, Marx exposed the latter's attempt to divide the relations and economic mechanisms of capitalist society into two parts—the “bad” and the “good.” As Marx demonstrated, a program based on the removal of the “bad,” while retaining the “good,” was fundamentally flawed because the two were, in fact, inseparable.

Proudhon, Marx wrote, “does what all good bourgeois do. They all tell you that in principle, that is, considered as abstract ideas, competition, monopoly, etc., are the only basis of life, but that in practice they leave much to be desired. They all want competition without the lethal effects of competition. They all want the impossible, namely, the conditions of bourgeois existence without the necessary consequences of those conditions” [Marx, Letter to P. V. Annenkov in *The Poverty of Philosophy*, page 190].

The proponents of the Tobin tax follow in Proudhon's footsteps. They are not for the overthrow of capitalist social relations, but only for the regulation of the “bad” side of the capitalist system—speculative finance capital—allowing the “good” side, productive capital, to flourish, thereby increasing the wealth of all and restoring democracy.

However, an examination of the historical evolution of capitalism shows that the emergence and dominance of finance capital is not some kind of excrescence on an otherwise healthy body, but the expression of deep-seated contradictions within the system as a whole.

When these contradictions erupt to the surface of economic and political life, as they do today, they are invariably met with ferocious denunciations of finance capital aimed at blocking any probing of the more fundamental processes at work. The work of Keynes is a case in point. His analysis in the 1930s was consciously directed to devising a program to save the capitalist order, accompanied by declamations against the operations of high finance.

“Speculators,” he wrote, “may do no harm as bubbles on a steady stream of enterprise. But the position is serious when enterprise becomes the bubble of a whirlwind of speculation. When the capital development of a country becomes the by-product of a casino, the job is likely to be ill-done.”

Central to the mechanisms of the post-war economic order established at the Bretton Woods conference of 1944 was the regulation of finance capital, both nationally and, above all, internationally.

But the very expansion of the post-war capitalist economy, which the Bretton Woods system helped to promote, led to the emergence of new contradictions. By the time the major currencies of the world were made

fully convertible in 1958, considerable investment from the United States had taken place in Europe. The growth of multinational enterprises underlay the growth of the so-called Euro dollar market in the 1960s, increasingly outside the control of the authorities in Britain and the US.

The growth of this financial market, in turn, undermined the system of financial regulation, leading eventually to the scrapping of the Bretton Woods system of fixed currency exchanges in August 1971.

There were calls at that time for the maintenance of the previous system that had served capitalism so well during the previous three decades. But to maintain the old order, it would have been necessary to cut back the growth of international investment and impose severe deflationary policies in the United States. In short, the system of national regulation could only have been maintained through the imposition of what would have amounted to a permanent global recession.

In the final analysis, the demise of the Bretton Woods system—bewailed by the Keynesians and proponents of national regulation—was not the outcome of “free market” ideology, but was rooted in the fact that the international growth of the productive forces could no longer be constricted within the framework of the nation-state system.

The collapse of the system of fixed currencies gave rise to new problems. Fluctuations in currency values saw the creation of new financial mechanisms. Faced with a situation where profits could be wiped out virtually overnight due to changes in currency values, those corporations engaged in import and export, as well as international investment, required the development of a series of instruments to provide a hedge. Herein lies the origin of derivatives, the financial instruments through which currencies can be purchased at a fixed rate in the future.

But once the system of future contracts became established, it developed a life of its own. Future contracts could be bought and sold and profits could be made through arbitrage—trading to take account of different currency valuations across the globe. Thus a system that began as a means to service the needs of productive capital soon established itself as a vast new market.

Attac and its supporters lose no opportunity in their publications to point to the staggering growth of global financial markets and the accompanying increase in speculation over the past two decades. But never do they probe the reasons for this phenomenon, merely counterposing the “bad”—finance capital and speculation—to the “good”—productive capital.

However, further examination reveals that one of the underlying reasons for the growth of financial speculation has been the ever-present downward pressure on profit rates over the past 20 years. Financial speculation has assumed increasing importance under conditions where overcapacity has emerged throughout the capitalist economy, meaning that capital finds it increasingly difficult to accumulate profits through productive investment and turns to other means.

One recent study of this process has noted that “an increasing proportion of the total return on investments since the start of the 1980s has resulted from capital gains (an appreciation in the market value of the securities concerned) rather than earnings (dividends or interest plus reinvested profits), with the former accounting for as much as 75 percent of total returns in the USA and Britain—compared with well under 50 percent (on average) in the 1900-1979 period as a whole” [Harry Shutt, *The Trouble with Capitalism*, page 124].

The pressure on the rate of profit is manifested not only in increased speculation but in more fundamental processes as well. Under the pressure of finance capital, demanding increasing returns on shareholder value, on pain of being denied access to additional funds, productive capital directly engaged in the extraction of surplus value from the working class has been forced to carry out a vast re-organisation of the production process.

The globalisation of production, the merger movement not only within countries but, above all, on a global scale, the continuous introduction of

new technologies, the relentless downsizing in major corporations and the consequent increasing intensity of the labour process (both physical and intellectual) are all expressions of this drive by finance capital for the increased extraction of surplus value.

But it would be completely wrong to see this pressure as emanating from finance capital as such. Rather, the dictates of the financial markets represent the drive of capital as a whole to overcome the tendency of the rate of profit to fall, a tendency, which as Marx demonstrated, is rooted in the very foundations of the capitalist mode of production itself.

Throughout its history, the capitalist mode of production has continuously revolutionised the processes of production, resulting in an increase in the productivity of labour.

However, this affects the rate of profit—the essential determinant of the rate of capital accumulation—in two contradictory ways. On the one hand, to the extent that rising labour productivity reduces the proportion of living labour—the ultimate source of all surplus value and profit—in the production process, it tends to lower the rate of profit. On the other hand, to the extent that increased labour productivity increases the surplus value extracted from each worker, it tends to increase the rate of profit.

The history of postwar capitalism can only be grasped on the basis of these two tendencies. The restabilisation and expansion of capitalism in the postwar period was based on the extension, to Europe and the rest of the world, of the vastly more productive assembly-line methods of production developed in the US in the 1920s and 1930s. This induced an increase in the rate of profit as a whole, giving rise to a “golden age”—the period from 1945 to 1970—to which Attac and the other proponents of regulatory policies look back so longingly.

But the postwar expansion did not do away with the contradictions of the capitalist system. The pressure on the rate of profit began to reappear from the late 1960s, and for the past 25 years capital has been engaged in a drive to once again increase labour productivity.

This has not led to a return, however, of the conditions of the postwar expansion. On the contrary, as a result of the entire antecedent development in the productivity of labour, stretching back over 200 years, the point has now been reached where further increases in the productivity of labour are unable to counter the tendency of the rate of profit to fall. In fact, further increases in labour productivity, which capitalist firms are compelled to try and develop under the pressure of competition in the market, rather than lessen the pressure on profit rates, tend to increase it.

This is what lies behind the frantic struggle by capital, not only to drive down wages and conditions, but to claw back the social welfare and other concessions it was forced to make in an earlier period, in a desperate bid to increase the mass of surplus value available to it. Herein lies the source of the relentless attack on the living standards and social conditions of working people in the developed and poor countries alike. It is being led and organised by finance capital, not in opposition to productive capital, but in the interests of capital as a whole.

This analysis of the operations of finance capital, and its relationship to the capitalist system as a whole, exposes the fallacies of the Attac program.

The re-regulation of finance capital, even if it were carried out, could not return the conditions of the postwar boom, or anything approaching them, because these conditions were shattered by the very development of capitalist production itself.

The vast increases in labour productivity, arising from the technological transformations in production processes during the past two decades, have created a crisis for the global capitalist system. It cannot be resolved either by the neo-liberal program of the “free market” or by the imposition of new forms of regulation by the nation-state. This conclusion, arrived at from a consideration of fundamental economic tendencies, has far-reaching political implications.

The root of the crisis lies in the contradiction between the productive

forces created by capitalism, manifested in the rising productivity of labour, and the social relations based on the private appropriation of profit and the nation-state system.

But the very growth of labour productivity, which is at the heart of the global crisis of capitalism, provides the material foundations for a higher social order.

Attac, and other proponents of the Tobin tax, point to the vast flows of international finance and the accumulation of enormous wealth in the hands of a tiny minority to correctly draw out that more than sufficient resources exist to provide all the people of the world with decent and improving living standards.

But their program does not aim to realise such a perspective. Rather, its purpose is to prevent the anti-capitalist movement from developing a conscious international socialist perspective and to turn it back, instead, into the embrace of the nation-state. In other words, for all their denunciations of the financial markets, Attac is not an opponent of the global capitalist order. It seeks to provide the bourgeoisie with political defence mechanisms not only against the protest movements but, even more importantly, against the upsurge of the working class these movements presage. That is why Jospin is taking up Attac's policies.

In opposition to Attac and other such movements, the great political task posed by the crisis of global capitalism is not the return to some mythical golden age. It is the development of a political movement of the international working class on the basis of a socialist program aimed at the overturn of global capitalism and the reorganisation of the world economy in a progressive fashion. Only in this way can the vast productive forces created by generations of workers be used to meet human need. This is the perspective fought for by the International Committee of the Fourth International and the *World Socialist Web Site*.



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