

A lecture by Nick Beams

# The World Economic Crisis: A Marxist Analysis

## Part 5

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*The following is the final part of a lecture delivered by Nick Beams, national secretary of the Socialist Equality Party (Australia) and a member of the International Editorial Board of the World Socialist Web Site, to audiences in Perth, Melbourne and Sydney in November and December, 2008. Part 1, Part 2, Part 3 and Part 4 were published on December 19, 20, 22 and 23, respectively.*

The vast changes that occurred in the global capitalist economy in the past three decades failed to resolve the fundamental contradictions that had erupted in the late 1960s and early 1970s. These contradictions were temporarily suppressed, only to re-emerge in an even more explosive form.

To return to the ABCs of Marxism: the material productive forces have once again come into conflict with the social relations of production, giving rise to a new period of social revolution, in which the fate of the working class, and humanity as a whole, will be decided. It is for precisely such a period that we must now prepare.

Above all, this requires the development of a program and perspective—the program of international socialism—on which the working class must advance its own independent interests. It can only be established and, most importantly, fought for, through a clear differentiation from the policies advanced by the various "left" reformers and radical tendencies.

All of them, in one way or another, maintain a profound faith in the permanence of the capitalist order, seeking to block the political development of the working class. They do this either by downplaying the extent and significance of the global crisis, or by insisting it can be overcome through a series of reforms. Let us examine the positions of some of them.

For would-be Keynesians, such as the writer Naomi Klein, the source of the crisis is political. It lies in the decisions made to abolish the regulatory regime that operated in the post-war period. Any analysis that goes further, that recognises that the collapse of the post-war system of regulation was not a product of ideology, but of deep-seated contradictions within the capitalist system itself, is dismissed by Ms Klein as "fundamentalism," on a par with the fundamentalism of free market ideology or of Stalinism.

No doubt Klein genuinely holds such views. But they serve very definite political and class interests. Their role is to divert those people who are being radicalised by this crisis, especially young people, from seeking a genuine revolutionary socialist perspective.

According to Klein, tougher regulations should be put in place and all will be well. This is the theme of her article published in the December 1 edition of the *Nation* entitled, "In Praise of a Rocky Transition"—in

contrast with the incoming Obama administration's call for a "seamless" transition.

After denouncing the stock market for having the "temperament of an overindulged 2-year-old", Klein writes: "One thing we know for certain is that the market will react violently to any signal that there is a new sheriff in town who will impose serious regulation, invest in people and cut off the free money for corporations. In short, the markets can be relied on to vote in precisely the opposite way that Americans have just voted. ... There is no way to reconcile the public's vote for change with the market's foot-stomping for more of the same. Any and all moves to change course will be met with short-term market shocks. The good news is that once it is clear that the new rules will be applied across the board and with fairness, the market will stabilize."

Not surprisingly, this call to put a bit of regulatory stick about the place is coupled with friendly advice to the incoming president. Klein politely raises that the shocks of the past three months provide him with the opportunity to honour the wishes of the electorate and "do the hard stuff first".

A common characteristic of many would-be "left" reformers is their refusal to draw any lessons from history or to critically examine the logic of their political perspectives.

The British anti-debt campaigner Ann Pettifor, writing in the *Guardian* of October 21, calls for a "great transformation" to reverse the most pernicious elements of the failed "globalisation" experiment.

The financial markets, she insists, must be "tamed", the national state "upsized" so that governments can make effective decisions, and the single global market "downsized" and replaced with an international trading system based on the concept of "appropriate scale".

Ms Pettifor's prescriptions recall nothing so clearly as the "left" policies of the right-wing and fascist movements of the 1930s, including that led by Oswald Mosley in Britain, who spent an early part of his career as a Labour Party "left". Those movements likewise denounced the world market in favour of the national state and gave vent to their hostility toward "globalisation," or "cosmopolitanism" as it was then called.

Pettifor's call for the power of national governments to be strengthened may well take place as the logic of the bailout process begins to unfold. The banking crisis has already led to deep splits among the European governments, with each of them stepping forward to defend their "own" institutions. And if the US administration does bail out the auto companies, there could well be similar moves by other governments to defend their own "national champions".

In other words, while all national governments proclaim their opposition to the erection of the kind of tariff barriers that caused such devastation in

the 1930s, an equally destructive form of protectionism may develop as they each assume increased powers to defend their "own" industries. And Pettifor's call for an "appropriate scale" in international trading is reminiscent of the trading blocs that formed in the wake of the collapse of the global market in the 1930s--a development that culminated in war.

The Keynesian "lefts" support the implementation of an economic stimulus package and anxiously await the coming to power of the Obama administration on January 20.

However, the accelerating economic crisis is developing well beyond the scope of the president-elect's proposed measures. On November 22, Obama announced an economic plan to create 2.5 million jobs in 2009 and 2010. But it has already been rendered a dead letter by a statement issued on November 7 from the Bureau of Labor Statistics.

According to the BLS: "Employment has fallen by 1.2 million in the first 10 months of 2008, over half of the decrease has occurred in the past 3 months... Over the past 12 months, the number of unemployed persons has increased by 2.8 million, and the unemployment rate has risen by 1.7 percentage points."

The would-be reformers continually attempt to portray what they call the "neoliberal" regime of the past 30 years as some kind of economic "model," which most now be exchanged for a new one.

In its statement on the economic crisis, the French-based organisation ATTAC, well known for advocating a turnover tax on all international financial transactions, called for a new paradigm "where finance has to contribute to social justice, economic stability and sustainable development." The present "model" had been completely discredited and clear consequences had to be drawn so that "political and economic decision-makers fully turn around this unsustainable and un-equitable financial system towards the needs of people, equity and sustainability".

In recent years, organisations such as ATTAC that were involved in the so-called anti-globalisation movements advanced the slogan "Another world is possible," creating the illusion that, in some way, they might be for the ending of the capitalist system. In its latest statement ATTAC has refurbished the slogan to read "Another finance system is possible: Stability and solidarity before profits."

Its call for the setting up of an institution under the auspices of the United Nations to "strictly regulate and re-orient the financial system" will prove no more successful than the attempts in the UN to prevent the United States from launching its criminal invasion of Iraq in 2003.

One of the most prominent intellectuals of the Communist Party of India (Marxist), Prabhat Patnaik, gives a "left" slant to the Keynesian program of increased government spending. In a "Perspective on the Crisis" published on October 13 he writes that the need of the hour is not just the injection of liquidity into the world economy, but the injection of demand through increased spending.

Moreover, he continues, "the general objective of such spending must be the reversal of the squeeze on the living standards of the ordinary people everywhere in the world that has been a feature of the world economy in the last several years". The "new growth stimulus" must come not from some new speculative bubble but from "enlarged government expenditure that directly improves the livelihoods of the people, both in the advanced and in the developing countries".

To advance the notion that governments can somehow be pressured into lifting living standards and that this would alleviate the crisis of the capitalist economy is to blind the working class and the oppressed masses as to the real situation they confront.

At the heart of the crisis is the over-accumulation of fictitious capital in relation to the surplus value extracted from the world working class. This means that any improvement in living standards will exacerbate the crisis of profitability. That is why governments around the world, while handing out billions to the banks and financial institutions, will seek to drive down further the living standards of the working class, as the negotiations in the

United States over the proposed bailout for the major car producers clearly demonstrate.

The perspective offered by the various radical tendencies is no different from that of the left Keynesians. In Australia, the Socialist Alliance is so confident of the capacity of the state to deal with the global final crisis that a perspectives document prepared for its recent sixth national conference made no reference to it, until the omission was noted in a letter to the group's national executive.

The Socialist Workers Party in Britain, which tries to project itself as a "Marxist" organisation, rejects any prospect of building an independent revolutionary party of the working class. According to a statement issued by the International Socialist Tendency, to which the British SWP is affiliated, the task is to develop "a broader radical left that can begin to present a credible and principled alternative to capitalism".

Such an alliance will undoubtedly contain Keynesian "lefts" and adherents of groups such as ATTAC, all of whom are deeply hostile to socialism. In any case, there is no great urgency since, according to SWP leader Chris Harman, the crisis will not develop on the scale of the 1930s because "the state will intervene".

At an SWP-organised conference on "Marxism and the Economic Crisis" last month, long-time radical Robin Blackburn insisted that all that was possible was a series of reforms of a "state capitalist nature".

The scepticism and outright cynicism marking the outlook of the middle class radical milieu was articulated most clearly in a comment, entitled "Marxism and the Economic Crisis," by Rohini Hensman, posted on the website, Countercurrents.Org, on October 30.

"Some socialists," she wrote, "have suggested that this is the end of capitalism, but the notion that the divided, confused and demoralised workers of the world are ready to take over and run the world economy sounds highly unrealistic. To adapt a metaphor used by Marx, that would be like performing a Caesarian section to deliver a 16-week-old foetus: it simply would not survive. And until it develops sufficiently to be able to do so, we have to ensure the health of the capitalist mother."

Ms Hensman is only summing up more clearly and more openly the position of all the radicals: the working class is simply not capable of being won to, and advancing, the fight for socialism. In the 19th century, Marx developed his scientific socialist outlook in constant struggle against the various forms of utopian socialism that emerged at the dawn of capitalist development. Today, as the profit system enters its death agony, the radicals step forward with what can only be described as a program of "utopian capitalism" to try to block the development of a mass socialist movement.

## **The perspective of the International Committee of the Fourth International**

I have spent some time making a critique of these positions because it helps illuminate more clearly the perspective on which our movement, the International Committee of the Fourth International, bases its struggle.

How is this crisis going to develop? This question quite naturally springs to mind at the conclusion of a lecture such as this. In considering it, I am reminded of a letter sent by Marx to his lifelong collaborator Frederick Engels in which he outlined to Engels the third volume of his monumental work, *Capital*. At the end of the letter, after he had discussed the rate of profit, the equalisation of profit, credit, interest, merchants' capital and the rate of surplus value, among other things, Marx wrote: "[W]e have the *class struggle*, as the conclusion in which the movement and disintegration of the whole shit resolves itself."

I raise this rather blunt assessment in order to emphasise a very

important point. We have reached a point in history where once again the material forces of production have come into violent conflict with the social relations of capitalism within which they have hitherto developed. Now begins an era of social revolution in which men become conscious of this conflict and fight it out. That is the significance of the recent occupation of Republic Doors and Windows by workers in Chicago and the mass demonstrations in Iceland.

How, then, do we proceed? Do we have some crystal ball that will tell us exactly what will happen and when? Of course not. And in any case, the situation will not be determined simply by the relationship of abstract economic categories. These categories are themselves only the expression of the movement of social classes. The class struggle, for so long hidden and concealed, is going to assume more open forms.

We begin our work, not from the present level of consciousness of the working class, but from the objective situation and the tasks that it poses.

Trotsky emphasised the importance of this approach in preparing for the founding of the Fourth International in 1938: "The program must express the objective tasks of the working class rather than the backwardness of the workers. It must reflect society as it is, and not the backwardness of the working class. It is an instrument to overcome and vanquish the backwardness. That is why we must express in our program the whole acuteness of the social crises of capitalist society, including in the first line the United States. We cannot postpone or modify objective conditions which don't depend on us. We cannot guarantee that the masses will solve the crisis; but we must express the situation as it is, and that is the task of the program."

There is no question that there is great political confusion in the working class. How could there not be? For decades the working class has been dominated by the social democratic, Stalinist and trade union bureaucracies, all of which have waged a continuous war, ideological and physical, against socialism.

Yes there is great confusion. But there is a much more powerful factor: the greatest financial crisis since the Great Depression, which is creating the material conditions to overcome that confusion. Our movement, and the program for which it fights, can and must become a decisive factor in this process. That is our starting point.

The task of the revolutionist, Trotsky once wrote, is to extract from every given historical situation "the maximum that it is capable of rendering toward the advancement of the revolutionary class". Any outlook that begins, not from the present objective situation, but rather from the confusions built up over previous decades, necessarily becomes, in this period, a source of further confusion and a political prop for the crumbling capitalist order.

Our perspective is grounded on an objective assessment of the historical crisis of capitalism. In the first place, therefore, it seeks to rearm the working class with the understanding that its task is the world socialist revolution and that only on this basis can the interests of humanity as a whole be advanced.

It is painfully clear that there is no way out of this crisis on a national basis. The notion that some areas of the world could "decouple" from its effects lasted about five minutes once it began to gather pace. The global financial and economic crisis can only be resolved on an international scale. And the material and social forces to accomplish this have already been forged by capitalism itself.

Globalised production has created a global working class whose material interests are determined by the struggle against global capital. There is no road forward for the American, Australian and European working class outside its unification with the struggles of the working class in China, India, Asia and Africa. Likewise, there is no way forward in these regions on the basis of any kind of national development.

The program for the unification of the working class is the world socialist revolution: that is, the overthrow of the capitalist ruling class and

the development of a planned world economy based on the democratic decision-making of the world's producers. No longer will millions of people have their lives turned upside down, and the future of their children destroyed, by the blind workings of the capitalist market and the drive for profit. They themselves will take part in the organisation of economic life.

The fulfilment of this perspective does not mean that the working class has to come to power all at once and everywhere. What it does mean is that the political struggle of the working class in every country—the fight for a workers' government and the establishment of an economy in which the banks, major financial institutions and key industries are publicly owned and democratically controlled—must be grounded on this global perspective.

An international economy in which the market is replaced by the democratic decision-making of the world's people? How is that possible? What kind of complex infrastructure would have to be set in place to realise such a goal? In fact, it has already been established.

One hundred and fifty years ago, Marx explained that as the market became increasing autonomous, standing like an alien force over every individual, efforts inevitably emerged to overcome that autonomy.

"[I]nstitutions emerge whereby each individual can acquire information about the activity of all others and attempt to adjust his own accordingly, e.g. lists of current prices, rates of exchange, interconnections between those active in commerce through the mails, telegraphs etc. (the means of communication must grow at the same time.) This means that, although the total supply and demand are independent of the actions of each individual, everyone attempts to inform himself about them, and this knowledge then reacts back in practice on the total supply and demand. Although on the given standpoint, alienation is not overcome by these means, nevertheless relations and connections are introduced thereby which include the possibility of suspending the old standpoint."

Look through Marx's somewhat Hegelian language and you can see that he is referring to precisely the kind of developments that have now taken place, and pointing to their role in establishing the conditions for a socialist economy.

The widening and deepening of international financial markets, the result not least of derivatives trading, has created a system that provides virtually instantaneous information about global developments, which then are factored into credit evaluations and funding decisions.

At the same time transnational corporations, responsible for an ever-increasing share of global production, plan their operations across continents and time zones. And these vast operations are co-ordinated and organised by workers with all manner of skills and capacities. The problem is not one of technology or information. It is political. These vast productive forces, created and sustained by the physical and intellectual labour of the world working class, are subordinated to the irrational and destructive drives of the outmoded capitalist profit system. They must be liberated so that mankind can resume its historical progress. That is the historical significance of this global economic crisis and of the international program advanced by our movement to resolve it.

*Concluded*



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