

Nick Beams opening report to SEP summer school

The crash of 2008 and its revolutionary implications

Part 4

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The following is the conclusion of the opening report delivered by Nick Beams, national secretary of the Socialist Equality Party (Australia) and a member of the International Editorial Board of the WSWs, to a summer school held by the SEP in January, 2009 in Sydney. Parts 1, 2 and 3 were published on February 4, 5 and 6 respectively.

What flows from our assessment of the origins of the present situation is that nothing less than an international socialist revolution can overcome the crisis of the capitalist mode of production and, moreover, that is the only way to prevent mankind being plunged into a catastrophe. This conception is central to our struggle to develop the political consciousness of the working class.

The bourgeoisie has experienced a devastating ideological collapse. The entire "free market" ideology on which it has based its attacks on the working class over the past three decades lies in tatters. Consequently, we see a desperate attempt to conjure up the illusion that a solution to this crisis within the framework of capitalism does exist. Various Keynesian, "left-wing" and even so-called Marxist economists are being mobilised in this endeavour. And beyond them, the bourgeoisie is actively seeking to cultivate new props from among the various radical groups.

On the economic front, a statement signed by some 20 "left" economists and issued on January 1, under the auspices of the Schwarz Center for Economic Analysis at the New School and the Political Economy Institute based at the University of Massachusetts, is typical.

It begins by warning that not since the Great Depression has the world faced an economic crisis like it does today, with a series of interlocking downward pressures from financial markets reaching into the real economy and unraveling economic stabilisers and institutions.

"Swift and coordinated action by the Obama administration, other national governments and international financial institutions can stave off these crises if the action is boldly directed at serving the needs of people and communities, rather than protecting the failed institutions and past practices that helped create the crisis."

These "lefts" would like to present Obama as some kind of new Roosevelt. But the whole situation of American capitalism has undergone a vast change in the past 75 years. When Roosevelt took office in 1933, America was still a rising economic power. No longer. Now it is the most indebted country in the world. Obama has pledged to provide a boost in spending, largely to benefit business, but under conditions where American indebtedness threatens to explode, he has made clear that social security entitlements will come under attack.

A similar statement was issued last September by a group calling itself European Economists for an Alternative Economic Policy. Like their

American counterparts, they state that their policy prescriptions are based on the analysis advanced by Keynes in the depression of the 1930s.

"Our proposals for an alternative economic policy to counter the financial crisis and the looming recession in Europe start from John Maynard Keynes's famous notion that public policy must encourage the 'euthanasia of the rentier'. ... In an alternative scenario, credit should not be employed for short-term financial gains but rather for encouraging productive investment so as to promote full employment and to contribute to the fight against poverty and exclusion."

These economists go on to outline a series of reforms, including an end to the privatisation of pensions, more democratic control over financial institutions and an end to those financial practices that have accelerated the movement to greater social inequality. Policies aimed at full employment and social cohesion would "transform finance and embed the financial sector as an important and indispensable element into this new framework. This would not be the end of capitalism but it would be the end of finance-driven capitalism."

The basic fallacy of this reformist program is that it proceeds from the assumption that the vast expansion in finance over the past three decades is somehow an unfortunate outgrowth that has arisen on an otherwise healthy real economy; that finance, which is supposed to function as an aid to productive economic activity, got out of control because of lax regulation and neo-liberal ideology, and now has to be brought back under control.

This is to ignore the vast structural changes in world capitalism over the past 30 years. At the beginning of the 1980s, the US finance sector appropriated between 5 and 10 percent of corporate profits. In 2006 the figure was 40 percent. This is a qualitative transformation of the US economy. And it developed in response to the crisis in accumulation at the end of the 1970s. The new mode of accumulation has been based on financial operations, fueled by vast increases in debt. As a percentage of gross domestic product (GDP), US debt rose from 163 percent in 1980 to 346 percent in 2007. Household debt went from 50 percent of GDP in 1980 to 100 percent in 2007.

The most rapid increase, however, was in the financial sector. Its debt rose from 21 percent of GDP in 1980 to 83 percent in 2000 and 116 percent in 2007.

What these figures show is the crucial role of the finance sector in profit accumulation and the role of debt-creation in the entire process. This transformation in the mode of accumulation, which has spawned a new range of financial instruments, especially derivatives, is not confined to the United States. In Britain, for example, it has been estimated that employment in the finance sector has increased by 22 percent since 1984.

There are 30 local authorities in Britain where at least 25 percent of the workers who live there are employed in business and financial services. And nine of 11 British regions have at least one local authority where 20 percent of residents work in business and financial services.

A study published in 2003 found that in most OECD countries the share of rentier income—income going to the finance sector—had "dramatically increased." It found that from the 1960s and 1970s to the 1980s and 1990s, the rentier share in the UK had increased by 143 percent, in the US 92 percent, in Korea 112 percent and in France 155 percent.

Far from finance somehow being an excrescence on the otherwise healthy body of the capitalist economy, its growth signifies the emergence of all the contradictions inherent in this mode of production. The circuit of capital is $M \rightarrow M'$ —an initial outlay of money, M , that is returned with an increment, M' . Money-capital is the starting point and the point of return of the whole process.

"It is precisely because the money form of value is its independent and palpable form of appearance that the circulation form $M \dots M'$, which starts and finishes with actual money, expresses money-making, the driving motive of capitalist production, most palpably. The production process appears simply as an unavoidable middle term, a necessary evil for the purpose of money-making" (Marx, *Capital* Volume 2, p. 137).

In other words it is not finance that is incidental to real production, but rather production which, as Marx puts it, is a "mere means for the valorisation of the value advanced."

That is why the historic crisis of the capitalist system as a whole makes its appearance as a financial crisis, because the very process of financialisation has raised all the contradictions of the capitalist mode of production to a new peak of intensity.

The rise of finance has been inseparable from the development of a regime of accumulation that has integrated all sections of the world's population into the global circuit of capital.

In the first decade of the twentieth century Rosa Luxemburg, mistakenly, considered that capitalism would break down because all the non-capitalist regions of the world had been incorporated by the imperialist powers.

While her specific assessment was wrong, history has certainly vindicated her emphasis on the crucial role of the less developed regions of the world.

Capital managed to overcome the last crisis of accumulation through the incorporation of cheap labour in China, India and other regions into its global circuit. But, in doing so, it did not resolve its fundamental contradictions. Rather, it created the conditions for their eruption in an even more explosive form. The tendency for the rate of profit to fall was countered for a period of time through the super-exploitation of labour in China and elsewhere, as well as through the driving down of the conditions of the working class in all the advanced countries over a 30-year period.

However this process, in turn, created a vast mass of fictitious capital, which stakes its claim on the accumulated surplus value. How are these claims to be met? There is not another China waiting in the wings to pump new blood into capitalism's arteries, and even if there were, the boost obtained by employing labour costing one thirtieth of that in the advanced capitalist countries cannot be repeated.

Whole sections of capital must be eliminated through recession and slump, through trade war and, if necessary, mechanically through war itself. And all around the world, the "lefts" are going to play a leading role in supporting their "own" bourgeoisie in the war of each against all.

The ideological preparations are already being made. The latest issue of the *Nation* contains an article by William Greider, who points out that a stimulus policy by one nation alone will not work because "the most complex barrier to recovery is globalisation and its negative impact on the economy." The Obama stimulus package, he continues, might restart

factories in China, but leave US unemployment high.

What is the answer? A global stimulus package. But what if other powers do not agree? "The United States could propose the outline with one crucial condition: if the trading partners are unwilling to act jointly, Washington will have to proceed unilaterally."

So much for the "lefts" criticisms of George W. Bush. And what would such a program involve? Tax penalties plus national economic policies to induce multinational corporations to keep more of their value-added production at home, to be enforced through the tax code and "if necessary, a general tariff that puts a cap on imports." Back to the national hearth—a return to the policy of "beggars thy neighbor".

It is no accident that the breakdown of capitalism has emerged in the form of a global financial crisis because, as Marx explained, the credit system has been the means through which capitalism has always overcome constrictions in its development. Hence credit "accelerates the material development of the productive forces and the creation of the world market, which it is the historical task of the capitalist mode of production to bring to a certain level of development, as material foundations for the new form of production. At the same time, credit accelerates the violent outbreaks of this contradiction, crises, and with these the elements of dissolution of the old mode of production.

"The credit system has a dual character immanent in it: on the one hand it develops the motive of capitalist production, enrichment by the exploitation of others' labour, into the purest and most colossal system of gambling and swindling, and restricts ever more the already small number of the exploiters of social wealth; on the other hand it constitutes the form of transition towards a new mode of production."

Where do we stand historically? There is no question that the year 2008 marks a fundamental turning point in the curve of capitalist development. This is not just a sort of very deep recession, but the end of an entire historical epoch. The historic breakdown of the capitalist mode of production means that we have once again entered a period of wars and revolution.

All kinds of social and political struggles are going to develop all over the world. This will create new opportunities and challenges for our party.

Our central task in the coming period is to introduce into these struggles a Marxist perspective, based on the analysis carried forward by our movement, and only by our movement, of the historical lessons of the strategic experiences of the working class throughout the past century.

Concluded



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