IMF director warns of war

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25 March 2009

Dominique Strauss-Kahn, managing director of the International Monetary Fund, warned on Monday that the global economic situation is "dire" and could lead to social upheaval and war. The statement is the latest in a series of worried pronouncements from leading international figures in the financial and political establishment.

The IMF is projecting a 1 percent decline in the global economy this year, which Strauss-Kahn noted would be "the first setback of the world economy in over 50 years." The IMF chief was speaking before a meeting of the International Labour Organization (ILO) in Geneva, Switzerland.

The economic crisis, Strauss-Kahn said, would affect "dramatically unemployment for many countries. It will be at the roots of social unrest, some threats to democracy and maybe for some cases, it can also end in war."

Without citing specific countries, Strauss-Kahn also warned of regions of the world where "the financial collapse risk does exist."

The implications of the economic collapse for working people internationally are still in their initial stages. The ILO predicted in January that up to 50 million jobs would be eliminated throughout the world in 2009. This is likely an underestimation, as the economic crisis has sharply accelerated over the past several months.

Strauss-Kahn's position is one of concern over the prospect of mass opposition to the policies of the ruling elite as the economic situation deteriorates. He pleaded for the capitalist powers to implement policies that would prevent the crisis from "becoming a wasteland of unemployment." The major architects of the capitalist system over the past several decades are keenly aware that they have created an economic catastrophe that threatens social upheaval.

While Strauss-Kahn did not specify what he meant by the danger of war, his remarks came in the midst of hardening conflicts between the major powers over economic policy in the run-up to the G-20 summit meeting of major economies in London next month.

On Tuesday, German President and former IMF chief Hörst Koehler echoed some of Straus-Kahn's concerns and urged the countries participating in the G-20 summit to come up with a common plan for restructuring the world financial order. "I stand by my suggestion of organising a Bretton Woods II under the auspices of the United Nations to push forward a fundamental reform of the international economic and financial system," Koehler said. He warned that the outcome is a "test for democracy as a whole. Many citizens are unsettled. The coming months will be very tough."

In the back of the minds of many heads of state and figures such as Strauss-Kahn is no doubt the last time world leaders gathered in London to discuss a financial crisis. At the 1933 London conference, the major powers failed to come up with any coordinated agreement to respond to the Great Depression. The breakdown of the conference accelerated protectionist and beggar-thy-neighbor policies, which intensified the slump and exacerbated national antagonisms, culminating in the eruption of World War II.

As in 1933, world leaders are today proclaiming the need for international coordination, even as they fiercely defend the national interests of their respective financial and corporate elites.

In a column published in many world newspapers on Tuesday, US President Barack Obama asserted that "the leaders of the Group of 20 have a responsibility to take bold, comprehensive and coordinated action that not only jump-starts recovery, but also launches a new era of economic engagement to prevent a crisis like this from ever happening again."

The US continues to insist that European countries

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implement expanded stimulus packages, while Europe—particularly France and Germany—are insisting that the summit focus on new international financial regulations. While making vague reference to new regulations, Obama wrote that the efforts of the major powers "must begin with swift action to stimulate growth" and that fiscal stimulus "should be robust and sustained until demand is restored."

French Prime Minister Francois Fillon argued on Monday that France had already committed sufficient resources to stimulus and that it was necessary to "avoid creating a bubble of public debt." The major European powers have opposed further stimulus packages, in part over concern over inflation and the stability of the euro.

Whatever Obama's talk of "coordinated action," the US is implementing a policy that approaches the financial equivalent of preemptive war. The government has committed trillions of dollars to bail out Wall Street and US banks. Capitalizing on the still privileged position of the US dollar, the American ruling class is intent on funding these bailouts through the sale of massive volumes of debt on world markets, sucking up available financing and making it more difficult and expensive for other countries to get funding for their own programs.

The United States has initiated a policy of printing vast quantities of money—in part to finance the very debt that it is creating to bail out its banks. This potentially inflationary policy has generated an extremely nervous reaction from other powers, most noticeably China, which has over $1 trillion in dollar-denominated assets. These assets would plunge in value in the event of a major decline in the value of the dollar.

The head of the Chinese central bank argued on Monday for a new international currency to replace the dollar as the world reserve currency. On Tuesday, Li Xiangyang of the government-backed Chinese Academy of Social Sciences called the Fed's new policy of purchasing US Treasuries "irresponsible." He said that China would likely ask for "specific measures" on the part of the US to ensure the value of Chinese holdings.

Behind these policy differences are competing interests. The financial stakes are considerable. Tens of trillions of dollars in paper wealth have been destroyed on world markets since the crisis began. The combined wealth of the world's billionaires has declined by almost a half. How will these losses be allocated?

Whatever the hopes of Strauss-Kahn and Koehler for a more coordinated policy that will help head off social conflict, there is an inexorable logic to the class interests involved. On the one hand, the ruling class in every country will work ruthlessly to impose the burden of the economic crisis on the backs of working people. This is already taking place through massive job- and wage-cutting and attacks on social programs. On the other hand, the economic crisis will exacerbate the struggle over resources between the major powers—a struggle that, within the capitalist system, can ultimately be resolved only through war.

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