

Two years since the collapse of Lehman Brothers

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Two years after the collapse of Lehman Brothers sparked the greatest financial and economic crisis since the Great Depression of the 1930s, none of the underlying contradictions of the world capitalist system has been resolved. On the contrary, they are assuming ever-more malignant forms as the ruling classes all over the world launch an offensive against the working class to make it pay for the crisis.

Within weeks of Lehman's demise, the entire global financial system was on the brink of collapse. The US president went on television to warn that "major sections of American financial system are at risk of shutting down" and that without emergency measures "America could slip into a financial panic." Nothing like it had been seen since the depths of the crisis of the 1930s.

Over the next three months world trade, investment, stock market prices and industrial production began to fall at a faster rate than the corresponding period following the Wall Street crash of October 1929.

The meltdown of the entire financial system was only halted through the greatest bailout of the banks and financial institutions in history. After years of meeting every demand for improvements in social conditions with the reply "there is no money", governments and central banks around the world suddenly found hundreds, if not thousands, of billions of dollars. In total, the rescue operation is estimated to be around \$14 trillion, equivalent to one quarter of world gross domestic product.

Faced with deep anger over the fact that they were rescuing the very institutions that had caused the crisis, government leaders adopted a certain "leftist" pose. Action, they insisted, would be taken to ensure that this could never happen again. The banks and finance houses

whose reckless, and in some cases outright criminal, activities had caused the catastrophe would be brought under control.

Right-wing figures such as French President Nicolas Sarkozy railed against capitalist excesses. Australian Prime Minister Kevin Rudd penned a 7,000-word essay denouncing "neo-liberalism", insisting that social democracy had to save capitalism from itself.

Two years on, far from being cut down to size, the banks are back in charge. After a series of consolidations and mergers, US banks exercise even greater control over the economy and hence the government than they did before the crash.

Profits have been returned to pre-crisis levels, and multi-million dollar bonuses restored. All over the world the stocks of the super-rich, who derive so much of their wealth from financial activities, are on the rise again, after suffering a minor downturn in 2009.

Far from being made to pay, the banks and financial institutions are profiting from the very crisis that they created.

Last November, the chief executive of Goldman Sachs, Lloyd Blankfein, famously declared that he was "doing God's work". But it was not divine intervention which restored the position of the banks. Much of the increase in the profits of Goldman Sachs and its counterparts has come from borrowing money provided by the US Federal Reserve at close to zero interest rates and then using it to finance US government debt at a higher rate.

The massive bailout operation launched after the collapse of 2008 did not resolve the crisis. It simply

transferred the worthless “toxic assets” accumulated by the banks to the capitalist state. Now the bill is to be paid... not by finance capital but by the working class. This is the significance of the austerity measures being implemented by governments around the world and the development of increasingly authoritarian forms of rule to impose them.

While the banks have profited, the working class faces an ever-worsening situation. In the United States nearly 30 million people are either out of work, under-employed or have dropped out of the workforce. Long-term unemployment is at its highest level since the Great Depression, while the Obama administration, acting on the dictates of finance capital, refuses to implement measures to solve the social crisis.

In Britain, where the City of London was one of the main global centres for financial speculation and outright swindling, millions of people are about to be hit with the most severe cuts in public spending in three generations, far outstripping those of the notorious Thatcher government in the 1980s.

All the governments of Europe are imposing austerity measures following the €750 billion bailout of the banks last May as the financial markets demand that the working class be made to pay. Meanwhile the financial crisis continues to deepen. Last month Morgan Stanley warned that far from having been resolved, the sovereign debt crisis was not confined to Europe but extended all over the world. It was not a question of whether a government would default on its debts, but when. The warning was immediately followed by fresh concerns over the financial stability of Ireland, Portugal and Greece.

In a comment published on Monday, *Financial Times* columnist Wolfgang Münchau noted that two years after the Lehman collapse the “fragility” of the European banking system continued. “I would bet we are still talking about it in five years. That, in turn, means the financial crisis will go on and on and on, at least in the eurozone.”

In the East, the Japanese economy goes from one year of economic stagnation to another with no end in sight as public debt rises to almost 200 percent of gross domestic product.

Any assertion that world capitalism is about to enter a new phase of growth because the rise of China will provide stability is contradicted by the fact that Chinese growth itself depends on the world economy. It should be recalled that after the first great breakdown of world capitalism in 1914, the United States economy enjoyed a massive boom in the 1920s, only to collapse at the end of the decade when it ran into the limits imposed by the world market.

Moreover, the growth of China is creating a series of geo-political, as well as economic tensions, as it runs up against the United States. These conflicts cannot be resolved peacefully any more than they could be in an earlier period when the rise of Germany and Japan could not be accommodated by Britain and the US, and resulted in two world wars in the space of less than four decades.

When the global financial crisis erupted, the WSWS warned it would have two immediate consequences.

Firstly, the ruling classes around the world would seek to refashion class relations and develop ever-more authoritarian forms of rule in order to make the working class pay for the crisis of the profit system. Secondly, there would be a “restructuring” of international relations as the rivalries and conflicts among the imperialist powers deepened.

These warnings have been vindicated. Over the past two years, the entire political superstructure has shifted to the right. That process will continue and accelerate until the working class begins to intervene and advance its own independent socialist program to resolve the crisis in its interests, opening the way out of the blind alley into which capitalism has driven mankind.

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