

Five years since the collapse of Lehman Brothers

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The collapse of the US investment bank Lehman Brothers five years ago, on September 15, 2008, was more than the start of a global financial crisis. It set in motion a series of processes that have brought to the surface the essential economic and political relations of world capitalism.

The historic character of the financial crisis is signified first of all by the fact that rather than removing the threat of a further meltdown, the very measures put in place by governments and financial authorities, based on the provision of ultra-cheap money to finance speculation, are creating the conditions for a new catastrophe.

As a result of the events of 2008, some 8.8 million jobs were wiped out in the US and \$19.6 trillion in household wealth was lost. The intensity of the crisis can be gauged from the extent of the emergency facilities provided to the banking system by the US Federal Reserve. Altogether, some \$17.7 trillion was made available, with the top eight borrowers, including Citigroup, Morgan Stanley and Merrill Lynch, receiving around \$11.5 trillion. This was not a liquidity crisis, but one of insolvency.

Having rescued the major banks and finance houses, the Fed embarked on its program of “quantitative easing,” in the current round of the money-printing campaign pumping \$85 billion a month into financial markets to fund the same kind of speculation that led to the crisis of 2008. According to the *Wall Street Journal*, total corporate bond debt has grown to nearly \$6 trillion, up by 57 percent since 2007. Junk bonds, which made up 17 percent of the corporate bonds sold in the US before the crash, now constitute 25 percent.

The stock market has reached new record highs, while the American economy is growing at little more than 2 percent, well below the level necessary to

accommodate the growth of the labour force and ensuring a continuation of mass unemployment.

In Britain and the euro zone, gross domestic product has not recovered to the level reached in 2007.

The much promoted assertion that the “emerging markets” would be able to decouple from the advanced economies and provide a new basis for global economic growth has been shattered. In fact, these economies may provide the impetus for a new financial meltdown. The cheap money that poured into them and inflated a series of speculative bubbles is withdrawn as the Fed begins to wind down its asset-purchasing program.

When the crisis erupted, there were various claims that this would necessarily lead to a reform of the banking system and the break-up of the financial giants that dominate it. On the contrary, five years on, the American banking and financial system is more concentrated than before the crisis. The same is true of Europe, Britain, Australia and other economies.

Despite the criminal character of the financial practices that contributed to the crash, not a single leading executive has been prosecuted, let alone jailed. As US Attorney General Eric Holder explained, the Obama administration refuses to prosecute the major banks or their top officials for fear of setting off a crisis with global consequences.

The essence of the US “recovery” is the redistribution of wealth up the income scale. Between 2009 and 2012, during the so-called “recovery,” total US income rose by 6 percent, with 95 percent going to the top 1 per cent. Real incomes for the majority of the population have fallen.

The labour share of national income has fallen from 62 percent before the eruption of the financial crisis to around 59 percent today. With US gross domestic product at about \$15 trillion, this means that some \$450

billion has been gouged out of the working class to finance the further enrichment of the financial aristocracy.

For decades, all manner of reformists derided Karl Marx's analysis of the logic of capitalist economy as the accumulation of wealth at one pole and poverty and degradation at the other. Such a characterisation was applicable only to the nineteenth century, or perhaps to the 1930s, they claimed.

But in the aftermath of the crash of 2008, amid widening social inequality, one of the key demands of the financial and corporate elites in all the major advanced capitalist countries is to wind back, if not totally destroy, all the social gains made by the working class over the previous century. A social counterrevolution is underway.

Criminality, parasitism and plunder in the sphere of finance have found their counterpart in the foreign policies of the US and other major imperialist powers. War is now openly employed as the means to secure strategic political and economic objectives--the very issue that formed the legal basis for the charges laid against the Nazis in the Nuremberg trials.

War and social counterrevolution cannot be imposed peacefully or through democratic forms. This is the driving force for the erection of police state apparatuses in all the advanced capitalist countries, centring on vast spying networks. The ruling classes are driven by the fear that another eruption in the global financial system will provoke social upheavals that will assume revolutionary dimensions.

The past five years have seen the eruption of mass struggles, reaching their highest point in the Egyptian revolution. But those struggles themselves have revealed the crisis of leadership and perspective in the working class.

The ruling classes have no confidence in the "recovery" of the economic and social order over which they preside. That is why they are deepening their assault on the social conditions of the working class and preparing authoritarian forms of rule.

The working class must prepare no less consciously, by drawing the lessons of past five years. The capitalist system has failed. It offers no future for the working class and humanity as a whole other than a return to war, dictatorship and mass unemployment. The building of a new revolutionary leadership to fight for

the program of international socialism is the urgent question of the hour.



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