

The economic roots of the drive to war

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The deepening crisis of the global capitalist system, as evidenced in reports issued by the International Monetary Fund (IMF) and the World Bank this week that saw no prospect for increased economic growth, is the driving force of increased tensions among the major capitalist powers and the rise of militarism.

One of the most significant economic manifestations of the capitalist breakdown is the continued lack of investment in the real economy, highlighted in both the IMF and World Bank reports, and the increasing dependence of the world economy on credit bubbles, which is creating the conditions for another financial crisis.

Two events this week threw a spotlight on these interconnected processes. In the United States stock markets rose on Wednesday on the release of minutes from the US Federal Reserve's open market committee which showed that the central bank was in no hurry to lift the near-zero interest rates that have boosted the profits of the banks and financial speculators.

The day before, across the Atlantic, a report was published showing that German industrial production had fallen by 4 percent in July—the largest decline since 2009—and bringing warnings that Europe's major economy could move into recession.

These events form two sides of the same process. The data from Germany, one of the world's major manufacturing centres, is a further manifestation of what has been dubbed "secular stagnation," while the lift in the US stock market was an expression of the financial parasitism that has developed as a result. Both these developments underscore the breakdown of the global capitalist economy.

In *Capital*, Marx explained that so long as things were going well, through the expansion of profits and markets, competition effected a kind of operating fraternity of the capitalist class, as its different sections divided up the loot extracted from the labour of the

working class. But it was a different matter when it became a question, not of sharing profits, but of trying to avoid losses in conditions of contracting markets. Competition then became a fight among hostile brothers as each sought to shove losses onto its rivals.

The different sections of capital have vastly expanded since Marx's day. Now the struggle takes place not among firms operating within a national market. Rather it is a global battle fought by giant transnational corporations whose economic output is bigger, in some cases, than the gross domestic product of entire countries.

The past few weeks have witnessed the eruption of what can only be described as a global iron ore war as the world's major producers confront ever-worsening market conditions—the result of falling global investment, of which steel forms a major component.

This week, BHP Billiton, one of the global iron ore giants, announced that its response was not to scale back production in the face of sharply falling prices—iron ore has dropped from a peak of \$180 per tonne in 2011 to less than \$80 today—but to increase it and to introduce cost-cutting measures aimed at reducing production costs to \$20 per tonne. The aim of this move and similar efforts by the other giants, Rio Tinto and Vale, is to drive higher-cost producers in India, China and elsewhere to the wall by further lowering prices.

So far this global war, which will be replicated in the production and sale of other major commodities, both raw materials and manufactured goods, is confined to the economic sphere. But it will not stop there.

Laying bare the origins of World War I in the basic contradictions of the capitalist economy, Leon Trotsky pointed out that, confronted with the end of the economic boom of the first decade of the twentieth century, the great imperialist powers sought to resolve the crisis of their economic system by "mechanical

means,” that is, through military conflict against their rivals.

The economic conditions to which Trotsky pointed a century ago have returned today with even greater force. Accordingly, the preparations for a resort to “mechanical means” are being made.

It cannot be accidental that, in the past year, as it has been increasingly recognised that stagnation as well as outright recession have become permanent conditions of the world economy, militarism is on the rise.

Both Germany and Japan have overtly scrapped their post-war foreign policy orientation to return to the road they took in the first half of the twentieth century. This takes place as US imperialism intensifies its war drive to dominate the Middle East, presses against Russia and intensifies its pivot to Asia directed against China. The ruling elites of Germany insist that it can no longer function simply as a European power but must take on a global role, while the Abe government has “reinterpreted” the post-war constitution to open the way for Japanese military action beyond its borders.

Economic tensions are increasingly coming into the open. The United States and economic bodies under its influence, such as the IMF, are increasingly hostile to the opposition of German authorities to lift what it regards as repressive financial constrictions on the rest of Europe and thus provide a much-needed boost to the US economy. German ruling elites, on the other hand, bitterly resentful of the actions of US banks and finance houses that precipitated the 2008 crisis with devastating consequences for Europe, are not inclined to take actions which they see would further weaken the position of their banks to the benefit of US finance capital.

Just as the alignment of a compass needle reveals the presence of a magnetic field, so the movement of lesser imperialist powers indicates the basic trend of developments.

Australia is a case in point. Having assumed an integral role in the US anti-China pivot to Asia in 2011, it has increasingly functioned as a point man for US imperialism over the past year, playing a leading role in whipping up hostility to Russia over the still unexplained downing of Malaysian Airlines MH17 in July and then placing itself at the forefront of the US war drive in the Middle East, aimed at a regime change operation in Syria and beyond.

Powerful economic forces, arising from the breakdown of the global capitalist economy, are at work. The period in which Australian capitalism experienced peaceful expansion through the export of iron ore and other industrial raw materials to China has come to an end, leading to the decision in ruling circles that it must align itself ever more closely with US economic, financial and military power in the battles ahead. As the divisions among the major power widen with the deepening of the global capitalist crisis, others will be making similar decisions over where to position themselves.

Of course, the relationship between economic processes and politics is not direct and immediate but assumes complex forms. But the general tendency of development is clear. The ongoing decline in global economic growth—identified but not explained in the IMF report—means that the militarist drive will intensify in the coming period, creating the conditions for the eruption of another world war. That disaster for mankind can only be prevented through an active political struggle for the program and perspective of socialist internationalism advanced by the International Committee of the Fourth International.



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