

Seven years since the Wall Street crash

Nick Beams
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The bankruptcy of the US investment bank Lehman Brothers seven years ago today signalled a breakdown of the global capitalist economy and financial system that continues to deepen.

Within hours of Lehman's demise, it became clear this was not simply the failure of an individual bank, but the expression of a crisis engulfing the entire US and global financial system. At that point, US financial authorities stepped in to bail out American International Group (AIG), a transnational insurance giant that threatened to go under and take the entire American and world financial system with it.

This was the start of a process that has since seen central banks around the world continually increase the supply of ultra-cheap money—the US Federal Reserve alone has pumped out more than \$4 trillion—to finance the speculation and parasitism of the banks and finance houses. These measures have done nothing to alleviate the crisis. On the contrary, they have created the conditions for another disaster.

This is evidenced by the recent violent fluctuations on financial and currency markets, including the fall of the Chinese stock market and collapse of some emerging market currencies in South East Asia to their lowest point since the Asian crisis of 1997–98.

Issuing the latest quarterly review of the Bank for International Settlements at the weekend, the bank's chief economist, Claudio Borio, noted that “debt levels are too high, productivity growth too weak and financial risks too threatening.” Referring to the most recent market turbulence, he warned: “We are not seeing isolated tremors, but the release of pressure that has gradually accumulated over years along major fault lines.”

Not only have none of the underlying contradictions that led to the crisis of 2008 been overcome, the very measures adopted over the past seven years have intensified them.

Parasitism—the accumulation of wealth through financial market speculation completely unrelated to productive activity, and, indeed, inimical to it—has grown to unprecedented heights, while the real economy has stagnated.

Economic output in Europe, one of the central components of the global economy, has still not returned to the levels it attained in 2007. And, as the International Monetary Fund and other major economic bodies have pointed out, investment levels in the major capitalist countries—the key driver of the real economy—are at least 25 percent below pre-crisis levels, with no prospect of revival.

At the same time, Chinese economic growth is falling while so-called emerging markets, once held out as a new basis for global capitalist expansion, are experiencing lower growth or outright contraction amid fears of a major financial crisis if interest rates in the US begin to rise.

One day after the collapse of Lehman Brothers, the *World Socialist Web Site* spelled out its implications in an analysis that has in the intervening period been fully confirmed: “A sea change is unfolding in the US and world economy that portends a catastrophe of dimensions not seen since the Great Depression of the 1930s ... These events are signposts in the historic failure of American and world capitalism. For the working class, they mean a rapid growth of unemployment, poverty, homelessness and social misery.”

In the immediate aftermath of the collapse, the leaders of the major capitalist powers pledged cooperation and collaboration as they tackled the crisis. Those commitments have long gone by the board, replaced by intensifying conflicts over control of markets, competitive currency devaluations and divergent policy measures.

As in the Depression of the 1930s, the capitalist

breakdown has fuelled the drive to war in every part of the world. American imperialism, under the Obama administration, has intensified the drive to bring the vast Eurasian landmass and its economic resources under its control, launching a series of provocations against Russia in the West and making preparations for war against China in the East under the so-called “pivot to Asia.”

German imperialism has initiated a campaign to reassert its position as a global power, while the Japanese government of Prime Minister Abe is moving to do away with restrictions on military activity imposed under the post-war constitution.

In every country, the term “austerity” has become a by-word for deepening attacks on the working class amid rising inequality and social misery. As the wealth of the upper layers increases, wages decline and health care, education and other basic social services are targeted for endless cuts.

The bogus “war on terror” has become the justification for the shredding of fundamental democratic rights and the development of ever more authoritarian forms of rule. This is one of the clearest indications that the ruling classes themselves know they have no solution to the economic breakdown and are preparing to meet the social struggles it must produce with mass repression.

The past seven years of economic breakdown, coupled with the threat of world war, growing repression and poverty, and the creation of the largest number of refugees since World War II, testify to the historic bankruptcy of the capitalist system. That understanding must form the basis for the development of a political struggle of the international working class against war and in defence of social and democratic rights against the financial elites and their governments.



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