

IMF chief points to war danger

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International Monetary Fund managing director Christine Lagarde has pointed to the danger of world war as protectionist trends deepen in the global economy. She expressed the hope that the world had not reached a “1914 moment.”

The warning came in an interview with the *Financial Times* on Wednesday, in which she was asked what would be the consequences of the growth of trade conflicts and economic protectionism. She said “waves of protectionism” in the past had “preceded many wars.”

Lagarde gave the interview at the start of her second five-year term as IMF chief. She said there was risk of another pause in globalisation, akin to that which resulted from the beginning of World War 1.

“I hope it is not another 1914 moment and I hope that we can be informed by history to actually address the negative impact of globalisation in order to leverage the benefits that it can deliver,” she said.

Lagarde pointed to the “increase of protectionism that we have seen recently” and the “need to be very mindful of that” and “resist protectionism, as has been declared by the G20 leaders on so many occasions.”

Despite the repeated declarations by world leaders not to resort to the kind of beggar-they-neighbour policies that characterised the decade of the 1930s and preceded the outbreak of world war in 1939, protectionism is on the rise.

Last month, the World Trade Organisation reported that between October 2015 and May 2016, members of the G20, the world’s major economies, introduced new protectionist measures at the fastest rate since it began keeping records in 2009. Over that period of just seven months, 145 trade-restrictive measures were enacted.

Warning about the consequences of new trade barriers, following the British vote to quit the European Union and a resort to protectionism by the US, Lagarde let slip a revealing glimpse of some of the concerns that

underlie the official language used to try to create the impression that the IMF and other such bodies remain in control.

“I think it would be quite disastrous, actually,” she said. “Well I don’t think I should say disastrous because that is an excessive word and I should refrain from excessive words. But it would certainly have a negative effect on global growth.”

Lagarde is conscious of the growth of hostility worldwide toward governments and the international financial institutions, as a result of the bitter experiences of masses of people over the eight years since the global financial crisis. Mass alienation had been expressed in the Brexit vote, the seething anger toward the political establishment in Europe, in the US presidential primaries and most recently in the Australian election outcome.

“We have to produce policies so that everyone sees the benefits of globalisation, so that it is not seen for certain winners and not for certain losers, that are just left to drift and not paid attention to,” she said.

However, the IMF chief advanced no concrete measures to change the course of economic policies that have produced ever-widening social inequality and the accumulation of vast fortunes by a tiny financial elite at the expense of the overwhelming majority of the world’s people.

Lagarde’s warnings of the dangers of war are a graphic expression of the extreme tensions in the present geo-economic and political situation. But her reference to the danger of a “1914 moment” halting the development of globalisation stands the situation on its head.

The outbreak of war did not arise from some kind of unfortunate accident, or a failure of political leadership, bringing a halt to economic development. It was the very growth of the productive forces and their collision with the framework of the capitalist profit system that

led to war, plunging mankind into three decades of social, political and economic devastation.

As the Russian revolutionist and Marxist Leon Trotsky explained, the 20 years before the outbreak of World War 1 in 1914 saw a massive growth of the productive forces—today characterised as the first phase of globalisation. Yet this very expansion ran up against the barriers imposed by the capitalist nation-state and profit system.

“The market was split up, competition was brought to its intensest pitch, and henceforward capitalist countries could seek to eliminate one another from the market only by mechanical means,” Trotsky wrote. It was not that the war put a stop to the growth of the productive forces, but rather that the war arose from the impossibility of their further development on a capitalist basis.

The economic contradictions that gave rise to the war were not resolved. Rather, they intensified, giving rise to two decades of economic stagnation, depression, trade war and protectionist measures, and the rise of militarist and fascist forces. Just 21 years after the conclusion of the First World War, the even more catastrophic Second World War began.

The parallels with the present situation are becoming clearer by the day. The period leading up to the financial crisis was characterised by a rapid development of globalised production. Those in charge of the global economy, the central bank chiefs and organisations such as the IMF, hailed it as the “great moderation”—a period in which the storms and stresses that had beset the world economy in the 1970s and 1980s had been overcome.

This view seemed to be confirmed by economic statistics. In the years immediately preceding the 2008 crash, the world economy experienced its highest level of growth since the early 1970s, the final years of the post-war economic boom.

However, the contradictions of the capitalist economy, which had begun to manifest themselves in a series of financial storms during the 1990s, exploded to the surface in the 2008 financial meltdown. This was not a conjunctural downturn in the business cycle. It flowed from a breakdown in the very functioning of the world capitalist economy, just as had the outbreak of war in 1914.

History, of course, does not repeat itself but, as Mark

Twain once remarked, it does rhyme.

As in the 1920s and 1930s, the world economic and political situation today is marked by low growth and stagnation, the failure of all attempts to overcome it, and ever-worsening living conditions for the mass of the population. Once more, this is fracturing political structures in country after country, and fuelling the rise of fascist and extreme right-wing nationalist political formations, the development of economic warfare between the major capitalist powers and active preparations for outright military conflict, most notably in the war drive by the US against Russia and China.

Trotsky explained that the only way the working class could meet the 1914 breakdown of the world capitalist order was by “opposing to it as a practical program of the day the socialist organisation of world economy.” Against the war drive by which capitalism sought to “solve its insoluble contradictions,” the working class had to “oppose its own method, the method of social revolution.”

That analysis, which forms the basis of the program of the International Committee of the Fourth International, the world party of socialist revolution, has more than stood the test of time. It must become the foundation for the struggle of the international working class in the present epoch of global capitalist breakdown.



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