

# The 2008 crisis and the lessons of history

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Eight years from the onset of the financial crisis sparked by the collapse of Lehman Brothers, the anniversary of which occurs today, there is a growing realisation even in ruling circles that the global capitalist economy has no prospect of returning to pre-crisis conditions.

In all major economies, investment, the key driver of capitalist growth, remains at historically low levels, world trade growth has slowed markedly, amid the rise of protectionist measures, productivity has fallen everywhere, real incomes for the majority of working people remain stagnant, even below their levels of a decade ago, social inequality has reached historically unprecedented levels and the prospect of a revival sparked by China and other emerging markets has collapsed.

The policies pursued by the major central banks—ultra-low interest rates and the pumping of trillions of dollars into the global financial system—have failed to produce any real economic recovery. On the contrary, they have created a financial bubble the like of which has never been seen in economic history, reflected in the fact that the price of government bonds is so high that \$13 trillion worth of securities are trading at negative yields, creating the conditions for another crash even more serious than that of 2008.

The only beneficiaries have been the financial speculators and investors, whose criminal activities helped spark the crisis, accumulating wealth at levels never before seen with just 62 billionaires owning more wealth than half the world's population put together.

Facts and figures confirm the analysis made by the *World Socialist Web Site* at the time that the financial crisis was not a conjunctural economic event but a breakdown in the very foundations of the global capitalist economy.

The immediate form was a financial meltdown. But as is almost invariably the case, its appearance-form was the outer expression of deeper processes, rooted in the very foundations of the capitalist economy itself.

The crisis of 2008 had its origins in the whole antecedent development of the capitalist profit system,

stretching back to the first great breakdown which erupted in the form of World War I in 1914.

That war was not simply a result of political decisions, miscalculations and mistakes by capitalist politicians—much less of accidents such as the assassination of the Austrian Archduke Ferdinand in Sarajevo on June 28, 1914.

It was the outcome of the contradiction between the growth of world economy at the beginning of the 20th century—the first phase of what we know call globalisation—and the nation-state system, combined with the onset of a major economic downturn in 1913 as each of the major capitalist powers fought for global domination.

The world war ushered in 30 years of economic stagnation, the Great Depression, mass unemployment, fascist and authoritarian forms of rule, leading to another imperialist conflagration—World War II—even more devastating than the first.

Capitalism did not survive through any inherent strength or because it still had a progressive historical role to play—that epoch had ended with the barbarism unleashed by World War I and everything that followed—but because the revolutionary struggles of the working class to overthrow it were betrayed by its Stalinist and social democratic leaderships.

On the basis of these betrayals and its military victory in World War II, culminating in the use of the atom bomb, American imperialism was able to restructure the world economy, giving rise to the post-war economic boom of the 1950s and 1960s.

But no matter how great its economic and military might it was not able to overcome the contradictions of the capitalist system over which it presided. Those contradictions re-emerged in the form of a downturn in the rate of profit in the 1960s, the undermining of American capitalism's competitive position with the economic rise of Germany and Japan, the collapse of the post-war monetary system in 1971 with the removal of the gold backing from the US dollar in August 1971 and the

onset of a deep recession in 1974–75.

The deepening contradictions of the capitalist economy found their expression in the class struggle in the form of a revolutionary upsurge of the working class, starting with the May–June 1968 three-week general strike in France and extending across the major capitalist countries until 1975. Once again, however, the bourgeoisie was able to remain in the saddle because of the betrayals of the working class by its Stalinist, social democratic and trade union leaderships, aided and abetted by the Pabloite revisionist tendencies that had repudiated the revolutionary program of the Fourth International.

Even though the bourgeoisie was able to restabilise its rule, all the economic contradictions that had brought about the end of the post-war boom remained. With the Reagan and Thatcher governments playing the leading role, it sought to overcome them through a massive restructuring of the world economy. Whole sections of industry in the major economies were destroyed and a drive was undertaken to restore profit rates through an unending assault on the social position of the working class, attacks facilitated at every stage by trade unions and social democratic parties.

The Stalinist apparatuses played a key role through the liquidation of the USSR and the restoration of capitalism in China, opening the way for the plunder of its resources and cheap labour.

From the beginning of the 1990s, the injection of fresh sources of surplus value into the sclerotic arteries of global capital provided a boost to profits. But there was no return to the conditions of the post-war boom. On the contrary, ongoing pressures on the profit rate meant that starting with the US stock market crash of October 1987 world capital became ever more dependent on the injection of cheap money to maintain its equilibrium.

By 1997–98 profit rates began to fall and accumulation assumed ever more parasitic forms as seen in the emergence of the dot.com bubble and the “creative accounting” of firms such as Enron, whose collapse in 2001 was, to that point, the largest in corporate history.

In the years leading up to 2008, the conventional wisdom was that capital had overcome its contradictions. This was the period of the “great moderation.” Even when warning signs appeared they were dismissed. President Clinton waved aside the Asian economic crisis of 1997–98, which brought economic devastation to that region, as a mere “glitch” on the road to globalisation and in 2007 Federal Reserve chairman Ben Bernanke insisted that the emerging crisis in sub-prime home loans would

have minimal effect on the financial system as a whole.

The world economy appeared to have a rosy hue as the International Monetary Fund in 2006 enthusiastically reported the highest levels of growth in three decades. But it was like the colouring which marks the cheeks of the victim of tuberculosis. On September 15, 2008 the laws of the capitalist economy asserted themselves in the way predicted by Karl Marx, like gravity does when a house falls down, crashing around our ears.

One of the most significant features of any crisis is what emerges out of it. And here the outcome is clear. In every country the working class faces an unending assault on its living standards and social conditions to pay for the bankruptcy of the profit system.

The financial system has not been repaired, parasitism and speculation have become even more pronounced, the same criminal practices that helped spark the 2008 meltdown are continuing and the policies of the financial elites are creating the conditions for another disaster.

In the months following the crash, the governments of the major capitalist powers pledged co-operation and collaboration—the vicious struggle of each against all which marked the 1930s and which led to war would not be allowed to return. Those commitments have long ago gone by the board with protectionism and economic nationalism on the rise.

The most significant trend is the drive to war as each of the major powers, with United States imperialism playing the leading role, prepares to use military means to maintain its own position. These preparations are accompanied, as they have been in the past, by deepening attacks on democratic rights and the development of ever more authoritarian forms of rule.

History reveals that the ruling classes have no way out of the breakdown of their system unless depression, social deprivation and war—threatening the very continuation of human civilisation—be considered a “solution.”

And history likewise points to the unpostponable task facing the international working class—the construction of a revolutionary party to lead the emerging struggles of the working class to overthrow the outmoded profit system and establish an international socialist society and economy.



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