

G20 conflict over protectionism: From post-war to pre-war capitalism

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While the dispute was over the words to be included in a communiqué, the decision by the G20 finance ministers meeting last weekend, at the insistence of the United States, to drop a previous commitment to “resist all forms of protectionism” has more than symbolic significance.

Following the meeting, the general consensus among the other powers was to downplay the significance of the split, at least publicly, in the hope that the situation could change by the time of the G20 leaders’ summit in July, by which time the Trump administration would have had sufficient time to “learn.” But given the US president’s strident assertions of “America First” and his denunciations of the present trading system as unfair to the US, that hope seems like whistling in the dark.

Summing up the meeting, the *Financial Times* pointed to the longer-term implications of the protectionism decision, saying that the rest of the G20 will be hoping in July that “the US has decided what it wants to do with its role in a world order it has done more than any country to shape.”

The FT here points to the broader significance of the events of last weekend. The post-World War II economic and trading order, constructed in the main by the US, as the newspaper noted, was the product of a concerted push to prevent the kind of protectionist and trade war measures that produced such devastating consequences in the 1930s, contributing to the conditions that led to World War II.

As the war drew to a close, with the victory of the Allies only a matter of time--not least due to the enormous blows inflicted on the Nazi regime by the Red Army of the Soviet Union, which bore the brunt of the fighting on the European continent--the most important economic issue confronting the US ruling class was how to prevent a return of the conditions of the 1930s.

Following the Russian Revolution of 1917, the ruling classes of Europe had barely avoided being overturned by socialist revolution. This was due in the initial period to the lack in the rest of Europe of the type of revolutionary leadership provided by the Bolsheviks in Russia, and then subsequently to the betrayals of the Stalinist bureaucracy in Germany, Spain and France.

There was a recognition in ruling circles in Washington that if

Depression-type circumstances returned after the economic boost provided by war spending wore off, the conditions would emerge for social revolution in Europe and the US itself.

The establishment of the post-war order, which led to a capitalist boom, rested on two foundations--one political and the other economic.

Political stability was provided by the Moscow bureaucracy, which, in return for recognition of its control of the buffer states of Eastern Europe, guaranteed that the imperialist powers would remain in control in the West. Acting on the orders of Moscow, the Communist Parties of France and Italy, both of which had a mass following, opposed socialist revolution on the grounds that after fascism the task was the restoration of bourgeois democracy.

Having contained the post-war upsurge, US imperialism was able to use its great economic strength--at one point it was responsible for half the world’s industrial output--to establish the foundations for capitalist expansion.

The Marshall plan, initiated 70 years ago this June, which provided funds for the reconstruction of Europe, and the establishment of an international monetary system based on the US dollar, agreed to at Bretton Woods in 1944, restabilised the world capitalist economy.

A no less important component was the General Agreement on Tariffs and Trade (GATT), which came into effect at the start of 1948. It was based on the recognition that international economic stability above all required the end of the tariff and currency wars of the 1930s.

While it did not initiate a regime of completely free trade, the basis of GATT was that trade arrangements had to be multilateral and that exclusivism had to be eschewed at all costs, lest it lead to the formation of rival currency and trade blocs. Tariff concessions had to be made across the board, with concessions offered to one country extended to all.

In the 1950s and 1960s, there were a series of trade rounds in which tariff barriers were reduced, and the GATT system played no small role in ensuring expanding trade and markets.

The first shock to the system came on August 15, 1971, when the US, in response to a worsening balance of trade, removed the central pillar of the Bretton Woods monetary arrangements, declaring that henceforth it would no longer redeem US dollars

for gold at the rate of \$35 per ounce. Responding to the shock this display of unilateralism produced, US Treasury Secretary John Connally famously told Japan and the European powers that the dollar may be “our currency, but it’s your problem.”

The ending of the Bretton Woods system was a reflection of deeper problems within the global capitalist economy. It marked the end of the post-war capitalist boom, and the 1971 decision was followed in 1974-75 by the deepest global recession to that point since the 1930s, followed by a further recession in 1981-82.

Political stability was shaken by an upsurge of the international working class, beginning with the May-June 1968 general strike in France, which extended until 1975. Capitalist rule was restabilised only by the betrayals of the working class by the Stalinist Communist Parties, together with the social democratic and trade union apparatuses.

On the basis of these betrayals, international capital was able to carry out a vast restructuring of economic relations. It sought to overcome the downturn in profitability, which had brought the end of the boom, by what has now become known as the globalisation of production, in which capital, using the vast developments in computerisation and information technology, exploited cheap sources of labour around the world.

Globalisation, however, had major political consequences. The development of the productivity of labour it entailed made completely unviable the nationalist economic program of the Stalinist regimes in the Soviet Union and Eastern Europe, based on the dogma of “socialism in one country,” leading to their dissolution in 1989-91.

The international bourgeoisie greeted the dissolution of the Soviet Union as the historic and final victory of capitalism and liberal bourgeois democracy. But, as the International Committee of the Fourth International alone explained, the demise of the USSR removed one of the key pillars of the post-war order.

The Stalinist regime in Moscow, with its ingrained hostility to socialist revolution, had functioned as a key component of the mechanisms of the capitalist world order. Its dissolution, arising from the autarkic conditions bound up with the Stalinist bureaucracy’s anti-Marxist and nationalist program of “socialism in one country,” was an initial and concentrated expression of the intensifying conflict between world economy and the nation state system. That contradiction would exert itself with increasing force on the entire capitalist world.

The 25 years since the dissolution of the USSR have not brought a new era of capitalist peace and prosperity, but an endless series of wars and mounting instability and crisis in the world economy, leading to the financial breakdown of 2008.

Post-war stabilisation rested on the economic dominance of the United States. But the past half century has seen American capitalism’s ongoing economic decline relative to its rivals and a weakening of its global position.

This has found its reflection not least in the sphere of trade. In

1995, GATT was replaced by the World Trade Organisation (WTO) and the establishment of a series of rules and mechanisms for resolving disputes. The intention was that the global rounds, initiated under GATT, would continue.

But growing tensions, arising not least from perceptions by the US that the system was increasingly working against it, have made that impossible. The so-called Doha Round, begun in 2001, has collapsed, with no prospect of being revived.

In the past quarter century, global trade agreements have been replaced increasingly by multilateral or bilateral agreements, raising the ever greater threat of the fracturing of the world market. The inherent logic of such agreements was expressed by the Obama administration, which maintained that its 12-member Trans-Pacific Partnership (TPP), which excluded China, was aimed at placing the US at the centre of a “web” of trade and investment. Such an American-based system was already a far cry from what the US had sought to establish after the war. Its stated objective, according to Obama, was to ensure that the US, not China, would write the trade rules of the 21st century.

But even as it pursued this exclusivist policy, the Obama regime continued to adhere, at least verbally, to the previous framework. Now, confronted with the steady loss of American economic dominance, the Trump administration has gone a step further. While it has scrapped the TPP, it has taken its essential logic to a new level by threatening to overturn the entire system and resort to “America First” policies based on bilateral agreements.

No one, of course, can predict the exact course of events. But there is no question that the intransigence with which the US representative at the G20 meeting, Treasury Secretary Steven Mnuchin, opposed the commitment to “resist protectionism,” in the context of Washington’s strident denunciations of the trade and monetary policies of Germany and China, is a major shot in an ongoing and deepening economic war. The consequences threaten to be even more devastating than in the 1930s.



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