

Global financial parasitism and the political strategy of the working class

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The statement authored by Joseph Kishore and David North on behalf of the Political Committee of the Socialist Equality Party (US) on June 13 (“Palace coup or class struggle: The political crisis in Washington and the strategy of the working class”) draws out the objective processes driving the class struggle in the United States and the strategy which must be adopted and fought for in the building of a mass socialist movement.

Their analysis is firmly grounded on a vitally important conception advanced by Marx. He explained that the revolutionary role of the working class was not determined by “what this or that proletarian, or even the whole of the proletariat at the moment *considers* as its aim. The question is *what the proletariat is*, and consequent upon that *being*, it will be compelled to do. Its aim and historical action is irrevocably and obviously demonstrated in its own life situation as well as in the whole organisation of bourgeois society today.” [1]

In its elaboration of the necessary political strategy of the American working class, the statement therefore outlines its “life situation”:

There are many signs of growing social anger among broad sections of the working class, for whom conditions of life are becoming intolerable. The old phrases used in the past to describe life in the United States—“the land of unlimited opportunity,” “the American Dream,” etc.—have become meaningless because they bear no relation to reality. It is becoming obvious to the great mass of working people that the existing society serves exclusively the interests of those who are already very wealthy. Access to the basic necessities of life, such as high-quality education, a safe environment, decent housing, secure employment, adequate leisure time and affordable medical care, is determined at birth—that is, by the class and economic status of the family into which an individual is born.

Changing what has to be changed—that is, the various ways in which the capitalist class and its defenders in every country seek to promote the society over which they preside as the best of all possible worlds—it is clear that the characterisation of the situation in the US applies internationally.

The rising social anger to which the statement points is likewise an international phenomenon, which is finding expression in the observations of some of the more perceptive political commentators.

Writing last month, the European economics commentator for the *Financial Times*, Wolfgang Munchau, pointed to the surprise results of the Italian referendum last year, called by the now ousted Prime Minister Matteo Renzi, the Brexit referendum called by the then-British Prime Minister David Cameron, and the outcome of the British election of June 8—all of which took place in opposition to what opinion polls had indicated.

Even more extreme was the outcome in France, where the electorate “managed to eradicate virtually the entire political establishment in a short sequence of elections.”

“In all these countries,” he continued, “the global financial crisis has become a historical turning point, caused by the effect of crisis resolution on income distribution and on the quality of the public sector.”

Reflecting a growing sense of bewilderment in sections of the ruling classes confronted with rising opposition from below, Munchau noted that the financial crisis had not only challenged long-held beliefs about economic policy and financial regulation, but also “how we think about politics.”

Previous economic and political models had broken down and the financial crisis had turned what seemed to be an outwardly stable political and financial environment into a “dynamical” system, the main characteristic of which is “radical uncertainty.” He could offer no prescription for the political establishment for which he speaks to resolve this situation, advising that the best that could be done was to “muddle through and keep your eyes wide open.”

But he had no doubt about some of the longer-term implications of the crisis, concluding: “Once we accept that our globalised world has characteristics of a dynamical system, many of our assumptions will fall like dominoes, and so will the political parties that cling to them.”

A comment published in the *Financial Times* of June 14 by Michael Power, a strategist with Investec Management, entitled “Has Western-style democracy become too expensive for capitalism?” pointed to some of the underlying economic trends fuelling rising social anger.

He cited the McKinsey report that found that almost 70 percent of households in the 25 most advanced economies, some 560 million people, had seen their real incomes fall or remain flat since 2005, and that in the US there had been a 12 percent decline in real median household income since 2000.

According to Power: “The central reason why Western democracy is in decline is that its capitalist bedfellow can no longer afford the financial demands that full-blown democracy is placing upon it.”

The political demands of democracy were able to cohabit with the economics of capitalism for a century because of the redistribution of income via taxes and a social welfare system in what Power called the subsidisation of those who fell behind.

“This persuaded those whose livelihoods required subsidisation to support this marriage of convenience. The rise of populism [the termed used by Power and many others for the social anger of the working class], the deepening divide between generations and the growth of anti-establishment political movements on both extremes of the political spectrum suggest this grand bargain may be losing its attraction. This cohabitation is threatened because the economic surpluses generated can no longer cover the level of political demands for subsidisation.”

Power is unable to answer the obvious question posed by his analysis: why is it that in the face of the enormous growth of the productive forces

resulting from the development of technology, the social position of the working class is worsening?

We shall examine the reason for that in the course of this comment. But Power does point to some of its consequences. He holds out no prospect for any restoration of the “grand bargain” within the present economic framework, noting that in the US growth rates have declined from 3.5 percent to 2 percent.

Moreover, he points out, citing the work of the French economist Thomas Piketty, the economic rewards have flowed to the upper-income layers—the top 1 percent. A mutation of this logic is reflected in the “growing disenchantment of youth with this unequal arrangement, as most are being progressively shut out of decent job opportunities that were open to their parents’ generation.”

He continues: “The recent UK election—which saw the electorate start to swing towards the hard left on the back of an energised under-25s vote—and the fact that the youth of the US have made a socialist, Bernie Sanders, America’s most popular politician, are indications of this growing trend.”

The disquiet about the political consequences of post-2008 capitalism extends to major economic institutions.

In its annual jobs report, published in June, the Organisation for Economic Cooperation and Development (OECD) noted that while the number of people employed in the developed world had surpassed pre-crisis levels, there was a rising tide of social anger.

“While the Great Recession left deep scars in many countries, the economic discontent also centres on the perception that deeper international economic integration disadvantages many workers while offering the lion’s share of the benefits to large corporations and a cosmopolitan elite. The perception that the international economic system is ‘rigged’ clearly challenges the democratic legitimacy of current policies and needs to be taken seriously.”

It noted that between 1995 and 2015 what it called the middle-skill share of employment fell by 9.5 percentage points in the OECD area, and that this trend had been aggravated by a cumulative loss in output per capita since the 2008 crisis of around 50 percent.

The OECD, which has been notoriously in favour of “free market” economic policies, even offered something by way of a self-criticism. It was “important to assess whether labour market policy choices—including those consistent with OECD policy advice—have inadvertently contributed to a growth model that has not prevented a disproportionate share of the gains from economic growth to benefit already high-income segments of the population.”

However, reflecting the bankruptcy of the entire framework of bourgeois policy-making, the OECD report offered no way out. It said there had to be a focus on increasing skill level, as if oblivious to what has taken place over the past decade and more. Tens of millions of young people all over the world have sought to increase their qualifications and skill levels at universities and colleges only to find that when they graduate there are no positions available and they are saddled with massive student debts.

The descriptions of the deepening economic and social crisis of capitalism and its political consequences put forward by various bourgeois pundits and commentators point to the decisive role of the 2008 financial crisis. However, these descriptions are accompanied by the delusion that its transformative effects can somehow be overcome if only some kind of economic adjustment—usually nothing more than a call to governments to take some heed of social distress—is carried out within the framework of the capitalist system itself.

An altogether different conclusion arises—and this is decisive for the development of the political strategy of the working class—from a scientific analysis of the roots of the 2008 breakdown.

The immediate cause of the crisis was the criminal and semi-criminal

activities resulting from financialisation. At its core, financialisation, the domination of the economy by banks, hedge funds, financial institutions and financial markets, involves the accumulation of profit in ways very different from the period in which the so-called “grand bargain” was struck.

In that period, profit accumulation arose in the main from expanded investment in production, leading to increased economic output and employment and an increase in wages and real living standards. That is no longer the dominant form. It has been replaced by the accumulation of vast wealth through financial operations.

It would, however, be the greatest mistake to think that this parasitism and its dominance over the economy as a whole are the result of the activities of some “evil serpent” that managed to slither into the Garden of Eden of the “free market,” and that the process can be reversed if only the serpent is scotched.

One of the most crucial advances made by Marx in the science of political economy was to draw the distinction between surplus value, extracted from the working class in the process of capitalist production, and its various forms of appearance as revenue flowing to the different property owners—as industrial profit, interest payments, rent and the gains acquired by share trading and other financial operations.

Surplus value is the ultimate basis for the expansion of capital. But it is divided up among the different property owners, whether or not they are directly involved in its extraction.

Financial activity by hedge funds, financial investors, speculators, bond market and currency traders, etc., involves the accumulation of massive profits. But these activities do not involve the extraction of surplus value. Rather, they are the way in which the holders of money and other forms of property, including, most importantly today, the owners of intellectual property in the high-tech and pharmaceutical industries, appropriate surplus value created elsewhere.

This process, in which money seems to simply beget money, is not somehow extraneous to the fundamental logic of capital itself—a kind of “bad side” that develops in opposition to the “good side” of real wealth-creation as such. It must always be remembered that the driving force of capital is not the production of real wealth—increased output, providing rising wages, jobs, social services, etc.—but the self-expansion of value in the form of money.

Marx drew out that the process of capital accumulation, the expansion of value, starts and finishes with money, its “independent and palpable form,” and, consequently, “the production process appears simply as an unavoidable middle term for the purpose of money making.”

And as Engels commented: “This explains why all nations characterized by the capitalist mode of production are periodically seized by fits of giddiness in which they try to accomplish the money-making without the mediation of the production process.” [2]

Over the past three decades and more, starting in the 1980s, rather than “fits of giddiness,” this form of accumulation has increasingly taken a central role in profit accumulation, above all in the US, but also in other major developed economies.

It was a period characterised by a series of mounting financial storms—the US savings and loans scandal of the late 1980s, the stock market crash of October 1987, the collapse of the Japanese stock market bubble of 1990-91, the bond market sell-off of 1994, the Asian financial crisis of 1997-98, the collapse of Long Term Capital Management in 1998 (prompting a rescue operation by the New York Federal Reserve Bank), the Enron bankruptcy and the bursting of the high-tech stock market bubble in 2000-2001—leading to the financial meltdown of 2008.

At every point, the response of the financial authorities to these mounting storms was the same—to pump more money into the financial system to enable the orgy of speculation to continue.

There was, however, a qualitative leap in this process after September

2008. Now it was no longer a question of dealing with the collapse of a particular firm or a crisis in one sector of the financial markets, but preventing the collapse of the global financial system as a whole.

Rather than taking action to reverse the growth of financial parasitism, government and financial authorities have raised it to new heights by pumping ultra-cheap money into the financial system—the US Federal Reserve alone has expanded its balance from \$800 billion to \$4.5 trillion, a more than five-fold increase, through the purchase of financial assets since 2008.

The result has been the accumulation of wealth in the upper echelons of society on a previously unimaginable scale, to the point that eight billionaires now own and control more wealth than half of the world's population combined.

At the same time as providing trillions of dollars to fuel wealth accumulation at the heights of society, governments, central banks and financial authorities have been engaged in a ferocious and unending assault on the social position of the working class.

These two processes—accumulation of fabulous wealth at one pole and ever-worsening wages and social conditions at the other—are organically connected. This is because however much capital tries to lift itself into a kind of financial heaven where money simply begets money, it cannot entirely escape its earthly roots and generates irresolvable contradictions.

To the extent that finance—capital in its essential form as money—turns to parasitism and away from productive investment, it is involved in a process, so to speak, of sawing off the branch of the tree on which it is sitting. Consequently, it actively intervenes and exercises its domination over the economy as a whole to ensure that this does not take place. While siphoning off surplus value in the form of financial wealth, it exerts a tremendous pressure to ensure that the mass of surplus value in other areas of the economy, on which it ultimately depends, is increased. This takes place in two ways.

It strives, in the first instance, to ensure that in every area of the economy the exploitation of the working class is intensified through the lowering of real wages, the destruction of working conditions, the introduction of new forms of labour contracts such as part-time work and casualization, zero contracts, and so on.

But in and of themselves these measures are not sufficient. At the same time, all the social conditions won by the working class in previous struggles—the provision of health services, education, social welfare measures, pensions, etc.—must also be eviscerated.

This is because these social facilities, which formed a key component of the so-called “grand bargain,” are, in the final analysis, a deduction from the mass of surplus value necessary for the self-expansion of capital. This is why, in every country, whatever the political colouration of the government of the day, the period since the 2008 financial crisis has seen an intensification of social attacks on the working class.

An examination of the political economy of parasitism, its essential logic and driving forces, underscores the necessity set out in the SEP (US) statement for the unification of the struggles of the working class in workplaces, communities, schools and colleges on a socialist program aimed at the conquest of political power. In every area, whatever the immediate form of social struggles, the working masses confront the same enemy.

Not a single economic, social, political or environmental problem confronting working people in America and the mass of humanity on a global scale can be resolved without the overthrow of the capitalist profit system, the depredations of which reach down into every corner and aspect of social and individual life.

And as the statement draws out, this struggle is, by its very essence, international in scope, because the working class in every country confronts the same powerful enemy—globally integrated and organised capital. It can be overturned only by an even more powerful force, the

global working class, unified on the basis of an international socialist program.

To return to the point made by Marx cited at the beginning of this comment, a coherent political strategy for the working class, as outlined in the SEP statement, must be based not on the existing level of consciousness—that will undergo vast shifts in the course of the social struggles now unfolding and the even bigger explosions to come—but on its “life situation,” determined by the “whole organisation of bourgeois society,” and what it will be compelled to undertake.

[1] Marx and Engels, *The Holy Family* [Moscow: Foreign Languages Publishing House, 1956] p. 53.

[2] Marx, *Capital*, Volume 2 [London: Penguin, 1992] p. 137.



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