

The laws of capitalism and the breakdown of the global economy

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The following speech was delivered to the ICFI's May Day 2018 International Online Rally by Nick Beams, a leading member of the Socialist Equality Party in Australia.

As we commemorate the 200th anniversary of the birth of Karl Marx, the founder of scientific socialism, I would like to present my remarks on the state of the capitalist world economy within the framework of the analysis he developed.

In his postface to the second edition of his magnum opus, *Das Kapital*, Marx quoted a Russian reviewer of the first edition, who had summed up his materialist method.

“The one thing,” this reviewer wrote, “which is important for Marx is to find the law of the phenomena with whose investigation he is concerned.”

Marx, he wrote, had set himself the task of investigating the capitalist economic order from this point of view, “in a strictly scientific manner.” The value of such a method of inquiry, he concluded, “lies in the illumination of the special laws that regulate the origin, existence, development and death of a given social organism and its replacement by another, higher one.”

This means that in assessing the present stage of development of the global capitalist economy, we have to proceed, not from some superficial examination of this or that economic statistic, but from an historical materialist analysis of the situation.

To illustrate what I mean, let me point, by way of contrast, to the method by which bourgeois economists and pundits, and their innumerable think tanks and academic institutions, go about this task.

Ten years ago, the world financial system and, following it, the world economy, plunged into the deepest crisis it had experienced since the Great Depression of the 1930s. Not only was such an event completely unanticipated, it had been preceded by the celebration of what was known as the “great moderation”—a period of continuous economic growth, the best since the post-war boom, low inflation, low interest rates and the spread of the benefits of free market capitalism to so-called emerging markets.

In other words, through an uncritical acceptance of the

facts at a given moment, they had concluded that all was really for the best, in the best of all possible worlds.

But then the entire order collapsed, very much in the way that Marx described: that is, in the way that the law of gravity asserts itself when a house falls about our ears. Proceeding by the same blind method that had led them to being completely caught by surprise, they then concluded that in order to save the system, they had to place trillions of dollars at the disposal of the very banks and financial institutions whose activities had provoked the crisis.

A decade on, what is the situation? In its latest World Economic Outlook, the International Monetary Fund forecast that the world economy would experience the best two years of growth since the financial crisis.

But in making this assessment, it was forced to take note of what it called a “jarring” sound, in the eruption of the most significant trade war conflicts since those of the 1930s, which preceded, and contributed to, the outbreak of World War II.

As the managing director of the IMF noted, the world economy was under threat of being “torn apart” by these conflicts. The fund’s chief economist pointed to the “paradoxical situation” that major economies were “flirting” with trade war at a time of economic expansion, threatening the very trade and investment on which that expansion depended.

At the same time, the IMF pointed to the growth of debt. It is now 40 percent higher than in 2007–2008, standing at \$164 trillion, a clear indication that the tendencies that produced the financial meltdown have not only not been overcome, but are developing once again, stronger than ever.

This week more than 1,000 economists, including 14 Nobel laureates, wrote an open letter to Trump warning that his trade war measures threatened to repeat the “mistake” of the 1930s, when the Smoot-Hawley Tariff Act played a central role in plunging the world into the Great Depression.

But for bourgeois economists, the prospect of trade war tearing the world economy apart is some kind of “external” factor, unrelated to the basic functioning of capitalism, a

“mistake,” which can be corrected if only reason and rationality prevail.

The fundamental flaw in such an analysis is that the capitalist economy does not function according to these precepts. It is driven, as Marx demonstrated, by the struggle waged by privately-owned corporations, first of all to extract surplus value from the labour of the world’s producers, the international working class, and then to appropriate it through a relentless, never-ending, dog-eat-dog struggle for markets, profits and financial gain.

In order to understand the present economic situation and, having done so, advance a perspective for the working class, let us turn to the central foundation of Marx’s materialist analysis.

He explained that the essential contradiction of the capitalist mode of production was between the growth of the productive forces promoted by it, and the social relations based on the private ownership of the means of production and wage labour. It was this contradiction that revealed capitalism was not a historically-eternal system, but one destined to be overthrown by the gravedigger it had created, in the form of the working class.

Consider the historical development of the capitalist economy from this point of view. The spread of capitalist social relations in the 19th century, and the formation of the modern-day system of nation-states, gave a mighty impulse to the development of the productive forces. But that very growth came into conflict with the nation-state system within which it had hitherto developed—a contradiction that exploded in August 1914 with the eruption of World War I.

But the same contradictions that had given rise to the war also produced the conditions for world socialist revolution, which found initial expression in the Russian Revolution of October 1917.

Due to the betrayals of the leaderships of the working class, first the social democratic and labour parties, and then the counter-revolutionary Stalinist bureaucracy, which developed in the first workers’ state, the bourgeoisie was able to remain in the saddle. But the economic contradictions that had produced the war did not abate. Rather, they intensified, leading to the Great Depression of the 1930s and World War II.

In the aftermath of the war, the support provided by the leaderships of the working class to the capitalist order meant that the bourgeoisie was able to hold on to power, and then initiate economic measures that resulted in the post-war capitalist boom.

But, contrary to the conventional wisdom of the time—that capitalism could be “managed” and the profit system reconciled with democracy and rising living standards—the post-war economic order lasted barely three decades.

The world was rent by a series of economic crises in the period 1968–75, which again produced a revolutionary upsurge of the working class, beginning with the May–June 1968 general strike in France, the largest and most extended in history.

The betrayal of that upsurge enabled the bourgeoisie to carry out a major restructuring of the global economy, based on a continuous drive against the living standards of the working class and the globalisation of production—in particular after the liquidation of the Soviet Union and the restoration of capitalism in China—as capital sought to exploit cheaper sources of labour.

But the contradictions of capitalism, between the global economy and the nation-state system; between socialised production and the private appropriation of profit; between the accumulation of fabulous wealth in the hands of a capitalist oligarchy at the expense of the mass of the working population, have intensified, assuming the form of financial crises, the spectre of economic depression, the eruption of trade war and the impending danger of a third world war.

At the same time, these contradictions are producing the objective conditions for world socialist revolution, now manifesting themselves, above all, in a new upsurge of the international working class—vastly expanded by economic globalisation—following decades of suppression of the class struggle.

On this May Day, therefore, the key question for the international working class is, first of all, to consciously grasp this objective reality, the economic logic of events, and then to act upon that comprehension by building the necessary revolutionary leadership, the International Committee of the Fourth International, to lead the coming struggle for power to establish international socialism.



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