# After the Afghanistan debacle: When will the other shoe drop?

Nick Beams
7 September 2021

The debacle for American imperialism in Afghanistan is the outcome not just of its neo-colonial actions in that country, but of the agenda it has pursued with increasing intensity over the past three decades, aimed at countering its ongoing crises—economic, social and political—by military means.

It is intimately connected to another looming disaster—the disintegration and collapse of its entire financial system, the other major prop through which it has sought to maintain global dominance.

An examination of the historical development of both of these processes reveals how closely they have been intertwined and how they reinforced each other.

At the end of the 1980s, it was clear that the US financial system was entering a major crisis, following the unleashing of a speculative boom on Wall Street in the wake of the deep recessions of the early 1980s. The crisis announced its arrival with the stock market crash of October 19, 1987, when the Dow plunged by 22.6 percent, its largest single-day fall and still a record.

It was significant not only because of the depth of the crash, but for what followed. On the day of the Wall Street meltdown, the Fed intervened with a pledge of financial support for the market. This was not a one-off measure, but the start of a new policy that has been extended and developed ever since.

The task of the central bank was no longer to prevent the emergence of speculative bubbles, but to intervene when they burst with massive injections of money so as to provide the basis for a new round of speculation.

This new agenda was implemented in all the crises that followed: the interventions in the crises of the 1990s, including the rescue of Long Term Capital Management in 1998; the interest rate cuts following the collapse of the tech bubble of 2000–2001; the rescue operation for the banks launched after the 2008 financial crisis and the start of asset purchases (quantitative easing); and the $4 trillion intervention after the March 2020 market freeze, continuing to this day, when the Fed stepped in as the guarantor for every area of the financial system.

Another major outcome of the 1987 Wall Street crash, though much less widely known, was the Reagan administration's establishment in March 1988, through an executive order, of the President's Working Group on Financial Markets.

Later to be dubbed the Plunge Protection Team (PPT), it consisted of an informal group of central bank officials, financial regulators and members of the administration charged with "enhancing the integrity, efficiency, orderliness, and competitiveness of our Nation's financial markets and maintaining investor confidence."

While its workings have attracted little attention in the media, the PPT has continued to meet and operate under every president since Reagan. It is said to have intervened to arrest significant falls in the market, such as that which took place at the end of 2018. After a PPT teleconference on December 24, held as Wall Street's S&P 500 index was heading for a major decline, the market moved up sharply following the Christmas break.

Whatever the precise nature of the PPT's operations—they are never officially reported on—the actions of the Fed and successive administrations have demonstrated that the much vaunted "free market"—the supposed pillar of American economic dominance—is well and truly a thing of the past. Such is the deepening instability of the financial system, going back decades, that the ongoing, daily intervention of the state is needed to ensure its very survival.

And this is just as much an issue for the stability and dominance of US imperialism as is the question of its military supremacy. It could well be argued that it is even more critical.

The Afghan debacle has created a strategic crisis for all US allies. The collapse of its financial system will have even more devastating consequences in the short term and no less profound implications in the longer term.

**August 15, 1971 and August 15, 2021**

These twin crises have a common origin. They can be traced back to the decision by President Richard Nixon on August 15, 1971 to remove the gold backing from the US dollar. This action ended the Bretton Woods monetary system, established in 1944 by the US itself, which had provided a key economic foundation for the post-war capitalist boom.

It is one of those quirks of history that the fall of Kabul on August 15 of this year took place exactly on the 50th anniversary of that event.

The basis of the Bretton Woods system, in which currencies were fixed in relation to the dollar, backed by gold at the rate of $35 per ounce, was that the post-war strength of US capitalism could continue indefinitely, sustaining the global boom, and any economic problems could be dealt with through state interventions based on Keynesian demand management policies.

But a mere 27 years later, a blink of an eye in historical terms, that fiction was exploded by the contradictions inherent in the system itself.

US capitalism was compelled to revive its rivals, above all Germany and Japan, to ensure the expansion of the world market on which its own economic stability depended. But as a result, within two decades US capitalism found itself being eclipsed in the struggle for markets. Its positive balance of trade, which had assumed massive proportions in the immediate post-war period and on which the system depended, was in steady decline, and then turned negative in 1971.

Attempts to shore up the system, as the crisis became increasingly apparent in the latter half of the 1960s, had all failed. Rates of profit that had been rising as the boom took hold were in sharp decline, and US capitalism was confronted with a rising tide of working-class militancy.

This Nixon tried to counter with a 5 percent wage cap, proclaimed in the same television address in which he announced the removal of the dollar's gold backing.

The decision on the dollar set off an inflationary spiral that compounded all of these problems and helped fuel a wave already underway of potentially revolutionary struggles in a number of major capitalist countries, beginning with the French General Strike of May-June 1968.

With the direct collaboration of the Stalinist, social democratic and trade union leaderships, and the crucial assistance of the forces of Pabloite revisionism, which had broken from the revolutionary program of Trotskyism, the ruling classes were able to suppress the upsurge of the working class. The most brutal example was in Chile, where the CIA orchestrated the overthrow of the Allende government and establishment of the Pinochet military dictatorship in September 1973.

Political stability was restored in the near-term. But the economic contradictions of the US and global capitalist economy intensified. They were manifested above all in the 1970s phenomenon of stagflation, the combination of high inflation, rising unemployment and lower economic growth—something that had been deemed impossible by the advocates of Keynesian economics.

Resting on the betrayals carried out by the leaderships of the working class, the ruling classes went on the offensive—a restructuring of the capitalist economy based on the wiping out of less profitable sections of industry and an offensive against the working class. The spearhead of this attack was the smashing of the US air traffic controllers' strike by the Reagan administration in 1981 and the destruction of their union, PATCO, followed by the year-long civil war waged by the British state against the coal miners under the direction of the Thatcher government in 1984–85.

In the US and internationally, a new economic order was being established in which profit accumulation was increasingly based not on the expansion of industry, but on financial speculation.

The "heroes" of this new regime were no longer the industrial titans of the past, but criminal and semi-criminal financial operators such as the junk bond king Michael Milken, who devised ways of asset-stripping companies, leading to the accumulation of fabulous profits amid a rise in the stock market starting in 1982.

But as the crash of October 1987 revealed, this financial house of cards was heading for a disaster. Then came a fortuitous event.

The Stalinist bureaucracy in the Soviet Union, which had been such a crucial bastion for global capitalism since its usurpation of political power from the Soviet working class in the 1920s, performed its final act of service to imperialism by liquidating what remained of the first workers' state and initiating the restoration of capitalism.

Confronted with a rising movement of the working class as the economic and social problems created by its reactionary nationalist dogma of socialism in one country mounted, and fearing it could be overthrown, the ruling Stalinist regime carried out a pre-emptive strike and transformed itself into a property-owning capitalist class.

The liquidation of the USSR was hailed by political leaders, media pundits, short-sighted academics and all varieties of so-called "left" political tendencies as demonstrating the power of capitalism and the triumph of the "free market."

**Globalization and the crisis of the nation-state**

Only the International Committee of the Fourth International, while recognising the enormous impact of this event on the political consciousness of the international working class, insisted that it did not represent a new birth of capitalism. Rather, it signified a deepening crisis of its global economic order.

This was because, in the final analysis, the liquidation of the Soviet Union was the initial expression of the growing contradiction between the development of globalised production, which had proceeded at an increasingly rapid pace following 1971, and the nation-state system. This crisis found its initial expression in the Stalinist regimes because they were based so directly on a nationalist economic program.

In the immediate period, however, the liquidation of the USSR and the decision of the Chinese Maoist-Stalinist regime to go full steam ahead on a capitalist basis provided opportunities and advantages for US imperialism at a number of different levels.

The initial confusion and disorientation in the working class was of crucial assistance to the trade union bureaucracies in the US and around the world in suppressing the struggles of the working class, with the level of strikes—the basic indicator of class struggle—falling to record lows in major capitalist countries.

And it provided opportunities for the global geopolitical strategy of US imperialism.

Ever since the events of 1975 in Saigon, crystalised in the images of helicopter evacuations from the roof of the American embassy, US imperialism had been striving to "kick the Vietnam syndrome." The removal of the Soviet Union from world politics seemed to provide the opportunity for it to counter its ongoing economic decline by military means.

The first Gulf War in 1990–91, launched on the pretext of the Iraqi takeover of Kuwait, was founded on the premise that the US was constructing a "New World Order" based on its military might.

This was the premise behind the unending wars that followed—that by means of cruise missiles, drones, targeted assassinations and the intervention of troops where necessary, the US could maintain global dominance.

Militarism was combined with the belief that with the development of "financial engineering," the ever-higher rise of its stock market and the development of new technologies, together with the preeminent position of the dollar in global markets, the US would be able to maintain itself as the dominant economic power.

Here as well, the US received considerable assistance from the actions of the Soviet Stalinist bureaucracy and the Chinese regime. The liquidation of the Soviet Union and the unleashing of capitalism in China, combined with the subsequent collapse of national-based economic programs in India and other former colonial countries, had major financial consequences.

One of the chief reasons the Fed was able to continue with a low interest rate regime throughout the 1990s and into the present century, sending the financial markets to ever greater heights, was the absence of inflation. This was due in major part to the cheapening of a range of consumer goods produced through the exploitation of cheap labour in China and many other countries by the major capitalist corporations.

Here too there were parallel developments. The foreign policy of the US, based on militarism, was marked by the complete abandonment of international law and the descent into outright criminality—the invasion of Iraq in 2003 based on the lie of "weapons of mass destruction" being the most egregious example.

In the world of finance, all previous norms of financial prudence were cast aside amid the speculative binge that often assumed a criminal charter—one need only recall the case of Enron. And in politics the same process was reflected in the rise of Donald Trump from the financial underworld to the position of US president.

But now there are indications that the crisis of US imperialism has entered a new stage.

In his famous polemic *Anti-Dühring*, Frederick Engels directly took up the "force theory" advanced by Eugen Dühring, which maintained that military power, not underlying economic developments, was the driving force of historical development.

The economic development of capitalism, Engels explained, was driving bourgeois society towards “ruin or revolution.” But if the bourgeoisie believed it could appeal to force to save it from a collapsing economic situation, it was labouring under the delusion that the “economic consequences of the steam engine and the modern machinery driven by it, of world trade and the banking and credit developments of the present day, can be driven out of existence by them with Krupp guns and Mauser rifles.”

Changing what needs to be changed in the light of the development of military technology and the ever more complex and interconnected economic and financial processes of the present day, Engels’ remarks have lost none of their relevance.

Amidst the military debacle in Afghanistan, the indications of a financial crash, deflected by the massive bailouts of 2008 and 2020, are continuing to mount. Every day brings news of the extent of speculation.

In the midst of further record highs on Wall Street, rampant cryptocurrency speculation and surging house prices, this week began with reports that what the *Financial Times* called “a frantic summer of deal making” had put merger and acquisition activity on the road to a record high this year. It promised to exceed the $4.3 trillion in 2007, in the lead-up to the global financial crisis. This new merger mania was being fuelled by low borrowing costs and trillions of dollars in the coffers of private equity groups.

In another indication of the financial frenzy, the *Wall Street Journal* reported that the yield on speculative-grade US corporate bonds fell to as low as 3.53 percent, more than a percentage point lower than it had reached at any time before the COVID-19 pandemic.

Last week, the European Securities and Markets Authority (ESMA) delivered a major report in which it said: “We expect to continue to see a prolonged period of risk to institutional and retail investors of further—possibly significant—market corrections and see very high risks across the whole of the ESMA remit.”

These indicators, along with many others, point to the eruption of a major crisis, but one that is developing under transformed conditions.

Despite assurances from Fed Chairman Jerome Powell and other financial authorities that the present rise in inflation, between 4 and 5 percent in the US and rising in Europe to over 3 percent, is transitory, there are growing concerns it is becoming entrenched. If that is the case, it will remove one of the key props of the ultra-low interest rate regime that has sustained financial markets for the past three decades.

**The struggle for working class power**

An even more significant factor for the financial markets is the rising tide of working-class militancy in the US and elsewhere, in direct conflict with the trade union bureaucracies, which threatens to decisively end the suppression of the class struggle, which has been a key factor in the speculative binge.

Marx very pointedly once remarked that all the economic contradictions of capitalism are ultimately fought out in the class struggle. The working class must draw a balance sheet of the present situation and draw the necessary political conclusions.

While Biden made an appeal to anti-war sentiment in his withdrawal from Afghanistan, this does not mean that the danger of war has receded. On the contrary, it is increasing. This is because, as Biden made clear, the Afghan withdrawal was carried out to focus attention on preparations for war against China, whose economic rise is regarded by all factions of the US ruling class as an existential threat to US imperialism that must be countered at all costs.

The COVID-19 crisis has provided a warning of how the ruling class will deal with an economic crisis. It will respond with the same ruthlessness, insisting that profits and the “health” of the financial markets take precedence over everything else, including life itself.

The ruling class strategy is becoming increasingly desperate. But it has a strategy—the imposition of the growing crisis of the profit system on the backs of the working class by whatever means necessary, including authoritarian and fascistic forms of rule.

Accordingly, the working class must develop its own independent perspective, worked out to the end and developed through a struggle against the trade union apparatuses. The core of this strategy is the political struggle to take power into its own hands in order to overthrow the outmoded and destructive capitalist system and begin the reconstruction of society on socialist foundations on an international scale.