May Day 2022: Finance capital and the deepening crisis of global capitalism

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This is the report delivered by Nick Beams to the 2022 International May Day Online Rally held on May 1. Beams is a longstanding leader of the International Committee of the Fourth International and an expert on Marxist economics. To view all speeches, visit wsws.org/mayday.

This May Day is being held amid an historic breakdown of the world capitalist system, posing the necessity for the international working class to take power in its own hands to implement a socialist program if mankind is to avoid being plunged into a catastrophe.

The deepening crisis is not some theoretical postulate. It dominates over and determines every aspect of the daily life of workers throughout the world.

It has been accelerated and exacerbated by the needless mass deaths resulting from COVID-19—the result of the refusal of capitalist governments to take the necessary measures to eliminate it—and the drive to a new world war for the redivision of the world, initiated by the US and NATO war against Russia in Ukraine.

These cataclysmic events have acted as catalysts for the eruption to the surface of fundamental contradictions of the global capitalist profit system that have been maturing over decades.

Over the past 50 years, all the measures undertaken by the ruling classes in response to these contradictions have led inexorably to their intensification.

After the bloody first half of the 20th century, the global capitalist system was restabilized after World War II, grounded on the economic power of US capitalism.

But that economic supremacy was steadily undermined in the 1950s and 1960s and in August 1971 the US unilaterally removed the gold backing from the US dollar. It ended the global financial system, established at the Bretton Woods conference of 1944, that had formed the foundation of the post-war capitalist equilibrium.

The scrapping of dollar-gold convertibility was an attempt by the US to deal with its decline, reflected in its mounting balance of trade and current account deficits.

The new financial system, based solely on a fiat currency, not backed by real value in the form of gold, led to new contradictions that manifested themselves in a surge of inflation.

By the end of the 1970s the tendency of the rate of profit to fall—a fundamental law of the capitalist economy—had begun to assert itself, finding expression in so-called stagflation, the development of recession combined with rapid price hikes.

This was the driving force for the restructuring of the world economy initiated in the 1980s under the Reagan and Thatcher governments, which resulted in the destruction of whole swathes of industry and the initiation of globalised production to take advantage of cheaper sources of labour.

A key component of this process was the rise and rise of financialisation—the accumulation of profit not through the expansion and development of industry as had taken place during the post-war boom, but through speculation on the stock market and in other parts of the financial system.

The growth of financial parasitism in the 1980s did not overcome the developing crisis of the profit system but led to its eruption in a new form in the Wall Street crash of October 1987, still the biggest single-day plunge in history.

A new policy was initiated. In response to the crash, the US Federal Reserve, under the chairmanship of Alan Greenspan, intervened to stabilise the market by providing financial support.

This was not a one-off measure. It was the start of a new financial regime in which the Fed intervened in response to the collapse of one speculative bubble by providing the funds to finance the next one.

These interventions continued amid the growing financial storms of the 1990s and early 2000s—each one more serious than the last—as all the regulations introduced in the 1930s to try and curb speculation were scrapped.

In the wake of the dissolution of the Soviet Union, the ruling classes around the world celebrated the triumph of the free market.

A new period, designated as the “great moderation,” had begun, they claimed. The contradictions of the capitalist system had been overcome.

Low inflation meant central banks could intervene in financial markets, via the provision of money at low interest rates, to keep the wheels of parasitic profit accumulation turning without financial problems arising.

Furthermore, the wages of the working class were suppressed by the trade union apparatuses. All was for the best, in the best of all possible worlds.

But new contradictions were developing, and the financial system imploded in September 2008 with the collapse of the investment bank Lehman Brothers and the impending demise of the insurance giant AIG.

The Fed massively increased its support for the financial oligarchy. It lowered interest rates to zero and initiated quantitative easing. It provided trillions of dollars to purchase financial assets as the US government bailed out major corporations to the tune of hundreds of billions.

The QE policy was said to be temporary, to be ended as soon as "normal" conditions returned. That day never came. Even minor attempts to lift interest rates, such as took place in 2018, provoked a crisis on Wall Street, leading to their reversal.

Consequently, when the pandemic struck at the beginning of 2020, it led to a market collapse potentially even more serious than that of 2008.

The stock market plunged and at one point in March the $22 trillion US Treasury market, the foundation of the US and global financial system, froze. There were no buyers for US debt, supposedly the safest financial asset in the world.

The collapse was provoked by the fear, in the face of walkouts by workers over health dangers, that public health measures would be adopted to eliminate the virus.

This fear arose from the nature of finance capital itself. It appears to operate in another dimension, a kind of heaven, where money by its very nature simply begets more money.

But all financial assets are, in the final analysis, a claim on the surplus value extracted from the working class in the process of capitalist production. Meaningful public health measures threatened this flow of wealth.

Hence, the back to work drive, the insistence that "the cure cannot be worse than the disease." Nothing, especially not the health, well-being, and lives of workers, could be allowed to impede the flow of wealth to the financial oligarchy.

As governments around the world provided billions for corporations, the US Fed and other major central banks poured an estimated $16 trillion into financial markets. The Fed doubled its asset holdings virtually overnight to more than $8 trillion, becoming the backstop for every financial market, spending at one point a million dollars every second.

The consequences are writ large.

The Oxfam aid agency has reported that during the first two years of the pandemic the incomes of the bottom 99 percent of society fell while the wealth of the 10 richest individuals doubled.

A new billionaire has been created every 26 hours since the pandemic began and the wealth of the world's 2,775 billionaires increased during the two years of COVID by more than in the whole of the previous 14, which were themselves a bonanza.

Two key questions now arise: what comes next and what is to be done?

Our perspective must first of all be grounded on the lessons of the past 50 years: that every measure adopted by the ruling classes to combat a crisis only creates the conditions for its re-emergence in an even more explosive form.

That is the case today.

The refusal of governments to take action to eliminate the pandemic as they protect the financial markets, coupled with the actions of the central banks, has created a crisis in the real economy—major disruptions to supply chains and rampant inflation.

It has been exacerbated by the US war drive, aimed at opening Russia and then China for plunder, as it seeks to overcome its historic decline by pumping fresh blood into its sclerotic arteries.

And now the class struggle, so long suppressed, is intervening. Central banks, led by the Fed, are lifting interest rates with the aim of inducing a recession to combat workers as they are driven into struggle by the daily cuts in living standards from inflation.

Massive government debts built up through corporate bailouts must be repaid by slashing social spending.

The interest rate hikes, imposed under conditions of rising inflation, now threaten to set off a new financial crisis.

This is because the speculation that has been so central to profit accumulation for decades has been totally dependent on a low-interest-rate regime.

Commodity markets are already in turmoil along with bond markets, and stock markets gyrate amid fears that the collapse of even a relatively small financial institution can spark a systemic crisis.

There is, however, no final crisis of capitalism. There is no crisis which, in and of itself, will be fatal to the profit system.

This social order of devastation and destruction can only be ended by the conscious revolutionary struggle of the working class to overthrow it.

That requires the building of the International Committee of the Fourth International as the world party of socialist revolution to lead this battle. That is the urgent task arising from the deepening economic breakdown on this May Day.