

Wall Street, class war and the criminality of capitalism

Netflix airs docudrama on the rise and fall of Bernie Madoff: Part two

Third Eye Motion Picture Company. Joe Berlinger, executive producer

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This is the second and final part of a two-part series. Part one was posted on Saturday, April 1.

The fact that major financial players ignored the flashing warning lights and continued to plunk their money into Madoff's hedge fund is itself significant. It points to the pathological social psychology of a ruling class so engorged with money and so manic in its single-minded pursuit of ever-greater personal wealth that it has become blinded by its own greed.

The docudrama includes a clip of Madoff giving a deposition from prison in which he offers an explanation for his ability to perpetuate his Ponzi scheme for decades. He says, "One thing every one of them was, everyone in the industry, they're greedy."

More, however, is involved in this sociopathic outlook than subjective personality traits. The Madoff scandal was part of an objective historical process of decay and decline in the global economic position of American capitalism that has spanned more than half a century. This decline is itself an acute expression of the mortal crisis of world capitalism bound up with the globalization of production, which has, since the 1980s, brought to unprecedented intensity the insoluble contradiction between world economy and the nation-state system that is the essential framework for capitalist production and exchange.

The decay of US capitalism has taken the form of a turn by the ruling class—increasingly since the 1970s—to entirely parasitic forms of profit-making and wealth creation through financial manipulation, mushrooming debt and the creation of a vast edifice of fictitious capital, all at the expense of the development of the productive forces. At the center of this process has been the ever more brutal exploitation and impoverishment of the working class.

In the field of world politics, it has entailed decades of intensifying imperialist war, as the US ruling class sought to use its residual military supremacy to obtain through mass murder and the overthrow of targeted regimes the control of overseas markets, sources of cheap labor and vital natural resources—and to counter the growing challenge from China, Japan, Germany and other economic powers. The US war drive, centered first in the Middle East and Central Asia (Iraq, Afghanistan, Libya, Syria, Yemen), has now spread to nuclear armed "strategic competitors" Russia and China, resulting in the biggest land

war on the European continent since World War II in the US-NATO proxy war against Russia in Ukraine, itself preparation for war against China.

All of the labor and trade union bureaucracies internationally responded to the globalization of production and the intensified capitalist assault on the working class by repudiating any conception of the class struggle. The Stalinist regime in the Soviet Union completed its counterrevolutionary policy by dissolving the USSR in 1991 and stealing the former state property. The Maoist version of Stalinism in China carried out the restoration of capitalism.

The nationalist and pro-capitalist AFL-CIO adopted the program of corporatism, integrating itself into the corporations and the capitalist state and preaching the supposed identity of interests between capital and labor. This was the ideological framework for the systematic betrayal of every working-class struggle—beginning with union bureaucracy's isolation of and scabbing on the 1981 strike by the PATCO air traffic controllers, enabling Reagan to outlaw the union and blacklist the 11,000 strikers.

Federal Reserve Chairman Paul Volcker, appointed by Democrat Jimmy Carter following the 111-day coal miners' strike of 1977-78, jacked up interest rates to over 20 percent in order to create mass unemployment as a means of undermining the militancy of the working class. Both parties launched a program of deregulation and de-industrialization, closing plants and removing all restrictions on the exploitation of the working class.

The union bureaucracies isolated and defeated a series of bitter struggles throughout the 1980s against wage-cutting and union-busting in virtually every sector of the US economy. This fueled a massive rise in the stock market based on the growth of financial parasitism and the impoverishment of the working class. Social inequality rose at record rates.

The "Greenspan put"

On Black Monday, October 19, 1987, the financial house of cards

collapsed in what to this day is the biggest single-day decline in percentage terms (22.6 percent) of the Dow Jones Industrial Average. The newly installed chairman of the Federal Reserve Board, Alan Greenspan, promptly announced that the Fed would supply whatever funds were needed to prop up the financial markets and bail out the big investors, banks and corporations. This, known as the “Greenspan put,” inaugurated the subsequent decades of central bank money-printing, virtually free cash for the super-rich and repeated bailouts of global markets—all paid for at the expense of the working class.

These were the conditions that fueled the rise of Madoff.

While interest rates were kept low to provide ready cash for the corporate elite, the unions suppressed the opposition of workers, virtually eliminating strikes. But the crises of the fundamentally insolvent system continued—the Asian crisis of 1997, the Russian ruble default of 1998, the Fed bailout of Long Term Capital Management that year, the collapse of the dot.com bubble amid exposures of fraud and corruption in 1999-2001 (Enron, WorldCom, etc.).

The banks responded by inflating a new financial bubble—this time on the basis of arcane financial instruments created by slicing and dicing sub-prime mortgages (known as “liar loans”) and selling the resulting “collateralized debt obligations” (CDOs) to speculators around the world. When the toxic mortgages began to collapse in 2007, the financial system once again had a meltdown. The collapse of Lehman Brothers in September of 2008 sent corporate giants such as General Motors and Chrysler into bankruptcy, destroyed 8 million jobs and caused 10 million families to lose their homes and millions more to lose their life savings, just in the US.

The Fed, now under Ben Bernanke, dropped interest rates to zero and inaugurated the program of “quantitative easing”—that is, the printing of trillions of dollars to buy worthless assets held by the banks and put them on the balance sheet of the Fed. The government, first under George W. Bush and then under Barack Obama, implemented a \$700 billion direct infusion of cash to the banks.

To help pay for this largess to the capitalist parasites, Obama demanded that GM and Chrysler impose unprecedented concessions on the autoworkers, demands that were carried out by the United Auto Workers bureaucracy. Pay for all new-hires was cut in half, they were denied health coverage for their retirement, pensions were replaced by 401(k) plans tied to the stock market, and cost-of-living pay adjustments were ended for all workers. In addition, the hated system of tiers for pay and benefits was instituted. All the gains won by autoworkers since the sit-down strikes of the 1930s were dismantled and conditions returned to the slave-labor regime against which they had rebelled.

A “financial snake pit”

Following the release in 2011 of a 650-page Senate investigation of the sub-prime collapse, Michigan Senator Carl Levin, the chairman of the investigating committee, told the press that the probe had found “a financial snake pit rife with greed, conflicts of interest and wrongdoing.” Yet not a single banker, government regulator or credit rating official was ever prosecuted.

The outbreak of the COVID pandemic in early 2020 led to a freezing of the US Treasury bond market, a critical anchor of the world capitalist economy. The Fed responded once again with trillions

in cash for the markets and an expansion of quantitative easing, rubber-stamped by the bipartisan “CARES Act.” But this time, the growth of working class opposition, the supply-chain disruptions caused by the government’s “herd immunity” pandemic policy and the massive allocations for the war against Russia in Ukraine led to a sharp rise in consumer prices—further fueling the growth of working class strikes and protests and raising the specter before the ruling class of a massive wages movement.

Fed Chair Jerome Powell in 2022 ended the regime of quantitative easing that had sustained the vast edifice of fictitious capital for decades and began sharply raising interest rates, blaming rising wages for the inflationary spiral. This was a lie, as real wages were falling. It was a pretext for deliberately slowing the economy in order to increase unemployment and undermine the growing militancy of the working class—not just in the US, but internationally.

This is what lies behind the collapse of banks in the US and Switzerland and a financial crisis that is likely only beginning. Once again, central banks and governments are responding with massive bailouts of rich depositors and pledges to do whatever is needed to prop up the system.

Now, however, the labor and trade union bureaucracies are thoroughly discredited in the eyes of workers all over the world. A new wave of revolutionary struggles—with mass strikes in France, Britain, Germany, Portugal, Greece, Sri Lanka, Israel—and a growing rebellion by American workers against the AFL-CIO bureaucracy announce a new period of socialist revolution.

The victory of this international revolutionary movement must be prepared consciously through the development of new forms of independent working class organization and the building of a socialist leadership in the working class. The ruling classes will not cede their power or wealth peacefully. All over the world they are turning to dictatorship and war and encouraging the growth of fascist movements.

The world Trotskyist movement, the International Committee of the Fourth International and the *World Socialist Web Site*, are carrying out this fight and building this leadership, through the development of the International Workers’ Alliance of Rank-and-File Committees and the expansion of the sections of the ICFI and development of new national sections. The turn is to the building of the Fourth International, led by the International Committee, as the leadership of millions of workers in struggle.



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