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Crisis of capitalism

The G20, the symptom of impotence

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The leaders of the G20, the twenty largest economies in the world, met on November 3 and 4 for the sixth time in three years. Their meeting, supposedly prepared meticulously for months, has painfully produced a final communiqué that is virtually empty. The insignificant results are not only "because of Greece," as the media have sought to explain, central though it is to what is happening. They reflect the fact that, to cut a long story short, world capitalism does not have an "alternative growth model."

The beginning of a new world social movement and the domino effect in the euro zone

The improvised presentation by experienced showmen of the "Greek drama", which almost entirely occupied the media space in Cannes, speaks volumes in itself about the present moment of the economic and political situation. George Papandreou's announcement of his intention to hold a referendum after the last series of measures of extreme austerity that were imposed on Greece in Brussels on 26-27 October, was a desperate measure by a man at the end of his tether, crushed by the extent and the tenacity of popular resistance to the austerity programmes and also worn down by the behaviour of the French and German leaders towards him. Papandreou was then humiliated again by Angela Merkel and Nicolas Sarkozy, forced to annul his decision and to resign. His gesture reflects both the socially untenable austerity programmes imposed on Greece and the politically intolerable decision to send a monitoring team of the “troika" – the European Commission, the ECB, and the IMF – to be permanently based in Athens. This is a consequence of the class struggle. Because the class struggle broke through, at any rate it gate-crashed Cannes in many ways, the most immediate for this meeting of the G20 being the resistance of the Greek population and the emergence in the United States of a movement explicitly directed against finance, OccupyWallStreet.

People tend to underestimate, under the influence of the media, the depth of Greek resistance. The actions by young people in June in Athens and Thessaloniki, in the wake of the movement of the *indignados* in Spain, reinvigorated a popular resistance that expresses itself on all fronts and one of whose forms of organization, whose discussions encourage others, are the committees for the audit and the annulment of the debt [1]. The trade union confederations have been forced to launch two successive general strikes, first in June and then on October 19, making the authority of the government and parliament more and more problematic. On October 28, during ceremonies to commemorate the national holiday, there were serious incidents, demonstrations of course, but also, especially in Thessaloniki, open expressions off insubordination during the military parades [2] which resulted in some generals being sacked.

In the end there was no referendum; Papandreou was ejected from his position as Prime Minister. It remains true that a phase of political instability has opened in Greece, which we can predict will spread elsewhere in the euro zone, but also in the rest of Europe. The mobilization of students in Zagreb is one expression of that in former Yugoslavia. It also indicates that there too, the mobilization of youth is beginning to overcome past traumas [3]. The sudden and unexpected emergence of the OccupyWallStreet movement and the political success, undeniable on a symbolic level and with important echoes in Asian countries, of the World Day of Action on October 15, is encouraging change. With the American activists targeting finance in its Wall Street heartland, the overall world political climate is starting to change.

The announcement off the referendum in Greece immediately pushed up interest rates on the public debts that were deemed to be most vulnerable. After Greece, Portugal and Spain, Italy became the target of financial investors. The first decision that the new president of the ECB, Mario Draghi, had to take immediately on being installed was to buy Spanish and Italian bonds. Since November 2, the emission of ten-year bonds by Italy is oscillating at a level above 6.5 per cent. The emission the same day of ten-year securities by the European Financial Stability Fund found practically no takers. It will have to be repeated, which places a question mark over the credibility of one of the principal means of support to countries in the euro zone that has been established by the European Union. In Cannes, China and Brazil made it known that they were not going to provide finance for the fund. Any loan from them will be made at the next conference of the IMF. It will transit through the IMF, which further underlines the present dependent status of the euro zone as a whole. This accentuates the hostility off the German press and political class towards countries that traders have charmingly christened the PIGS, all the more so as German growth has slowed abruptly [4]. The implementation of the decisions laboriously taken in Brussels on 26-27 October is becoming increasingly problematic.

The sudden swings in the share prices of big French and Italian banks, but also the fragility of German banks, which has not been overcome, will force governments to try to implement plans to recapitalize banks, plans whose content remained very vague at the end of the Brussels marathon. Behind the crisis of sovereign debt in the euro zone there has lain, since the beginning (in the winter of 2009-2010) a crisis of European banks from which no country is immune. If their recapitalization is based on government finances, as was the case in early October with the Franco-Belgian bank Dexia, it will lead to countries being downgraded by the rating agencies. The rates of France and Belgium have been threatened since 2010. Since the end of October in France Sarkozy and Fillon are making no secret of the fact that they are bound hand and foot by the holders of public debt. They adopt the following discourse: "The rating agencies are part of globalization, we must adapt to their existence." It is difficult not to see the kind of race to the bottom against which workers and youth are revolting in Greece. The austerity policies carried out to reduce current budget deficits and reassure the rating agencies and financial investors are leading to a contraction of the economy which makes banks more fragile by making the recovery of all forms of debt more difficult.

In 2008, the contagion of the crisis, both financial and economic, started from the United States. Today it is starting from Europe. It affects U.S. banks, which have made loans to other banks, as well as hedge fund financial investors who have speculated on the debt of the euro zone. Some of them have made bad bets. The arrival of Barack Obama in Cannes was preceded by the biggest financial collapse on Wall Street since 2008, the bankruptcy of the MF Global speculative fund, which has brought down in its wake at least one other smaller fund. The balance sheet of the banks is weighed down by a very high amount of debt – private debt even more than public – of which a part is unrecoverable and another part very vulnerable in case of a recession. They have sought to protect themselves by providing loans to small Asian countries who are feeling the effects of turbulence and of the sharp slowdown in Europe in terms of both exports and credit [5].

In the background, a crisis that is rooted in underlying causes

We have to follow the news of the crisis of the countries of the euro zone every day. But it is also essential to place it in its broader context, the context of the world economy as a whole and of the factors that make the world economic and financial crisis so profound.

In 1973-75, capitalism, after the period of the "thirty glorious years", came up once again against what Marx called its “immanent barriers." Capitalism still had room for manoeuvre. To what some authors call its "structural crisis", it gave three answers which have not been substituted for but added to each other.

They were first of all the neo-conservative policies of liberalization and deregulation, whose beginning dates back to 1978-1982, and the globalization of capital that they created. The "third industrial revolution" of information and communications technologies (ICT) is closely associated with this. But the response is first of all political, even though information and communications technologies were an enabling factor that ensured great success for a time. Then from the first half of the 1990s there was established a "mechanism of growth" in which private and to a lesser extent, public debt became the central element of support to accumulation. The third response was the incorporation in stages of China into the mechanisms of world accumulation, of which its entry into the World Trade Organization by cooptation in 2001 was the culmination.

The specific traits, the magnitude and the duration of the great crisis which began already nearly four and a half years ago (August 2007), are the consequence of the exceptional length of the period of accumulation, without a serious break, since 1975, and thus of the three factors that prolonged it.
The first major feature of the crisis is that it is developing in the "world market that has been constituted" [6], to a much greater degree than at any previous period, with potential costs of withdrawal (protectionism) that are much stronger than in the 1930s (countries such as Argentina and Brazil were able at that time to practice it without retaliation and to begin a process of industrialization that they pursued thanks to the war in Europe and the Far East); lastly and above all, in a configuration where very important countries (the big "emerging" countries in particular) have escaped from the political and economic relations associated with the term imperialism. It is only by starting from the world context of valorisation of capital and acute competition, therefore by including in particular China and its suppliers of raw materials in South America and Asia, that the extent and configuration of the over-accumulation of capital in its form of means of production, of the production capacity that has been installed, of constant capital, can be appreciated, as well as the extent and configuration of the overproduction of commodities that accompanies it. The destruction of installed production capacity in Europe and the United States was "compensated for" by the creation of capacity at least as important in China. The destruction of production capacity in Europe (in the car industry), but also in many countries of which we do not often speak (textiles in Morocco, Egypt and Tunisia, for example), expresses the weight of Chinese production, where the "reorientation " to the domestic market is very, very far from being sufficient for this production not to be unloaded onto the world market and to make impossible any economic recovery in many countries.

The second feature of the present crisis is to have broken out at the end of a process which saw not only a very high accumulation of stocks and shares holding a claim on present and future production, of an accumulation on this basis of assets that are "fictitious to the nth degree", of which no one knows the exact astronomic amount or the circuits (shadow banking). What is called financialisation is the quasi-structural plunge into the situation described by Marx in the first chapter of Volume II of Capital where "the production process appears simply as an unavoidable middle term, a necessary evil for the purpose of money-making" so that " 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." [7] This time the "giddiness" has become durable. Finance has established for itself very strong politico-institutional foundations and has made its power rest on the one hand on a degree of financial, but also commercial globalization, that is unprecedented in the history of capitalism, and on the other hand on the fact of having led states both to become heavily indebted themselves and to consider saving the system of indebtedness, and therefore the banks, as a priority. The "markets" have been able to establish an unprecedented relationship with states, allowing them to dictate the conduct of Western governments. The axis of this conduct is to preserve the power of creditors regardless of the consequences in terms of the possibility of a second recession (double dip), followed by years of quasi-depression with China as the only prop, and course, whatever the consequences are in terms of social suffering.

The third feature of the situation, lastly, is that the crisis is developing while the policies of liberalization and deregulation have destroyed the national framework in which counter-cyclical instruments with a certain effectiveness had been developed. After having experienced only the "good side" of these policies, capital is discovering their "bad side". They made it possible for capitalism to put workers in different countries and continents in competition with each other as never before. They therefore strongly weakened the positions of labour against capital, eliminating up to now the "fear of the masses" as a spur to the conduct of capital. The other side of the coin is this lack of counter-cyclical instruments; no substitutes have been found for those of Keynesianism. There is no institution on a state level, national or international, to remind money capital that it will be confronted at some point with the reality principle, by the fact that uncomfortable and tedious as it is, the passage through the production cycle, the only source of surplus value and of its realisation, is obligatory. To make it difficult can only lead to ever more acute crises. The other side of the coin, of which we saw muted expressions in Cannes, is also the intense rivalry between the major protagonists of the global capitalist economy, in a phase where the present hegemonic power has lost most of the means of its hegemony, with the exception of military means, of which it can only use a small part and in this case, so far with little success.

An editorial in the *Economist* said that all that all we could expect of governments is that they "muddle through", that they get by as best they can. Because for the reasons which have been explained, they have no strategies for "a way out of the crisis", if only because the almost unimpaired power of finance forbids them to. The challenge confronting workers and young people has never been so great. Overcoming the crisis requires nothing less than breaking the stranglehold of capitalist domination. The struggle against capitalism has always required us to find levers for common action. In the European context, the issue of public debt and its cancellation, and of seizing the banks, are part of these levers. We should therefore not make what is happening Greek, Portuguese or Spanish affairs, but really a European issue.

Paris, November 9, 2011.

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[1] The economic supplement of *Le Monde*, November 8, 2011, recognized the importance of these committees and gave their organizers an opportunity to explain their aims.

[2] See Christiane Fourgeaud, “Grèce : Des défilés d’indignés dans tout le pays”, 30 octobre 2011, www.carre-rouge.org.

[3] “Croatie : le réveil d’une nouvelle gauche solidaire”, 2 novembre, 2011, www.balkans.courriers.info.

[4] *Financial Times*, “German slowdown likely to lead to eurozone recession”, November 7, 2011 www.ft.com / global-economy.

[5] *Financial Times*, “Fears grow over global euro effect, November 9, 2011”.

[6] Marx, 1857, *Grundrisse*.

[7] *Capital*, Volume 2, Harmondsworth, 1978, p 137