https://www.internationalviewpoint.org/spip.php?article2491

World Economy

The roots of the world economic crisis

- IV Online magazine - 2012 - IV445 - February 2012 -

Publication date: Wednesday 15 February 2012

The European financial crisis is the expression in the sphere of finance of the situation of semi-paralysis in which the world capitalist economy finds itself. It is at this moment the most conspicuous expression of it, but by no manner of means the only one. The austerity policies that are being conducted simultaneously in the majority of the countries of the European Union (EU) contribute to the world recessionary spiral. They are not the single cause of it. The chapter headings of the OECD note on perspectives of September 2011 were eloquent: “World activity is close to stagnation”; “World trade has contracted, world imbalances persist”; “In the job market, improvements are less and less perceptible”; “Confidence has been degraded”, etc. Following on the projections of Eurostat in mid-November of an economic contraction of the EU, to which even Germany would not be an exception, the most recent note of the OECD (November 28, 2011) spoke of a “considerable deterioration”, with growth for the OECD as a whole of 1.6 per cent, and 3.4 per cent for the world economy.

In Europe, the attention of workers and young people is concentrated, understandably, on the consequences of “the end of the road” and of “everyone for themselves” of the European bourgeoisies. The political crisis of the European Union and the euro zone and the pussyfooting of the European Central bank (ECB) concerning direct financing of the countries that are in the most difficulty are the most conspicuous expressions. The other side of the coin is the reinforcement of austerity policies and the accelerated installation of all-encompassing security measures from which no country escapes. However, the European situation cannot be understood independently of that of the world economy taken as a whole. UNCTAD wrote right at the beginning of its report in September 2011 that “the extent of economic integration and interdependence in the world today is unprecedented” [1]. That represents unquestionable intellectual progress, from which many commentators and even left activists could draw useful inspiration. The field of the crisis is that of the “world market that has been constituted”, about which Marx speaks very early on in his economic writings [2]. Today, since the reintegration of China and the full incorporation of India into the world capitalist economy, the world market is experiencing a degree of density of relations of interconnection and speed of interactions that was previously unknown. It is within this framework that the most essential questions – over-accumulation and overproduction, the colossal power of financial institutions, inter-capitalist competition - must be approached.

No “end of the crisis” is in sight

In the current economic language of Keynesian inspiration, the formula “way out of the crisis” indicates the moment when investment and employment start up again. In Marxist terms, it is the moment when the production of value and surplus value, through hiring workers and putting them to work and through the sale of commodities that makes it possible for them to be appropriated by capital, rest again on an accumulation of new means of equipment, on the creation of new production capacities. Very rare are the economies which are inserted in relations of interdependence but which continue, like China, to enjoy a certain autonomy, and where the way out of the crisis is conceivable on the level of the economy of the nation-state. All the others are inserted in relations of interdependence in which the completion of the cycle of capital - M-C-P-C'-M' - by a large number companies, in any case all the big ones, is done abroad; the biggest groups simply relocate the whole cycle to part of their subsidiary companies.

This is what constitutes the significance of the impasse that we saw at the time of the last G20 (in Cannes, November 2011). More than four years after the beginning of the crisis (August 2007) and more than three years after the convulsions caused by the bankruptcy of the Lehman Brothers bank (September 2008), the overall situation is marked by the inability of “capital” - governments, central banks, the IMF and the private centres of the centralization and of the power of capital taken collectively - to find, for the moment at least, the means of creating a dynamic of the kind that is necessary on the level of the world economy, or at least of very large sectors of it. The crisis of the euro zone and its impact on an opaque and vulnerable financial system are one of the expressions of this. This inability is not synonymous with political passivity. It means simply that the action of the bourgeoisie is driven more and more completely by the sole aim of preserving its class domination in its most naked form. In terms of what affects in an immediate and direct way workers in Europe, the capitalist decision-making centres are actively seeking solutions which would protect the banks, which would avoid the large-scale financial shock that Italy or Spain defaulting and the collapse of the euro would represent, and which would more than ever make the popular classes bear the full weight of the crisis. Witness the arrival at the head of the Greek and Italian governments, within a few days of each other, of representatives of finance capital, named directly by it, at the cost of some “distortions of democratic procedure”. Witness especially the different versions of a project of authoritative “governance” which are under discussion within the euro zone. This project has political implications that are all the more serious for workers because it goes hand in hand with a hardening of the pro-cyclical character of policies of privatization and austerity, and contributes to the new recession which is underway.

On the other side of the North Atlantic, the incessant appeals to the European leaders from Barack Obama and the Treasury Secretary, Tim Geithner, urging them to provide a political answer to the crisis of the euro as quickly as possible, expresses the fact that “the American motor”, as the journalists call it, has broken down. The macro-economic functioning of the US economy was built almost entirely after 1998 (the aftershock of the Asian crisis) on the forced indebtedness of households, small and medium-sized enterprises and local government authorities. This “mode of growth” is deeply anchored. It has reinforced so strongly the operation of mechanisms of unequal distribution of revenues (the slogan of Occupy Wall Street (OWS), “we are the 99 per cent”, is an expression of the yawning gap between the very, very high incomes and those of the remainder of Americans) that the only perspective to which the leaders are really clinging is that of the – distant - moment when people will be able to, or will absolutely have to, get into debt again. The “irreconcilable” disagreements between Democrats and Republicans relate to two inter-connected questions: how best to reduce the indebtedness of the Federal state, from this point of view? And can and must the state become even more indebted in order to achieve this goal? This inability to conceive of any other “mode of growth” is the expression of the almost intact economic and political power of finance and of the politico-financial oligarchy of the one per cent (see the graph on the evolution of income in the United States, which highlights the growth of the degree of monopolization by the one per cent; source: *The Economist*, October 26, 2011; Congressional Budget Office). The OWS movement is a first sign of cracks in this domination, but as long as a world earthquake that also involves the United States does not occur, American economic policy is reduced to injections of money by the central bank (the FED), in a word to the operation of the money-making machine, without anyone knowing how long that can last.

[https://www.internationalviewpoint.org/IMG/jpg/USA.jpg]

China and India can help, as they did in 2009, to limit the contraction of production and trade. China in particular will continue, but with more difficulty than before, to establish a floor for the contraction of the world economy. It is from the full integration of India and China into the world economy that the qualitative leap in the dimensions of the industrial reserve army at the disposal of world capitalism as a whole came. In a complementary way, it is in China that there are some of most important sources of over-accumulation and overproduction. The scissors effect between the drop in the GDP of the “old” industrial capitalist countries and the rise of the “big emerging economies” has often been underlined. The crisis has also accelerated the end of the period of world hegemony of the United States; economic, financial and monetary hegemony since the 1930s, unchallenged military hegemony as from 1992. Nevertheless China is in no way capable of taking over from the United States as the hegemonic power.

The novelty of the major policy issue of the period

The purpose of this article is to bring out the roots and the nature of capitalist crises, which are particularly salient in the present crisis, and to locate this crisis in the "long history". The present crisis broke out at the end of a very long phase (more than fifty years) of almost uninterrupted accumulation, the only phase of this duration in the entire history of capitalism. The crisis can last for years, even for a whole decade, because its substratum is a particularly high over-accumulation of production capacities and because it has generated an excrescence of fictitious capital of an amount that is also without precedent. On the other side, the very difficult situation of workers everywhere in the world, differentiated though it is from one continent and even from one country to another, as a result of their former historical trajectories, results from the strong position that capital has acquired thanks to the globalization of the industrial reserve army, as a result of the extension to China of the liberalization of exchanges and direct investment.

Although there is not a "way out of crisis" for capital in the foreseeable future, in a complementary and antagonistic way the future of workers and young people depends very largely, if not entirely, on their ability to open up their own political spaces and "breathing spaces", starting from a dynamic of which from now on only they can be the driving force. We are in a world situation where what has become decisive is the ability of movements, having appeared without advance notice, to organize themselves in such away as to generate a "self-perpetuating" dynamic and to do so even in the absence of a clear and well-defined political solution in the short term. That is what is being expressed in Tunisia, in Greece and in Egypt; but also in the United States with the Occupy Wall Street movement, in the particular national context of the leading capitalist power in the world and of a continental geographical space. The most useful thing that political militants can do is to help those who are the actors of these movements to face the obstacles, many and varied, which movements having this potential encounter, and to defend in these movements the idea that in the last resort the crucial questions are: "who controls social production, with what aim, according to what priorities and how can this social control be built politically?". That could be the meaning of the terms "transitional" process and demands today. Some people will tell me that it always been that way. For a very great number of militants, put in the terms which have just been used, such an appreciation is largely, if not completely, new.

Valorisation, "endless and unlimited", of capital as the motor force of accumulation

Before coming back to the crisis that began in 2007, it is necessary to clarify the mechanisms of capitalist accumulation. Let us look for a moment at the theory of accumulation over a long period. Its function is to help clarify, starting from a precise understanding of the mechanisms of capitalist production, the nature of crises and to locate each great crisis in world social and political history. As Paul Mattick writes, commenting on a remark of Engels, "every real crisis can only be understood in connection with social development as a whole" [3]. The extent and the specific features of the great crises result from the means to which capital, understood as including the governments of the most important capitalist countries, has resorted during the previous period, in order to "go beyond the limits which are inherent to it" before seeing "the same barriers drawing themselves up before it on an even more imposing scale". Crises break out at the moment when capital is again "caught up with" by its contradictions, confronted with the barriers which it creates for itself. The greater these means have been, the longer the period during which the means of surpassing the crisis have achieved their goal, the more the revelation of over-accumulation has been put off, the greater will be the crisis and the longer and more difficult will be the search for new means of "going beyond the inherent limits". It is in this way that history invades the theory of crises.

Each generation reads and re-reads Marx. It does so both to follow the historical evolution and to take account of the experience of theoretical dead ends against which it has run up. For many decades, it was the problematic of the development of the productive forces in its various alternatives which dominated, with the memories of the theories of progress it could still represent. Today, the Marx whom we need to read again as militant-researchers is the one who helps us to understand what the seizure of power by finance – M, money in all its brutality -, the Marx who writes in the Manuscripts of 1857-58 (the *Grundrisse*) that "capital inasmuch as it represents the universal form of wealth -

money -, is the limitless and measureless tendency to surpass its own limits" [4]. Or who writes in Capital that the "circulation of money as capital possesses its goal in itself; because it is only by this constantly renewed movement that value continues to be valorised. Thus the movement of capital has no limit." [5]During the twentieth century capital demonstrated, even more than at the moment when Marx was studying it, a profound degree of indifference as to the social use of the commodities produced or the finality of investments.

For the last thirty years, "abstract wealth" has increasingly taken the form of masses of money-capital - masses in search of valorisation, deposited in institutions - big banks, insurance companies, pension funds and hedge funds - whose "trade" is to develop their assets in a purely financial way, without leaving the sphere of the markets in financial assets and in fictitious credits "derived" from them, without passing through the sphere of production. Whereas shares and debt bonds - public, of companies or of households - are only "advance payment", rights to appropriate part of value and surplus value, immense concentrations of money-capital use the "shortened cycle A-A'" which represents the supreme expression of what Marx calls the fetishism of money. Expressed through increasingly abstract, fictitious, "notional" money shapes (the term used by the economists of finance), the indifference to the consequences of endless and limitless valorisation of capital impregnates economics and politics, even in "times of peace".

The major features of capital-bearer of interest underlined by Marx - "externality to production" and conviction that "interest represents the fruit, properly so-called, of capital, the first thing, the profit from an enterprise appearing as a simple accessory and additive, which is added during the process of reproduction" – set the capitalist leaders against the whole of society, distribution (the one per cent against the 99 per cent of OWS) being only the most easily understandable expression of much more profound processes. At the top of the big financial groups, those that are called "mainly industrial" as well as all the others, there is a quasi complete fusion between "capital-property" and "capital-function" as identified by Marx in order to partly counterpose them. The "era of the managers" has given way to a new era when there is an almost complete identity of views between shareholders and managers. For a capital where finance is in command, the continuation of "endless and limitless" valorisation must be carried out all the more pitilessly because the system is in crisis. The "advance payments" on production, whose appropriation in the form of dividends or of interests is threatened, attains amounts which have never been so high since the 1920s. That is why, whether we are talking about workers whom capital still manages to employ given the situation of overproduction, about the basic resources which are becoming increasingly rare or about taking a position faced with climate change and its foreseeable consequences, the reflex which wins out within capital taken as a whole is the exploitation of the "two sources from which comes all wealth, the land and the worker" [6] ; exploitation without limits, until there is nothing left to exploit, whatever the consequences. In this article, it is not possible to extend the analysis to ecological questions and their interaction with the movement of accumulation and its contradictions. The crisis has made the interactions still closer, as the last report of the International Energy Agency (IEA) shows [7].

Centralization and concentration of capital and intensification of inter-capitalist competition

The idea associated with the expression "the masters of the world", that of a planetary company in the style of Fritz Lang's Metropolis, has just been consolidated by the publication by three researchers of the Department of Management, Technology and Economics (D-MTEC) of the ETHZ in Zurich of a statistical and mathematical study ("The Network of Global Corporate Control") which is very thorough on the financial interconnections between the biggest banks and transnational corporations [8]. Another article would be necessary in order to examine the methodology, the source data and the conclusions of this study. It is ambitious, the implications of its results are important, but these results need to be cross-referenced with other facts. How should we interpret the classification of five French financial groups (including Axa in fourth place and Société Générale in twenty-fourth) among the first fifty world groups defined by the number of their links, characterized as being of "control" with other banks and companies? How should we reconcile this information with the need to bail them out? Doesn't the density of financial interconnections express especially flows of financial transactions of which the groups in question are the intermediaries, those with the greatest number of links having only the status of nodes in the system, and not that of centralizers of value and surplus value? [9]

The publicity given to this study makes it necessary to make two series of theoretical observations, which are moreover essential to the comprehension of the world situation. The processes of liberalization and privatization have strongly reinforced the mechanisms of centralization and concentration of capital, on both the national and transnational levels. These processes have concerned the “South” as much as the “North”. In given sectors of the countries known as “emerging” - banks and financial services, agribusiness, mines and basic metals -, we have seen centralization and concentration of capital and its expansion towards adjoining countries. In Brazil and Argentina for example, the formation of powerful “modern” oligarchies has proceeded hand in hand with strong endogenous processes of financialised accumulation and the advantageous exploitation of “comparative advantages” which correspond to the needs for raw materials of this world accumulation, of which China has become the pivot. Oligopolies competing with their North Americans or Australian homologues in the extraction and transformation of metals and in agribusiness have been constituted there, in particular in Brazil. Because of globalization, the interconnections between banks and between them and companies engaged in industrial production and services have become more strongly transnational than they have ever been. The field of action of what Lenin called “intertwining” is that of the economy. But that does not mean that capitalism is monolithic. Intertwining does not suppress competition between oligopolies, which have rediscovered during the crisis national features and behaviour that is not very co-operative. What prevails today in the world arena is what Marx calls “the anarchy of production”, whose pivot is competition, even though monopoly and oligopoly are the absolutely dominant shape of the “many capitals” which decline capital taken as a totality. States, or more exactly certain states, those which still have the means, are more and more the active agents of this competition. The only country in continental Europe which still has the means is Germany. That is not the case for France, where the bourgeoisie has once more become financial and rentier, has allowed a process of deindustrialization to take place, has locked itself into the energy choice of nuclear power and is now seeing its “national champions” sink one after another. That is the source of interrogations on the meaning of the presence of French banks among the fifty “masters of the world”.

The other main remark concerning the centralization-concentration of capital brings us back to the guiding theme of our argument. The reason for which the coercive laws of competition undo the tendencies going in the direction of agreement between world oligopolies is that capital, however centralized it is, does not however have the power to free itself from the contradictions which are consubstantial to it, any more than it can block the moment when it finds itself face to face with its “inherent limits”.

Capital “caught up with” by the methods chosen for forty years to surmount the inherent barriers

The crisis that began in August 2007 thus appears at the end of a very long phase (more than fifty years) of almost uninterrupted accumulation. The bourgeoisies benefitted fully from the policies implemented, in the first place by the USSR and later by China (in particular in Indonesia between 1960 and 1965) to contain the anticapitalist and anti-imperialist social revolution everywhere where it appeared and to break the revolutionary anti-bureaucratic movement, from Berlin in 1953 and Budapest in 1956 to Tiananmen in 1989. Capital – the governments of the principal capitalist countries in changing relations with the private centres of centralization of capital and the power of finance and big industry – was able to find, starting from 1978-1980, responses to the barriers resulting from its internal contradictions. In 1973-75, the period known in France as “the thirty glorious years” – the foundation of which, we can never repeat this often enough, was the immense destruction of productive capital and means of transport and communication caused by the successive effects of the crisis of the 1930s and the Second World War -

ended with the recession. Capital found itself confronted again with its internal contradictions, in the form of what some people have called "the structural crisis of capitalism".

Three successive answers - which were not substituted for but added to each other- made it possible for capital to prolong accumulation by more than thirty years. There was initially, after a final attempt at a "Keynesian stimulus" in 1975-77, the adoption from 1978 of the neo-conservative policies of liberalization and deregulation from which the globalization of capital has resulted. The "third industrial revolution" of information communication and technology is closely associated with this. Even though ICT was a factor which contributed to ensuring success, this response was above all political. It rested on the very strong ideological-theoretical base constructed by Friedrich Hayek and Milton Friedman [10]. Then, starting from the first half of the 1990s, the second response was the establishment of the "mode of growth" described above, in which private and, to a lesser extent, public debt became the central support of accumulation. The third answer was the incorporation in stages of China into the mechanisms of world accumulation, of which its entry into the World Trade Organization (WTO) was the crowning point.

Taking the idea that capital sees "the same barriers rising up before it on an even more imposing scale" as the guiding theme of our argument, it is by starting from these three series of factors that the extent and the probable duration of the great crisis that began in August 2007 can be appreciated.

Over-accumulation as fundamental substratum of the crisis

The exceptional length of the phase of accumulation – which experienced moments of deceleration and a growing number of warnings (including in particular the Asian crisis of 1998), but not a real caesura - and the integration at the end of the period of China into the world market make over-accumulation the most important barrier which capital again finds before it. Over and above the specific features of each great crisis, over-accumulation of capital is the primary reason. Capital's insatiable thirst for surplus value and the fact that capital "wants production to be exclusively for it, whereas the means of production should be used for a continuous extension of social life" [11] explains why crises are always basically crises of over-accumulation of production capacities, whose corollary is the overproduction of commodities. This over-accumulation and overproduction is "relative" [12], the point of reference being the minimum rate of profit at which capitalists continue to invest and produce. The scale of over-accumulation today is due to the fact that the specific conditions which led to the crisis, and which are prolonging it, masked for a long time the underlying movement of falling profit. What we have here is quite different from the classical euphoria of booms at the end of a cycle. Even less is it ascribable to the actions of traders. There has been, in the case of the United States and of the countries of the EU, a deactivation through the level of indebtedness, still high, made possible by "financial innovations", of warning mechanisms. In the case of China, it is political reasons which prevent the fall in the rate of profit, which is absolutely identifiable, from slowing down the accumulation of new production capacities, far less stopping it.

In every great crisis, the over-accumulation of production capacities and the overproduction of goods are those of specific sectors and industries. The crisis then causes by contagion a state of overproduction in other industries and sectors. The relevant level of analysis is sectoral and often national. From the moment when the financial crisis started, in 2007 and 2008, to undermine the mechanisms of indebtedness and cause the contraction of credit (the "credit crunch"), certain sectors (real estate and the building industry in the United States, in Ireland, in Spain and in the United Kingdom) and certain industries (the car industry in the United States and in all the countries in Europe which produce cars) proved to be in a state of very great surplus production capacity. Today still, we find stocks of homes and offices that are neither sold, nor even rented. In the electrical and engineering industries, the surplus production capacities of the weakest oligopolistic rivals (Renault, Peugeot, FIAT, Goodyear) and their suppliers were absorbed by the closing of sites and the destruction or delocalization of machinery. World surplus production capacities remain intact.

Evolution of the share of the components of Chinese GDP

[https://www.internationalviewpoint.org/IMG/jpg/intact.jpg]

The lines correspond to Private consumption, investment, exports, imports in that order

At the end of 2008 and in 2009, there was destruction of "physical capital", of production capacities, in Europe and in the United States. Its cleansing effects in view of a "recovery" were countered by the continuation of accumulation in China. From 2000 to 2010, the growth of China's gross fixed investment was on average 13.3 per cent per annum, so that the share of fixed investment in GDP climbed from 34 per cent to 46 per cent (see the graph Evolution of the share of the components of Chinese GDP, source: Letter nÂ° 75, June 2010, of the Head Office of the Treasury, Ministry of Economy, France). This expansion of investment is less due to the rise in governmental expenditure, with which the other members of the G20 were very happy in 2009, than the result of profound mechanisms which reveal uncontrolled processes, and even a headlong forward flight. The first of these mechanisms concern the fierce competition between provinces and big municipalities to invest in manufacturing industries and the building industry [13]. It is a question of prestige, but also of the occult revenues of sections of the Chinese "bureaucracy-bourgeoisie". The ministries in Beijing recognize the existence of very great surplus production capacities in heavy industry [14]. Why then not intervene? Because the political and social relations proper to China have trapped the Chinese Communist Party in the vice of the following situation. As a condition of minimal social peace (see the increasing number of strikes), the leadership of the CCP has promised the people "growth". It has even calculated a growth rate of 7 to 8 per cent as being the minimum that is compatible with political stability. But growth cannot rest on consumption by the majority of the population. The CCP can neither concede to workers political conditions that would enable them to fight for rises in wages, nor establish public services (health, university education, old-age pensions), since, in the Chinese political trajectory of which Tienanmen was the major event, that would be interpreted as a sign of weakening of its political influence. The 7 to 8 per cent growth rate was thus obtained by an irrational expansion of the sole sector of investment goods (sector I in the schemas of expanded reproduction). The fall between 2000 and 2010 of the share of private consumption in GDP, from 46 per cent to 34 per cent, gives a dimension of the impasse which the CCP has created for itself. The trade surplus of China is "only" between 5 and 7 per cent of GDP, but its sales account for almost 10 per cent of world exports. Exports are the safety valve of Chinese over-accumulation, the channel by which it creates a depressive effect on all the countries which suffer competition from Chinese products. This depressive effect creates a backlash, so that China has experienced since the summer a fall in its exports. The destruction of production capacities in manufacturing industry in many countries which do not get much attention (textiles in Morocco, Egypt and Tunisia for example), but also in others which get more and where this destruction has been the counterpart of the export of products resulting from the technological industries of ferrous and non-ferrous metals and from agribusiness (the case of Brazil), is an expression of the weight that Chinese overproduction exercises on the world market as a whole.

The crushing weight of fictitious capital and the almost intact power of the banks

We come to finance and to fictitious capital, which I have often dealt with in my articles since 2007, and in my book *Les dettes illegitimes* [15]. Indeed, the second specific feature of the current crisis is to have broken out at the end of less than twenty years of recourse to debt as the major form of support for demand in the OECD countries. This process comprised an extraordinarily high level of creation of financial instruments having the character of "advance payment" for present and future production. These "advance payments" had an increasingly narrow base. Alongside the dividends on shares and the interest on government debt, we saw the growth of consumer credit and mortgage credit which are direct deductions from wages. The weight of capital is exerted on workers both in their workplace and as debtors of the banks. It is therefore increasingly fragile "advance payments" which have been used as a basis for an accumulation (this word is used for want of anything better) of credits that are "fictitious to the nth degree". The crisis of subprime mortgage credits has temporarily destroyed a small portion of them. But even the central banks do not really know their astronomical amount, nor the exact circuits and the holders, because of the shadow banking system. We have only rather vague estimates. What we have called financialisation has been the quasi-structural plunge into a situation described by Marx in a little commented passage of the first chapter of Volume II of Capital. He notes there that, as bizarre as it might seem in the epoch of the full triumph of industrial capital, "the process of capitalist production appears simply as (...) a necessary evil for the purpose of money-making", so that "all nations characterised 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" [16]. Starting in the 1980s, in the central capitalist countries, with the United States in the lead, the "giddiness" began to take on a structural character. Finance has given to this giddiness, the fruit of fetishism of money, very strong politico-institutional foundations. It has managed to make "the power of finance", and the fetishised beliefs that accompany it, rest on a degree of globalization, in particular financial, that is new in the history of capitalism.

The keystone of this power is the national debt of the OECD countries. In the first period, in the 1980s, debt servicing carried out, starting from taxation, an immense transfer of value and surplus value towards investment funds and banks, through the channel of the debt of the Third World of course, but on a much higher scale through the channel of the debt of the advanced capitalist countries. This transfer is one of the causes of the profound change in the distribution of income between capital and labour. The more capital strengthened its social and political power, the more enterprises, holders of financial assets and the greatest inheritances were able to act politically to free themselves from the weight of taxation. The necessity for governments to have recourse to borrowing constantly increased. From the first Clinton government, we begin no longer to be dealing in the United States with monetary policies which accommodate to finance, but with the beginning of the "capture of the state" by the big banks [17]. The nomination of Robert Rubin, president of Goldman Sachs, represented one moment of this capture. The crisis of September 2008, with Henry Paulson holding the levers of command, completed the process. It opened the current phase, which is marked by the following central contradiction, which corresponds to support for growth over such a long period. We will become more and more acutely aware of it in the coming months! The "markets", in other words the banks and financial investors, dictate the conduct of Western governments, the axis being, as we see so clearly in Greece, the defence of the economic and political interests and policies of creditors, whatever the consequences in terms of social suffering. But because of the quantity and the conditions of accumulation of fictitious credit, a major financial crisis can break out at any moment, without anyone being able to predict either the moment or the point of rupture of the financial system.

The reasons go beyond those linked to the operations of the banks on which stress is generally laid: the nature of fictitious credits; the very incomplete purging of the toxic debts of 2007, in particular not by the European banks; the dimension of what is called "the leverage effect" [18], etc. Capital is suffering from an acute lack of surplus value, which the overexploitation of workers who are employed, thanks to the industrial reserve army, as well as the plundering of the resources of the planet, compensates for less and less. If the mass of capital engaged in the extraction of surplus value stagnates or contracts, there comes a moment when no increase in the rate of exploitation can counter the effects. What happens when the power of the banks is almost intact and there exists more than ever a mass, very great and very vulnerable, of "advance payment" on production, as well as fictitious derivative products and other credits "to the nth degree"? On a foundation of chronic over-accumulation and overproduction, the consequences are, among others, the following.

The first consequence is to lead to economic and monetary policies which pursue two objectives with contradictory effects. It is necessary, by the method of privatizations, to open up to capital socially protected sectors, in order to offer opportunities for profit while waiting, or to put it better, while hoping, that the overall conditions of "a way out of crisis" are recreated. The projects of privatization and of "opening up to competition" that have been programmed are thus implemented, and new ones are conceived. But it is also necessary to try to prevent an economic collapse happening, which would necessarily see the destruction of a part of fictitious capital, to start with that having the form of credits, of debt bonds. However, the effect of the pro-cyclical character (of accentuating the recession) of the first objective is to reinforce this possibility.

There is, in parallel, the contradiction, a bit similar but nevertheless different, which sees the "markets" imposing austerity policies through fear of a default of payment and making this default increasingly inevitable due simply to the mechanical fact of the accentuated contraction of economic activity.

The other major consequence of the power of finance and of the ability that it has to limit very strongly the destruction of fictitious capital in the OECD countries is the existence of this enormous mass of money – a fictitious mass with real effects - which moves continuously from one form of placement to another, creating very great financial instability, generating bubbles which can be so many catalysts for a generalized crisis and often sharpening, in particular in the case of speculation on food products, social conflicts.

The extreme weakness of the tools of economic policy

The last great feature of the crisis is that it broke out and developed at a moment when policies of liberalization and deregulation had destroyed the geopolitical and macro-social conditions in which anti-cyclical instruments with a certain effectiveness had previously been developed. For capital the policies of liberalization have their "good side", but they have also a "bad side". Liberalization put workers in competition with each other from country to country and continent to continent as never before. It opened the way to deregulation and privatizations. The positions of Labour as against Capital have been very greatly weakened, eliminating up until now the "fear of the masses" as a pivot of control of capital. The other side of the coin consists of this deficiency of anti-cyclical instruments, no substitute having been found for those of Keynesianism, as well as by the intense competition between the major protagonists of the globalized capitalist economy, in a phase where the hegemonic power in place has lost all the means of its hegemony, except for military means, of which it can use only a small portion, and in this case, for the moment, without much success.

The only instrument available is the emission of currency, the creation of money for governments (take the case of the United States, where the FED buys part of the Treasury bills), but especially for the benefit of the banks. This terrain is also the only one where a form of international cooperation functions. The announcement on November 30, 2011 of the creation of liquidities in dollars, by mutual agreement between central banks, on the initiative of the FED, to counter the drying up of the refinancing of European banks by their US counterparts, is the last example to date.

Resist and take to the sea where we have never yet navigated

I have explained, as have others, [19] the absolute need, impossible to circumvent, to prepare, in the perspective of a major financial crash, to seize the banks. This article requires a broader conclusion. No "way out of the crisis" is taking shape for capital on a world level, in the foreseeable future. For the great singular centres of valorisation of capital that the European industrial groups represent, it is time to migrate towards more clement skies, towards economies which combine a high rate of exploitation and an important domestic market. The conditions of social reproduction of the popular classes are threatened. The increase in poverty and the creeping impoverishment which affects increasingly broad layers of workers are the expression of this. The United Kingdom was one of the laboratories for this, even before the crisis broke out [20]. The longer this lasts, the more distant will become any other future for workers than precariousness and a fall in their standard of living.

The key words which are constantly harped on are “adaptation”, “necessary sacrifice”. From time to time, trade unions can, in order to maintain a minimum of legitimacy call days of action. The one day strike (November 30) of public sector workers in the United Kingdom is the most recent example. But as I wrote above, the future of workers and young people depends very largely, if not entirely, on their ability to open up their own political spaces and “breathing spaces”, starting from dynamics of which from now on only they can be the motor force. Another world is doubtless possible, but it can only take shape in so far as action opens the road to thought, which, more than ever, can only be collective. This is a complete reversal in relation to periods when there existed, at least apparently, pre-established plans of the future society, whether they were those of certain utopian socialists or the Comintern of Dimitrov [21].

English navigators forged in the sixteenth century the beautiful expression “uncharted waters”, seas where no one had ever yet sailed, for which there was no chart. That is our case today.

Written at the beginning of December 2011

---

[1] UNCTAD, *Post-crisis Policy Challenges in the World Economy*, Geneva, September 2011.

[2] Marx, *Manuscrit de 1857-58 (Grundrisse)*, Editions sociales, 1980, volume 1.

[3] Paul Mattick, *Economic Crisis and Crisis Theory*, Merlin Press, London, 1981, p 76.

[4] Marx, *Manuscrit de 1857-58 (Grundrisse)*, Editions sociales, Paris, 1980, volume 1, p. 273.

[5] Marx, *Capital*, Book I, volume 1, Editions sociales, pp. 113-114, 156-157.

[6] Marx, *Capital*, Book I, volume 2, Editions sociales, pp. 181-182.

[7] See the very good article by Antoine Reverchon, Â«Quelle est la vraie valeur des réserves d’énergie fossile?Â»,*Le Monde Economie*,15 November 2011 (share value or value for human society)

[8] Stefania Vitali, James B. Glattfelder and Stefano Battiston, *The Network of Global Corporate Control* http://arxiv.org/pdf/1107.5728v1.pdf

[9] These are so many questions that should be investigated in order to see whether the ETHZ study is relevant to a problematic concerning financial capital of Hilferding and Lenin.

[10] See Pierre Dardot and Christian Laval, *La nouvelle raison du monde. Essai sur la société néolibérale*, Editions La Découverte, 2009.

[11] Marx, *Capital*, Book III, volume 6, Editions sociales, p. 263.

[12] Marx evokes the hypothesis of situations where there would be “absolute over-accumulation” of capital. Ibid, pp. 234-265.

[13] See the article by Mylène Gaulard, Â«Les limites de la croissance chinoiseÂ», in *Revue Tiers Monde*, nÂ° 200, December, 2009, pp. 875-893.

[14] The site of the English edition of the daily newspaper of the CCP abounds with examples (http://english.peopledaily.com.cn/). You only have

to type the terms “China overcapacity” to find them. We can also consult the study made for the European Chamber of Commerce: “Overcapacity in China. Causes, Impacts and Recommendations”, 2009.

[15] Les dettes illégitimes. Quand les banques font main basse sur les politiques publiques, Editions Raisons d’agir, Paris, 2011

[16] *Capital*, Book III, Part One, Chapter 1, p 137 Pelican Marx Library, Harmondsworth, 1978

[17] S. Johnson and J. Kwak, *13 Bankers - The Wall Street Takeover and the Next Financial Meltdown*, Pantheon Books, New York, 2010.

[18] See my book *Les dettes illégitimes*, mentioned above, and Louis Gill, *La crise financière et monétaire mondiale*, M Editeur, Québec, 2011.

[19] In particular Frederic Lordon. See his blog *La pompe Ã phynance* on the blogs of *Le Monde Diplomatique* and his book *La crise de trop. Reconstruction d’un monde failli*, Fayard, 2009.

[20] See Owen Jones, *Chavs. The Demonization off the Working Class*, Verso, 2011.

[21] Georgi Dimitrov, 1882-1949, general secretary of the Comintern from 1934 until its dissolution in 1943

