

Capitalism between hammer and anvil

[threecolumns]by *Balazs Nagy*

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In our last issue, we briefly noted “cracks” emerging in world capitalism, including, among other things, weaknesses in relation to the international monetary system organised on the basis of and governed by the US dollar. We do know that, to ward off the last great crisis, the big chiefs of US finance decided to supply the economy, which was gasping for breath and quite unable to meet astronomic levels of losses and needs, with even greater massively and artificially swollen credit arrangements. To put it another way, the crisis had revealed the imperative urgent need to deal quickly and urgently with the yawning gap between real production on the one hand, hampered and dragged back by the growing limitations on effective profits, and on the other the phenomenal pile-up of dollars not backed by anything whose job was to make good the market’s organic deficiencies. Let me repeat: the whole edifice of runaway and inflamed world finance operates under the auspices of the US dollar.

We know that immediately on the outbreak of the crisis, capitalist governments carefully put the corpse of capitalist economy on life-support, injecting hundreds of billions of dollars (and euros) to soften the sudden absence of billions of fictitious dollars which had gone up in smoke. The managers of the US dollar in the Federal Reserve System (the US central bank) panicked and decided to institutionalise the allocation of billions of dollars into the economy through regular purchases of American Treasury bills, i.e. to buy these bits of valueless paper with billions of newly-created dollars (85 billion a month!) hot off the press and not backed by anything in the proper way. This blatant forgery they pompously

baptised “quantitative easing”, and it is no more than an act of common counterfeiting. But this time the forgeries are done by the state and swapped for other state bonds which are also worthless, i.e. they are buying government debt with paper. As the notoriously blunt billionaire Warren Buffet commented recently: “The Fed is the greatest hedge fund in history” (Bloomberg.com/news September 20 2013). Indeed, the whole business casts a glaring light on the fact that the whole mechanism of capitalism-imperialism today rests on a swindle.

Now, as we commented in a previous article, the US central bank, the Fed, has stated that it will now aim to progressively reduce these purchases with a view to ending them. Obviously by doing so the Fed hoped to help, in its own way, to contain the unbridled proliferation of un-backed credit which even they admit is a permanent crisis-trigger. But as our previous article said, the bare mention that they would eventually do this shook capital around the world.

The first consequence of the Fed’s announcement that it wanted to turn off the easy dollar-tap was to provoke a swift and inevitable rise in interest rates in the dollar’s US home country, and elsewhere, given that currency’s preponderant role. This rise in interest rates meant that credit became more expensive, which cut across the imperative need for cheap money. This fact immediately unmasked all the claims about an economic recovery as mendacious bragging. Next, it started a massive flight of capital from the so-called “emerging” countries in search of more profitable investments. This defection abruptly exposed a bitter truth for the bourgeoisie: that the best part of economic growth in these countries (India, Brazil, etc.) is not based on real production, but is artificially doped by financial juggling with the cheap dollar. So the announcement that the easy dollar was shortly to be withdrawn cut the transfusion needed for their economic growth, and as they were left short of blood, their markedly lower real growth rate emerged in the light of day and their

currencies depreciated. A terrible new stage in the crisis started to loom on the horizon in these countries. But while they were waiting to hear what the 22 May announcement about reducing and then stopping the flow of easy dollars actually involved, the Fed took everybody by surprise on 18 September by finally announcing its spectacular U-turn. The same Bernanke who had disconcerted capitalists with his astonishing announcement that he would deprive the economy of cheap dollars, caught the whole world napping with the Fed's final decision contradicting its previous announcement. It turned 180 degrees, stating that "the Fed would continue to buy long term treasury paper and other bonds worth \$85 bn a month, believing that tightening financial conditions could slow down the rate of recovery" (Le Monde, 20 September 2013.)

Despite the coded and extremely careful language, this is a resounding and honest public confession. It relegates the servile press's enthusiastic reports of a supposed economic recovery in the US and elsewhere to the level of lying fantasy on a level with the Coué method of optimistic auto-suggestion. More generally it is an involuntary admission that capitalism actually is undergoing a prolonged worsening of its death-agony, and in particular that merely keeping it going pushes and drags the economy towards an even more corrupt state of putrefaction and parasitism than was already revealed by Lenin's analysis of imperialism. The major fact is and remains that finance, or more exactly omnipotent credit and the way it is manipulated, tend to supplant production in simply making sure that capitalist economy keeps functioning (accumulation, investment and circulation). But here we must remember what Marx said about credit in volume 3 of Capital: "Banks and credit become the most potent means of bringing capitalist production out of its own limits and one of the most effective bringers of crises and fraudulent speculation". To support this judgement he quoted a contemporary (J.W.Gilbart, The History and Principles of Banking, London 1834, pp 137-8): "It is the object of banking to give facilities to trade, and

whatever gives facilities to trade gives facilities to speculation. Trade and speculation are in some cases so nearly allied, that it is impossible to say at what precise point trade ends and speculation begins." To which Engels adds a note: "To what extent the entire business world of a country may be seized by such swindling, and what it finally comes to, is amply illustrated by the history of English business during 1845-47." (Capital vol 3, 1984 p. 406). What would they say about things today!

The dead hand of finance is precisely the concrete form that the increasing rottenness of the system takes today. Massive parasitism in the economy – and in daily life – are its inevitable outgrowths. In the same way, the amazing growth in the social stratum of rentiers, as well as the appearance of a series of rentier states and their expansion and their significance testify to an unparalleled growth in parasitism.

It is really characteristic that when the Fed announced it was going to reduce the flow of dollars, economic growth immediately tended to slow down, especially in the "emerging" countries, whereas immediately after the bank turned 180 degrees, stock markets around the world marked up considerable gains. Even the European Central Bank (ECB) is now itself proposing to pump some fresh liquidity into the deathly anaemic European banks, having vainly allowed them a thousand billion euros in 2011-1012. But it is still a lot more reticent than its US colleagues.

In fact world capital as a whole is trying to walk a tightrope between two pseudo-solutions, both equally risky: either they will continue to pour billions into keeping their system ticking over, and in doing so all the while preparing a series of upheavals even more devastating than the one we have not yet got out of. Or, anxious about that way out, they will try to control credit parsimoniously, which seems to be the option which the ECB favours. But both potential outcomes of this tightrope-walking lead to the same blind alley of capitalism.

With or without injecting billions, production in this system keeps marking time and has not even managed to make good past and current losses.

Two things are certain. The first is that these two false capitalist options will both deepen the systems congenital sickness, bringing redoubled attacks and suffering on working people. The second, which flows from it, is that the overthrow of this cruel system in its death-throes is now on the agenda.[/threecolumns]