Now for the re-ordering of the world?

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Credit Crunch 2? 3? 4? As the systemic crisis in the financial system deepens further one challenge we face is thinking up new titles for our articles. Headlines like, ?Bank crisis deepens?, ?the Great Banking Crisis?, ?Global meltdown?, have all become astonishingly familiar. But we had better focus our creative minds, as the further deterioration of the financial system this week illustrated the simple fact that the ?Credit Crunch? ? now surely the most understated of possible descriptions ? is not over. On the contrary: the global financial system remains in freefall.

The Royal Bank of Scotland posted the biggest annual loss in British corporate history of some £28 billion ? including £8 billion of ?normal? losses and a £20 billion hit from an ill-judged take over of Dutch bank ABN Amro. A private company simply cannot sustain such losses. It is no wonder then that its shares dropped 71% following the announcement. The government exchanged its preference shares for a larger equity stake giving it 70% of the company. Share ownership gives investors a legal claim on future profits, so when debts spiral and losses mount the shares are basically worthless as they offer a legal right to a non-existent profit. It is no surprise then that RBS shares are now trading at just 10p a share ? down from over 1,916p per share in December 2006. That?s a collapse in share price of around 99.5% in two years and one month.

RBS shares were not the only loser this week either. Other British banks have been hit badly. There was a big run on the Lloyds Banking Group ? now incorporating HBOS - with their shares down 47% on Tuesday. They lost another 20% on Wednesday before staging a slight recovery. Barclays ? which has so far declined a government re-capitalisation ? also took a pummelling on Wednesday losing 20%. In the US too the banks were also hit again. Bank of America was down 28%, Citigroup down 20%, JP Morgan down 20.7%. And they were also posting eye-watering losses. Citigroup revealed a quarterly loss of over $8 billion. They were topped by Merrill Lynch at over $15 billion, while Merrill’s owner, Bank of America, recorded a further loss of over $1.8 billion, and needed capital injections (part-nationalisation) from the US treasury and aid from Paulson?s toxic asset purchasing scheme. While the share price falls might sound big, like RBS all these banks have suffered almighty share price devaluations over the last two years and are now worth only a tiny fraction of what they once were.

The collapse testifies to the vicious-circle-like contagion that is hitting the system hard. The synchronised global recession ? with deflation in real estate, commodities, stocks, bonds, rising unemployment, declining markets and corporate bankruptcies ? is compounding the crisis in the financial system as once healthy, non-toxic credit assets suddenly turn toxic. The banks are reluctant to loan, more businesses go bust, and the circle begins again. Nouriel Roubini, of Global EconoMonitor, estimates that global credit losses in the next year will be around $3 - $4 trillion, and half of these will be made by American financial institutions.

Socialising finance and pumping money into the system
The banks’ natural inclination in these recessionary conditions is to de-leverage: withdraw the bad lines of credit, increase cost of lending to compensate for increased risks, and look to increase deposit holdings to restore their balance sheets. As we said in December, this is the strategy being pursued by Barclays who, thanks to a quiet change in international accountancy rules, can move their toxic credit assets off balance sheet in the hope they will one day recover to the value they were purchased at. However, the banks face a political problem. Their respective governments demand they re-leverage, i.e. extend credit, in order to prevent a prolonged, deep recession in the global economy. As no private financial institution would extend non-performing loans, every move to socialise the losses of the banks and use this bargaining position to compel them to lend, points towards the socialisation of the banks themselves, turning them into state entities to direct investment and provide subsidies to help businesses maintain something approaching a profitable balance sheet.

The beauty of the crisis, consequently, is that it pushes world leaders on a course ideologically alien to them. Neoliberal doctrine taught that the market was a self-regulating mechanism. Economic crisis was caused, the doctrine insisted, not by capital, but ?exogenous? factors like state interference in the market or ?politically motivated? industrial unrest. Today, in political systems that have for decades been obsessed with neoliberal economic policy, the nationalisation of the whole banking sector is now widely discussed in the political mainstream. In Britain, for example, senior Labour MPs and, this week, Nick Clegg?s Liberal Democrats have come out in favour? but so far the government remain resistant.

The Bank of England interest rate has been slashed to an all-time low of 1.5%. The government this week announced it was offering state backed insurance policies that banks could take out to guarantee against a default by debtors on the new lines of credit they offered. Gordon Brown attacked RBS for ?irresponsible lending? but at the same time argued for the restoration of ?normal lending? conditions ? regardless it seems whether the new loans would be made ?responsibly? (i.e. would not incur huge losses). The reason the announcement caused banking shares to tank was that the market knows the government?s wish to restore ?normal lending conditions? points to nationalisation. Of course, the government would ? unlike revolutionary Marxists ? compensate shareholders. But they would only do so at existing market prices, which naturally factor in the extraordinary projected losses. If an investor bought RBS shares, in December 2006 for example, then he or she faces a huge loss on the investment.

In the US the process is, in some respects, more ?advanced?. More institutions are either wholly owned by the state or have significant state shareholdings. But the US treasury has also being pushing a more aggressive monetary policy too. Interest rates in the United States are now between 0 and 0.25%. As a result, the normal means by which the state controls the level of economy, the manipulation of the central bank interest rate to either encourage more credit into the system (low interest rates) or constrict it (high interest rates), is now exhausted. When central bank interest rates are around zero, money supply can only be manipulated directly by ?quantitative easing?. This is, in effect, a euphemism for printing money. The central bank creates money-capital artificially on its balance sheet and uses it to help struggling sectors of the economy.

The US Federal Reserve began doing this in December. They insist that it is different from the ?quantitative easing? pursued by the Japanese government in the 1990s where cash was injected directly to boost corporate reserves. The Fed calls its programme ?security based? rather than ?liability based?, because it is using the artificially generated capital to extend credit or purchase financial or other assets. Britain is now heading in the same direction. Gordon Brown has now given the Bank of England permission to begin quantitative easing to the tune of £50 billion. On Tuesday 20 January Mervyn King, the Governor of the Bank of England, said the new measures would be essentially the same as those used by the US Federal Reserve taking "the form of purchases by the Bank of England of a range of financial
assets in order to expand the amount of reserves held by commercial banks and to increase the availability of credit to companies." And he promised they would begin in ?weeks not months?.

Governments fight to save the system ? but what?s the catch?

It all sounds so easy. Companies go bust but the state ? acting as the moneylender of last resort ? generates capital on its balance sheet to keep them going. The central banks hopes this will fight deflation (?reflate? the economy) by increasing the money supply, encouraging demand for commodities, assets, real estate, stocks and shares, and so on, and therefore put a stop to their devaluation. History gives us clues to whether this policy will work or not. Consider for example the policies pursued by western governments in the 1970s. Interest rates were kept relatively low to encourage credit into the system, while state deficit spending expanded to increase demand, and, the US Federal Reserve printed money following the Vietnam War too. The effect was to hamper the natural endogenous tendency of capital to enter on a path of destruction of surplus capital and centralisation of ownership ("monopoly"). When the market is left to its own devices capital is destroyed through bankruptcies and centralised through mergers and acquisitions. It has to go through this process to create new conditions for profitable accumulation.

In the 1970s these policies created stagnant economic growth and spiralling inflation over the course of the decade, because an insufficient amount of capital was destroyed to restore the profitability of the remaining capitals. This does not mean that capital was not devalued. Throughout the 1970s, as cheap credit kept failing businesses afloat, there was a sustained devaluation of capital, particularly in stocks, shares and real estate. This, of course, makes sense; we would not expect stagnant growth and low profit margins to exist alongside a booming stock market. As the capitalists continued to face devaluation of their assets, they needed to resolve the situation. Consequently, by the end of the 1970s, Thatcher and Reagan emerged determined to fight inflation by using monetarist policies. They starved the system of credit by forcing up interest rates (to a peak of 20% in June 1981), in order to destroy excess capital and create the possibility of a new round of profitable capital accumulation.1

On one level the parallels with today are obvious; in the 1970s like today broadly ?reflationary? policies were mobilised in the context of a classic crisis of over-accumulated capital. The US federal reserve printed money to fund deficit spending and pushed the central bank interest rate down to 3.2%. In this respect, we might expect a similar outcome today, i.e. cheap credit creates high inflation and economic stagnation. On another level though there are differences. Today the reflationary policies are actually more aggressive with the central bank rate pushed down to 0 ? 0.25%. However, in the 1970s there was not an historic solvency crisis in the banking system driven by a massive over-accumulation of credit assets, which had been building for two decades. Indeed, finance capitalists had a material interest in Thatcherism and Reaganomics: by the late 1970s the financiers wanted the value of the money restored, and the opportunity to invest in profitable industries.

In both the 1970s and 80s capitalism was racked by major crises; stagnation and inflation in the former, boom and bust in the latter. The crisis periods within these decades illustrate that state policies, while plainly not resolving the crisis tendencies of capital, can change its form. Hence, today we have to ask what the effect of an insolvent banking system, reflated by an artificial increase in the money supply (?quantitative easing?), is likely to be, i.e. how will it affect the form and duration of the current crisis?

The big fear of policy-makers is now deflation leading to a price collapse in commodities and assets. Such a collapse would prompt a ?dash for cash?, i.e. money-capital or its equivalents like gold, as capital in its other forms ? at other points in the circuit of capital ? undergoes sharp devaluation and destruction. The aim of the state bank policy is therefore to stop absolute price deflation and encourage renewed investment by increasing money supply. But the policy is essentially flawed, as it misunderstands the...
cause and nature of the crisis. As David Harvey notes, “the realisation of values cannot be achieved through a mere increase in the supply of money?. Money is only a measure of the value of social labour, and printing more money distorts this measurement.2

The Marxist understanding of labour as the source of social value is essential if we want to explain the development of the crisis and its prospects. For the capitalist the crisis of over-accumulated capital appears to be a shortage of capital; the banks, for example, are running balance sheets well into the red and need ?re-capitalisation?. But, as Henryk Grossman argues, this appearance of shortage simply expresses the fact ?that in the course of accumulation the primordial source of this capital, surplus value [appropriated from exploited labour ? LC], becomes progressively more scarce, too small, in relation to the already accumulated mass of capital?.3 Because too much capital exists relative to the available surplus value it can appropriate (‘insufficient valorisation’) then a path of devaluation and destruction of superfluous capital is set upon.4

Keeping this in mind, consider the current crisis. From the standpoint of the capitalists, their economists, et al, printing money appears to solve the problem they perceive of a lack of capital and allows corporations to restore their balance sheet. The ?security based? strategy now being pursued in the US will in the first instance compensate corporations who are unable to sell their commodities by making up the shortfall on their balance sheet by using printed money. In the second instance, the hope is that it maintains demand for commodities by avoiding demand-sapping bankruptcies and lay offs and over time this should end the stockpiling of un-sellable commodities. Despite the apparent logic of this schema, the wrong identification of the problem ? a lack of capital ? leads to a wrong solution. The crisis is caused by the insufficient valorisation of capital in the context of a mass of over-accumulated capital circulating in the system. David Harvey makes this point well, noting that the in the above scenario, ?nothing is changed? by the creation of extra money in the sphere of exchange. The printing of money cannot cure the problem. Indeed, the distortion of price signals makes the disequilibrium worse. The full force of the shake out, which would bring the system back into an equilibrium position as measured by the value composition of capital, is held back? The trend towards over-accumulation will likely be increased rather than curbed?.5

In ?normal? crisis conditions printing money will tend to encourage an insane mushrooming of fictitious capital generation; existing fictitious capital in the financial system is supplemented by the new fictitious capital generated by the central bank. Owing to the fact that all fictitious capital speculates on returns from future productive activity, once it becomes massively over-accumulated it ultimately faces the problem of realising the imagined, projected values in production. The massive write-downs of fictitious capital assets, like CDOs, we are currently seeing thus constitutes a sharp realignment between their imagined and real values. When the central bank prints money this problem is severely aggravated, because money can no longer act as a measure of the value of social labour. An abundance of money-supply means there is nothing to stop capitalists permanently raising prices in order to realise profits regardless of the problem of surplus-value production. Inflation can quickly turn to hyperinflation - economic catastrophe can ensue.6

The current crisis however is different to this ?normal? scenario. Though governments are concerned to restore bank lending, i.e. a form of fictitious capital generation, the fact is that the financial system is suffering an acute insolvency crisis and is therefore not in a position to re-leverage. Recall as well that Roubini estimates further credit losses in the upcoming year will be in the region of $3 - $4 trillion. Today, then, due to the massive over-accumulation of credit assets an almighty devaluation and destruction of fictitious capital is already underway, is quite inevitable and has still not run its course. In the classical scenario, printed money augments manic fictitious capital generation ? e.g. ?re-leveraging? of credit ? but it is difficult to imagine it having this effect given the global banking insolvency crisis. The bailout programme in the US could probably absorb Roubini?s estimated losses, at least for the next year, by
drawing on the eye-watering sums it has committed to rescuing the financial system. Bloomberg calculates that around $8.5 trillion has been allocated in total by the US Government, but of this only $3.2 trillion had been spent as of December. So long, that is, the printed dollars retain their value in the international monetary system (more on which later).

Neither is the turn to printing money likely to stop capital destruction. Rather, the choice of which capital to destroy will become increasingly political. The American car industry is likely to be saved by the US government but other sectors of capitalists will be less fortunate. This is due to the lack of private credit pushing the central banks into the role of creditor of last resort, based on money-capital artificially generated on its books. This also points towards the nationalisation of the banking system per se because why would corporations go to private creditors who charge interest when they can access credit below market prices from the central bank? It is the lack of availability of private credit, along with central bank money being used only selectively to halt capital destruction in certain sectors, that means the tendency in the current situation is likely to remain towards devaluation, deflation rather than inflation, and capital destruction.

Already inflation is falling sharply in Europe and the United States. For inflation to become a problem in such an environment the system would need to be flooded with cash to such a degree that no incentive exists to horde money, but, quite the opposite, capitalists would scramble to convert money (before it is devalued by its over-abundance, having ceased to be a measure of the value of social labour) into commodities or other assets. The effect of printing money at the current conjuncture, insofar as it has an affect, is likely to prolong the crisis making it shallower than it would otherwise be in the first instance but storing up greater contradictions for the future. Nonetheless, printing money is sure to increase volatility and price disequilibrium. One possibility is that if it does not appear to work in the first instance, i.e. avoid a major, prolonged and deep world recession, some central banks might be inclined to flood the system with cash and precipitate a hyperinflation scenario. However, history ? Germany in the 1920s, Hungary in the immediate post-war years, and numerous other examples ? speaks loudly against doing this.

The geopolitical aspect: now for the re-ordering of the world?

The above outline of the crisis abstracts from important concrete determining features of the current situation: in particular the foreign-currency position of the United States in the world monetary system. Since the end of dollar-gold parity in 1971 ? previously gold was, in effect, the global money ? the dollar has acted as the principal global reserve currency giving it the advantage of seigniorage, and has been key to sustaining US economic hegemony. Most states in the world cannot pay for imports in their own currency; they need to earn dollars through exports and then use these earnings, or take out dollar-denominated loans. This is of course not true for the United States, as it prints dollars at home. It therefore does not face the same balance of payments constraints that other countries face. It can spend far more abroad than it earns there. Thus, it can set up expensive military bases without a foreign exchange constraint; its transnational corporations can buy up other companies abroad without a payments constraint; and its money-capitalists can send out large flow of funds into portfolio investments.7

This monetary position is of particular importance at the current conjuncture. The US public debt has increased astronomically over the last decade and now stands at over $10 trillion. In 2008 the US ran a $1 trillion budget deficit for the first time and this is predicted to rise to $1.2 trillion in 2009. This expansion is an important feature of the parasitism which tends to become particularly pronounced in declining economic powers. Just as US financial capital extracts payments ? for example, through interest or dividends ? when it underwrites productive activity in the rest of the world, the US state extracts similar benefits by issuing treasury bonds denominated in dollars. Nations like China or Saudi Arabia that run trade surpluses can recycle the dollars they earn as a result by buying US treasury bonds. The US will
then pay a regular interest payment to these bondholders (creditors). In the last decade, an apparently virtuous relationship developed. The US would fund domestic tax cuts, which boosted domestic demand for imports, by running ever-larger budget deficits paid for by selling bonds to the exporting nations running dollar surpluses. Now Barack Obama has now come to power, warning that the US might run trillion dollar deficits for several years. Seigniorage obviously helps; as the US prints dollars at home it has no problem-making interest payments for so long as the dollar is the world currency (i.e. private investors and states continue to want dollars).

Like other forms of fictitious capital, bondholders are making a legal claim on future value production. In the case of nation states it is an indirect claim, as they appropriate value from the domestic economy through taxation. The US and other imperialist powers with developed finance capital appropriate value from the rest of the world too. Expanding the budget deficit in the manner the US has, to fuel domestic consumption and boost growth, testifies to the decline of value production in the American domestic economy. The scale of the debt would not be significant if we considered it only in proportion to its annual GDP; at only 36.4% it is much smaller than other states like Japan or Italy where public debt is over 100%. But it is the sheer size of the American public debt that presents a problem, as it has to appropriate by selling bonds an enormous amount of capital from the rest of the world. The US is therefore increasingly dependent on the willingness of the dollar surplus nations and the market to continue to buy bonds. This coupled with the massive weakening of the capacity of US finance capital to appropriate value through securities (stocks, shares), or credit because of its solvency crisis, seriously undermines US global hegemony.

Due to the interest payments being made in dollars, the key issue for creditors is that the dollar remains strong. Several factors are of concern to them. First, they are less likely to buy treasury bonds if they calculate the dollar is going to decline, as they will be sitting on an asset that is declining in value. Second, low interest rates will in general encourage investors to move money-capital out of that currency into other denominations that can be stored in accounts paying higher interest and therefore lead to a decline in the currency’s value. Third, bond investors will be concerned when a central bank starts printing money to stimulate its domestic economy due to the threat of inflation devaluing the money-capital denominated in that currency. Fourth, if a state is suffering balance of payment problems or borrowing beyond its means, then it will struggle to find buyers for bonds and the currency will depreciate. The final issue of concern to bondholders is the inflationary or deflationary global environment. If it is generally inflationary then they will want to get out of bonds and into other assets, for example food or oil in 2007-08.

In the case of Britain, low interest rates, the prospect of printing money to stimulate the domestic economy, a spiralling budget deficit, and the importance of finance to the economy per se, all make British bonds and the pound unstable. While financial services only account for 12% of British GDP they nonetheless ran a trade surplus, some £36.7 billion in 2007, while overall Britain has a trade deficit. The meltdown in the financial system could lead to a serious balance of payments crisis, coupled with a fiscal crisis in state revenues if global money markets are reluctant to lend at existing prices. It is no surprise then that the pound has taken a battering on the markets. Tuesday 20 January was a particularly difficult day for it because several international investors came out advising to sell. One hedge fund manager was quoted in the Evening Standard saying, "I would urge you to sell any sterling you might have, the country is bankrupt and sterling is under huge pressure." Credit ratings agencies are also set to downgrade British public debt, making it more expensive to borrow and exacerbating the government’s fiscal problem. The situation in Britain is aggravated by the fact the pound is not a global reserve currency, like the dollar, giving it little power of seigniorage that would negate fiscal and balance of payments problems. A run on the pound can hardly be discounted, particularly once the Bank of England starts printing money.
Compare this to the US dollar, which, despite the Federal Reserve already having started to print money, has been gaining ground on both the euro and the pound since December. At one level there are economic reasons for this. The deflationary environment makes money-capital-based-bonds more attractive than cash while other investments are likely to incur devaluations. At the same time, despite America’s problems, few of its competitors look in a strong position. Britain’s problems are particularly acute, but in the euro area the German economy is expected to shrink by 2.75% next year, Ireland, Spain and Italy are in extremely difficult position, and China’s growth fell to 6.75% in the last quarter of 2009. But an ever-increasing US budget deficit is in the final analysis unsustainable even for a hegemon with the power of dollar seigniorage. The current relative strength of the dollar may also be due to the global solvency crisis, as there is demand for dollars in order to pay creditors again a feature of seigniorage as the dollar is the principal settlement currency. Despite the significance of this nexus of issues, it would be seriously wrong to consider the issue of the ordering of the monetary system and the future of dollar seigniorage as simply a question of economic relations and conditions. On the contrary, the dollar’s status cannot be understood in economic terms alone, but is bound up with the historic power relations between the US hegemon and the rest of the world.

The historicity of this crisis with the systemic meltdown in global finance, the spreading contagion of global recession, the undermining of once accepted rules and orthodoxies like neoliberalism, and most of all the massive weakening of US power is certain to lead to political struggle over the future of the capitalist order. The power of seigniorage within what Peter Gowan aptly calls the Dollar-Wall-Street Regime has been key to US hegemony over the last decades and we can see today that it has been an essential weapon of the US ruling class in the course of the crisis: strengthening the US fiscal-capital position by extracting tribute from the sales of bonds on the world market. While the power relations between creditor-debtor states are of course complex, there is a certain truth in the adage that to owe a little money is to be weak but to owe a lot of money is to be strong. The sheer size of the US market and its capacity to consume export surpluses in the rest of the world give other economies an interest in sustaining its hegemony and position.

Equally, however, historically it tends to be the case that creditor nations the Dutch vis-à-vis the Spanish Empire, the Americans vis-à-vis Europe after Second World, for example have been the ultimate and final arbiter of power in the creditor-debtor relation. No wonder then that the great fear of the US ruling class is that the Asian nations, which have trillions in dollar holdings, and particularly China which now holds $2 trillion alone, could sell these holdings on the market and prompt a massive run out of the dollar across the world. But even if this scenario did not materialise which would feel like a financial doomsday and make the Credit Crunch look like a mere blip China could still make major political and economic demands in the new conditions of weakened US financial power. Economically they could demand the right to use dollar surpluses to buy equity stakes in US corporations. Politically and of far greater significance they could demand the US supports a resolution of the Taiwan question on China’s terms.

The dynamic and complex character of the emerging period in world politics, rich as it is with great uncertainties, illustrates that there is no immediate challenge to the US hegemon. The euro is the obvious challenger to the dollar as world currency, but it is still not a settlement currency and, as a project, it has not resolved the national antagonisms that stand in the way of the political and economic union that could challenge the US or at least put the EU in a position of relative equality. Now attention is focused on the coming G20 meeting. There is a push, particularly by President Sarkozy, to agree new rules for the organisation of the international financial system. If these put in place a global financial system that is more regulated this would further undermine the pre-eminent position of Anglo-American finance by undermining the competitive advantage of New York and London as relatively unregulated centres. Whether this occurs is far from certain. As Marcus Lehner, a frequent writer for the Marxist journal Revolutionärer Marxismus,
The emerging appreciation of Euro-based financial markets could lead to a strengthening of Euro financial capital (which would then take its share of the "hegemony" dividend which, until now, has been pocketed above all by US and British finance capital). This would necessarily lead to tensions in the EU as is already shown between German and British capital. A stable, new financial regime on a Dollar/Euro-basis would require a clear political institutionalisation comparable to the Bretton Woods agreement after 1945. Whether the leading political and economic forces in North America, the EU and Japan are capable of such a political effort in the current crisis and competitive situation is more than questionable. More likely is a long-term unstable international financial regime.


The contagion of global, synchronised recession, coupled with and further compounding the historic insolvency crisis in finance, the undermining of neoliberal economic doctrine, the turn to printing money to boost demand - all point to a crisis of quite historic proportions. At the very least it poses the question of a new global political and economic order; one in which the US is compelled into a far less parasitic relationship to the rest of the world with all the political consequences that follow from this. As Gao Xiqing, president of the China Investment Corporation, which is responsible for around $200 billion of China's foreign assets, argues the crisis poses a transformation in the economic and political relations of the US to the rest of the world:

?The overall financial situation in the U.S. is changing, and that's what we don't know about. It's going to be changed fundamentally in many ways. Think about the way we've been living the past 30 years. Thirty years ago, the leverage of the investment banks was like 4-to-1, 5-to-1. Today, it's 30-to-1. This is not just a change of numbers. This is a change of fundamental thinking. People, especially Americans, started believing that they can live on other people's money... At first it was the Japanese. Now the Chinese and the Middle Easterners. We?the Chinese, the Middle Easterners, the Japanese?we can see this too. Okay, we'd love to support you guys?if it's sustainable. But if it's not, why should we be doing this? After we are gone, you cannot just go to the moon to get more money. So, forget it. Let's change the way of living.?10

Subtle, diplomatic, even friendly as these words are they suggest a profound change in international relations unlike anything since the end of the Cold War. The threat and challenge to US hegemony may well make this a decisive turning point in the whole post-war system, just as 1989 was. But the comparison with the events of twenty years ago this year runs much deeper than a conjuncture that reconfigured the international order for years to come. It was the enduring ideological power of the collapse of the USSR: its use as a weapon against the idea of any alternative to free market capitalism, which was of such profound historic significance. Perhaps today the sheer scale and depth of the breakdown makes this conjuncture capitalism's ?1989?. Whatever the uncertainties, the operation of numerous contingent factors that will shape future developments, we can be certain that working people will be asked to pay for the crisis in the system. It is in their struggles to resist capital's offensive that socialism's historic opportunity lies.

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hosted by the Public Reading Rooms in the fall of 2008 and thought it was a powerful statement of the
historicity of the crisis. Though it has to be said that the analogy sits uncomfortably with Harman?s view,
shared of course by the whole IS/SWP tradition, that the system in the USSR constituted a form of
capitalism.

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