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# An historic crisis of capitalism Part 1: The crisis of globalisation: overaccumulation and the re-ordering of the world

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The financial meltdown of the fall of 2008 was a profound moment not only for the evolution of the ?Credit Crunch?, but also for the whole economic and political order. Luke Cooper presents the preliminary conclusions of discussions on the League?s leadership that provide the background for the elaboration of a new programme to be adopted at the League?s 8th Congress in 2010. The article is broken into three parts. The first part below situates the conjunctural crisis within the context of globalisation and imperialism and draws on Trotsky?s method of periodisation to understand these phenomena.

**-From financial crisis to global deflationary collapse** -
In the autumn of 2009, one of the greatest financial crises of all time threatened to precipitate the complete collapse of the global banking system. While the micro level cause was the bankruptcy of the US finance house, Lehman Brothers, this only triggered a crisis that was driven by more fundamental contradictions. The decision of the Bush government to let Lehman Brothers collapse nonetheless quickened the speed at which the accumulation of quantity passed into a transformation of quality. It was a watershed moment, the point at which the entire global system entered a state of profound disequilibrium.

The crisis succeeded in turning on its head the accepted bourgeois economic policy of the previous three decades. Neoliberal ideology was ignored as western governments mobilised trillions of working and middle class taxpayers? dollars, euros and pounds to restore the solvency of the banking system. Limited counter-cyclical measures followed in the months after, but these failed to achieve the initial goal: to avert a global deflationary collapse. With a quite astonishing synchronicity, a truly global recession shook the foundations of the world order that had been established in the period of globalisation; capital had nowhere to turn. No market or sector was left untouched by the devaluation and destruction of capital ripping through the global economy. By March 2009, the capitalists were mourning the destruction of 45 per cent of global wealth.
It appears that the bottom of the cyclical recession may now have been reached. A stuttering recovery has ensued insofar as the economy is starting to stabilise. However, the destruction of capital, in the form of bankruptcies, closures and the growth of mass unemployment, will continue into the foreseeable future. The weakness of the financial system is still acute, despite the parasitic profits reaped from the state bailouts and from the process of capital centralisation (monopolisation) as the remaining firms seize market share from those that have gone under. These factors make a ?double dip? (W shaped) or flat (L, U shaped) recovery likely. In the longer term, a historic crisis of the capitalist system has opened that can only be resolved by an equally historic destruction of capital and redivision of the world?s sources of surplus value, raw materials and markets.

This prognosis of a ?historic crisis of the system as a whole?, which is elaborated further below, leads us to expect that the economic cycles in the coming period will be marked by severe contractions and stagnation with only weak and faltering recoveries in conditions unfavourable for capital accumulation in the major imperialist powers. These conditions will encourage inter-imperialist competition and sharpened class struggles against a background of the continued development of a severe ecological crisis. The credibility of the capitalist system for millions of people will be strategically undermined. Thus, objective conditions are favourable for a return of revolutionary communism as a mass force, capable of resolving the crisis of leadership of the world?s working class and its allies in the other exploited classes and oppressed peoples. It is to realising this potential that the League for the Fifth International must devote its full strength in the years ahead.

**-The crux of the question**

As the Credit Crunch of 2007-8 developed, it appeared at first to be the most ?abstract? of crises: the numbers reported were so vast that the public could scarcely comprehend their scale. A new vocabulary (?derivatives?, ?sub prime?, ?CDSs?, ?CDOs?, et al) was needed to grasp the onrush of events. While, at first, it was overvalued financial assets, bits of paper, speculation on future returns, which were the principal victims of devaluation, as 2008 went on, the downturn in the American industry turned into a severe recessionary collapse. Meanwhile, spiralling inflationary pressures hit the world economy as a whole. The actuality of the crisis and its destructive social impact became apparent to millions as the prices of basic commodities soared.

As workers saw unemployment soaring, the value of their pay cheques falling and home repossessions mounting, there was an explosion of fury at the huge handouts for the private financial institutions. In those countries that had not experienced a boom, only decades of desperation and hardship, the urban and rural poor rioted over rising food prices, while the industrial working class faced either the destitution of unemployment or the poverty of increased exploitation. The emerging industrial powers of Asia, the Chinese and Indian economies, which were already reaching the end of the expansionary phase of their domestic cycles, felt the full force of the global downturn, too. Their exporting industries were hit sharply, prompting a wave of factory closures and a huge reversal in urban-rural migration. The coming together of the banking insolvency crisis, the downturn in the dynamic industrial economies of China and India and the dramatic collapse of US demand for imports, forced a synchronised world recession.

So it was that billions suddenly faced a stark reality: the destruction of capital does not take place abstractly but in real space and time. It threatens real industries, not just paper assets. It compels individual capitalists and states into a fierce struggle over which firms and national economies will bear the costs. Most of all, capitalists attempt to make the working class pay for the destruction of value ripping through their economies by fighting to push down the workers? share of total social value through pay cuts, job losses, forced reductions in working time, and mass unemployment. Millions are forced into the ranks of the hungry and destitute urban poor.

Nor is this simply a matter of a temporary sharpening of the class struggle. To restabilise capitalism and allow an extended period of expanding reproduction, comparable, for example, to the long boom, would require the destruction of capital on a hitherto unprecedented scale. Each capital block will, of course, resist this and in the epoch of imperialism no lasting resolution can be achieved peacefully. The prospect, therefore, is of sharpening clashes between the larger capitalist powers, the emergence of alliances and blocks and, in short, a struggle to redivide the world. At the same time, what becomes ever clearer is that capitalism has entered a stage where its continuation threatens the destruction of the pre-conditions of life itself. Thus, as well as economic crises and war, ecological disasters, famine and drought are, and will remain, a constant feature of the coming period. In short, the coming historic period poses the question of socialism or barbarism and the decline of humanity.

In the shorter term, the outcome of the struggles amongst the exploiters and between them and the exploited will determine the outcome of the present crisis. Will there be a long and grinding economic depression? Will there be a sharp upturn in the level of class struggle with the creation of new working class organisations, more militant unions or more overtly anticapitalist parties? Will pre-revolutionary and revolutionary situations multiply? Will such struggles become generalised on a continental or global scale? To answer these questions requires an understanding not only of the long trend towards stagnation and break down since the end of the long boom, not only an understanding of the breakdown of the globalisation model which sought to reverse this trend, but the outcome of real class struggle battles in specific conjunctures. It needs an understanding that class battles in certain countries can profoundly affect developments in a broad spectrum of others, making them, in Trotsky?s words, ?the key to the international situation?.

**-Periodising capitalism ? imperialism and the curve of development** -
In addressing the question of whether globalisation has a future, we naturally also need to understand its past. This means grasping and theorising those determinations that have shaped world historic development since the collapse of the Soviet Union. Globalisation is a term that became popular amongst bourgeois (usually Anglo-Saxon) academics in the early 1990s. They were responding to the global and economic integration that had been made possible by the collapse of the Soviet Union and the regimes of the Warsaw Pact countries and the restoration of capitalism by those Stalinist regimes that survived the popular mobilisations of 1989 ? 1992. As a body of thought that purported to explain processes of world historic change, ?globalisation theory? was deeply flawed. Granting social causal powers1 to what was ultimately only a spatial category, ?the global?, these theorists saw globalisation as a transformative process in itself, even, on occasion, a prime mover in historical development . In reality, the globalisation process, that is, increased economic integration of trade and finance across the world, was a product of economic, social and political forces that were familiar features of capitalism throughout the imperialist epoch: corporate monopolies, large financial houses, mainly based in the western states, whose interests were secured by a world order dominated by a single hegemon, the United States.

Indeed, a brief summary of Lenin?s understanding of the imperialist stage of capitalism shows that this remains the essential framework for understanding the contemporary world. The domination of corporate monopolies and large finance houses, driven to compete on the world market after saturating their domestic markets, has been a feature not only of the last two decades but the last hundred years and more of capitalism. We also see in the contemporary world order the unevenness that Lenin identified as intrinsic to the kind of global and economic integration carried through by these forces. The most advanced forms of production often exist side by side with the historically backward and primitive. The system creates wealth at one pole only to bring misery to the other. Competitive pressures are heightened, aggravating national tensions in a world divided between great powers each with their own corporate ?national champions?. The interests of humanity?s principal productive force, the working class, continue to exist in a growing and sharper antagonism to the organisation of production along capitalist lines. Therein lies the essence of the imperialist epoch as a transitional phase of growing social, economic and political contradictions; thus, it is a phase of capitalist decline that foreshadows and brings nearer the socialist world order.

Imperialism is, above all else, the epoch of monopoly capitalism and, although it certainly does not preclude even quite feverish growth in one or another sector or region, monopoly ultimately stifles innovation and dynamism across the global economy as a whole. Intensifying global economic interaction, alongside accelerating national and economic antagonisms, tends to breakdown or collapse. The uneven and combined character of the capitalist world historic social formation means that, although such breakdowns occur in specific countries and regions, they reverberate back into the system as a whole through the world market. On occasion, as we saw last year, this can lead to a global systemic breakdown, which then further aggravates the crises of national economies.

This general tendency to breakdown and collapse, present in capitalism but intensified in its imperialist stage, means social life becomes ever more concentrated in fierce struggles within and between states and classes for political power, including wars and revolutions. Whilst it is not difficult to identify these general aspects of Lenin?s imperialism theory today, we also cannot rest content with simply reiterating them. Rather, we must recognise the importance of interpreting the political and historical facts and processes in all their concreteness, that is, we must use Lenin?s abstractions to understand the living process of historical change.

Trotsky emphasised this point when he developed a method for this type of concrete periodisation in ?The Curve of Capitalist Development?.2 He warned that, in times of social and political crisis, resting content with ?familiar social types? even those of ?inestimable importance? would prove their ?complete inadequacy?. Approaching periodisation from this perspective, Trotsky spoke of the ?curve of capitalist development?, meaning the graph of its development of humanity?s productive forces, that revealed ?definitely delineated epochs of social life? (for example, the imperialist epoch) as well as ?sharply expressed segments of the curve?, that is, historical phases of political and economic development within the epoch. Crucially, for Trotsky, such phases were not pre-determined in their character, their length or their sequencing by the mechanisms of the economic base alone. Instead, they were determined by the interplay of political superstructural factors with those of the economic base.3 A dynamic theory of imperialism needs to identify the pattern of historical movement across the life of the epoch and how its general features become more, or less, pronounced within such different segments of the ?curve of development?.

?Globalisation? has a real and genuine historical meaning once it is understood as a historically specific stage of development within the imperialist epoch, that is, as a ?segment of the curve of capitalist development?. The general determining features of capitalist imperialism took on a concrete historical form across a defined period of world development, one that came to be called the era of globalisation and through which we have lived over the last two decades. Whereas globalisation theorists advance an impressionistic ?myth of transformation? in response to the changes that followed the collapse of the Soviet Union, Marxists who draw on Trotsky?s and Lenin?s framework address the question with greater care; identifying both the continuity and the change from what went before.

As Richard Brenner has observed, one great merit of Trotsky?s approach in the ?Curve of Development?, is that it allows for an open analysis of economic and political periods beyond the industrial cycle (we have called these ?meta-cyclical periods?), without falling into the schematism of long wave theory. According to the latter, the longer periods follow a cyclical pattern, which is largely determined by the economic base alone. In contrast, segments of the curve of development are co-determined by the development of the economic base and ?by the global historical, political, geographical and environmental factors?. 4 The conceptualisation of these longer periods, like that of the epoch as a whole, is drawn from the totality of the development of the social formation.

Consequently, they have neither a cyclical pattern nor any necessary sequence. They are historical outcomes resulting from the dialectical interplay of the long-term ?necessary? breakdown tendencies of capitalism (over-accumulation, tendency of the rate of profit to fall) and more ?contingent? factors, (the effects of countervailing tendencies for delimited periods of time, the outcomes of class struggle). As Trotsky points out, the segments of the curve of capitalist development are generally opened and closed by great events in the struggle between classes: wars, revolutions, or other deep social crises: ?to imagine that wars, revolutions, counter-revolutions, scientific, geological and geographical developments run according to a fixed timetable is?absurd.?5

If we look at the globalisation period, we can observe that it was one in which the development of the real productive forces in the main (imperialist) sectors of the world economy continued a downward trend towards stagnation, just as it did in the 1970s and 1980s. A similar trend could be seen in important parts of the semi-colonial world in Latin America, Africa, Western Asia, Eastern Europe and, since 1997, in SE Asia. At the same time, important countries like China and India saw a rapid growth in their economies. What distinguished globalisation from the preceding period was the transformation of the world order. This involved a change in relations amongst the imperialist countries and also between them and the former degenerate workers? states. The US achieved an effectively undisputed hegemony and US capital also benefited from the changed relations between the classes as a result of the restoration of capitalism in the former Soviet bloc and China. Thus, the new period did not develop because one segment of the curve of capitalist development (characterised by a tendency to stagnation) was inevitably followed by another (characterised by a tendency to expansion) that is, because of the upswing of a Kondratiev/Mandel long wave, but as a result of great class struggle events.

Segments of the curve of development or, accumulation periods, with a stagnating or even depressive character have a crisis-ridden nature caused economically by their underlying structural over accumulation of capital. Apart from that, the industrial cycles in stagnating periods tend to be ?flatter? because lower profit rates (and expectations of profit rate) result in a relatively smaller mass of capital flowing into the industrial, surplus value-creating sector and thus into the renovation of fixed capital (that is, machines). The predominant form of appropriation of surplus value also changes, from relative surplus value production, raising profits through increases in productivity, which tends to predominate in expansive periods, to the production of absolute surplus value, that is, to put it crudely, making the workforce work longer for less. This is the logical consequence of lower investment in renewal and expansion and the ?flight? of capital towards speculative investments.

The expansion of the credit system in the imperialist epoch, a trend which accelerated powerfully under globalisation, makes it possible, especially for the imperialist centres, to postpone for a certain period the operation of the industrial cycles and the long-term tendencies to crisis. This obstruction of what we might call, the ?purifying effects? of the capitalist crisis, insofar as the crisis destroys capital to stimulate a renewed phase of expansion, however, results in the subsequent outbreak of the crisis being correspondingly greater and more decisive. In this way, an apparently autonomous financial market cycle imposes itself on the normal crisis cycle and, in the imperialist epoch, becomes essentially the determining moment for the accumulation period. As we noted above, however, the starting points for these accumulation periods are not determined simply through the economic development of the movement of capital but through class struggle between wage labour and capital, geo-political movements, imperialist competition, war, revolution and counterrevolution. In fact, it is the establishment of a particular world order, the spatial and temporal conditions, that is responsible for the building of the basis of a long-term accumulation period that can encompass several cycles.

Globalisation, as a ?segment of the curve of capitalist development? or ?accumulation period? can best be understood in these terms. It resulted from the opening up of the territories and peoples of the former Eastern Bloc and China to the global regime of capital accumulation. Of course, this was a tipping point: the moment of transformation from quantity into quality. Imperialist aggression towards the USSR, the neoliberal revolutions in the Anglo-Saxon world, the glasnost policies within the Soviet Union, the market reforms in Chinese agriculture, these were all building towards a new re-ordering of the world. But the outcome did not merely arise from these concrete historical contingencies. The general conflict of interest

between the masses, the bureaucracy and the pressures of the world capitalist market conditioned these developments. These were fundamental conflicts of interest, which made political revolution or capitalist restoration (?social counterrevolution?) an ultimate historical inevitability.
The speed, the tempo and the ultimate outcome were, of course, contingent. In the final analysis, the failure to resolve the crisis of leadership of the workers? movement in favour of the political revolution led to defeat. In the study of historical change and political perspective, only a dialectical understanding of the interplay between necessary and contingent factors can elicit the true dynamic of the determination (but not pre-determination) of events and struggles.

To reiterate, the establishment of the economic and political order of globalisation had a very real political precondition: the defeat of the political revolutionary struggle in the Eastern Bloc and China. The globalisation phase began with a world historic revolutionary period or conjuncture. This began in 1989 with the Democracy Movement and Tiananmen Massacre in China and the fall of the Berlin Wall, continued with the secessionist movements in Eastern Europe, the downfall of Gorbachev and the collapse of the Soviet Union, and culminated in the establishment of a bourgeois restorationist state in Russia and the decisive turn of the Chinese Communist Party to capitalism in 1992. The major victor was, of course, the United States. The political and social conditions for its hegemony now existed on a scale that had appeared to be impossible in the 1980s. To a lesser extent, Germany also benefited because, by incorporating East Germany, it was released from some of the restrictions imposed on it by the post-war settlement and thus achieved a qualitative shift in the balance of forces within Europe in its favour. The ?unipolar moment? of 1992, that is, the conjuncture in which the United States became the world?s only superpower and so free to re-order the world in its own image, precipitated and made possible the globalisation order. The neoliberal economic model, including its drive to financial liberalisation, which had been a response to industrial stagnation in the Anglo-Saxon world, could now be imposed on the rest of the world. A shift in the balance of power to the advantage of the ruling class had taken place and a process of global capital restructuring, with rapid capital internationalisation, was the result.

The emerging global accumulation regime was highly contradictory. On the one hand, a huge army of cheap labour entered the world capitalist division of labour, either directly or indirectly exploitable by western finance capital. The result was frenetic industrial expansion in some countries and regions (notably the Asian Tigers in the 1990s, China and India in the 2000s) and the creation of a low inflation environment in global commodity prices. On the other hand, a pronounced tendency to stagnation remained in the imperialist metropoles, particularly the US. The global neoliberal offensive intent on driving down workers? share of total social value, massively increased global inequality and lined the pockets of the rich, but disguised, rather than resolved, the stagnation tendencies at the heart of the system. Credit fuelled growth, which was made possible by historically low levels of inflation, and highly speculative property and equity (for example, the ?dot com?) booms could more successfully disguise this problem, but even then only for a time. There thus remained a profound tendency to stagnation in capital accumulation.

**-The contradictions of globalisation**
The policy aim of the US hegemon was to achieve a systematic reordering of the capitalist world economy in its favour. In particular, it sought to increase the reach and penetration of US capitals into markets that were now opened up to the world. Previous limitations on international trade and, above all, on capital transfers, were dismantled with increasing rapidity. Even though this internationalisation was necessarily selective in terms of its penetration and effect, because capital flowed unevenly, concentrating on those markets that offered profitable returns, the general expansion of world trade had a positive function for the capitalist global economy. Equally important, perhaps, even more so, to the expansion of trade was the continuous expansion of direct investment and speculation across the two globalisation decades. This

flight of capital was an expression of the sharpened competition and dominance of finance capital as compared to industrial. There was nothing about speculation in itself to make it a more favoured form of investment activity. Rather, the ?flight? to stock markets, currency speculation, futures markets, and so on, was an expression of the reduced profitability of industry in the metropolitan heartlands.

The increased competition of the globalised world economy simultaneously led to ever greater centralisation of capitals into bigger and bigger enterprises. It is fitting that the world?s largest ever corporate merger, the $164.7 billion AOL-Time Warner deal, took place at the midpoint of this whole period of economic accumulation, in 2000. With less investment going into the expansion of existing plants because of low yields, mergers and acquisitions were a more cost-effective means to bring competitive advantages to capital centralised in these larger enterprises, while also rationalising systems and maximising the advantages of new production techniques. These firms could have a presence on all markets as well as an increasing monopoly advantage over prices and extra profits accrued from short-term technological advances. In this context, it was only to be expected that the big multinational corporations would no longer strive for diversification (that is a presence in the greatest possible number of fields of business) as they had done at the beginning of the 1980s, but should rather concentrate on particular sectors in which they could achieve, or maintain, a leadership position on the world market.

One consequence of this enormous centralisation of capital was a sharp expansion of credit to fund these takeovers. But another crucial source, that was made possible by speculative bubbles on the stock markets, was raising cash through share issues. The world economy became dominated by huge corporate concerns that regarded ?the world market? as their field of operation. Unlike 20 or 30 years earlier, they could not limit themselves to one region because of their size. They really did have to ?act globally? or, sooner or later, they would not act at all. In this respect, it is possible to speak of a new qualitative development within the imperialist epoch that was based on the quantitative growth of big capital. With the support of national and international organisations, the hunger for profit drove capital into spheres that had been state, or semi-state, organised for decades. They got bigger and bigger so that, now, such companies dwarf the equivalent operators of a few decades ago.

Though there is clearly a great significance in the centralisation of capital on this scale, it would not have been possible without a basis in the labour process and its technical organisation in the world market. The combination of technical innovations, reorganisation of working procedures and labour processes, as well as the creation of international production chains, made possible reductions in costs for storage and the circulation time of commodities. The restructuring of labour organisation and the centralisation of capital on an international scale led, in some sectors, for example, the car industry, to the formation of an international profit rate, that is a level of return on investment around which the major capitals in each field oscillated. In addition to this, a shift in the balance of forces against the working class in favour of capital and an increased rate of exploitation, made possible by the defeats of the labour movement in core globalisation states, notably the USA and Britain, and these developments could combine to result in a conjunctural raising of the industrial profit rate in some countries, notably the United States.6

In this period, the structure of capital and financial flows also changed. With the recovery of the US cycle at the beginning of the 1990s, there developed a wave of very high portfolio and direct investment especially into Asia but also, for example, into Mexico, and this became symptomatic of ?globalisation? processes. Once again, it was above all private and institutional investors from the international centres of finance who invested in shares, bonds and derivatives in the semi-colonial countries. Once these investors identified the tipping point of the speculative bubble, they quickly moved their funds out again, sparking crises in country after country, in 1995 in Mexico (the ?tequila crisis?) and 1997 in Thailand (as the initiator of the ?Asian crisis?). In the period of capital inflows, 1990-94, prior to these crises, ?official? debts (for example, government bonds) no longer played much of a role with, at most, 11 per cent of capital flows. Even the commercial banks played a reduced role, as compared to the period 1978 ? 81. The decisive element was imperialist finance. On the one side, deregulation in the semi-colonies (for example, privatisations) allowed direct investment to rise quickly. On the other side, the growth in the securitisation of international capital debts (that is the deregulation of international finance markets) allowed offshore investments even without government-regulated cover against risk (for example, the expansion of the derivatives and currency markets).

As the phase of low interest rates and a low exchange rate for the dollar came to an end in the mid-1990s, so the flows of capital began to wane, as did the export-oriented growth in Asia due to the pegging of their currencies to the dollar that made their exports more expensive. Restrictive budgets or high interest rate policies were no longer any help. Offshore banks, investment banks, hedge funds and dealers in derivatives and currencies created a massive speculative bubble which eventually brought the affected currencies to their knees and left behind deeply indebted private companies in the semi-colonies. The flow of capital moved on a massive scale in the direction of the USA whilst, in the countries hit by the financial crisis, there was a new wave of takeovers or destruction of capital by imperialist finance capital. The US economy of the 1990s was dependent on the expansion of fictitious capital and also took advantage of this flow of capital from the other imperialist states, with stagnation in Japan and near-stagnation in Germany.

The 1990s, this so called period of the ?blossoming? of the globalisation order, also saw a massive destruction of capital in Eastern Europe and the former USSR. The East European countries were brought within the sphere of influence of German capital and, in competition with that, the USA, as semi-colonies. Russia went through a period of permanent economic crisis alongside a, possibly historically unprecedented, process of de-industrialisation of what had previously been the second-biggest industrial country on earth. Thus, from the beginning, US imperialism tried to use its newly won vitality and hegemony to establish a ?new world order? which would secure the economic fruits of its victory in the Cold War.

This attempt, however, failed. The Asia crisis, and the stock market crisis at the end of the 1990s, revealed dramatically the crisis-ridden nature of globalisation and made clear that the fundamental problems of the global economy had not been resolved. Instead, the fictitious blossoming of the 1990s had been bought at the price of a further deepening and sharpening of its contradictions. As Figure 1 shows, US corporate profits never recovered to the level of the long boom period. Though they appeared to rebound sharply at the end of the last cycle, the credit intensity of US economic growth reached historically high levels, a point we return to later. Successive US governments sought to live off the fruits of future value production by massively expanding private and public debt. At the same time, growth rates in industrial output in the metropoles declined sharply (see table 1) as world production was reorganised by the outsourcing of production to cheaper, more labour intensive, newly industrialised, economies. The US, in particular, sought to overcome the longer-term problem of its insufficiently valorised capital by become more and more dependent on the rest of the world for maintaining its economic growth. In short, it sought to appropriate, through financial parasitism and the unequal exchange practices (?buy cheap, sell dear?) of its corporate monopolies in the world trading system, more and more value from the rest of the world.

The imperialist heartlands were suffering a structural problem of over-accumulated capital, that is, insufficient opportunities existed to invest capital surpluses at a higher, more expansive level domestically. The result was a mushrooming of fictitious capital and the export of capital into new, emerging markets. The decline of net investment (that is, expansion of investment into new production as opposed to, for example, replacing existing, worn-out machinery) is a classic feature of a problem of insufficient capital valorisation and we see in the US a persistent retrenchment in such investments over the last three decades (table 2). When financial risk-taking went out of control and inflation returned to infect the whole global system, the way was prepared for a massive crisis of over-accumulated capital, resulting in a synchronised, global, deflationary collapse. The dramatic expansion of the reach and penetration of capital globally really did prove to be the expansion and aggravation of its contradictions, on a historic scale.

**-An historic crisis of the system**

Trotsky commented many times that the industrial cycle was like capitalism?s breathing apparatus and would continue until such time as the system died. As he once put it:

?Every eight or nine or ten years capitalism? pass[es] through stages of boom, lag, depression, crisis, cessation of crisis, revival, boom, and so on. This line charting the ascent of capitalism and of its productive forces thus represents not a straight but a wavy line and each wave embraces a span of approximately nine years on the average for the last 150 years. First comes a boom, and then a crisis follows.?7

The cycles always had a great significance for the political life of the classes and their struggles over who would claim the largest share of the total social value, that is, how much surplus value (profits) the capitalists would gain at workers? expense. ?Oscillations of the economic conjuncture?, he wrote, act as ?periodic impulses that give rise now to quantitative, now to qualitative changes, and to new formations in the field of politics.? The struggle over the distribution of social value, budgets, wages, unemployment, proportions of foreign trade, etc, are, he said, ?intimately bound up with the economic conjuncture, and in their turn exert the most direct influence on politics.? However, Trotsky also recognised that there was more to capitalist development than a mere ?complex repetition? of cyclical oscillations; there was rather a ?dynamic development? principally determined by the development of productive forces through the medium of market relations. Trotsky argued, however, that, just as in human beings, the regularity or irregular, even spasm-like character, of breathing, indicated the health or sickness of the patient. The closeness together, the depth of the cyclical crises, testifies to the state of health and longevity of the capitalist system. A historic graph of capitalism showed longer-term patterns, the ?segments of the curve of development? as mentioned above. These could, he argued, have either an expansionary, declining or stagnatory character8 ? this was contingent upon the possibilities for surplus value creation within the spatial-temporal totality of the world economy across a longer phase of capitalist development.

Trotsky also distinguished between mere cyclical oscillations and historic crises or, as he also put it, ?revolutionary crises of the system as a whole.?9 The latter took place, not on the cyclical terrain as such, though this, of course, is one its determinants, but on the level of the segment of the curve of development, that is, to reiterate, the phases of history constituted by the totality of economic, political and class relations. Historic crises take place at points of transition between segments of the curve of development, particularly where an expansionary segment gives way to a stagnatory or depressive one. ?If periodic replacements? Trotsky said, ?of ?normal? booms by ?normal? crises find their reflection in all spheres of social life?, then a transition from an expansionary phase ?to one of decline? engenders the greatest historical disturbances.?10

Trotsky?s conception of the ?historic crisis of the system as a whole? pointed to the longer-term structural obstacles standing in the way of capitalist stability. Nonetheless, he strongly rejected an analogy between this statement and the fatalistic idea of a ?final crisis? or a ?final breakdown? of the system. Thus he wrote: ?If we grant ? and let us grant it for the moment ? that the working class fails to rise in revolutionary struggle, but allows the bourgeoisie the opportunity to rule the world?s destiny for a long number of years, say, two or three decades, then assuredly some sort of new equilibrium will be established. Europe will be thrown violently into reverse gear. Millions of European workers will die from unemployment and malnutrition. The United States will be compelled to reorient itself on the world market, reconvert its industry, and suffer curtailment for a considerable period. Afterwards, after a new world division of labor is thus established in agony for 15 or 20 or 25 years, a new epoch of capitalist upswing might perhaps ensue.?11

Trotsky?s observation, made in the early 1920s, was a breathtakingly prescient insight into future developments. The failure of the working class to seize power threw Europe ?violently into reverse? gear with fascism and imperialist war leading to the death of ?millions of European workers?. This historic destruction of the productive forces, the political consolidation of reformism and Stalinism and the defeat of the post-war revolutionary upsurge, did, indeed, as Trotsky had speculated, lay the basis for the new period of capitalist upswing in the two decades after the Second World War that we know as the ?Long Boom? (1953 ? 1972). Like Lenin, Trotsky placed the revolutionary action of the working class as the fundamental factor in giving ?finality? to any historic crisis. He also pointed out that historic crises of the system as a whole develop out of ?sharp changes in the world economy or politics, social crises, wars, revolutions?, which pose the historic necessity of re-ordering the world.
Capitalists and the bourgeois states are faced with the task of restoring a stable regime for capital accumulation but they are plagued in this endeavour by the competitive pressures between them. The workers and peasants, meanwhile, can either be made to pay the costs of such a restoration or they can resist the attacks of capital, deepening the crisis further, and forcing revolutionary situations that pose the overthrow of capitalism itself. The ?costs? of the resolution of these historic crises are correspondingly greater than the costs of resolving cyclical crises, that is, mass long-lasting (structural) unemployment, a blowing of the fuses of bourgeois democracy (for example, the resort of the ruling classes to bonapartism and fascism) regional and even, ultimately, world, war. Today, we must add to this the effects of environmental catastrophe. Long depression periods marked by an actual decline of the productive forces are what Engels, Luxemburg and Trotsky termed barbarism, a historical regression in the principal spheres of economic, social and political life. This, of course, is not an evenly spread or uniform process either in space or time but highly uneven and irregular. There continue to be surges forward in the productive forces as well as collapses, certain countries rise as others decline but, generally, an expansion in one sphere occurs at the expense of another, while feverish growth can quickly turn into a more sudden and catastrophic collapse.

Historic crises tend to arise from the social, economic and political contradictions accumulated during the previous segment of the curve, and their eruption pre-figures a shift to a new historic segment or phase of the capitalist curve. One further observation on Trotsky?s approach is necessary before considering the crisis of globalisation now underway in the light of his method of analysis. In his 1930 critique of the ?Third Period? line, Trotsky reminded the leading comrades of the Communist International that wars and revolutions in the imperialist epoch tend not to arise from conjunctural economic crisis, but ?from the contradiction between the development of the productive forces on the one hand and the national boundaries of the bourgeois state on the other, carried to their ultimate conclusion?. He continued:

?The imperialist war and the October Revolution have demonstrated the depth of these contradictions. The new role of America has further accentuated them. The more serious the development of the productive forces in one country or another, or in a number of countries, the sooner a new upturn in industry will find itself confronted with the basic contradictions of world industry and the sharper will be the reaction, economic and political, domestic and international.?12

In the ?Curve of Capitalist Development?, Trotsky had made a similar point on the primacy of the productive forces organised according to market relations in the determination of the cycle. Here, we see that he argues the development of the productive forces in one country, and their consequent outgrowing of their national boundaries onto the world stage, sharpens the contradictions and competitive pressures between the national economies. The effect on the segment of the curve of development will be considerable as it undermines the capacity of a single imperialist power to act as a dominant hegemon over the world system, like Britain had until World War I.

Trotsky points out, for instance, that the Russian Revolution, WWI, and the entry of the United States onto the world stage, all, in one way or another, political phenomena, led to a profound intensification of contradictions in the global capital accumulation regime. For Trotsky, then, the point is not that the productive forces in capitalist economies cannot expand in the imperialist epoch but that they do so highly unevenly and, where they are able to, their expansion within the nation state system sharpens political and economic contradictions on the international terrain. The integration of the financial and trading system in the imperialist world order, the drive of national capitals to escape domestic stagnation and continue their expansion on a global level, ultimately undermines the very global accumulation regime that made it possible.

The current crisis certainly is more than a cyclical crisis. It heralds another historic crisis of the system that accords closely to Trotsky?s model. The globalisation accumulation regime stored up contradictions that exploded in the autumn of 2008. While the level of global economic integration, through financial liberalisation and the international trading system, was considerable, unevenness necessarily followed from capital?s increased freedom of mobility. In America and Britain, investment flooded into financial assets, appropriating surplus from the rest of the world and encouraging credit-based domestic growth, along with equity price bubbles. American consumption grew to a level utterly disproportionate to its strength in world production (in 2008, it accounted for two thirds of US GDP) allowing it to absorb the glut of commodities on the world market. Booming industrial expansion and growing working classes in India and China brought cheap commodities into the US and European consumer markets, encouraging low interest rates and more financial risk taking.

In contradistinction to the assertions of globalisation theory, the economic and political order of globalisation was conditional on the high interpenetration of discrete, national economies, as its collapse last year was to testify. Indeed, the crash of 2008 was a catastrophic unity of several concrete determinations in the world economy. The downturn in the US economy and steadily rising unemployment precipitated the collapse of the ?sub-prime? mortgage market. The Chinese economy reaching the end point of its domestic cycle in late 2006, early 2007, brought rising raw material prices and labour costs and, thus, a return of inflation in manufactured goods to the world market. Frenetic expansion had run up against the limits of capital: China?s two decades of dynamic expansion, high growth and rising profit margins led to a chronic over-accumulation of capital.13 Lastly, the US downturn forced the major exporting states, Japan and Germany, into recession even though they were at the midpoints of their domestic expansion, owing to their dependency on the US consumer market.

We see, then, that several cyclical crises inter-connected with one another at the level of the world economy, further aggravating and intensifying the crisis in the system as a whole and leading to a historic world crisis that undermines the ordering of the accumulation regime itself. So, as the contagion developed, a series of negative feedback mechanisms ripped through the system: the return of inflation badly undermined corporate profitability; signs of a sharp global downturn exposed massive overleveraging of financial institutions and overvalued equities and other forms of fictitious capital; the banking insolvency crisis followed, leading to a collapse not only of commercial but even inter-bank lending; manufacturing and world trade ground to a halt; a synchronised world recession and global deflationary collapse, thus, ensued.

Bourgeois economists, who, since the crisis broke, have suddenly discovered that the globalisation economic order was built upon ?imbalances? in the world economy, are not wrong to identify these. They were, however, simply an expression of more fundamental determinations, they were not in themselves the cause of the collapse. The drive into fictitious capital assets, that is, forms of capital based upon projections of future value appropriation not existing levels, and the diversification of it into a number of complex instruments, was not simply an aberration or a product of ?light touch? regulation. It followed from the self-expansive logic of capital in the context of metropolitan industrial production offering poor yields. Similarly, the sharp growth in productive capacity in China and India flowed from their huge actual and potential labour force and the low technical-industrial level of their new manufacturing industries, with their reduced costs. Large surpluses, consequently, accrued to the domestic producers and the corporate monopolies that could market the goods in the west. Again, the desirability of such investments flowed from the depressed returns in metropolitan manufacturing.

**-The historic crisis: towards a new world order?** -
In summary then, by the historic nature of the current crisis we mean the coming together of several contradictions in the global accumulation regime of the last two decades (of the ?segment of the curve? through which we have passed) that threaten the continued survival of the economic and political ordering of the world along these lines. This means that a struggle is now underway between the key global powers over the future ordering of the world economy. Several questions consequently present themselves. Can the equilibrium of the globalisation order be restored? Or will it be superseded by a new political and economic ordering of the system? If so, what might the contours of this new framework be? Can they succeed in establishing a regime favourable to an expansionary segment of the curve, or are we moving into a phase where the curve of capitalist development points downwards? It is now more than a year since the Great Crash of 2008 so we can reflect on the political struggles we have seen, and what they suggest might be the answers to these questions. Needless to say, this is a question of immense importance for the international working class as it indicates the nature of the class battles ahead.

Whether the globalisation order has a future is a question that cannot be separated from the status and position of the United States in the world system: given that it is the hegemonic force that imposed the ordering principles of the globalisation world for the last two decades. The near collapse of the world finance system and the part-nationalisation of many of its leading private finance houses constitute a massive weakening of its financial position in the world. Over the two years of the financial crisis, some 65 US banks became effectively insolvent, either collapsing into chapter 11 bankruptcy proceedings or needing substantial government aid, including part nationalisations, to retain their operability. The US bail out programme was by far the largest, totalling some $8.7 trillion in allocated (not all of it used as of yet) funds. How has this been paid for? The short answer is even more debt. The US public debt now stands at $11.4 trillion, up from $9.4 trillion this time last year and about double the $5.7 trillion it was at back in 2000. 2008 was the year the trillion dollar surplus arrived and Obama plans this to continue for five years. The total public debt now stands at 80.2 per cent of GDP, up from 60.7 per cent in 2007, and is set to rise again and to oscillate at around 100 per cent till 2014. Not all of the huge and growing public debt has gone on the banks. Obama?s stimulus programme is more significant than that of America?s European rivals, totalling some £1.1 trillion.
In the economic regime of globalisation, America?s debt-financed consumption was key to maintaining global economic output with consumption constituting two thirds of US GDP. This successfully disguised the underlying stagnation at the heart of the US economy. As Andrew Kliman observes: ?The sluggishness of the economy has been papered over by an ever-growing mountain of mortgage, consumer, government, and corporate debt? Reduced corporate taxes have boosted the after-tax rate of profit relative to the pre-tax rate, but this boost has been financed by additional public debt. More than three-eighths of the? $6.8 trillion increase in U.S. Treasury debt after 1986 (through [to] fiscal year 2007) is attributable to reduced

corporate taxes as a percentage of corporate profits? Similarly, the effects of declining real wages have until recently been mitigated by easy-credit conditions and rising prices of homes and stocks, brought about by Federal Reserve policies and other means. This has allowed consumers and homeowners to borrow more and save less. Whereas Americans saved about 10% of their after-tax income through the mid-1980s, the saving rate then fell consistently, bottoming out at 0.6% in the 2005?2007 period.?14

The sharp expansion of the US debt is a feature of the highly parasitic relationship to the rest of the world that the US has nurtured over the globalisation phase. Just as US financial capital extracts payments when it underwrites productive activity abroad, the US state extracts similar benefits by issuing treasury bonds denominated in dollars. Nations like China, Japan or Saudi Arabia that run trade surpluses with the US 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. 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.15

The power of dollar seigniorage makes this possible; as the US prints dollars at home it has no problem-making interest payments for so long as the dollar is the world currency and the principal means of settling trade and other international transactions. Given our question, the future of the economic order, in the midst of an historic crisis of the system, it is important to underline the continuity of US fiscal policy with the practice over the preceding decade. The change we see now is in the scale of the demands being placed on the dollar surplus nations to sustain US consumption, with highly unstable debtor-creditor relations developing. On the one hand, the creditor nations could, by selling their accumulated dollar reserves, force a run on the dollar and an Armageddon-like crisis in US economic (and political) hegemony in the world system. On the other hand, they have an interest in sustaining US consumption for so long as there is no alternative consumer market able to absorb the glut of global commodities. The great fear of the US ruling class is that the Asian nations, which have trillions in dollar holdings, could sell these on the market and prompt a massive run out of the dollar across the world. The particular focus is on China; Beijing holds an estimated $1.96 trillion in US dollar exchange reserves and is now the largest foreign owner of US public debt with $1 trillion?s worth of its government bonds.

The G20 London summit witnessed the playing out of these contradictions. Bellicose talk from the Obama regime prior to the summit, accusing the Chinese government of deliberately holding the yuan low to undermine US exports to China, gave way to talk of a new partnership for international economic co-operation and US assent to the Chinese demand that the IMF is given the freedom to issue its ?Special Drawing Rights? as an exchangeable currency. Along with the Europeans, China blocked pressure from the US for greater counter-cyclical measures and secured a promise to review US/EU hegemony over the World Bank and IMF in two years? time.16 The US and Britain also conceded in principle to Franco-German demands for a new regulatory regime for world finance. It is far from clear who would enforce such an international regulatory system; there is neither a supranational body that could play the role of ?impartial? arbiter with the power to enforce regulation on the national terrain, nor a hegemon with the credibility and financial power to impose rules suited to its particular national interests in the name of the system as a whole.

Nonetheless, at the London Summit there clearly was a desire amongst the political stakeholders in the global system, to restore in a modified form some of the ordering principles of the globalisation system. Much discussion, therefore, focused on opposition to protectionism and commitment to the principle of global free trade. However, not only has the Doha trade round long ago collapsed, now the competitive pressures of the global crisis are badly undermining existing commitments. All the main players are now rushing to defend their strategic industries from the bout of capital destruction ripping through the system and struggling to push the worst effects of it on to others. Even here, however, there is continuity as well as change; nearly all the western powers have pursued a policy of free trade for their dynamic multinationals abroad and protectionism for their sluggish industries at home throughout the globalisation years.

**-Over-accumulation: the cyclical and historic crisis** -

The historic crisis is now entering an interregnum phase, that is, a phase of partial, relative and temporary stabilisation vis-à-vis the fall of 2008 in which governments wait to see the effect of the measures mobilised so far. All western governments are committed to doing whatever it takes to restore the stability of the financial and credit systems. But financial losses continue unabated and are further compounded by the crisis of profitability besetting the economy. 2008 was the worst ever year for the Fortune 500 list of the largest US corporations; 128 companies slumped into the red with losses totalling a colossal $519.3 billion. In 2006, the profits of Fortune?s top 500 companies were $785bn, this fell to $645bn in 2007, when the credit boom was beginning to slow in real estate. One year later in 2008, Fortune?s top 500 companies earned $98.9bn profit, a staggering fall of 87%. Or, to put it another way, for every $1 in profits made in 2006, the top 500 companies made 13 cents last year. This was the biggest ever fall since Fortune has kept these records. Some of this was real capital such as unsold commodities, factories left to close and people made unemployed, but a large part of it was nominal financialised values finally realigning with their real value.17

US corporate profits actually stabilised slightly in the first quarter of 2009. According to the Bureau of Economic Analysis (BEA) US corporate pre-tax profits increased $157.2 billion in the first quarter, in contrast to a decrease of $499.2 billion in the fourth quarter of ?08. These figures are not annualised and reflect only a relative stabilisation in the context of the 2008 collapse, as corporations restore their balance sheets through sharp cut backs (job losses, pay cuts, longer hours, ?givebacks?). Indeed, as the Socialist Economic Bulletin (figure 2) has shown, the collapse in investment activity has been the key feature of the US recession over the last quarter, falling by 20.7 per cent since the second quarter of 2008 with the biggest drop seen in the first quarter of 2009 (when US corporate profits stabilised). This dynamic between a limited stabilisation in profits and a collapse in private investment activity is a classical feature of an over-accumulation crisis, as insufficiently valorised capital is devalued and destroyed with corporations cutting back on investment and relying on increased exploitation of a smaller workforce to restore their balance sheets.

Figure 2: Collapse in investment is key to GDP slump in last three quarters
http://socialisteconomicbulletin.blogspot.com/2009/06/latest-data-confir... [1]

Over the past year, the collapse in investment has been the key feature of the US recession. As Socialist Economic Bulletin notes:

?The decline in US GDP is accounted for by a decline in inventories [(stock)], personal consumer expenditure and private investment. Taking these in terms of their quantitative impact, inventories have declined by $53.1 billion, personal consumption expenditure by $143.3 billion and private fixed investment by $352.8 billion. The decline in US private fixed investment is therefore almost seven times the size of the decline in inventories and almost two and half times the scale of the fall in private consumption.?18

However, this needs to be qualified, by noting that inventories/equities/stocks have been declining for a longer period than the last three quarters alone. Since the Dow Jones Industrial Average peaked on 12 October 2007, at 14,093, it has fallen sharply, collapsing to a low of 6626 on 6 March 2009, a collapse of some 53 per cent in six quarters. It is normal for equity prices to be the first victims of an over-accumulation crisis. As a form of fictitious capital, holders of stock have a legal claim to future profits; their decline often foreshadows the crash phase of the cycle, while they will begin to recover in anticipation of a return to profitability. Since March, equities in the US, Britain and Japan have recovered slightly, while inter-bank lending has stabilised, prompting much discussion as to whether these are signs of the ?green shoots? of recovery.

It is not surprising that this should happen after such a share price collapse, because investors identify apparently undervalued equities which promise far better returns than had been offered before the crash. If a capitalist invested $50 million in a business which was making £5 million a year, he or she would have a return of around 10 per cent (assuming a stake of 100 per cent), but a capitalist who buys the firm after a sharp fall in its value may pay only £25 million for the same stake meaning his rate of profit will be 20 per cent.19 Imagine this process happening many times over and involving bankruptcies, mergers and takeovers, as the strong swallow the weak, and we see the current crisis, as capitalists struggle to push the costs of the crisis onto one another and the working class. States play a similar game as they seek to save their own economies and industries at others? expense. Whatever form the devaluation of capital takes, it must always precipitate a cyclical recovery as the destruction of excess capital lays the basis for the renewed expansion of the capitals that survive.

A judgement on how strong this recovery will be cannot be made by deductively calculating the ratio between fictitious capital prices and the profits prior to the crash. These are subject to more profound determinations in production, which, as noted above, will structure the strength and dynamism of the cycle. Most importantly, there is the rate of growth of surplus value, and therefore employment (which boosts surplus value creation) and the imperative to invest in labour-saving machinery (which holds it down). Secondly, there is the rate of exploitation of labour and, lastly, the correlation between the nominal (fictitious) values and real ones.20 If the company whose stock value halved found that the £5 million profit it was turning prior to the crash was largely based on circumstances that no longer exist after it, for example, no more easy consumer credit, then, despite the stock?s depreciation, the nominal share value may still be too high: in other words, this individual capital would remain incapable of sufficient valorisation and it would face further devaluation.

Two fundamental questions then present themselves as determinants of the strength of the recovery and, in the longer term, the segment of the curve of development. Firstly, how successful capital is in making the working class pay for the crisis, forcing them to take the largest share of value destruction by driving down the workers? share of total social value. Obviously, the success of this cannot be determined: it is an outcome of social struggle, on which more later. Secondly, what effect will the bail out of the financial institutions have? Many are now grappling with this question. David Harvey has argued that, despite the undermining of laissez faire economic principles, there is a degree of continuity with the bailouts and neoliberalism insofar as putting the state at the service of financial class power has always been a feature of it. Now, the US state is serving a smaller, more consolidated, class of financiers working in five huge US financial houses. He also insists that whether or not they succeed will largely depend on popular mobilisation from below.21 While this outcome is probably not far from the minds of US policy makers, and mass mobilisations can certainly challenge it, there are nonetheless economic as well as social obstacles to the realisation of a new regime of financial power.

The debt crisis in the American economy is extremely serious. If we add the private debt to the federal debt it comes to a colossal 381 per cent of US GDP. To put this in context, the total Japanese debt during its two ?lost decades? only rose to 259 per cent of GDP in 2008. Like Japan, the US is now, through the bail out programme, attempting to shift the debt burden from the private banking sector to the state. However, whereas Japan made up for domestic stagnation through exports, the US in contrast runs a significant trade deficit that now stands at nearly $30 billion per month. By centralising its financial sector into a handful of huge firms, with enormous power to leverage to the rest of the world and extract tribute from others, the US, as Harvey suggests, clearly has the aim of developing further its parasitic relationship to the rest of the world. But, as we saw earlier, there are reasons to think the rest of the world may not accept this and, even if they were willing, this would not overcome the need of the US to tackle its domestic stagnation problem.

In mere quantitative terms, the bailouts of the financial institutions by the US treasury are probably large enough to absorb further credit losses this year, as the downturn in the economy compounds the crisis in finance further. If the measures succeed, then full-scale capital destruction, that is, destruction on the scale that would have occurred had private finance institutions not been saved, will have been averted.22 The huge amount of debt the US is now taking on could store up a far bigger debt crisis in the future. The obvious way of getting rid of excess debt is to let the crisis rip and allow the process of capital destruction to destroy debt through a massive process of write-offs. The reason the Bush and Obama regimes did not do this was the highly integrated nature of the modern financial system. Even allowing one ?big one?, like Lehman Brothers, to collapse, led immediately to AIG?s downfall and threatened others.

Make no mistake: letting any more financial institutions collapse would have meant an economic Armageddon. The point still remains. There has been an insufficient destruction of credit assets in the US. The banks still have huge toxic assets on their books while more healthy assets turn toxic by the day. The role of the creditor nations to the US is important but should also not be exaggerated. Most of the private and public debt in the US remains American. This is a country, which is, to a large degree, indebted to itself while these financial assets remain badly out of kilter with underlying value. A much sharper crisis with a greater number of bankruptcies and write-offs destroying over-valued credit assets is one way of dealing with the US debt mountain. Another way is using inflation. Because inflation is a form of devaluation of money capital, and credit assets are a fictitious form of this, strong inflationary pressures in the US would devalue those credit assets denominated in dollars, thereby lowering the debt burden of the US economy to itself and the rest of the world.

**-The curve of capitalist development ? towards decline? -**

The historic character of the crisis derives from the tremendous difficulties that the major world economies now face in restoring the accumulation regime of the globalisation order. The dollar?s position as the world currency is badly strained and the move to quantitative easing (printing money) is likely to lead to an inflationary scenario once the cyclical recovery is in motion. If liquidity expands without a sufficient increase in value production then the capitalists tend to compensate by raising prices, and this is, of course, how a sharp inflationary scenario develops. An outcome of this sort would put pressure on the countries with dollar surpluses to exchange them for euros and, depending on the seriousness of the inflation, risk a run on the dollar. The Obama regime is probably anticipating mild inflation to ease the debt burden of the US economy as a whole but it is a dangerous game. The other key determinant of the globalisation order, which facilitated its relative stability, was the impact of Chinese development, in particular, its role in creating a low inflation environment in world commodities. Now, the internal development of Chinese capitalism, with rising labour and technical costs, makes it less probable that it could continue to have this effect into the future.

These are the strategic problems standing in the way of a restored equilibrium and, indeed, are the principle determinations of the historic crisis of the system that we expect to pattern future developments. Key to the Marxist analysis is an understanding of the roots of the crisis in capital?s inability to realise sufficient surplus value, with excess capital (that cannot achieve sufficient valorisation) being destroyed. As we have outlined, problems of surplus value production are not simply features of crises or the cycle but are also longer-term features of capitalist development. That strategic political and economic obstacles stand in the way of a new round of profitable accumulation in the longer term, suggests that the historic crisis marks a turning point between two segments of the curve. From one principally characterised by highly uneven levels of industrial development, a pronounced tendency to stagnation and a mushrooming of overvalued fictitious capital, towards one marked by the actual decline of the productive forces and threatening an even greater crisis if fictitious (nominal) values become even more detached from real ones.

The uneven nature of capitalist development means, of course, that this process is far from uniform but mediated by competitive pressures on the world market. Those major powers that are able to achieve an expansion of the productive forces will have significantly more power in the emerging order. The present crisis differentiates itself from the world economic crisis following 1929 in one important respect. The framework of the world market has not yet collapsed; the dollar is still the most important currency in the world and the US is still the world hegemon. Although US imperialism must organise the world, by comparison with the beginning of the period of globalisation, this will not bring the same economic dividends. The role as hegemon can only be maintained through a further undermining of its economic industrial base. The other imperialists and potential competitors ?support? the USA insofar as this is ?paid for? by greater shares in the world market, a more important role and greater influence in the world order, in other words, by a greater hollowing out of US hegemony. At the same time, none of this analysis should be considered in abstract from the impact of the class struggle and the extent to which all these powers can succeed in making their working classes and poor pay for the crisis. Indeed, those powers that are successful in forcing down the working classes? share of total social value in their national economies, will be in a far stronger position to impose their will on the world.

Significantly, the US does not have a positive programme for a new period of ?expansion?. Its ability, for now, to unite the G20 powers largely behind it expresses the fact that they would all suffer from an American collapse. Their rivals fear the collapse of the world economy, that is, the terrain on which they are trying to overcome the USA or at least to hold it back. Out of this come the penumbra of conferences, the talk of a new order and the hype about regulation, which is all little more than permanent crisis management that reaches the limits of strongly counter-posed national interests. However, this ?helplessness?, this lack of a common plan or programme, a clear economic doctrine of the ruling class, is not just the result of sharpening inner conflicts, sharper struggles over who amongst the capitalist classes and the imperialist bourgeoisies should carry the cost of the crisis. It is also a sign that bourgeois rule itself is living on borrowed time; every crisis is a reminder of the tendency to breakdown of capital.

The ruling class can only save its system insofar as it destroys forms of society, restricts the development of the productive forces, prepares more wars and at the same time leads the world to an ecological disaster. It is precisely globalisation that has massively expanded the world market and driven production to new international heights. Nonetheless, the form of the nation state has proved itself to be a barrier that cannot be overcome; indeed, it is a barrier that the ruling classes must cling to if they are to save their national interests and imperial ambitions. Now they face the results of this development and do not know where to start, apart from improvisation, attacks on the subaltern classes, and their social welfare gains. The productive forces have grown over the heads of the ruling class and to a greater extent than ever before in history. That is also what constitutes the historic scale of the current crisis. The world economy faces a situation that demands global, rational and conscious planning in order to secure further development, the development of the productive forces and the creation of truly human living conditions. The ruling classes are, of course, incapable of this.

Even if it is not the most likely variant, it cannot be excluded that the world economy and the world situation could enter into a period of relative stability on the backs of the exploited as a result of a dramatic historic and strategic defeat and the destruction of capital on a large-scale, even if such a period would not be a new ?long boom?. That will essentially be decided by class struggle and the resulting formations of fractions within classes, which we explore further below. In any event, the current historical period, which began in 2007, has already led to large-scale struggles, hunger, revolution and mass protests in a quarter of the countries on the earth, pre-revolutionary situations, insurrections etc. It is a period in which the question who rules, who decides over the further course of historical development, in other words the question of power will be posed, and must be posed. Those who rule can no longer do so as they did in the past.

**-ENDNOTES**

***The printed version of this article in Fifth International Journal has all of the graphs and tables missing from the online version***

1 A point made by Justin Rosenberg in Rosenberg, J. 2001 The Follies of Globalisation Theory; Polemical Essays Verso: London

2 Trotsky, L. 1923 ?The Curve of Capitalist Development?, available on Marxist Internet Archive, http://www.marxists.org/archive/trotsky/1923/04/capdevel.htm [2]

3 Trotsky, L. ibid

4 Brenner, R. 2008 ?Globalisation and the Myth of the New Long Wave? The Credit Crunch ? A Marxist Analysis L5I: London 2008

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6 See figure 1, which shows a limited but discernible increase in US corporate profits in the 1990s with a much sharper rebound taking place in the upturn of the cycle in 2004 ? 2006 on the back of a massive splurge of credit into the system.

7 Trotsky, L. 1972 (1922) ?The Fifth Anniversary of the October Revolution and the Fourth World Congress of the Comintern?, First Five Years of the Comintern (volume 2) Pathfinder: New York pp. 185 ? 216

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13 Brenner, R. 14 May 2009, ?The Third Great Depression? www.fifthinternational.org [3]

14 Kliman, A. ?The Destruction of Capital? and the Current Economic Crisis? http://akliman.squarespace.com [4]

15 For a discussion of this, see Cooper, L. spring 2009 ?Now for the re-ordering of the world?? Fifth International, vol. 3, no. 2

16 See Brenner, R., 14 May 2009, op cit

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18 Socialist Economic Bulletin, http://socialisteconomicbulletin.blogspot.com/2009/06/latest-data-confir... [1]

19 Kliman, A. ?The Destruction of Capital? and the Current Economic Crisis? http://akliman.squarespace.com [4]

20 Kliman, ibid

21 Harvey, D. speech to Marxism Conference, July 2009

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**Source URL:** https://fifthinternational.org/historic-crisis-capitalism-part-1-crisis-globalisation

**Links:**

[1] http://socialisteconomicbulletin.blogspot.com/2009/06/latest-data-confirms-fall-in-investment.html

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