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Crisis of capitalism

A worldwide game of chess... with no winner

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The developed economies have entered a new recessive phase of the crisis which began in 2007. The rebound obtained thanks to public spending is exhausted and the next relapse will be marked by a strong rise in unemployment. To get back to at least the level of employment that existed before the crisis it would have been necessary to create 17 million jobs in the world, but public treasuries are exhausted by the aid given to the banks.

Two interpretations of this crisis were dominant at its beginning. The neoliberals emphasized the culpability of debtors, who took on loans without being able to pay them back, as well as the irresponsibility of governments, which took on unmanageable liabilities. The Keynesians, on the other hand, underlined the absence of financial regulation and the excesses of speculation. They also insisted on the fall in solvable demand because of the stagnation of wages and social polarization. The two currents also pointed to various errors of economic policy that have led to the present collapse.

This initial explanation of the origin of the crisis subsequently shifted to another problem: the differential impact of the convulsions depending on the regions of the world and consequently the geopolitical modifications, in other words the turn towards multipolarity, the loss of US hegemony, the strengthening of China and the increased role of the emerging economies.

How has the economic crisis developed in each region of the world? What are the strategies of the ruling classes? What kind of scenarios do they profile on a world level?

The fracture of the US economy

When the insolvent debtors could not keep up with repaying their debts ("subprimes"), the real estate collapse triggered the crisis in the United States. The banks were confronted with the lack of liquidities, because 11 million residences were revalued at prices below the level of their mortgages and a fifth of buyers were asphyxiated by debts that were impossible to repay. Thereafter debt emerged in other fields. Households were confronted with liabilities equivalent to 112 per cent of their incomes and with financial obligations that were 37 per cent higher than those of the previous decade. The entire chain of financing was affected by the morose atmosphere, which led the banks to restrict offers of loans and created a vicious circle of recession and financial fragility.

The orthodox economists accuse the debtors and their adversaries accuse the banks. But both forget that the snowball of consumption financed by credit grew over several decades and that it is the consequence of the capitalist reorganization imposed by neoliberal globalization. This transformation has led to a deterioration of working conditions (destabilization, stagnation of wages, segmentation of qualifications) which have reduced popular incomes and impelled the recourse to credit in order to maintain consumption. Faced with a level of unemployment which exceeded 10 per cent, poverty affecting 15 per cent of the population, wages stagnating at their level of fifteen years ago and a scandalous concentration of wealth [1], debt propped up demand.

The neoliberal restructuring also caused a significant delocalization of companies, which grow rich abroad due to lower wage costs, thus accentuating the loss of employment. US companies create abroad the jobs that they destroy at home and, for this reason, the local recession coexists with an increase in the foreign exchange revenues of the 500 principal companies. [2].

Over the last decades the enormous level of North American consumption was maintained, based on debt, in a context of domestic industrial regression, increased exploitation, a trade deficit and the emigration of companies. This critical scenario was the result of the competitive pressure impelled by neoliberalism.

The imbalances produced by this new model appeared in the light of day with the emergence of mortgage debt. But its scale became visible with the bankruptcy of the Lehman Brothers bank in 2008 and the erosion of the financial system as a whole in 2009.

The aid which followed finally caused the present nightmare of fiscal and banking insolvency which is making the markets tremble. These entities continue to profit from intensive therapy and public debt has gone from 62 per cent of GDP in 2007 to 100 per cent in 2011 [3].

The US government is managing the budget deficit without any coherence. One day it yields to the pressure of the Republicans to reduce expenditure and the next it launches an investment plan with strong tax cuts. Obama is paralysed between the pressure of the Right, which has taken control of Congress, and an electorate which is still waiting for him to fulfil his promises.

The external reaction of the United States

Basing itself on the G20 and the joint intervention of the central banks, the United States has tried to lead the global management of the crisis. It has, moreover, recourse to several strategies by using its principal economic instruments.

The dollar - which counts for 85 per cent of currency transactions, 65 per cent of world trade and a similar percentage of world reserves – represents their first resource. Half of world debt and the majority of the transactions in oil and other raw materials are made out in dollars. Although the dollar has lost the absolute domination which it had after the Second World War, it maintains its primacy in the absence of a replacement currency. The euro has not acquired the influence necessary to act as a world currency, the Japanese yen has seen its influence regressing and the Chinese yuan is not internationalized as a convertible currency. This lack of a substitute makes it possible for the dollar to maintain a predominant intervention, which could anticipate a future coexistence of three currencies (dollar, euro, yuan), the return to fixed foreign exchange rates or the negotiation of a new basket of several currencies [4].

In each of these cases, the dollar will be able to maintain the impact that it has preserved, since the end of its convertibility into gold, during the successive stages of the revaluations and devaluations of its rate of exchange. The room for manoeuvre that makes it possible to impose high foreign exchange rates (to attract capital) and low ones (to encourage exports) has been reduced, but it has not disappeared.

US influence is also significant in the reform of the world financial system (the Basel III Agreement of December 2010). This change is underway with the aim of increasing the assets of the banks, and negotiations continue over the amount that these entities will have to provide. The manner of regulating the new mechanisms of speculation (derivatives, CDS and hedge funds) as well as the direct financial transactions of companies are also under discussion.

The internationalization of finance and the interconnection of Stock Exchanges make this normative adjustment essential, which implies a preliminary reorganization of North American entities. It is a recognized leader of the banking clan - Paul Volcker - who is in charge of this remodelling.

On this terrain Wall Street works in close partnership with the City of London. They manage the financial summits together and take care to restrict all regulations to a minimum that is compatible with their business. The heroes of neoliberalism (Greenspan and Bernanke) are on the defensive with regard to this reorganization. They can no longer speak publicly about the absolute efficiency of markets to contain bubbles. Their Keynesian opponents (such as William Dudley) do not manage either to impose more preliminary control of high-tension speculation. But both variants of the reform are defined in the United States [5].

US influence is also decisive in the International Monetary Fund (IMF). In spite of the increasing influence obtained by the new participants in the IMF, it is Washington that sets the tone. In the recent G20 deliberations, Washington succeeded in doubling the funds of the IMF, and having its powers of audit and its control of national economies increased. It is the IMF which currently defines in Europe the sanctions against any obstacle to budget cuts. It suspended loans to Ukraine when the country planned to increase the minimum wage, imposed the reduction of wages in Latvia, demanded privatizations in Greece and was opposed to the result of the Icelandic referendum which called into question the demands of the creditors. Now it does not just limit itself to minor economies but is supervising the rescue of Italy [6].

Starting from these actions the North American establishment is evaluating the strategies for a way out of the crisis and envisaging inflationary options. Since 2008 the Federal Reserve (Fed) has injected two thousand billion dollars through ultra-expansionist policies (known as “quantitative easing”, the contemporary equivalent of printing money). It orchestrated monetary emissions which are flooding the planet with dollars and facilitating the export of US imbalances. This policy aims at liquefying the national debt through

inflation, thus repeating the mechanism already used by the United States to drain away its government liabilities by diluting them all over the world.

But this policy is more difficult today, not only because of the resistance of orthodox economists. In the past the inflationary reduction of debt was absorbed by strong growth, which made it possible to reduce the load in comparison with GDP. However, for the coming years, nobody dares to predict such scenarios of prosperity [7].

The European collapse

Many European analysts initially characterized the crisis of the old continent as being simply an aftershock of the US earthquake. This vision has been refuted by the impressive dimensions of the European economic tsunami.

Its scale is linked to the specific imbalances produced by the formation of the European Union (27 countries) and the Euro zone (17 economies). The purpose of the two initiatives was to adapt the region to the neoliberal rules of world competition, by replacing the former diversity of the economies by a bloc pulled by the German locomotive and by French diplomacy.

The leading role of the German economy was consolidated by the annexation of the Eastern territory (the former German Democratic Republic). The ruling class used the technological capacity and the high productivity of industry to reinforce wage discipline and to thus transform the country into a great exporting power of the Euro zone.

But the present crisis has shown the unfinished character of this bloc. The common currency was introduced to guarantee German surpluses, while putting off until later the organization of a common budget and taxation. This deficiency was deadly. The absence of common state institutions to support the currency undermined the cohesion of

the project and reinforced the heterogeneity of the community. Instead of consolidating the nascent structure it increased the distance separating the powerful economies from the less advanced ones.

Initially some people hoped that these gaps would be reduced by the development of a common market and transfers towards the less developed regions. But in the long term the opposite process prevailed, the systematic loss of their positions by the countries with higher rates of inflation and lower indices of productivity. Finally a fracture took place between the surplus economies (Germany, the Netherlands, Austria) and the deficit countries (Greece, Portugal, Ireland) [8].

Public debt and the bankruptcy of banks widened this gap between the centre and the periphery of the Euro zone. The small economies sank first, submerged by the imbalance of commercial exchanges (Greece), the decline of overseas investments (Ireland) and foreign speculative financing (Iceland, Cyprus). Then tax collapse reached Italy (the third power of the zone) and it now threatens Spain (which faces a terrible mortgage burden).

All the banks have their portfolios full of insolvent public bonds. The most fragile entities, Greece, Ireland and Iceland have already collapsed and fear stalks the big institutions of France, Germany, Austria and Italy. Interbank exchanges have decreased; the fear of the toxicity of balance sheets is increasing and some funds have already been withdrawn to be placed in surer places [9].

The German strategy

Germany cannot employ the responses, on a world scale, that the United States is trying. It lacks the imperial resources that the first-ranking power still possesses and has chosen a defensive deflationary strategy, which places it at the antipodes of the US inflationary option. Whereas the Federal Reserve has imposed systematic reductions of interest rates, the European Central Bank (ECB) has increased the price of money.

This divergence is often explained by the difference in traditions. The memory of Weimar is opposed to that of the New Deal. According to this view, this opposition between European fears of hyperinflation and US memories of the Great Depression make it possible to explain the gap between the respective influence of the two countries in the international management of the crisis [10].

On the European level Germany promotes an aggressive policy aiming at making workers pay the cost of the crisis. This attack is not just a case of one more adjustment. It is imposing the destruction of the Welfare State built after the war and the liquidation of social conquests, which the workers of other continents had never won. The European unemployment rate is already 20 per cent and under the impact of the precarisation of work, poverty affects a quarter of the population.

Budgetary tightening in order to support the euro constitutes the other pillar of German policy. Over the last few months, the existence of this currency has been on the edge of the precipice and there has been speculation about it being reorganized, breaking up or disappearing in the near future. But this is a currency which has been the key to the exporting domination of Germany, based on the unification of markets and the elimination of protectionist barriers.

In order to preserve the euro, the recent budgetary agreement at the European summit fixes a time limit for restoring the rules on deficits and public debt. It envisages automatic sanctions for countries which violate them. These budgetary principles are destined to become a constitutional norm and to be subjected to control by supranational courts. These authorities will supervise expenditure and will be able to impose its reduction at any point in the year, thus placing the peoples between the hammer and the anvil. Those who neglected the application of this agenda

would be automatically excluded from the Euro zone.

This political hardening is in conformity with the German strategy, aimed at reinforcing its exporting model without emitting its own currency. It seeks to reinforce the role of the European periphery as a supplier of factors of production at decreasing cost. The reduction of Greek wages, the pulverization of Irish social security and the generalized increase in the retirement age anticipate the consequences of this reorganization [11].

Germany is imposing this deflationary strategy by prohibiting all financial initiatives which would threaten its competitiveness. It has blocked the creation of Euro-bonds and the mutualisation of debts. It has blocked the extension of the European Financial Stability Fund (EFSF, due to be replaced by the European Stability Mechanism), prevented the purchase of Treasury bills on the secondary markets and reinforced the bans on direct financing of countries by the ECB.

This rigour by no means implies abandoning bankrupt banks. Germany approves of aid to the banks, while seeking to preserve its industrial potential. It does not renounce the idea of the future financing of the Euro zone with the federal mechanisms which govern the United States, but on condition of guaranteeing its own fiscal control beforehand. Faced with the vulnerability of the banks and with the impossibility of repeating the progressive absorption of debts - implemented for example by the United States for decades, faced with Latin-American debts - it has accelerated the installation of this supervision [12].

This new budgetary framework has opened up another series of conflicts at the top of the European Union (EU). Britain rejected the Franco-German pact and decided to remain on the sidelines in order to protect the autonomy of the City. It refuses to subject its banks to supervision by Brussels because it did not obtain the right of veto in order to protect its business. The British capitalists are certainly interested in taking part in the continental market, but on condition of preserving the internationalization of their finances.

The Merkel-Sarkozy alliance appears to be winning at the conclusion of the recent summit, but only time will make it possible to evaluate the consistency of this victory. The crisis devours political leaderships and each election leads to outgoing governments being punished. This punishment affects in the same way the social democrats (Ireland, Portugal, Spain) and the conservatives (France, Italy, Germany) [13].

Interrogations on China

The continuation of China's growth at annual rates of 9-10 per cent is an important novelty of the crisis in progress. In the course of the last decade exports of the Asian giant have increased at a frenetic rate. China is capturing natural resources in Africa, strengthening trade with Latin America and has already dethroned Japan as the second biggest economy in the world.

This progress confirms the depth of the changes that have taken place during the period of neoliberalism. China integrated itself into globalization by using the low price of its labour force, without repeating the time-honoured trajectory which involved protectionist beginnings, the formation of a national bourgeoisie and the deployment of international competition. It integrated itself directly into world capital accumulation.

At the beginning of the crisis many economists supposed that Chinese growth would compensate for the contraction of the advanced economies. Actually we have only seen it playing the role of a partial counterweight. The Asian giant supported financially the United States and Europe at the high points of the crisis, to ensure the continuity of its external sales, while maintaining its domestic demand and reinforcing its international purchases of raw materials. It thus put a brake on the general depression and delimited the geographical range of the recession, but it did not

replace the locomotives of the developed world. Will it continue to play this role?

Some people are betting on this continuity and expect strong help from the yuan to the old continent, which would involve enormous acquisitions of government bonds in euros. But China has already acquired a large part of Italian, Spanish and Portuguese debt and a quarter of its reserves are in euros. The increase in such purchases provokes divergences within the Chinese leadership.

The sector more associated with world trade ("the elite of the coast") agrees to take part in the new bail-out in exchange for strong counterparts. It seeks to get sanctions for dumping reduced, to obtain the statute of "market economy" and to take its place in investment in European infrastructure.

This fraction also tries to place China within the future framework of a world currency. This is why it demands that part of any aid be made out in yuans. But such a monetary insertion would also increase the foreign exchange rate of the yuan and consequently would weaken the exporting model. China has resisted a lot of pressure aimed at getting the yuan revalued and it has not accepted the demands that the United States was able to impose on Japan during the previous decade. Nevertheless simply internationalizing the yuan could lead to a weakening of the autonomy of the principal Asian economy [14].

Chinese investment funds took an active part in the maintenance of the dollar and of Treasury bills. They acquired shares in General Motors and took holdings in the Morgan Stanley bank. But the passage of these acquisitions to another scale (in particular in Europe) would take the country into a high-risk imperial policy. To defend what was obtained abroad would require a geopolitical presence that the Chinese leaders want to avoid.

For this reason many sectors of the Chinese leadership ("the elite of the interior") question the disproportionate increase in overseas investments and underline the need for increasing initially the very low domestic consumption. The recent mobilization on Internet against the financing of the old continent reflects this concern. It should be remembered that GDP per capita in China is still less than 10 per cent of the European average.

The dilemma between support for the exporting model or a turn towards domestic consumption persists, without being solved. There is a strong pressure in favour of the second option, but without a significant result. This turn has not been made. It could lead to the growth of imbalances on a very large scale.

In order to increase domestic purchasing power substantially it is necessary to increase wages and to introduce generalized social security benefits. These measures would run up against the model of low labour costs which made possible the capitalist rise of the country. The reorientation of the flow of investments towards Asian economies, whose wages are even lower than in China, already constitutes an early warning of the problems that such a turn could cause.

The economic orientation is thus subject to multiple tensions. The most immediate imbalance is the real estate bubble: in the thirty principal cities of China housing prices have increased by 50 per cent over the two last years, repeating the cycle of dubious debt which has affected the United States and Spain. Since a quarter of the Chinese economy is related to construction, an abrupt reversal of its value could affect GDP.

There are also serious financial problems. Although the state maintains control over credit, an enormous market in clandestine loans has developed to finance the consumption of the middle-class and the obscure accounting systems of local governments. These discordances explain the rise in inflation, which over the last decade oscillated at around 2 per cent and which has just reached 6.2 per cent.

The scale of the profits accumulated by the privileged layers is another element of instability. The incomes of the

richest 10 per cent of the population are 23 times higher than those of the poorest 10 per cent and the cream of the government receive wages 128 times higher than the general average [15].

This social fracture coexists with the structural problems of over-investment, which has already reached 45 per cent of the GDP. Such a rate of investment requires new markets on a recessive international scene. It also increases the ecological dangers because of a loss of administrative control.

Nobody knows what will be the impact on China of a new retreat of the worldwide economy. Certain economists think that this effect will be assimilable (Stiglitz); others forecast serious consequences (Roubini). But all are in agreement to underline the central character of this factor for the immediate evolution of the world economic situation [16].

BRICS, EAGLE and emerging economies

China has not been the only economy which has so far been able to avoid the world recession. A group of intermediate economies (variously called emergent, rising or BRICS) have also been able to weather the storm. This nucleus of countries forms the semi-peripheral conglomerate of the present world stratification.

This sector has maintained its growth over the last year and significantly increased its investment rate, as well as its participation in world GDP. If these tendencies persist, localization of production and employment will experience an important shift over the next period. These modifications are in conformity with the new international division of labour, which privileges the Asian continent.

The rising economies are the spoiled children of capitalism. They receive praise from the IMF and they have been the stars of the recent forums of leading entrepreneurs in Davos. The new multimillionaires of China, Russia and India are rapidly being integrated into the club of the masters of the world.

The distribution of world reserves is another indicator of the modifications that are underway. They amount to 6,500 billion dollars in the emergent economies and to only 3,200 billion in the countries of the North. The foreign debt of the first group has been reduced and some of its members are already in credit. At the other pole a new category has burst onto the scene: "the heavily indebted rich countries".

However, erroneous conclusions are often drawn from these changes. The principal confusion lies in indiscriminately classifying of the whole of this rising group under the sole heading of BRIC. This denomination - initially Brazil, Russia, India and China - was extended to BRICS (with South Africa), then to BRIICKS (with Indonesia and South Korea). Another recent extension designates the EAGLE ("Emerging and Growth Leading Economies" i.e. the principal emerging and rising economies), involving Mexico, Egypt, Taiwan and Turkey) [17].

It is the banking operators (Goldman Sachs, BBVA) who are at the origin of these names. They include or exclude countries from their list according to the occasions for financial investments. The conjunctural character of such an evaluation is glaringly obvious. But the principal disadvantage of these names is to put in the same bag a country which is advancing towards the status of a central power (China) and intermediate economies whose future evolution is uncertain.

The distance between the Asian giant and each of the other countries designated as emerging is enormous, with regard to production, exports and financial reserves. This gap is particularly visible in relation to another economy which has recently experienced strong growth (India) and in comparison with another neighbour which preceded

China's progress (South Korea) and which has regressed in the face of the explosive rise of China [18].

By putting all these countries in the same basket we forget that many of them have developed as suppliers of the basic commodities which China needs. They have not been drivers of world growth but have been pulled along by it. It is also important to note the division which exists between the protagonists of industrial development and the actors whose development is based on the rise in the rent from oil (Russia) or agriculture (Brazil). These differences imply strong diversity in the coherence of their growth.

The distinctions between the emerging countries are even more categorical on the geopolitical level. The autonomy of the imperial policies of Russia and China does not extend to India, Brazil or South Africa. These latter countries continue to have very close links of association or dependence with the powers which define the world order. That is why the way the countries known as BRICS work together has not given rise to the adoption by them of common strategies. It is certain that the greater political stability of this group contrasts conjuncturally with the generalized disorder which reigns within the central powers. But this characteristic does not determine either a model of common international action.

The new South-South alliances, to the detriment of long-established connections with the metropolitan centre, have a limited range and do not anticipate the "second globalization", led by the emerging economies, that some analysts have forecast. Until now, the most significant element has been the integration of emerging countries into the G20, with the aim of reinforcing the support for capitalism in crisis [19].

The trials and tribulations of the periphery

The exception of the intermediate countries has not extended to the rest of the periphery. The crisis is again striking, with increased virulence, the most impoverished economies, reiterating what has been the norm for the convulsions of capitalism. This impact can be observed on the terrains of employment and income. Emigrants face even more obstacles to reach the First World, aid is drying up and the waves of refugees are multiplying.

Whereas the press speaks only about the central and emerging economies, the vast majority of countries are outside the G20 and have to face the dramatic effects of poverty on a daily basis. That is where we can find the 2,050 million people who do not have access to basic health care and the 884 million who do not have access to drinking water.

The new phenomenon of the present tsunami is the convergence of these sufferings with the tragedy of famine. The rise in food prices, which preceded the crisis, was not reversed by the recession. In many areas the drama of denutrition has been accentuated. In Somalia, for example, we can see all the symptoms of a food catastrophe. The total number of the hungry comes to 1,020 million people, but the threat extends to the 2,500 million who live in poverty. This plague is increasing with the rise in the prices of cereals, which reflect the consolidation of an export-centred neoliberal agriculture, destroying smallholdings, destroying traditional local food chains, generalizing the dispossession of the peasants and greatly increasing rural emigration.

This capitalist reorganization of agriculture determines the lack of food which brings distress to a sixth of humanity, whereas the total production is sufficient to satisfy food needs. The reign of profitability and control of agricultural trade by a handful of transnational oligopolies (Archer Daniels Midland, Bunge, Cargill and the Louis Dreyfus Group) increases the tragedy of famine. The hopes that the deflationary effect of economic slowdown would attenuate this problem have not been confirmed. The rise in food prices, which began in 2003, is continuing without any significant modifications.

Many authors think that this rise is due to the formation of a new bubble. Speculating on the future prices of cereals has become a very profitable operation. It makes it possible to channel the surpluses of liquidities resulting from the loss of possibilities for profitable investments in the developed countries [20]. Other analysts consider that the rise in food prices is a more structural problem which derives from the increasing demand from new Asian consumers. They also underline the increase in production costs and the declining productivity of the agricultural sector [21].

These are two complementary explanations – in the short- and long-term - of the same phenomenon. But in any case the financial manoeuvres and the structural imbalances between supply and demand augur the aggravation of the food crisis that is forecast by all the experts of the Food and Agriculture Organization (FAO).

This situation is further worsened by the pressure of the agribusiness industry, which blocks in the G20 any international regulation of prices. The G20 involves the countries which produce 77 per cent of cereals and control 80 per cent of agricultural trade. The hunger of the powerless is the other side of the coin of the good business that is being done by several members of this association.

Multipolarity and hegemony

The diversity of regional situations in the present crisis has generalized predictions of a turn in world domination towards multipolarity. This context differs from the bipolarity which followed the Second World War (the United States against the USSR) and from the unipolarity of the 1990s (supremacy of the United States). The decline of the United States is associated with the advance of China and the emerging countries. Some analysts also underline the exhaustion of neoliberalism and forecast a developmentist growth of the periphery, based on state intervention and exchanges between the economies of the South [22].

But these points of view do not take into account important elements of continuity which link the present period to the preceding one. Multipolarity could modify the relationships of force between the powers but it does not change the pillars of neoliberal globalization. The role of transnational corporations persists, as does world competition for the profits based on the exploitation of the labour force.

Moreover, this internationalization of capital determines the continuity of free trade and cross-border financial flows. Unlike what happened in the inter-war period, the present multipolarity is not the forerunner of the emergence of protectionist blocs ready to fight for the conquest of markets by means of war.

The stagnation of the centre does indeed determine greater interaction between the intermediate economies. But these bonds are developing in close partnership with the companies of the First World. This collaboration is not a technological requirement and it is not determined by financing needs. The emerging bourgeoisies have extended their range of operations in common with foreign capital and they continue to reinforce these links.

Their strategies have nothing to do with anti-imperialist propositions, nor with “non-aligned” initiatives. Nor do they encourage the para-mercantile planning of trade (as did Comecon) or interdependent projects (in the spirit of Bandung). They act according to the criteria of profitability, which tend to rebuild the traditional inequalities of the relation centre- periphery- semi-periphery.

Globalization has modified the geographical frameworks of these links. Maintaining territorial proximity between the dominant economies and their suppliers is no longer essential. The relationships of domination thus begin to go beyond their traditional range.

It is impossible to predict the final profile of this mutation, but it is obvious that all the players will not come out of it as winners. Accumulation demands balancing the advances at one pole with the losses of the opposite sector. If one region prospers, another must decline, so that the enrichment of the winning capitalists is paid for by the population of the losing zones.

Multipolarity does not modify this selective principle of bourgeois development. Capitalism is incompatible with growth that is shared in the long term and with the progressive elimination of all socio-regional inequalities. The admirers of the new scenario are unaware of this extension of the fault-lines. They often imagine multipolarity as a change of political hegemony in favour of China and to the detriment of the United States. But they never clarify what significance they give to the concept of hegemony. This concept can be identified with imperial supremacy or with forms of consensual management in opposition to military coercion. In the first case people suggest that Chinese expansionism would replace United States domination. In the second, they suppose that this substitution will be peaceful, i.e. it will be the result of an overwhelming economic primacy. The errors of the two hypotheses are glaringly obvious.

Since the end of the Second World War the United States has exerted an explicit imperialist domination. It has acted as the military guarantor of the reproduction of capital and ensured the protection of all the ruling classes with regard to popular revolts and the instability of the system. The Chinese leaders themselves do not imagine being able to play such a role in the future.

Those who imagine that a substitution of one force of coercion by another would be pointless because of the sole fact of the economic power of the East do not explain how world capitalism could function without any form of military guarantee. Such a vision forgets that a system of competition for profits obtained by exploitation cannot develop without the use of force.

The identification of multipolarity with the retreat of the United States or its European partners from using military power is an ingenuous hypothesis. In any "de-Westernisation" of the world economy the US gendarme will continue to oversee invasions, occupations and massacres. It is certain that the leading power does not at present act with the omnipotence which it had in the 1990s, but it leads NATO, represents half of world military expenditure and maintains a close association with all the countries with which it was aligned during the Cold War.

The principal members of this alliance are not in the habit of calling into question this familiar relationship when they reinforce their economic power. The invariable loyalty of the oil bourgeoisies of the Gulf is an example of this attitude. The submission of Japan is even more symptomatic, because it did not look for ways of political autonomy to resist its stagnation. The Japanese economic regression has deepened, with the biggest public debt of the developed world and with the failure of the plans of reactivation put in place following the earthquake [\[23\]](#).

The central role of the United States was verified recently at the time of the extension of the G7, with the co-optation of the intermediate countries, and during the re-launch of the IMF to preserve the existing imperial order. The world gendarme will also use its power to try and regain lost ground. It is already demonstrating the means of pressure that it has in relation to its Chinese rival by organizing naval operations in South Korea and exercises in Mongolia, as well as by preparing to install a military base in Australia. It is testing the reaction of its rival through the disputes with Taiwan, the arguments with India and the question of the status of Tibet. However, these tensions have not so far called into question the associative framework with China, which has been in force for several decades.

The Asian giant has also had a hierarchical approach to capitalist solidarity. Instead of supporting the collapse of the Western banks it rushed to their aid. During the recent European collapse it even reinforced its convergence with the IMF and conditioned its future credits to audits by the Fund. This integration reinforces the hostility of the Chinese leaders towards any local or international protest against neoliberalism [\[24\]](#).

Neoliberals and Keynesians

The economic debate on the crisis continues to be dominated by the opposition between orthodox and heterodox visions. The neoliberals attribute the crisis to “fiscal irresponsibility” and fulminate against the governments which have wasted money in unproductive expenses. But they forget to recall that this expenditure initially supported the expansion of the industrialized economies and that the subsequent loss of control is the fruit of the rescue of the banks. For example, before 2007, most European countries had a budget surplus.

The neoliberal discourse dissimulates this aid and attributes the present failure “to peoples who have lived above their means”; as if to improve the standard of living were a sin. Nor does it explain why the rich are exempted from any sacrifice. The durable character of the crisis is also used to justify attacks against the standard of living. Although no one dares any longer to present flexibility of work as a passport to prosperity, they explain to us that we have to tighten our belts in order to survive [\[25\]](#).

In the United States the same arguments are used by the Republicans to demand new reductions of social “expenses” while maintaining the privileges of the bankers, military expenditure and tax cuts for the rich. They demand the fixing of a strict ceiling on debt, supervised by the popes of the Establishment, and forget to mention that the aid granted to financiers contradicts all their open market principles.

The Keynesians, on the other hand, consider that the crisis is the product of financial deregulation and the contraction of demand. This is why Krugman proposes to tax the rich, to re-launch public investment and to increase incomes. In harmony, Stiglitz calls for the cancellation of mortgage debt and for punishing the banks [\[26\]](#).

These authors indicate rightly how the disorganization of the control of risk, accounting tricks, packaged and derived financial instruments unleashed the present tsunami. But they omit to notice that this bad management developed as a result of the competition to manage the debt that capitalism imposes. The same applies with regard to household debt and social exclusion, which are not only a consequence of the errors of economic policy.

The heterodox theorists forget that accumulation itself produced the divorce between consumption and production by cutting the link between the increase in productivity and the increase in purchasing power. These contradictions have been exacerbated by the competition which neoliberal globalization has extended on the scale of the planet.

The Keynesian economists also consider that it is possible to attenuate these imbalances through a fair distribution of the costs of the crisis. They propose a uniform distribution of financial losses between debtors and creditors. But it is enough to observe the reaction of the bankers regarding the devaluation of Greek debt to see what a hard battle this would be. The announcement of this devaluation unleashed a storm in the credit rating agencies and precipitated the budgetary adjustment of the European Union. The same virulence marked the previous reaction of the financiers concerning the proposals for the suppression of tax havens or the cancellation of the colossal bonuses of their top managers.

To neutralize this resistance of the bankers it would be necessary to adopt firmer measures, like the cancellation of the payment of the debt, the audit of liabilities and the nationalization of the banking system. The same applies with regard to the revival of growth and the creation of employment. The realization of such objectives requires turning off the tap of payments to creditors, controlling the movements of capital and introducing a radically progressive system of taxation [\[27\]](#).

The present conjuncture has narrowed down the space making it possible to carry out social reforms without resorting to anticapitalist actions. We live in a climate of everyone for themselves, with very little room for manoeuvre

for the policies of “humanitarian capitalism”. It is the reign of the pressure to deal with bank bankruptcies, to purge companies and to devalue labour. These tendencies are not just determined by the dominant right-wing ideology or the dominant influence of the financiers. All the ruling classes support the bankers in imposing adjustments. This coincidence is also reflected in the behaviour of the European social democrats. When the time comes for them to alternate in government they are not different from their right-wing adversaries and they accept the authoritarian verticality imposed by Merkel and Sarkozy. For example, they all approved the sacking of Papandreou, who had had the audacity to ask for a popular consultation, thus sending a firm message of neo-colonial intervention to Greece [28]. The same tendency appears in the indifference of the US government regarding the petitions of the liberals. This attitude contrasts with the permeability to reformism which marked the 1930s under the presidency of Roosevelt.

Many Keynesians admit the adversity of the situation. But they consider that it is possible to generalize on the international scale the intermediate solutions applied by Argentina after its cessation of payment by cancelling and renegotiating part of the debt [29]. They however omit to take into account the specific conditions which made this experience possible. Argentina could remain relatively disconnected from international financing because it is inserted in world trade as an exporter of food. It was able to enjoy the rise in international prices and it transformed itself into a privileged supplier of the rising Asian economies. Moreover, it used the enormous revenue from exports to reinvigorate domestic demand following a brutal devaluation which at the same time purged capital, lowered wages and thus facilitated the cyclical recomposition of the rate of profit.

It is obvious that the majority of the dependent economies affected by the crisis have neither the resources nor the conditions to make such a recovery possible. They could indeed adopt some of the initiatives employed by Argentina, but only as a starting point for much more radical and daring measures [30].

The intensity of the crisis makes it necessary to adopt an anticapitalist approach that marks a break with the various alternatives of the present social system. However, the economic thinking which dominates at present is unable to go beyond this restriction and remains captive of a choice between the Anglo-Saxon model, the German schema or the Chinese option [31]. These analyses deny the intrinsically capitalist roots of the present crisis and occult the contradictions which the process of accumulation generates periodically and extends in an itinerant fashion. A system based on rivalry for the appropriation of the profits that come from exploitation inevitably produces the type of crises that we are seeing at present.

To conceive of another range of alternatives in order to solve the crisis it should first of all be admitted that capitalism is neither the only nor the best possible system. Such an opening makes it possible to overcome resignation, to consolidate the will to fight and to imagine solutions that would be advantageous for the majority of the population.

Social resistance

The evolution of the crisis can be abruptly modified by the popular actions which have gained ground over the last months. The analysts who do not take account of these reactions reason as if the economic process proceeded in a social vacuum or at least in the shelter of the offices of civil servants and financiers.

The beginning of the crisis initially caused great confusion among populations who were accustomed to identify disasters with the Third World. This stupor was also marked by the fear of unemployment. But at the end of the year 2010 the uprisings in the Arab world introduced a new element into this attitude. They showed how it is possible to conquer great democratic victories.

This example deepened the resistance in Greece, which has become the principal bastion of the popular fightback.

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The demonstrators who occupy the squares and encircle the Greek Parliament are in a state of quasi-insurrection. These protests encouraged in their turn the Spanish *indignados*, who question aid to the bankers and demand "real democracy". This movement has won legitimacy, new support and is a reality in the whole of the Spanish State.

Other social reactions have taken place in England, both among the young unemployed harassed by the police and among trade unionists. In Italy strikes are breaking out and in Portugal there are mobilizations. These struggles are starting to spread and the benevolent image which the European Union enjoyed is becoming blurred. A victory imposed from below could revive the great tradition of rebellions of the old continent.

However, the most striking event of the year took place on the other side of the Atlantic, with the sudden appearance of the "Occupy Wall Street" movement. This initiative has already a national dimension and enjoys popular sympathy, the solidarity of intellectuals and trade-union support. For the first time in decades it has reintroduced in the very heart of capitalism mass demonstrations which escape institutional control.

The movements of struggle which are affecting China attract less interest in the media. However during the last year 180,000 protests were recorded, in their majority inspired by demands against the exploitation of workers. A new generation of workers, already emancipated from rural migration, has regained self-confidence and is winning gains in direct confrontation with the employers [32].

On all the continents young people are raising their heads and building movements by using the social networks to get information and to organize. The first embryo of an international movement appeared last October 15, when the world marches mobilized multitudes in 950 cities in 80 countries. A coordinated action on this scale had not taken place since the mobilizations against the war in Iraq in 2003.

If the regional and international convergence of these resistances was reinforced it would be possible to develop a response to the bourgeois attempts to confront the workers country by country. The leaders of Germany have taken the leadership of this strategy and repeat to whomever wants to hear them that German workers "have already made sacrifices" and that they "should not pick up the bill for the lazy South". This message seeks to pit workers against each other by concealing the profits that the capitalists draw from this division. The campaigns of the Right against immigrants have the same goal [33].

A progressive way out of the crisis implies resisting this fracture within the world working class. The tensions between German and Greek, American and Chinese or Spanish and Moroccan workers lead to making the people pay for the consequences of the present crisis of capitalism.

Internationalist responses would neutralize this threat and would make it possible to bring together again the young people and the sectors of the working class which have not yet been able yet to get on their feet after the neoliberal attacks. The year 2012 gives us the chance to change the scenario of the crisis in favour of the workers.

Buenos Aires, December 21, 2011

[1] In 1979 the richest one per cent of the population received nine per cent of the national revenue and today they monopolize 24 per cent of it. When the occupants of Wall Street affirm that "we are 99 per cent of the citizens", they really know what they are talking about. Cf. Paul Craig Roberts, "Las pérdidas de puestos de trabajo en Estados Unidos son permanentes", *Rebelión*, 9-10- 20.

[2] *Wall Street Journal*, "La recuperación de EEUU es una de las más decepcionantes", *La Nación*, December 31, 2010.

[3] Although some banks have recently improved their patrimony and their liquidity, the recent collapse of the eighth-biggest investment Firm (MF

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Global) is an example of the potential dangers. MF Global collapsed because of its exposure to the holdings of European debt, a large proportion which are insured by American financiers. Cf. Alberto Montero, "Cuando la democracia entra por la puerta", *Rebelión*, November 2, 2011.

[4] Paul Kennedy, "Un mundo de tres monedas", *ClarÃn*, June 8, 2011; Robert Mundell, "El futuro de las monedas de reserva luego de la crisis", *El PaÃs*, January 18, 2010; Michel Crittenden, "Puede el dÃlar ser destronado", *online.wsj*, March 1, 2011. See also Immanuel Wallerstein "Guerra de divisas", *La Jornada*, November 6, 2010, Barry Eichengreen, "El reinado del dÃlar llega a su fin", *La Naci3n*, March 2, 2011.

[5] Emilio Ocampo, "Brujas y burbujas", *Ãmbito Financiero*, September 2, 2010, as well as *La Naci3n*, September 13, 2010 and August 30, 2010 and the *Financial Times*, September 20, 2010.

[6] The United States has also employed all the means at its disposal to defuse the crisis of legitimacy of the IMF and we still do not know their role in the scandal around the ex-director of the Fund, Dominique Strauss-Kahn. Cf. CADTM, "The IMF, the lamentable symbol of a capitalist and patriarchal system", <http://www.cadtm.org/FMI-lamentable-symbole-d-un>

[7] Jose Luis Fiori, "Muy lejos del equilibrio", *Sin Permiso*, December 19, 2010, Marcelo Cantelmi, "El G 20 en las puertas", *ClarÃn*, October 23, 2010.

[8] Michel Husson, "The Euro: to leave or not to leave?", *International Viewpoint* 438, July 2011, www.internationalviewpoint.org; Catherine Samary, "The Eastern periphery of the European Union faced with the global crisis" in Ozlem Onaran (ed.), *Capitalist Crises and Alternatives*, Resistance Books, London 2011.

[9] Since the bankruptcy of the Belgian bank Dexia there are many hypotheses about a repeat of the scenario which followed the bankruptcy of Lehman Brothers. The "stress tests" of the European banks have not reassured the experts as regards the need to recapitalise these banks. This necessity, in its turn, has restricted loans and worsened the recession.

[10] Juan Llach, "Pulseadas en el palacio global", *La Naci3n*, June 30, 2010.

[11] Michel Husson, "A crisis without end", *International Viewpoint*, 439, August 2011, www.internationalviewpoint.org; Francisco Louca, "La izquierda contra la dictadura de la deuda", www.sinpermiso.info, October 17, 2011.

[12] There is no time to transfer debt to marginal holders, to clean up the balance sheets or to create parallel markets for the unrecoverable debt. The present crisis is striking interdependent economies located at the centre of capitalism in a very troubled economic situation. Enrique Arceo, *PÃgina 12* September 12, 2011; Eric Toussaint, "Dexia Krach: the start of a domino effect in the EU?", CADTM, October 8, 2011, <http://www.cadtm.org/Dexia-Krach-The-start-of-a-domino>.

[13] The reorganization of the Euro zone is preparing the introduction of federative forms within the EU, which would subject local decisions to greater state centralization. This change is introducing very large cracks and could reinforce secessionism in countries where separatist parties are influential (for example, Belgium, Spain or Italy). These sectors could gamble on being directly admitted to the Euro zone, circumventing the existing state structures in order to get rid of the impoverished regions.

[14] Yao Shujie, "Los lÃmites del modelo China", *Cash-PÃgina 12*, August 7, 2011. See also: *Wall Street Journal*, *La Naci3n*, November 17, 2011.

[15] *La Naci3n*, June 5, 2010.

[16] Nouriel Roubini, "El boom de China tiene fecha de vencimiento", *La Naci3n*, April 24, 2011. Joseph Stiglitz, www.elperiodico.com, August 9, 2011.

[17] Arnaldo Bocco, "De los Brics a las Eagles" *PÃgina 12*, January 10, 2011; AnahÃ Abeledo, "El desafÃo para los emergentes es tener crecimiento", *ClarÃn*, 10 juillet 2011.

[18] Paul Beckett, "Pese al crecimiento, aumentan las dudas sobre el milagro indio", *La Naci3n*, March 30, 2011; Joseph Nye, "La carrera de

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fondo, *ClarÃn*, February 2, 2011; Evan Ramstad, "El milagro coreano", *La Naci3n*, November 8, 2010.

[19] A debatable analysis in: Alexander Kateb, "Los paÃses BRICS dan una lecci3n", *PÃgina 12*, September 20, 2011.

[20] Joseph Halevi "Se avecina una nueva crisis", *II Manifiesto*, June 8, 2011.

[21] Paul Krugman, "Las limitaciones que nos impone un mundo finito", *La Naci3n*, December 29, 2010; Mario Blejer, "Argentina y la seguridad alimentaria" *La Naci3n*, December 4, 2011.

[22] The various points of view can be found in: Felipe De La Balze, "La crisis acelera el curso de la historia", *ClarÃn* November 27, 2011; Mariano Turzi, "La nueva divisoria global: emergentes y declinantes", August 18, 2011; Gabriel Tokatlian, "El aÃo de la encrucijada", *La Naci3n*, January 11, 2011; David Cufre, "Con la vieja receta", *PÃgina 12*, June 26, 2010.

[23] Belson K, Onishi NR, "Una falta de liderazgo que agudiza la crisis", *La Naci3n*, February 17, 2011.

[24] I have developed this subject in a recent book: Claudio Katz, *Bajo el imperio del capital*, Espacio CrÃtico Ediciones, BogotÃ 2011.

[25] These points of view are developed in: Daniel Large, "En defensa de la austeridad para Europa", *ClarÃn*, December 4, 2011; Carlos Pagni, "La crisis del estatismo", *La Naci3n*, July 19, 2010; Wolfgang Schauble and Daniel MacFadden, *PÃgina 12*, August 28, 2011.

[26] Paul Krugman in the following issues of *ClarÃn*: July 11, 2010, July 13, 2010, May 22, 2010, August 10, 2010, November 6, 2010, August 28, 2010, August 14, 2010). Joseph Stiglitz, "Que puede salvar el Euro", *El PaÃs*, December 8, 2011; "El mercado hipotecario", *ClarÃn*, November 6, 2010; "La austeridad es camino suicida", *PÃgina 12*, December 7, 2011, "Un contagio de malas ideas", *Sin Permiso*, August 14, 2011. See also: Robert Skidelsky, "El mundo para volver a leer has Keynes", *PÃgina 12*, August 2, 2011; William Mitchell, "Entrevista", *PÃgina 12*, October 10, 2011.

[27] Rick Wolf "Krugman frustrado", *Monthly Review* March 10, 2010; Ozlem Onaran, "An internationalist transitional programme towards an anti-capitalist Europe, April 2011, <http://www.internationalviewpoint.org/spip.php?article2096> ; Costas Lapavistas "A Left Strategy for Europe ", April 2011, <http://www.internationalviewpoint.org/spip.php?article2091> ; Daniel AlbarracÃn, "A strategy to break with the Europe of capital", *International Viewpoint* 442, November 2011: <http://www.internationalviewpoint.org/spip.php?article2358>

[28] This reaction was crowned by the installation of a direct government of the bankers (Papademos). The same substitution was imposed in Italy (Monti in place of Berlusconi) with technocrats who propagate a right-wing ideology to circumvent Parliament, by defying the politicians and scorning the parties. Stathis Kouvelakis, "Golpe de Estado europeo frente al levantamiento popular", November 18, 2011, <http://www.vientosur.info/articulosweb/noticia/index.php?x=4570>; John Brown, "El capital financiero castiga a sus devotos partidarios", www.rebellion.org November 23, 2011.

[29] Stiglitz Joseph, "Europa No aprendió la lección de Argentina" *PÃgina 12*, December 10, 2011.

[30] My point of view: Claudio Katz, "Lessons of Argentina for Greece ", 9 September 2011, <http://www.cadtm.org/Les-lecons-de-l-Argentine-pour-la>

[31] For this point of view of Kenneth Rogoff, "El capitalismo está lejos de encontrar su sucesor", *La Naci3n*, December 11, 2011.

[32] Li Minqi, "El ascenso de la clase obrera y el futuro de la revoluci3n en China", www.rebeli3n.org, July 14, 11; Walden Bello, "O capital e um amante caprichoso", www.outroladodanoticia.com.br, July 22, 2011.

[33] Vicens Navarro, "Habermas y la sabidurÃa", www.sinpermiso.info, June 13, 2010.