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World Economy

Economists' seminar discusses the crisis

- Features - Economic and debt crisis -

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A seminar of economists and leading members of the Fourth International was held from 2-4 October at the International Institute of Research and Education (IIRE) in Amsterdam [1]. The articles based on the reports given will be posted [here](#).

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A seminar of economists and leading members of the Fourth International was held from 2-4 October at the International Institute of Research and Education (IIRE) in Amsterdam [2].

It brought together 32 participants from 15 different nationalities, including 8 members of the New Anti-capitalist Party (NPA) in France. The primary goal of the seminar was to analyze the economic crisis which began in 2008, resituating it in a historical perspective and analyzing its diversity on different continents. The second objective was to bring the Marxist theory of crises up to date, taking account of the innovations introduced by globalization and the financialisation of economies. The final objective was to analyze the links between the economic crisis, the food and energy crisis and the climate crisis [3].

A structural crisis

All the speakers agreed on the fact that what we are seeing is a structural crisis of capitalism and not just a recession a little more serious than those which have affected the world economy since the affirmation of globalization at the beginning of the 1990s (the crises in Mexico in 1994, East Asia in 1997-98, Russia and Turkey in 1999, Argentina in 2001, the bursting of the Internet bubble in the United States in 2001...).

This time it is not only the heart of world capitalism which is affected (North America and Europe) but also the fundamental mechanisms put in place by the neo-liberal offensive. Worldwide integration of markets, superexploitation, precarious employment, workers becoming indebted instead of receiving increased wages, deregulation and privatization, the demand by shareholders for exorbitant levels of profit, unbounded financial speculation, exhaustion of natural resources and the disruption of the climate have combined to cause the capitalist system to seize up. In this sense, we are witnessing much more than a banking crisis linked to the madness of the subprimes [4].

What is in question is in fact the capacity of world capitalism to generate high profits by flooding the planet with a growing mass of commodities (which satisfy social needs less and less effectively) while accentuating social inequalities and poverty in the centre and at the periphery. Understanding this makes it possible to affirm that the crisis is only beginning. To relaunch durable growth in the United States, it would be necessary not only to purge the over-indebtedness of households, but also to reduce formidable levels of social inequality and to ensure a steady growth of purchasing power. The Obama government has absolutely no intention of doing any of these things.

The beginnings of a recovery that we are seeing at present, welcomed by an upsurge in the stock markets and fuelled by banks which are using public money to speculate, should not lead us to have any illusions. The worsening of unemployment, the end of unemployment benefits and other social security payments in the countries where they exist will lead to a new wave of poverty which can only accentuate the crisis in the coming months. The recovery which will follow this crisis is likely to lead to slow growth, accompanied by the maintenance of a high level of unemployment and poverty. The difficulty of capitalism to resolve in a significant way the fundamental causes of the

crisis will lead to it becoming increasingly unstable, to “chaotic regulation”, to use Michel Husson’s expression, rather than a new stabilized order.

Contrasted situations

In spite of this gloomy prognosis, the analysis of the crisis continent by continent reveals contrasted situations. Although no country is untouched by it, the chronology and the intensity of the crisis vary according to the continents.

Europe was hit head-on by the crisis which originated in the United States, because the European banks fully participated in the subprime adventure and because the European Union was determined to apply neoliberal policies with even more zeal. The freezing of wages, the increase in inequalities and growth that was tendentially weaker than in the United States made the European economy very vulnerable to the impact of the crisis. The institutional framework of the European Union, so effective when it is a question of attacking workers, showed itself to be unable to organize a coordinated response to the crisis.

The absence of a European state, of a European budget, led each government to defend the immediate interests of its national capitalism. The countries of Eastern Europe were abandoned to the fate to which their forced-march integration into capitalist Europe condemned them. It is the IMF, put back in business by the G20, which is in charge of putting their finance and their bankrupt banking system in order, because the European Union and especially the German, English and French governments refuse to come to their aid.

Latin America and Asia did not experience the crisis in the same way. Their banks were very little involved in subprimes and their governments did not have to save them from bankruptcy. The crisis was transmitted essentially by the fall in exports bound for North America and Europe and much less by finance, even though massive outflows of capital affected some countries.

In its present phase, the impact of the crisis in Latin America has not been as brutal as the violent and repeated crises that the continent has experienced since the 1980s. As elsewhere, we are seeing the beginning of a recovery in certain countries.

At present there is a lively discussion among the ruling elites, comparing the present crisis with the situation that Latin America experienced during the great crisis of the 1930s. The collapse of world trade had driven Latin America to turn to its domestic market and industrialize in order to produce what it could no longer import, a policy which would lay the foundations for the growth of the post-war period. In the world of today, where new regional powers are asserting themselves (the new category of the BRIC - Brazil, Russia, India, China), the crisis could offer new opportunities to certain countries, like Brazil, to move up a few notches in the world hierarchy. These hopes are probably vain, as the “phoney crisis” in Latin America resembles the “phoney war” in France in 1939-40: the worst is certainly to come because Latin America cannot free itself from the world conjuncture. Its economy is integrated into world trade in commodities, its productive apparatus has been dislocated by 30 years of neo-liberal policies and the extent of poverty and social inequalities weigh on the development of the domestic market.

In a certain manner, the same analysis applies to Asia. The crisis was propagated by a fall in exports of 30 to 35 per cent on average at the end of the year 2008, leading to enterprises closing and to massive lay-offs in all the countries of the region. But the Asian economies have rebounded since the spring of 2009, due to a large extent to China’s stimulus programme. The Chinese government has implemented a plan on a scale comparable with the American rescue plan, except that it is not a question of wasting public money in order to re-inflate banks, but of investing massively in infrastructures of which China has great need, with a dash of social measures in favour of health and education (less than one per cent of the total). This plan is for the moment a real success and explains why the

Chinese economy has not collapsed and is resisting the crisis, to the extent of making it possible for many Asian countries to keep their heads above water.

But this recovery in Asia is fragile and cannot be durable. The investments made must be used to produce goods which must then be sold. However, the share of wages in the national wealth in China has regressed to such an extent over recent years that it is difficult to see how the Chinese economy could find a new equilibrium by rapidly becoming centred on its domestic market. To a certain extent, this is true for the other Asian countries and the recovery should in the long term run up against an insufficiency of sales outlets. Although the presence in the region of "heavyweights" like China, India and Japan gives more credibility to the idea that Asian economies could become centred on their domestic markets in order to weather the worst of the storm, the idea of a "decoupling" with the world economy runs up there too against the extent of inequalities and poverty. But the room for manoeuvre is certainly greater than in Latin America.

“Long waves” theory

On the theoretical level, the seminar started a discussion on the scope and the topicality of the “theory of long waves” whose tradition goes back to Leon Trotsky and Ernest Mandel, but which is also to be found in other Marxist and non-Marxist economists. This theory has played an important role in the economic and political analyses of the Fourth International.

We will not try in this short report to deal extensively with this theory, but simply to recall its essential features. The history of capitalism shows phases of expansion lasting several decades followed by recessive phases which are themselves spread out over several decades. The existence in the past of a relative regularity in the duration of these “long waves” led to the temptation of being able to predict the future with relative certainty. This temptation must be firmly resisted, because history, like economics, is not dependent on any clock. Under these conditions the utility of the “theory of long waves” is to help us to make a political and economic diagnosis of the nature of the historical periods of capitalism. Added to this is an additional difficulty, which is due to the relationship between economics and politics. There is not a simple and automatic link between the economic and political context. In other words, an economic crisis does not lead automatically to a political crisis and even less to a revolutionary crisis. It is nonetheless true that to analyze the crises or the phases of expansion of capitalism enables us to make a more informed political assessment of the difficulties that governments must resolve and of the room for manoeuvre that they have.

On this basis, it remains to analyze the current depressive long wave, which began into 1967 in the United States at the point when the rate of profit began to fall. Between 1967 and 2007, (the last year before the current crisis) 40 years passed, whereas the previous recessive waves were on average 25 years. How can we explain such a long period? A first report insisted on the particular role of finance in late capitalism. According to the reporter, finance delayed the outbreak of the present crisis, by “artificially” supporting the demand of households whose purchasing power did not increase sufficiently. The onset of the crisis was pushed back by the rise in household debt. Since debts could not accumulate forever, but had to be paid one day, the present crisis would finally be the “great crisis” caused by the end of the long wave of the post-war period. Finance is obviously not the only factor to have delayed the crisis. The fall of the USSR and the Stalinist regimes in Eastern Europe, the conversion of China and Vietnam to capitalism, the expansion of the Asian countries, the debt paid by the countries of Latin America and Africa, opened up new markets for multinational companies and generally supported capitalism in the imperialist countries, delaying in these ways the onset of the crisis.

As second report explained the length of the recessive long wave by the fact that the capitalists had succeeded in restoring the rate of profit from the 1980s onward, but without these profits being completely transformed into

investment, for essentially three reasons: the first is that the shareholders take a growing share of these profits, which is transferred to them in the form of dividends. Or else the profits are used to repurchase the shares of the company so that the shareholders can resell them at a higher price, thereby pocketing speculative surplus value. The second reason is due to the incapacity of present-day capitalism to satisfy social needs by the private sector offering goods and services which bring in a high profit. There is an increasing inadequacy between what a growing part of the population wishes to consume (personal services, for example) and the ability of capitalism to satisfy this demand in a profitable way. Lastly, the demand for a rate of profit higher than previously in order to provide the revenues demanded by shareholders led to an insufficient increase in the demand for commodities. The weakness of demand contributed to weaker levels of investment and thus to slower growth.

As will have been understood, these explanations of the length of the recessive long wave are based on the idea that the rate of profit was restored, without however a new expansive wave beginning. Some participants contested this position, affirming that the rate of profit had not ceased to fall, since 1967 in the United States and the beginning of the 1970s in Europe. This is a very important debate insofar as the evolution of the rate of profit, without being sufficient in itself to explain all the aspects of the crisis, is a key element in order to make a diagnosis of the state of health of capitalism. The debate is at the same time empirical and conceptual. Empirical, because the data banks which are available do not all give identical results. Conceptual, because these data are not in any case adapted to the Marxist concept of the rate of profit, which would require a national accounting system to measure the value of commodities, capital and labour power expressed in quantities of work, which is not the case. Lastly, in the context of globalized capitalism, multinational companies address themselves directly to the world market and define their profit strategy on that level. It would thus be necessary to be able to calculate the rate of profit of these firms directly on a world scale, which macroeconomic accounting, which remains national in scope, does not make it possible to do. Does it still make any sense to calculate the rate of profit by relating the rate of profit observed in a country to the stock of capital measured in that country? The seminar obviously did not exhaust this debate, which will have to continue.

Food, energy, environmental and climate crises

The food, energy, environmental and climate crises were next on the agenda. These are subjects which are in themselves complex and whose links with the economic crisis will have to be the object of deeper analysis. To sum up, the transformation of food into commodities produced and sold by the big multinational firms of the chemicals and agribusiness sector have led to the ruin of many small farmers who can no longer feed themselves and the populations around them. Productivist agriculture accelerates the exhaustion of natural resources like water and dependence on oil, of which it is a large consumer. Capitalist agriculture is intensive in energy-consuming machines and in polluting fertilisers, and it generates useless flows of long-distance transport.

In this manner, the multinational companies of the agribusiness sector play an active part in global warming. Against the right to food sovereignty, they defend everywhere the free trade of which they are the first beneficiaries, claiming that free trade leads to a fall in the price of food and thus participates in the fight against poverty. The rise in food prices in 2007-08 and the famine which it caused demonstrate to what extent these are lies which must be denounced. Hunger is the result of the hijacking of agriculture by multinational companies and not of the inability of peasant agriculture to feed the planet. The rise in oil prices accentuates the absurdity of the situation by inciting big producers to sell their production for the manufacture of ethanol (which is, moreover, subsidized) rather than for food. Thus the tendency for the price of oil to rise as it becomes increasingly scarce will create permanent pressure for a rise in food prices, from which the small producers do not even derive any profit because they do not have access to export markets. In the immediate future, the economic crisis will tend to limit the rise in the price of oil, but a stronger economic recovery will lead to the return of expensive oil, bringing in its wake a rise in food prices.

The end of the crisis will not be the end of hunger, quite the contrary.

In conclusion, the report on the climate crisis showed that the most pessimistic forecasts of the Intergovernmental Panel on Climate Change (IPCC) are unfortunately the most probable, because it is these forecasts which are beginning to be confirmed in practice. It can be seen in particular that the melting of the polar icecaps is not following a slow and regular evolution but is progressing more quickly, by leaps and bounds.

Consequently, the measures announced by the European Union and the United States aimed at reducing global warming by establishing a market in rights to pollute are just playing to the gallery. Not only are these measures based on the most optimistic forecasts of the IPCC, and thus do not aim at reducing greenhouse gas emissions in sufficient proportions, but they are false measures in the sense that the majority of rights to pollute are distributed free to companies. The price of these rights is so low that it does not push companies to reduce their emissions of polluting substances and their consumption of energy. The idea of a green capitalism is thus an illusion and it is necessary to counter it with an ecosocialist project, which is the only one capable of leading to the break that is necessary: the elimination of production for profit should lead to an essential "decreasing", to the reduction of energy consumption and the safeguarding of nature, while maintaining only those productive activities which are necessary to a project of social emancipation.

Possible alternatives

The seminar concluded with a report on the possible alternatives, in the South and in the North, for a progressive way out of the crisis. The objective is to define a coherent set of measures which respond to the immediate concerns of the workers, while opening a way towards an ecosocialist society. This is the method adopted by Leon Trotsky in the Transitional Programme in 1938. Some of the measures proposed at that time are strikingly appropriate for today, for example: automatic wage increases in line with the rise in the cost of living; a radical reduction of working hours, with maintenance of wages and hiring of extra workers, which amounts to banning lay-offs; workers' control of workplaces; the expropriation of certain groups of capitalists, the expropriation of private banking and the nationalization of the system of credit, which we must counter to the bank rescues that we are witnessing today.

The programme of nationalization of land and collectivization of agriculture must be elaborated in order to radically exclude the idea of expropriation of small farmers or them being subjected to forced collectivization, but must on the contrary be seen as a means of reviving peasant agriculture in place of the productivist agriculture of the big capitalist groups. Benetton, for example, which has bought immense tracts of land in Argentina, expelling the Indian populations, is an example of a company which should be expropriated. Nor does the expropriation of the expropriators mean the forced confiscation of the property of artisans and small shopkeepers.

But we have to go beyond the refusal to pay for the crisis and the demand for a radical redistribution of wealth. We have to take on board, while discussing them, the many proposals which we find in the "Declaration of Belem" adopted by the last World Social Forum in 2009, the "Declaration of Indigenous Peoples" and the "Declaration for Climate Justice" adopted during this forum. It is the very conception of wealth and the way in which wealth is produced that we have to challenge.

[1] The International Institute for Research and Education, based in Amsterdam, is a centre for the development of critical thought, for the exchanging of experiences and interaction among activists engaged in day-to-day struggles. You can find on its site the programme of the seminar: http://www.iire.org/component/option.com_frontpage/itemid.1/Ing.fr/

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[3] International Viewpoint will be publishing most of the contributions of the participants in the seminar

[4] Subprimes are credits accorded to households considered "risky", either because they are already highly indebted or because they have low incomes. In any case they amount to a vain attempt to sell things to people who do not have the means to pay for them