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Beyond the Systemic Crisis and Capital-Led Chaos

Theoretical and Applied Studies

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Introduction

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In this book, our common statement is that we are entering 'the Great Depression of the 21st Century'. The current crisis is not merely an economic chaos or panic that is overwhelming us. One frequent error made in interpreting this crisis is that it is financial in nature and is contaminating the sphere of the 'real economy'. On the contrary, it is a crisis of capital, whose one of the most visible and publicized aspects has emerged within the financial sphere because of the extreme degree of financialization of contemporary capitalism. We are dealing with a systemic crisis that affects the very heart of the capitalist system, that is, the power centre of finance that has been controlling accumulation over the past three decades.

The crisis has worsened recently, mainly since 2006-2007, starting with the hegemonic centre of the world system and becoming more widespread. It is developing into a crisis that not only has socio-economic, political and humanitarian dimensions, but it also concerns food, energy and climate – and again, it is always financial, particularly affecting European countries, such as Iceland, Ireland, Greece, Portugal and Italy. Consequently, it is not 'the beginning of the end of the crisis', as perceived by some advisers to President Barack H. Obama. It is not a usual and conjunctural credit crisis, nor yet a temporary liquidity crisis, through which the system reorganizes and reinforces itself and begins to function 'normally', with a new growth of productive forces in a framework of modernized social relations. It is much more serious.

To analyse this particular capitalist crisis, or capitalist crises in general, it seems to us fundamental to refer to Marx because, in spite of numerous difficulties and uncertainties, Marxism – or Marxisms – provide(s) us with powerful tools, concepts, methods and theories for conducting such an analysis, even of political outcomes. It is the strongest and most useful theoretical framework for understanding and analysing the crisis and, above all, for comprehending the current transformations of capitalism and clarifying the post-capitalist transitions that are opening up and getting underway, for reasons and in conditions that we shall be developing here.

For some years now, there have been a number of Marxist thinkers who maintain that the devalorization of capital was inescapable and that it would be brutal and on a large scale. Basically, this crisis could be interpreted in Marxist terms as a crisis of over-accumulation of capital that ensues from the very anarchy of production, leading to a pressure on the tendency of the rate of profit to fall when countering tendencies – including new ones, linked to financial instruments, as we shall see – have dried up. This over-accumulation manifests itself through an excess of sellable production, not because there are not enough people who need or desire to consume, but because the concentration of wealth tends to prevent an increasingly large proportion of the population from being able to buy the merchandises.

Nevertheless, instead of it being a question of a standard over-production of goods, the expansion of the credit system makes it possible for capital to accumulate in money-capital, which can take forms that are increasingly abstract. By its nature, fictitious capital is complex, dialectic and both imaginary and real at the same time. Its nature is partly parasitical, but this kind of capital benefits from a distribution of surplus value – its liquidity gives its owner the power to convert it without loss of capital into money, ‘liquidity par excellence’. Therefore, this capital nourishes an accumulation of additional fictitious capital, as a way of remunerating itself.

The current crisis is also the stage where different interests fight to manage the economic and political processes at a global scale. Fundamentally, it would seem that the conditions are combining so that a major consequence of this crisis could be the deepening of the North-South confrontation – in spite of co-optation within the G20. The North-South confrontation is taking place in a world where the levels of contradictions are becoming increasingly complex: between the ruling classes and the classes they dominate; between the different ruling classes that control the states; and between the countries of the South themselves. All this, however, is with the predominance, at the moment, of the contradictions between ruling classes, together with the rise of the ‘emerging’ countries – among them, China.

The crisis is the expression of the struggle to redistribute the global mass of real wealth. This redistribution no longer pits countries of the metropolis against each other, like in the past world wars. This time, financial capital engages in a warlike strategy to enlarge its areas of influence and to establish a global order under its hegemony through the creation of a global state without borders and citizens. By referring neoliberalism, defined as the doctrinal system on which the global strategy of domination of high finance is developed, to the functioning of the capitalist world system and class content, we entered into a casino-type economy, which is increasingly global in scope.

In the last decades, financial capital resorted to a significant expansion of credit to finance its commitments to the future. This translated into an increased expansion of assets in financial markets that was sustained by an inverted pyramid of credit without being backed by a major growth of the real economy. As long as the objective of appropriation and concentration of real wealth is maintained, credit will serve only to finance this speculative movement. This upward spiralling does not only generate (fictitious) profit, it is also a mechanism of appropriating the mass of real wealth produced in the world by a minuscule club of the super rich that have control over this process. Nevertheless, we believe that sooner or later, fictitious capital will disappear in an unprecedented financial collapse.

In Part I of this book, we propose a general framework to analyse the implications of this capital crisis. In Chapter 1, 'The Struggle for a New Civilization: Challenges and Threats', Wim Dierckxsens studies the strategy of those who possess this gigantic pyramid of portfolio investments to incorporate as many mechanisms as possible that allow them to hoard the lion's share of the productive or real wealth before or when the collapse takes place. According to him, the greatest fear of the Anglo-American financial capital is that the Eurozone will not only transform itself into Great Germany, but, worse, they will do so in alliance with China and Russia as part of the Euro-Asian Continental Bloc. The constitution of this mentioned Bloc would imply the definitive defeat of global Anglo-American capital. This idea clashes with unilateral and imperialist conservative forces in the United States and means a possible direct confrontation with China and Russia. We can hear the drums of war again of a direct confrontation among superpowers. The strategic objective of the Anglo-American project is not only to destabilize the euro, but also the dollar. Global bankers want to take advantage of the panic to replace the dollar and the Federal Reserve Bank with a global monetary authority controlled by the global bankers themselves, free of any state control, even of the US government. There is a faction inside the US power bloc that opposes this political project, and there are conservative forces that are trying at all costs to preserve the hegemonic power of the United States. Thus, it is important to them to keep the dollar as the leading global currency in order to fund their military might, but this current project looks more and more difficult to sustain.

In Chapter 2, ‘A Critique of the Hegemonic Ideology and its Root’, Paulo Campanario states that there is a Eurocentric dominant worldview that is held by most members of society, not just the West. A global power commands humankind today, without threats, but is unable to solve basic problems: unemployment, hunger, environmental destruction and others. Increase opposition movements, economic crises and geopolitical problems (Iraq and Afghanistan, China and India ascension). Despite its weaknesses and oppositions, this power still survives thanks to a strong ideology that justifies it, which is based on principles formalized in ancient Greece and accepted worldwide today. This thought is still alive, at the root of the hegemonic ideology. In the past, it sustained the ideologies of violent and unjust systems such as slavery, monarchy or feudalism. Consequently, it will probably continue to sustain and give life blows to the ideology of the global system until an alternative appears, which will replace the simplistic and Manichaean principles by others that are more appropriate to the complex challenges ahead and serve the interests of the greater part of the population.

After this general framework, we examine some global problems in Part II. Chapter 3, ‘The Great Depression of the 21st Century and the Military-Industrial Complex’, by Antonio Jarquín and Wim Dierckxsens, examines the war economy in order to explain current geopolitics. This leads us to understand the role of the war economy in times of a new Great Depression. The United States, or at least a conservative faction of its leaders, seems to be prepared to unleash a greater war, in view of maintaining its hegemonic place in the world. Today, US military spending looks really out of control, as it is the most important factor of indebtedness. By the 1950s, total indebtedness of the United States was already 150 per cent of its national income; today, it surpasses 350 per cent. We remember that heavy military burden had been one of the main causes of the breakdown and disintegration of the Soviet Union. This might be applicable today to the United States. Indeed, the latter increased its military expenditure by 83 per cent between 2000 and 2010. With negative GDP growth rates recently registered in real terms, the United States will see how this unproductive spending will impact heavily on its civilian economy. By focusing its economy on productive sectors and sustained growth, China can now afford to go deeper into this arms race. However, a sustained race could mean an ever-deeper crisis for the US economy, as happened in the case of the former USSR. In other words, the United States is digging its own grave, just as the Soviet Union did a few decades ago. Thus, we may today be close to the collapse of the US’ hegemony, which is already in full crisis. In this context, a ‘great war’, that is, a war between core countries, may become a possibility. It will especially involve those powers that could represent a potential threat to the present established order. In our opinion, this definitely means a military conflict of the United States with China and perhaps also Russia.

In Chapter 4, 'Is a "New Green Deal" an Alternative?' Paulo Campanario, Antonio Jarquín and Wim Dierckxsens wonder whether there is a possibility of another 'New Deal' to rescue the capitalist economy. All conventional ways out of the crisis point towards a tacit and sine qua non condition: the necessity of sustained economic growth. Capitalist society clings to the myth of economic growth. Without it, sustainable accumulation is impossible. The myth holds that economic growth would be a necessary condition for people's welfare. Although, throughout history, growth may be (and has been) a major vehicle to create greater welfare, it is not a necessary condition for it. At certain degrees of capitalistic development, it is more likely to obstruct welfare. Without economic growth, it is only possible to accumulate capital temporarily, in which case it is based on a more unequal distribution of income and existing wealth, which will result in mortgaging the future. Another way to do so is by means of fictitious capital accumulation. This way of accumulation, however, reaches its limit sooner or later and henceforward produces a deep economic crisis. This evidences the impossibility of generating new profits without creating real wealth based on real value. The authors suggest that if we do not stop global economic growth, nature will destroy us due to our destruction of the natural resources necessary for our survival as human beings. Consequently, it is absurd to maintain the myth of sustainable growth. We are facing a deep crisis, mostly derived from the Western lifestyle. Its logic of practical, ideological and political performance rules the world today. Thus, the current crisis is not only one of this mode of production, but also of the Western 'civilization' itself.

In Part III, we concentrate on analytical approaches to these difficult problems related to the current capital crisis in order to contribute to the rebuilding of theory from a Marxist point of view. Chapter 5, by Reinaldo A. Carcanholo and Mauricio de Souza Sabadini, deals with 'Fictitious Capital and Fictitious Profit'. Here, the central issue is to try to identify the characteristics of the new stage of world capitalism that started in the late 1970s and early 1980s. Which are the perspectives of this system to go on and develop? Nowadays, these are extremely important questions, and the appropriate answers, as the authors point out, are related to the Marxist concept of 'fictitious capital'. This concept, described by Marx in *Capital*, Volume III, is not accepted well by those who owe something to positivist and metaphysical conceptions, whether they are Keynesians or not. The fact that fictitious capital is, at the same time, unreal and real, could seem a contradiction in terms. It is in this real-imaginary dialectic that this rarely assimilated concept acquires its complete relevancy. Similarly, the concept of ‘fictitious profit’ is hardly considered from a theoretical point of view, even by some that call themselves Marxists. First of all, it is not a concept that has been elaborated on by Marx and that can be definitive for many economists. At that time, the idea of a dominant ‘fictitious capital’ over substantive or real capital was far from being possible. To think that a part of the profit was derived from the surplus value or even from the surplus value of non-salary production forms was still contradictory. The authors precisely define the concepts of ‘fictitious capital’, parasitic speculative capital and explain what fictitious profit is.

In Chapter 6, ‘The Great Depression of the 21st Century and Fictitious Wealth: On the Theoretical Categories of Fictitious Capital and Fictitious Profit’, Reinaldo A. Carcanholo delves into this interpretation in depth. Starting from the Marxist theory of value and the nature of capitalistic wealth, he defines some forms of fictitious and parasitic capital with geopolitical relevance. He analyses the issue of bonds and public debt growth, which appears to be fundamental to understanding the present speculative behaviours against public debt in the core countries of the capitalist world system. In fact, the conversion of fictitious capital into real capital is another important geopolitical item to understand massive acquisitions of land in Africa to produce biofuels, for example. Such a conversion from fictitious to real capital also happens, the other way round, when the increase in military expenditures is financed by the expansion of public debt, which is obviously a central subject for the US economy today.

In Part IV, we move our investigations towards analytical approaches to rebellions and struggles. In Chapter 7, ‘The Dialectical Unity of Capital and Non-Capital: The Role of Overpopulation in Popular Rebellion Today’, Wim Dierckxsens and Andrés Piqueras state that throughout its history, capital has established a decisive form of discrimination, which has effectively strengthened its power against labour. Discrimination exists between an endogenous labour force (that is, integrated into the capitalist nexus, with some guarantees and rights) and an exogenous labour force (yet to be incorporated or integrated as ‘heterochthonous’, that is, without such guarantees and rights). The authors refer to the historical incorporation of the exogenous population from the non-capitalist to the capitalist nexus (with the consequent replaceability of the endogenous labour force) as absolute mobility. The more possibilities capital has of accessing a population in the non-capitalist nexus and of being able to incorporate it through absolute mobility into the capitalist nexus, the greater its unilaterality or class domination. In contrast, when these possibilities run dry, capital is more inclined towards reformism or negotiation. However, this absolute mobility has historically been combined with relative mobility of the labour force, which includes various processes, of which labour force migration is a key component. Both types of mobility are at the core of class struggles.

Following this reasoning, in Chapter 8, 'Notes on the *Class Struggle* in Late Capitalism', Andrés Piqueras focuses on the analysis of the subject of class struggle during neoliberalism. One of his main conclusions is that, these days, the connection between capitalism and employment is becoming increasingly harder. He explains that stable employment and social and economic security, which are the bases of middle-class and political stability, are becoming even scarcer. As a consequence, the attempts to solve the valorization crisis by means of a further impoverishment of the already disadvantaged populations or by cutting public debt affect the possibilities of profit realization even more. In the sphere of capital accumulation, democratic options are becoming more and more difficult to implement, and the logical effect is a growing de-legitimacy of the capitalist mode of production. This is the reason we are entering a new era of class struggle, which has deep implications.

In Part V, we examine China as a case study, which was mentioned earlier and seems crucial to be more systematically considered within the framework of our analyses. In Chapter 9, 'Financial System and "Chinese-Style Market Socialism"', Tony Andreani and Rémy Herrera suggest elements of answers to a series of questions related to the current Chinese financial system. It is important to wonder whether the present Chinese financial system, which is playing a key role in the overall economy, exhibits specific features. These issues, which are taking the form of deep and complex problems to be solved by China today, are: Which are the characteristics of China's market socialism? What is the place of market finance in a system that still remains based on credit? Are financial markets more efficient in allocating resources than banking credit? Do the Chinese state-owned enterprises have to function as private companies? Should the semi-administrated interest rates be completely liberalized? Should the Chinese banks be 'universal'? These are, according to the authors, some of the major challenges to be resolved by China to succeed in its 'emergence'.

Finally, in Chapter 10, 'Some Problems (and Paradoxes) Related to the Internationalization of China's Economy', Rémy Herrera examines and explains some of the most serious difficulties, and deep contradictions, encountered by the Chinese economy since its opening up in 1978. As a matter of fact, it appears that China's internationalization remains strongly articulated as a development strategy that is mainly orientated towards the inner economy, but that has not been implemeted without internal problems. Furthermore, this internationalization has produced, especially through exports of merchandises and capital, numerous contradictory effects, both on the Northern and Southern countries. In addition, these issues directly concern the internationalization of the national currency. Should the Chinese monetary authorities agree to 'internationalize' the renminbi? Such a decision would require conditions that, if they are achieved, would have huge implications, to be discussed, for the existing international monetary and financial order, the future trajectory of the Chinese economic system and the consolidation and improvement of its 'socialist transition'.