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Capitalist breakdown and the drive to war

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The most striking aspect of this week’s meeting of the governing council of the European Central Bank (ECB) was not the decisions it took to further reduce official interest rates and initiate the purchase of asset-backed securities, significant as they were.

Rather, it was the deep sense of malaise that hung over the meeting as the financial powers-that-be confronted the fact that six years after the breakdown of the global financial system in 2008, not only are they no closer to finding a set of policies to bring about economic “recovery,” the situation is worsening.

With output in the euro zone still below its level in 2007, the dismal outlook was reflected in the remarks of ECB President Mario Draghi. He referred to “downside risks,” “a loss of cyclical growth momentum,” and a “lack of confidence in the future.” As if to underline these comments, a report published the following day revealed that investment in the euro area had fallen in the second quarter.

The worsening trends in the European economy are only the most graphic expression of global developments. In Japan, the world’s third largest single-nation economy, “Abenomics,” which was supposed to have provided a boost through a fiscal and monetary stimulus plan, is widely acknowledged to be “running out of steam.”

China, the world's second largest economy, is said to be "unravelling" as concerns mount over the instability of the financial system, amid falls in the property market and real estate investment, which provided much of the economic expansion after 2008.

The fact that the United States economy, where economic growth has been only 1.0 percent overall for the first half of this year, is regarded as a "bright spot" is indicative of the worsening global economic outlook.

These facts and figures make clear that the financial collapse of September-October 2008 was not a conjunctural event, but the start of what has become an ongoing disaster.

The extent of the breakdown was revealed in evidence presented on August 22 in a US court hearing. In a document filed with the US Court of Federal Claims, Ben Bernanke, the chairman of the US Federal Reserve during the height of the crisis, stated: "September and October 2008 was the worst financial crisis in global history, including the Great Depression. Of the 13 most important financial institutions in the United States, 12 were at risk of failure within a period of a week or two."

The far-reaching consequences of the breakdown can be seen in every aspect of economic, social and political life.

Having no economic solution to the crisis of the profit system, the ruling elites worldwide are stepping up their attacks on the working class, determined to crush any resistance by military means, as the events in Ferguson, Missouri so clearly demonstrate.

Social inequality is widening, as evidenced by data from the US Federal Reserve that shows median American incomes declined by 5 percent from 2010 to 2013, during the so-called economic "recovery."

The geo-political situation is characterised by ever-increasing militarism, bringing the prospect of another world war closer than at any time since 1939.

Analysing the underlying reasons for the outbreak of World War I in 1914, Leon Trotsky drew out the connection between the crisis of the world economy and the turn to militarism. His remarks have lost none of their relevance for today.

The years leading up to the outbreak of World War I, like the period prior to 2008, were marked by stormy economic growth. But by 1913-14, the limits to that growth had been reached and the world economy experienced a fundamental shift.

From the middle of the 1890s, Trotsky explained, the basic curve of capitalist development climbed steeply upwards. But this very upswing created the conditions for a breakdown.

"In 1914," Trotsky wrote, "a crisis broke out which marked not merely a periodic oscillation, but the beginning of an epoch of prolonged economic stagnation. The imperialist war was an attempt to break out of the impasse."

Further economic development at the pace of the previous period was “extremely difficult,” as the bourgeoisie “flinched against the limits of the market.”

“This created class tensions, made worse by politics, and this led it to war in August 1914.”

History, of course, does not repeat itself. But the parallels between the period leading up to 1914 and our own times are nonetheless striking. In 2006, barely a year before the financial system began to experience increasing turbulence, the world economy enjoyed its highest level of growth in more than three decades.

According to the official version of events, the American economy was characterised by a “great moderation” in which the problems it had confronted in the 1970s and 1980s had finally been overcome. China and the so-called “emerging markets” were providing a new foundation for the world economy. Even Africa was viewed as a new basis for global capitalist expansion.

However, the expansion was based on quicksand—the exponential growth of financial speculation and parasitism. Like a tuberculosis victim, capitalism had acquired rosy cheeks before plunging into a disaster.

The ruling classes have no way out, other than the provision of endless supplies of cash to financial markets that are terrified of the consequences of being cut off, coupled with the intensification of militarism as each of the capitalist great powers seeks a solution at the expense of its rivals.

The drive to war is also being fuelled by the rise of class conflict at home, as governments attempt to deflect tensions outwards while creating a police-military state apparatus to defend the capitalist order against the coming social explosion produced by worsening social conditions and rising inequality.

The only way forward for the international working class—the producers of the economic wealth that could provide a decent future for all—is the development of a mass anti-war movement based on the program of socialist internationalism. The working class must take the wheel of political power in its own hands and turn it towards the reconstruction of the world economy based on human need, not the dictates of profit. There is no other way out of the catastrophe into which global capitalism is plunging mankind.