

**CRISIS**

# Marx's spectre haunts the wealthy and powerful

The ruling class has no workable strategy for rescuing the system, argues Hillel Ticktin

The depression - called some years ago the 'third great depression', following on the long depression at the end of the 19th century and the great depression of 1929 onwards - is now official, as it were. Martin Wolf's recent article in the *Financial Times* produced a series of statistics showing that the present downturn has already lasted longer than previous downturns in the last century. His arguments are, of course, statistical and bound within orthodox economics, even if he leans to a moderate Keynesian analysis.<sup>1</sup>

Engels had predicted that downturns would become worse at the end of the 19th century, but he was proved wrong because of the turn to imperialism on the part of the great powers. However, it is clear that his observation of the underlying tendency was basically correct. In turn, the various depression-era economists of different persuasions now look more credible. The Keynesians, however, may have had their day, given the refusal of governments and a section of the ruling class to move in their direction.

The earlier interventionist policies in 2008-09 have now been replaced by stringency and austerity. It is not that the insights of the Keynesians have not been recognised, but their policies are regarded as too dangerous to follow. Hyman Minsky has had his moment. Perhaps the greatest triumph of the Keynesians since the adoption of the Bretton-Woods agreements has been the recognition that their policies would work, but are so dangerous to capitalism itself that they have to be avoided at all costs.

It is paradoxical that the situation is so dangerous that the rich have to pretend that their wealth is playing no role in capitalism. We not only have the absurdity of trillions of dollars being held privately in various banks, but we now have one bank, the Bank of New York Mellon, charging for the trillions it holds, knowing it cannot be invested anywhere.<sup>2</sup> "It is the world's largest custodian serving the world's largest investors."<sup>3</sup>

The problem the Keynesians attempted to solve lay in the difficulty of selling due to low incomes. Today, the rich are not even spending their money on yachts or luxury cars or castles, but saving it, and the amounts are so great that governments cannot compensate for their lack of investment without taxing the rich, who are financing political movements against taxation. Finance capital itself has been so concentrated that in the USA six investment/commercial banks - Bank of America, Citigroup, Morgan Stanley, Goldman-Sachs, JP Morgan Chase and Wells Fargo - hold assets worth 60% of US GDP, and "dominate the financial industry".<sup>4</sup> At the same time, the government is implementing austerity measures directed against the majority of the population. The rich have got richer and the government is making the poor poorer. In the USA, at least, it is abundantly clear that the government could solve its fiscal problem through a rise in taxation on the wealthy.

The riots in Britain - preceded as they were by student protests and semi-riots - were rationalised away by the Conservative government, loyally supported by a rightwing

press. No level of state repression, under the British prime minister's name of 'tough love', against a recalcitrant population will alter the growing, though inchoate, demand for 'regime change' under conditions of growing inequality. The question is not whether there will be a powerful movement for the replacement of the market by a society rationally planned in the interests of the ordinary population, but how much longer it will take to develop. Marx's spectre of communism is very much the ghostly presence feared by the wealthy and powerful, even if they do not understand what shape it will take.

No doubt the crisis will continue to take on a series of forms, from the initial financial implosion to the present-day threat of sovereign default and continued low growth. The present euro crisis is insoluble because it is a microcosm of the general crisis, which itself has no solution. However, its forms are specific. We have the expression of German nationalism, representing the first time that the German bourgeoisie feels it can shake off the heritage of the last world war and Nazism, and express its interests directly and clearly. The clash between France and Germany, Sarkozy and Merkel, has been relatively low-key, but it is there nonetheless. However, the Germans have found that it is not easy. The less prosperous countries of the euro zone are not prepared to accept German dictation of the economic terms of survival.

There is no obvious reason, in any case, why the terms of trade between Germany and any particular country in the European Union should be what they are. Why are agricultural goods relatively cheap, compared with machinery or automobiles? Only believers in the market accept market prices as fair, just or somehow correct. The commentators effectively argue that those countries whose industry is less developed should adopt a tight fiscal policy, given their need to import industrial goods from Germany. Such a policy cannot work under any circumstances. The only result, to be welcomed, will be the establishment of a uniform policy of economic repression sufficient to proletarianise the 'middle class' and drive the working class across the euro zone to forms of direct action.

The persistent failure of the euro zone to adopt a credible policy is indicative both of its divisions and of the real lack of a solution.<sup>5</sup> However, the German bourgeoisie really has no choice, unless it wants to lose the common market, stable economic relations with its neighbours and a relatively low-value currency. The proposed expulsion of Greece with its subsequent default would impoverish the population even further and create havoc among European banks, and is therefore a crazy solution. Even if the banks are saved before that event, and the default cauterised as a result, the knock-on effect on the bonds of the other countries - by now including practically all the Mediterranean members, plus Ireland - will be enough to make Germany avoid that way out. Apart from anything else, it will force the formation of a French zone, as opposed to a German one. As the country which will lose most, apart from Greece, the German bourgeoisie



**Worshipping the market**

cannot take that line.

In reality, because a default or an exit from the euro zone will be globally destabilising, Greece is in a strong position and its government could have taken a much stronger line. Its government, however, is pusillanimous, reflecting the nature of its bourgeoisie, which has sent its money out of the country. Indeed, the way the bourgeoisie uses tax havens to shelter its money or to avoid tax or both plays a big role in the destabilisation of much of the world economy.

## India and China

There is little that is politically more absurd than the constant reference to the importance of China and its role as the next big power. The similar reference to India is equal nonsense. It is argued that China and India or

perhaps one or the other can save the world from its crisis. If it was not so commonly held, one could ignore it.

As regards India, we hear that "per head energy and protein intake has been falling for the last two decades, as the majority of the population is unable to afford enough food".<sup>6</sup> Pankaj Mishra argues that the propaganda about India is closer to the myths produced by another country (presumably the USSR), "where statistics were shamelessly manipulated and a tiny, privileged elite dominating both political and economic life lorded it over the rest".<sup>7</sup> The fact is that levels of productivity in China or India are a fraction of that in the USA, and they have no chance of catching up with the west, under capitalism.

In the case of China, it seems that it cannot now play the role that

it did in 2008-09, when it expanded the money supply in order to avoid a contraction and so played an important role in avoiding a deeper downturn. Its growth rate is predicted to halve. "Finance is not the only area in which Beijing's ability to launch a counter-cyclical economic stimulus has ebbed. The ability of local governments, if asked again by Beijing, to boost investments is questionable."<sup>8</sup>

## Divisions

On the one hand, the capitalist class thinks that it has dispensed with a communist/socialist alternative with the end of Stalinism. On the other hand, it also knows that the despair of the white- and blue-collar workers can and will turn to action in order to overthrow a social system which has outlived its time, in order to replace it with one controlled from below.

The ruling class prefers to believe that such a society will be worse than capitalism, though there have always been some who are realistic enough to realise that the current inequality of wealth in the midst of massive poverty is insupportable.

In other words, the ruling class is divided, but all sections are concerned with the need to defend the system. At the same time, as in any time of global change, parts of the ruling class or its employees have begun to question their positions. In the UK, Marx has been quoted and some of his words supported by a series of establishment figures. None of them have become Marxist, and all would perhaps find reasons why Marx was wrong to want socialism, and indeed, no doubt, is still fundamentally wrong.

Charles Moore,<sup>9</sup> biographer of Lady Thatcher and former editor of the rightwing *Daily Telegraph*, George Magnus of UBS,<sup>10</sup> former advocate of the new right in the 80s, John Gray,<sup>11</sup> philosopher and leading light in the founding of a new private university in London, and Sam Brittan,<sup>12</sup> long-time leading commentator at the *Financial Times*, are some of the figures reported in the press commenting on Marx or the left. Lord Skidelsky, biographer of Keynes, wrote: "as more and more people find themselves with enough, one might expect the spirit of gain to lose its social approbation. Capitalism would have done its work, and the profit motive would resume its place in the rogues' gallery."<sup>13</sup>

When the present crisis was in its earlier phase, we previously quoted an advice from JPMorgan,<sup>14</sup> to the effect that Marx might have had a point. The *News International* newspaper, *The Times*, wrote a sneering editorial in October 2008 in which it said that the world moves in mysterious ways and the fact that Marx's *Das Kapital* had become a bestseller in Germany was particularly mysterious. It referred to the fact that Sarkozy, president of France, was photographed reading that work and that Pope Benedict had praised Marx's analytical skills. The then German finance minister, Peer Steinbrück, as befits a social democrat, was apparently less taken with Marx, but was prepared to concede that some of his thinking was "not that bad".<sup>15</sup> However, it was implied that this was little more than a fashion which was bound to pass. Three years later, it seems that Marx has come to the fore yet again and *News International* is suffering its own crisis.

The fact that they are looking at Marx shows, in the first instance, a collapse of confidence, first displayed in 2007-08. This, in turn, can have three possible meanings. The first is that Marx is simply a convenient icon to express their fear of the long-term damage done to the system. It does not necessarily indicate anything about their support for the market. The second is that they recognise that the market has had its day, though they do not necessarily see an alternative. The third possibility is latent in the other two. It is that they have begun to shift politically towards the left, without supporting any party, but it is yet to show itself. Here the problem is the absence of any significant Marxist party, to speed up the process.

## Murdoch scandal

The ruling class has lost confidence in areas of life beyond the economy, however basic that is. The whole 'Murdoch scandal' is much more than a question of the illegal hacking of phones.

One of the prime movers in the British parliament, Labour MP Tom Watson, had this to say in an interview on the question: "When I was first elected I was a completely naive and gauche politician. You look at the pillars of the state: politics, the media, police, lawyers - they've all got their formal role, and then nestling

above that is that power elite who are networked in through soft, social links, that are actually running the show."<sup>16</sup> This could have come from Bernard Shaw's play *Major Barbara* and the sentiment is very much at the heart of any Marxist political understanding of modern society, which now stands vindicated through a direct investigation of one of the threads the ruling class uses to rule. The involvement of the police, civil servants, members of parliament and journalists, all apparently connected to the Murdoch family, simply confirms a picture long held by Marxists, and often regarded with contempt by liberals.

It is clear that both bourgeois ideology and the parliamentary political system are in trouble. In one country after another, scandals of various kinds are rocking the system. One has only to look back at Marx's description of Europe in 1848, France in particular, to realise that the eruption of so-called scandals today is part of a more general discontent in society, which is leading to increasing division in the ruling class and an increasing loss of confidence.

In this situation, the UK leads the pack, though demonstrations and organised forms of protest may be more frequent and more powerful in other countries. The nature of the student demonstrations and the English riots over the summer of 2011, whatever their immediate background, are unprecedented in English history. As the former global imperial power and junior partner to its successor, the United States, the British ruling class has propagated an ideology based on the view that it has been the founder of modern democracy, taking it over, as it were, from the ancient Greeks (by contrast, the ruling class ideology in the United States rests more on the so-called 'American dream', of meritocracy winning out, even though there is much made of democracy). Hence the recent scandals of members of parliament enriching themselves through claims for expenses, and the clear connections between politicians, policemen, journalists, private detectives and the Murdoch empire have struck at the heart of that ideology.

Under increasingly harsh economic conditions, with the media constantly talking about reckless and consequently illiquid and insolvent banks, whose executives, unbelievably still earn millions in annual salaries, the ruling class and government have to find arguments to support the existing socio-economic system. Yet every day seems to provide reasons for changing it. The immediate implications of the ongoing Murdoch scandal lead to a demand for a more open and democratic political system, the control of companies and indeed the press by those who do the ordinary work, rather than a dictatorship of a single individual, like Murdoch, or the CEO of a bank or industrial firm. This is not socialism and it is not viable, or likely to happen, under capitalism, but it is the kind of question that arises and blows open the ruling ideology, in however inchoate a way.

## Terminal?

It is almost as if the ruling class has decided to commit suicide. It is going for an economic policy which is at best utopian and at worst catastrophic. Austerity for the vast majority and increasing riches for the ruling class is only a viable policy under conditions where there is absolutely no challenge to the system, and ordinary workers are so weak, both healthwise and in terms of organisation, that they pose no threat.

There really is no alternative to the replacement of the capitalist system by a genuine socialist system, which in the end is the only rationally ordered or planned system, in which decisions

are made and controlled from below, not decided from above, however benign the ruler. Twist and turn as the beneficiaries of the system might, they have run out of strategies to delay change. As we have argued before, the ruling class has used finance capital/imperialism, world wars, cold war-welfare state and finance capital again as modes of survival. Finance capital has now imploded, while the colonies are now politically if not economically independent, the cold war is over and world war is no longer possible. The return to the welfare state without the cold war and Stalinism would only be the first step to loss of control, as became evident in the 70s of the last century.

Furthermore, it is clear that the global reach of the American empire is shrinking. The imperial power of the United States is in decline - and the decline of the leading capitalist power, without a successor in sight, can only herald the more rapid decline of the social system.

One might have predicted that there would have been a successor. There has been one such eventuality, after all, with the USA replacing the UK. However, Europe is engulfed in its own crisis, which is only expressing on a national scale the kind of inequality which exists in the society as a whole. There is no prospect of another country conquering the world, whether by force of arms or through finance capital, even if it had the industrial and military might of the United States without its debts. China, the country usually cited in this connection, is not in that position, and it does not even have the same drives or the same intensity of those drives, as modern capitalism.

So are we now witnessing the last days of the greatest empire the world has seen, the last days of a system which brought the world to a level of productivity so great that it made abundance for all a real possibility? The system was overthrown in Russia in 1917, and the world has been waiting for the potential replacement to show itself in a form other than Stalinism ever since. Delay is as good as a temporary defeat. In the end, Stalinism has been crucial to the preservation of capitalism, but it is no more and cannot be resuscitated. It is true that it is playing a negative role in Greece at this time and in a number of other countries, including China. It is less true of western Europe, however.

## Subjective

As we approach the socialist future, the subjective plays an increasing role, as one might expect. In socialism, society is increasingly transparent and planning decisions are made by the population. The economy ceases to stand above mankind, and turns into the administration of things. Although we still live under capitalism, in spite of itself the ruling class has to rule and not leave the economy and society to an apparently impersonal market. However it is done - through governmental administration, through the parliamentary system, through the bureaucracy of the firm or through partially hidden ruling class institutions - the system is increasingly controlled.

In other words, before it comes to an end, there has to be a social-political form which stands in opposition to current political-economic forms. That does require a socialist party with intimate links to the working class. It has to be part of the majority of the society. It has to be trusted and it has to be internally democratic. There has to be a shift in consciousness towards socialism, in which the various doubts and slanders are discussed and dealt with.

As this shift has not occurred, capitalism is not directly threatened at this time. It is clear that there are threads leading to such a movement,

but they are as yet only weak and easily broken. In the 1930s Trotsky spoke of a crisis of leadership. In a sense that is what is needed today, but the leadership has to be based on the will of the majority and that is yet to show itself. In the 30s, socialism had more support, making Trotsky's analysis more understandable, but he was only right in so far as one could say that there was no socialist party to lead. He had underestimated the power of Stalinism.

## Where are we?

If there is no direct challenge to capital, that does not mean that it is not in systemic trouble. One cannot read a commentary on present political economy which does not speak of 'lack of confidence'. This use of the word 'confidence' is understood to mean that capitalists do not see how to make money by investing in the economy, as opposed to keeping their money in the bank or under a mattress. Above we discussed the question of confidence in another context - that of the system itself - and I will look at the two meanings and their relation.

Today, cash is king, even though inflation is reducing its value. This is not the usual situation in a depression, when deflation increases the value of the money held, even if no interest is paid. There appears to be no short-term or long-term solution. After all, money could be invested in a long-term project, expecting a return in 15-20 years, if the rich had confidence in the system. Whereas the short term concerns immediate issues, most of which will be resolved one way or another within a finite time, the long term concerns the health of the system, whether it survives or not. In the post-war years there have been relatively long periods when the stock market was depressed, but then revived, as occurred under Thatcher.

The result is that the usual advice given by stockbrokers to middle class, as opposed to rich, clients is to work on a 20-year perspective, which is pretty useless to many of their customers, who are often over 60. There is confidence in the capitalist system, on the one hand, and confidence in the possibility of making money by investing in the economy, on the other.

However, some sections of the capitalist class - small- to medium-size businessmen - do not invest and attribute their market problems to trade unions, government regulation and particular monopolies strangling the market. They see the solution in a long-term clean-out of workers' organisations, a reduction in the role of the government and the protection of the national market. The financiers of the Tea Party seem to be of this ilk. Their intellectual allies are often fanatical supporters of the capitalist system, which they see as being damaged by its enemies. To a degree their lack of confidence is exaggerated by their ideologically based belief in the market and the threat supposedly posed by others.

The more serious section of the capitalist class, which controls finance and industry, recognises the lack of opportunity and the limits to demand at a time of mass unemployment and the increasing proletarianisation of the middle class. Its problem is that its investments are longer-term and require a limited reflation, but this section is worried that such reflation would become more general and could not be controlled. In other words, it continues to uphold its strategy of the last 30 years, in which it turned to finance capital, and so low growth and anti-welfare state measures. Finance capital, however, has imploded and hence the strategy is no longer viable. This section has been talking, therefore, of investing in industry, but it is worried that this could increase the confidence of the working class, and hence is holding back.

Today, more than ever, business confidence, so-called, is dependent on confidence in the capitalist system itself, even though the individual investor may not think like that. There is no strategy available to the capitalist class which has any kind of realistic chance of success, other than going for the growth of productive industry, but the bourgeoisie is afraid that this will produce a return to the 70s, with a powerful working class demanding concessions, and ultimately the supersession of the system.

As a result, the capitalist class is not only divided, but at sixes and sevens, with no real solution in sight. No leadership is possible because there is nowhere to lead other than to failure, disaster and possible catastrophe for the capitalist class itself. The most successful leader at this time will be the one who is able to understand the dilemma before him or her and takes the longest road to that result.

## Conditions mature

The logical outcome of the present impasse is that the rightwing parties in government will lose their majorities. In a relatively short time we may expect that so-called centre-left parties will be in government in Italy, Germany and France. The Greek and Spanish 'socialist' parties' willingness to accept the instructions to go for austerity sets the pattern for all such parties. Their discrediting, *en masse* as it were, will deepen the general dissatisfaction with the parliamentary-style democratic process, given that existing alternative parties will have cut the standard of living, supported by the media. There are already a number of countries with substantial far-right parties and no doubt there will be more.

Unfortunately, the left has not been able to establish itself anywhere, thus far. In Portugal, where it made a substantial breakthrough in previous elections, its vote halved in the middle of 2011, during the general elections. The attempt by the Revolutionary Communist League (LCR) in France and also the United Secretariat to dissolve itself as a Trotskyist formation and form an anti-capitalist left has failed in France and Portugal. They have, no doubt, learned their lesson.

It is clear that the ruling class has no strategy for the maintenance of the capitalist system. It is not able to rule in the old way. The first condition for revolution, as enunciated by Lenin, is in place ●

## Notes

1. M Wolf, 'Britain must escape its longest depression' *Financial Times*, September 1.
2. BNY Mellon, according to its own website has \$1.3 trillion under management and \$26.3 trillion under custody or administration: [www.bnymellon.com/about/companyprofile.html](http://www.bnymellon.com/about/companyprofile.html).
3. *Ibid*.
4. J Cassidy *How markets fail* London 2010, p354.
5. Wolfgang Munchau argues that the optimum solution is a fiscal union, but that it may not happen or happen in time. Instead he argues that there could be a minimal political solution, but it would be monstrous ('A euro zone quick fix will create a political monster' *Financial Times* October 10).
6. Quoted in P Mishra, 'India's Tommy Hilgier utopia is a bluff that will soon be called across the globe' *The Guardian* September 10.
7. *Ibid*.
8. J Kyngge, 'The cracks in Beijing's edifice' *Financial Times* September 10.
9. C Moore, 'I'm starting to think that the left might actually be right' *The Daily Telegraph* July 22.
10. G Magnus, 'Financial bust has bequeathed a crisis of capitalism' *Financial Times* September 13.
11. J Gray, 'A point of view: the revolution of capitalism' *BBC News Magazine* September 4.
12. S Brittan, 'Mistaken Marxist moments' *Financial Times* August 25. Although Brittan takes a critical line on Marx, he appears to appreciate his depth.
13. R Skidelsky, 'Life after capitalism' *Project Syndicate* 2011: [www.project-syndicate.org/commentary/skidelsky37/English](http://www.project-syndicate.org/commentary/skidelsky37/English).
14. M Cembalest and H Olsen, 'Eye on the market', item 6 - a commentary written for JPMorgan clients, October 7.
15. *The Times* October 20 2008.
16. Interview in *The Guardian* G2, August 3.