

The Financial Crisis and Imperialism

[Farooque Chowdhury recently spoke with John Bellamy Foster, editor of Monthly Review, professor of sociology at the University of Oregon, and author (with Fred Magdoff) of 'The Great Financial Crisis: Causes and Consequences' (Monthly Review Press, 2009) for Bangla Monthly Review (BMR). Excerpts :]

BMR: What is the likely impact of the present financial crisis on geopolitics, especially if the crisis is considered in the context of the energy crisis including the peak oil issue, the food crisis, The Great Hunger, the environmental crisis, and the declining dollar? Will the world experience war(s) as an effort to survive? Will monopoly-finance capital attempt to create another bubble, as capital is gripped with contradictions within and without?

JBF: The Great Financial Crisis and the Great Recession that followed close upon it has uncovered the depth of the contradictions facing capitalism in this phase, which I have labeled "monopoly-finance capital." Specifically, the overall crisis has revealed that capitalism, at its vital core, is caught in a stagnation-financialization trap with no visible way out. The geopolitical implications of course are vast. Not only is capitalism weakening in many ways at the center but US hegemony is also compromised. The dollar at first strengthened in this crisis, but the long-term implications for the dollar are negative. On top of the worst world economic downturn since the Great Depression, we are also facing, as you indicate, the worst environmental threat in history (indeed what might be viewed as the ultimate environmental threat, with the destabilizing of the climate), the rapid growth of world hunger, and the prospect of peak oil. Inequality in the world (both between rich and poor countries and within states) is increasing. The occupation in Iraq continues, while the United States under the new administration has expanded the War in Afghanistan, further destabilizing Pakistan. Militarization is growing across the planet. Washington is acquiring seven additional military bases in Colombia alone-aimed at the ALBA (the Bolivarian Alliance for the Peoples of Our America) countries.

Behind all of this is an accumulation system that is increasingly geared to finance rather than production. There is no doubt that the policy priority at the center at present is to restore the financial status quo ante-that is, to promote financialization or a new series of financial bubbles. This, however, is a reflection of the corruption of the entire accumulation process of capital. We can speak today not only of the financialization of capitalism, but also the financialization of imperialism, in the sense that financial control of the periphery is the central economic issue, and the main lever of the center, backed up in the end by military power. Samir Amin, in particular, saw this coming, emphasizing how the center continues to control the periphery financially, technologically, and militarily, even in the face of some industrial advance in the South.

BMR: What apprehensions are there for the periphery of the world system due to the impact of the present crisis of monopoly-finance capital-other than "receiving" the brunt of war(s), if any?

JBF: Being the brunt of militarism, war, and naked imperialism is of course bad enough. But there is no doubt that the current period of economic meltdown has brought other dangers. Today's deep global crisis represents one of those historical events that serves to clarify developments that have been happening over a much longer period, so that it becomes possible to understand better where we are heading. Building on analysis constructed by Harry Magdoff and Paul Sweezy in *Monthly Review*, I observed a dozen years ago:

In general, monopolization, imperialism, globalization, and the shift from production to finance are ways in which capital seeks to break out of the circle of

stagnation, though this simply "shifts the contradictions to a broader sphere, and gives them a wider orbit" (Marx, Capital, vol. 2)). Today the pace of this entire process is being set largely by the global expansion of financial capital. On a typical day world capital markets move \$1.3 trillion or more, while the exports of the entire world add up to only \$3 trillion dollars per year. This means that in just over two days world capital markets move as much money as international trade accounts in an entire year. The increasing integration of global financial markets means that if and when the financial bubble bursts it could well encompass the entire world capitalist system-creating new and unprecedented dangers. Given the "absurd overvaluations" that characterize the modern financial system (in Japan prior to the 1990 stock market crash price-earnings ratios had risen to 100-1), MIT economist Lester Thurow argues, "it is only a question of when the market falls and whether the fall is slow or rapid." Moreover, in contrast to national economies, where the state is able to act as the lender of last resort and thus to stave off cascading defaults, the world system as a whole lacks any single entity capable of intervening on the necessary scale in the face of a sudden financial collapse....

The point here is not to predict such a financial collapse. Indeed, predictions should be avoided because it is the task of antisystemic movements to alter the status quo in order to escape from this irrational world order. The point rather is that the system is inherently irrational and on an expanding scale. Globalization in the face of stagnation only gives the crisis "a wider orbit" ("The Age of Planetary Crisis," Review of Radical Political Economics, Fall 1997).

There is no doubt that this general way of looking at things, rooted in a Marxist tradition long associated with *Monthly Review*, has proven to be correct in its broad outlines. Despite the strengthening of capitalist relations in a few "emerging" economies, the system as a whole is in finding itself in a deeper and deeper crisis. I am convinced that we are somewhere in the middle-no longer at the beginning but also far from the end-of a long-term structural crisis of capitalism; one that threatens the continued existence of the accumulation system itself. At the same time, of course, we are facing grave threats to the planet as we know it and to human civilization, the very survival of which is in question if present trends continue. In this sense the current economic crisis may prove fortuitous in helping humanity to understand the need to abandon the destructive logic of capital. History teaches us that the main resistance can be expected to come from the bottom rather from the top of the world system. The negative forces of stagnation and financialization emanating from monopoly-finance capital at the center of the world economy, has a mixed message for the periphery. In the past the periphery has been made to bear the greater part of the adjustment in a crisis, but today that may not be possible. Successful resistance is now conceivable in the global South (as we are seeing today in areas as widely separated as Venezuela and Nepal).

BMR: Europe, broadly, watched transfixed while Wall Street was melting down. They talked twice. Then there was transatlantic meeting of finance ministers in Washington DC producing a very brief and vague statement on ways to face the crisis together. Was the whole episode of trans-Atlantic discussions and consultations a show of unity meant to disguise an undercurrent of disunity within monopoly-finance capital?

JBF: You are right about the facade of unity. The European ruling elites did not act in unison-indeed they seemed incapable of doing so-nor did the United States and Europe work together. Yet, neoliberal globalization had linked these economies over the years, in a process that hit at the remnants of the Keynesian social democratic "compromise" within the core capitalist countries. And there was a broad understanding of how to combat the deflationary tendencies that suddenly appeared. It is hardly surprising therefore that they all operated in a kind of indirect collusion (resembling oligopolistic

corporations), with the United States as the financial-price leader, so to speak. The universal response was to bail out the financial system, with the object, it soon became apparent, of getting the financialization process going again—since there was little hope for capital otherwise. In this sense, there were common dimensions to this crisis of monopoly-finance capital that took precedence, over and beyond the interimperialist rivalries that had been developing—without generating real cooperation among the leading states. Nevertheless conflicts have emerged within Europe between countries with current account deficits, notably Britain, and countries with current account surpluses, notably Germany. The former have been accused of being profligate consumers, while the latter have been accused of neomercantilism. (See the interesting analysis by Joseph Halevi, "G20 and Inter-capitalist Conflicts," *MRzine*, April 7, 2009.) The conflicts dividing capitalist states may become still more apparent in the recovery phase of the cycle, as countries feel greater latitude to chart their different courses, and as the strengthening of the dollar in early the crisis, increasingly gives way to its opposite.

BMR: What impact will the financial crisis have on the US body-politic?

JBF: That of course is the big question in the United States. There is no doubt that the economic crisis is so serious as potentially to threaten the stability of the ruling capitalist regime. So far there is no evidence of a serious rift at the top. Capital as a whole seems to be united in this crisis in bailing out the financial system and restoring what Henry Kaufman, one of the leading financial analysts in the United States has called "the financial-industrial complex." Talk of regulating finance was always rather empty and is receding now that the outward symptoms of the crisis fade. The US government, which in the present crisis has seen both Republican and Democratic administrations in power, has consistently emphasized salvaging the most powerful banks over all else, with more than \$12 trillion dollars in cash infusions, loans, guarantees, subsidies, etc., poured mainly into the financial sector by early 2009—and more since then. In this respect, there was absolutely no difference in the response of the Bush and Obama administrations.

Things are more complex when the issue of the underlying population is raised. There is no doubt that the economic crisis, the rise in unemployment, the lost wages, the cutbacks in state support, have left much of the population in a state of hopelessness and growing rage. Based on the experiences of the 1930s one might think naturally enough that this would generate a working class revolt on the left, including growing trade union organizations, strike waves, marches of the unemployed, street demonstrations, etc. The election of what is seen as a "center-left" president might serve to feed such struggles. There has been a lot of talk on the left of a new New Deal. But the left is weak organizationally due to a long history of repression that goes back to the McCarthy era, and it is effectively invisible in the society, due to the media propaganda system's normal sorting process, which hides any genuine dissent. Hence, the right, with its money, power and media dominance, has been much more effective at visibly channeling the widespread alienation of workers than has the left. This has been apparent in the right's attacks on the healthcare changes promoted by the Obama administration, which is seen as strengthening the hands of an oppressive government. Liberals are dismayed by this but most socialists are not surprised in the least. The fact that the government has been bailing out the banks to the tune of trillions and letting them run off with bags of money and exorbitant bonuses while the population has been suffering only served to promote distrust of the state. Dispatched to the town halls to calm the masses down, Larry Summers, Obama's chief economic adviser defended the corporate bonuses, disdainfully saying (to a population that was seeing its retirement pensions disappear, along with jobs, health care, etc.) "We are a country of law. There are contracts" (quoted by Robert Kuttner, "Rage the Left Should Use," *Washington Post*, August 19, 2009). Ironically,

given the stranglehold of the two business parties (in reality two factions of a single party) on US politics, many in the working class are drawn to the Republican Party and its anti-government stance, since they see the state, not entirely without reason of course, as an oppressor-and it at least gives them something to attack. Whether this will continue, we don't know. The left as I said is in a weak position, but this is not inevitable or permanent. If a sense of crisis continues, explosive developments could occur weakening the system of political control. Socialists need to speak the truth as they see it, rather than forever trying to be social democrats or "left liberals," thereby obscuring and undermining their own message. □