

Infinite War to Infinite Crisis

Atilio Borón

[This paper presented by Atilio Borón in Havana in early March of this year caught Fidel's attention and he immediately referenced it in his reflection, "A meeting that was worth it" and invited Borón to meet with him to discuss these ideas further. Tlaxcala has prepared the first English translation of Borón's paper in its entirety—this is the updated and expanded version.]

After September 11, 2001, George W Bush de-clared "Infinite War" against terrorism, a war without end and one that would not be constrained by geography or time limits of any kind. This policy is not only wrong, but immoral, and failed : upon leaving the White House, his legacy was a world more violent and insecure than before. His administration also left as an inheritance a true economic and financial tsunami on a global scale : an "infinite crisis" whose reach defies popular imagination.

Let's begin by characterizing this crisis in the negative form by saying what this crisis is not. This matters because the media bombardment to which societies are subjected presents economists and establishment publicists talking about a "financial crisis" or a "banking crisis." Shortly before, it was not even that. It was said that people were experiencing a "sub-prime" mortgage crisis. This was a way of minimizing the crisis, of underestimating it, presenting it to the public as a relatively minor incident in the dynamics of the markets, and that in no way did it question the health and viability of capitalism as a supposed "natural way" of organizing economic life. The passing of time has demolished all these fallacies.

What kind of crisis is it then? If people are just barely passing through its first phase and still "have not hit bottom," it would not be rash to predict that they are facing a general crisis of the capitalist system as a whole, the first of a magnitude comparable to that which broke out in 1929, as well as the so-called "Long Depression" of 1873-1896. An integral, multifaceted crisis of civilization, whose duration, depth and geographic reach will prove to be of greater scope than those which preceded it. Immanuel Wallerstein recently declared that capitalism has entered into its terminal crisis: the situation is running out of control for the people who, until recently, held the reins of the system firmly in their hands, and no return to an equilibrium is possible or even foreseeable.

Capitalism, according to this author, is approaching to its end amidst a Wagnerian finale.

The crisis became visible, impossible to conceal any longer, through the bursting of the bubble created as a result of the "sub-prime" mortgages, and later spread, rapidly, to Wall Street's banks and institutions, finally stretching to all sectors as well as the worldwide economy. But the bubble, and its bursting, is a symptom; it's like the fever that reveals the presence of a dangerous infection. It's not so much the illness itself (although it might be argued that capitalism's permanent tendency to create speculative bubbles is also a sign of its unhealthiness) as its external manifestation, one that at times takes on ridiculous and aberrant contours. For example: the March 2008 purchase of Bear Stearns by the gigantic investment bank, J P Morgan, for the ludicrous sum of \$236 million. A week later, the price for Bear Stearns multiplied by five.

A few months later, in September, in front of the passivity of the economic authorities, Lehman Brothers, one of the main investment banks in the United States, went bankrupt. Merrill Lynch, one of its competitors, was sold post-haste, to Bank of America, for \$50 billion.

It is, therefore, a crisis that transcends by far, the financial or banking crises, and affects the real economy in every way.

Furthermore, it's a crisis that is spread by the global economy and goes beyond US borders. All the attempts to conceal it from the public were in vain: it was much too big for that.

Its structural causes are well known : it's a simultaneous crisis of overproduction and under-consumption, the periodic capital "purification" mechanism typical of capitalism. It's not by chance that it emerged in the US, since for more than thirty years this country has lived artificially off external savings and credit, and these two things are neither *infinite nor inexhaustible*. Businesses indebted themselves beyond their possibilities to repay and this led them to undertake risky speculative operations. The State indebted itself irresponsibly and demagogically to launch not one, but two wars, not only without increasing taxes, but actually reducing them.

Furthermore, individuals have been systematically pushed, by advertising, to indebt themselves in order to sustain exorbitant, irrational and wasteful levels of consumption. A report by the United States Federal Reserve from August, 2007 already warned about the extreme indebtedness of US households: between 1980 and 2006 it went from 58% of family income to almost 120%. According to Eric Toussaint, one of the world's leading experts on this field, this inordinate indebtedness continued to grow in the last two years to amount to 140% of annual household income. In other words, during this period each household came to owe 40% more than its annual income. Meanwhile, by the end of 2008 the total indebtedness of the United States (that is, the sum of public debt, enterprises debt, and household debt) had reached 350% of the country's Gross Domestic Product. It was only a matter of time until that spiral of unlimited indebtedness came to a catastrophic end. And that moment has arrived.

But to these structural causes must be added others which contributed to the outcome. The accelerated financialization of the economy and its corollary, the irresistible tendency toward forays into increasingly risky speculative operations. Capital believed it had discovered the "Fountain of Youth" in financial speculation : money generating more money, regardless of the value extracted from the exploitation of the workforce. Moreover, this marvelous discovery was fascinating for its speed: fabulous earnings could be achieved in a matter of days, or weeks at most, thanks to the opportunities granted by information technology to overcome any restriction on space and time. Financial markets deregulated on a planetary scale provided an incentive for the addiction of capital for profits, leading to the setting aside of any kind of scruples. As Michel Collon recently recalled, Karl Marx was right when he wrote "Capital is as terrified of the absence of profit or a very small profit as nature is of a vacuum. With suitable profits, capital is awakened; with 10 percent, it can be used anywhere; with 20 percent, it becomes lively; with 50 percent, positively daring; with 100 percent, it will crush all human laws under its feet; and with 300 percent, there is no crime it is not willing to dare, even at the risk of the gallows."

Other circumstances were favorable to the outbreak of the crisis. Without a doubt, the neoliberal policies of deregulation and liberalization made it possible for the most powerful actors stalking the markets, the huge multinational oligopolies, to impose "the law of the jungle," as Fidel put it in one of his reflections. Uncontrolled markets, or markets controlled by the passions and interests of the oligopolies that dominate them, had to end up producing a catastrophe like the present one. Samir Amin is correct to say that the world is experiencing a crisis that was not produced by the class struggle of workers against the bourgeoisie but by the prolonged accumulation of capital's own contradictions.

The first significant point of the current crisis: enormous destruction of capital on a global scale, a wild process that conventional economists sugarcoat and minimize, as did Joseph Schumpeter, characterizing it as the "creative destruction" of productive forces. On Wall Street, this "creative destruction" led to a loss of nearly 50% of the corporate assets of the firms listed on the stock market. In Europe, the losses slightly exceeded that mark.

The recessive consequences of huge capital destruction worldwide are easy to see : a decline in production, rise of unemployment, a collapse in prices, wages and aggregate demand. In other words, the vicious circle of economic depression returning to the world economy.

One example among many will be sufficient to illustrate this point : Citigroup's common stock lost 90% of its value in 2008. During the last week of February it was trading on Wall Street at \$1.95 per share. A report prepared by a financial consultant from India indicates that ten years ago, a single share of Citigroup would allow a person to treat his family to dinner at a good Indian restaurant in New York. At that time, February 19, 1999, a Citigroup share was valued at \$54.19. Ten years later, February 21, 2009, the same share was worth barely \$1.95 (of a devalued dollar!) and wouldn't even have paid for a bowl of peanuts. Examples of this sort abound. The unstoppable and completely unscrupulous speculation, made possible because of the complicity of US monetary and economic bodies such as the Treasury, the Federal Reserve and the Securities and Exchange Commission (the regulatory body charged with supervising the stock market), among others, had already caused an even more pronounced crash in the shares of Enron, which with a value of \$83 per share in January, 2001, fell to \$0.67 per share a year later. Criminal and fraudulent operations such as this, which relied on the approval of the large credit rating agencies, huge investment banks, the fiscal havens, and some of the world's best-known accounting firms had been warming up for decades. In recent times, Bernard Madoff's huge swindle (which climbed to about \$65 billion at the end of March 2009) shows that these kinds of operations are unthinkable without a wide and dense net of mafia protection which goes all the way to the highest economic and judicial authorities in the United States and, certainly, also involving the private mega- corporations which, in one way of the other, run the worldwide financial casino.

But this process of capital destruction is not neutral nor does it happen at random, considering that it will favor the largest and best organized oligopolies which will oust their rivals from the markets. The "Darwinian selection of the fittest" will clear the way for new mergers and business alliances, sending the weakest into bankruptcy and increasing the centralization and concentration of capital.

Second major point: Accelerated rise of unemployment. In a recent article, Ignacio Ramonet put it in this way : the UN's International Labor Organization (ILO) estimates that the number of unemployed worldwide (some 190 million in 2008) could increase by 51 million by the end of 2009. And remember that there will be 1.4 billion workers in poverty (those who earn just two Euros daily); 45% of the economically active population on the planet. In this same article, Ramonet reported that in the United States, the recession has already destroyed 3.6 million jobs, a previously unknown pace, half of which occurred during the last three months. The unemployed total is already at 11.6 million. And gigantic firms such as Microsoft, Boeing, Caterpillar, Kodak, Pfizer, Macy's, Starbucks, Home Depot, SprintNextel or Ford Motor are planning to lay off another 250,000 in 2009. In the European Union, the number of unemployed is at 17.5 million, 1.6 million more than a year ago. And for 2009, 3.5 million additional job losses are projected. In 2010, unemployment will escalate up to 10% of the active population. South America, again according to the ILO, in 2009, show an increase of 2.4 million unemployed. While the Mercosur countries (Argentina, Brazil, Paraguay, Uruguay) as well as Venezuela, Bolivia and Ecuador may eventually be able to weather the storm or lessen its damages, some Central American and Caribbean countries as well as Mexico, Chile and Peru will be severely beaten by the crisis due to their close ties with the US economy ironed out in the Free Trade Agreements signed with the White House.

Therefore, the world faces a crisis that affects all economic sectors: banking, industry, insurance, construction, agriculture, mining, etcetera, and which is spread throughout the entire international capitalist system. The "contagion" occurred first in the developed capitalist states and later spread rapidly throughout the periphery. The more linked these countries are with the dynamics of metropolitan capitalism the quicker the propagation of the crisis will be and the deeper and more damaging its effects.

The main mechanisms for the spread of the crisis are the production adjustments of the large multi-nationals, which dominate Latin American economies practically without any counterbalance. Decisions that are taken in their headquarters will affect the subsidiaries on the periphery and cause massive layoffs, interruptions in the payments chain, a drop in demand for raw materials, etcetera. In the already cited article, Ignacio Ramonet observes that "Greece has prohibited its banks from offering relief to their branches in the Balkan countries. The United States has decided to support Detroit's Big Three (Chrysler, Ford, General Motors) but only to save the plants within the country. It will not help foreign multi-nationals (Toyota, Kia, Volkswagen, Volvo) with factories in its territory. France and Sweden have announced that their aid will only go to their own automotive industries: it can only benefit factories located in their respective countries. The French Economic Minister, Christine Lagarde, said that this protectionism would be a "necessary evil in times of crisis." The Spanish Minister of Industry, Miguel Sebastián, is urging "consumption of Spanish products." And Barack Obama, is promoting "buy American!"

Other sources of the dissemination of the crisis throughout the periphery, are:

The fall in the prices of commodities exported by Latin American and Caribbean countries, with their recessive consequences and higher unemployment.

A drastic decline in remittances by Latin American and Caribbean emigrants in developed countries. In some cases, remittances are the most important source of hard currency income, surpassing that received from exports.

A return of emigrants, depressing the labor market even further, increasing unemployment, reducing salaries and suppressing consumption.

The current crisis shows even more disturbing facets than the two great depressions of the nineteenth and twentieth centuries :

First, it coincides with a deep crisis in the energy paradigm, based predominantly on the irrational and predatory use of fossil fuel, a finite and non-renewable resource, which makes its replacement imperative. The overlapping of this crisis with the general crisis of capitalism aggravates the situation, making it impossible to postpone any longer the beginning of a costly and difficult transition to an alternative energy paradigm based on renewable and non-fossil fuels. It will be an enormously expensive operation, and therefore, under normal conditions, an extremely difficult task; even more so now, when it is necessary to do so under such unfavorable conditions as the current crisis.

Second, this crisis coincides with the growing realization of the catastrophic scope of climate change. Facing this threat, which risks the very destiny of all life forms on planet earth, calls for significant adjustments in the economic structure that will dictate the obsolescence of certain huge businesses and facilitate the emergence of new kinds of productive units and firms. In other words: it will accelerate and deepen the inter-bourgeois conflict within the ruling classes of the imperialist system and State authorities will have to demonstrate extraordinary skill and will to achieve a solution to the ecological challenge.

Add to this, the food crisis, exacerbated by the growing tendency of capitalism to maintain an irrational pattern of consumption, which has led to the conversion of land suited for food production to the production of biofuels. The effects of this policy have already been seen in the huge price increases for certain basic items in the Latin American food basket, such as corn, provoking uncontrolled price increases for tortillas in Mexico and other countries.

But the crisis is only beginning : Barack Obama acknowledged that people have not touched bottom yet, and that "perhaps the United States should choose a new president..." A lucid analyst of this crisis, Michael Klare, wrote recently that "If the present economic disaster turns into what President Barack Obama has referred to as a 'lost decade', the result could be a global landscape filled with economically-fueled upheavals."

It is extremely significant that faced with the optimism of various Latin American governments who claim that their economies are "shielded" so as to firmly resist the crisis, the occupant of the White House thinks that it is very possible that a true economic disaster may be triggered in the heart of the empire, causing the loss of a decade of growth and, eventually, the resignation of the American president.

The historical record supports this pessimism : in 1929, unemployment in the US rose to 25% without stopping the fall of agricultural prices or of raw materials. But 10 years later, in spite of the radical policies set out by Franklin

D Roosevelt (the New Deal), unemployment continued at a very high level (17%) and the economy was unable to rise out of the depression. Only World War II put an end to that period. Why would it be any shorter now?

The 1873-1896 depression lasted 23 years! The factors that precipitated it were the collapse of Vienna's stock market caused by the speculative bubble tied to the price of land in Paris and the big construction projects started in that city following the defeat of the French in the Franco-Prussian War and the bloody repression of the Paris Commune. The war reparations demanded from the French and the huge payments they owed to Germany contributed to creating the conditions for the crisis, as well as the land speculation that began in the United States after the Civil War related to the formation of great railway holdings, which created another bubble that burst in 1873.

Given this background, why would getting out of this crisis be a question of months, as some Wall Street publicists and "gurus" and their "echoers" on the periphery of the system predict?

The world won't get out of this crisis with a few G-20 or G-7 meetings. Nor by appealing to the immense rescue packages handed out by the metropolitan capitalist governments to the corporations. If there is a test of their radical inability to resolve the crisis it is the response of the world's major stock markets after each announcement or approval of a new rescue package : invariably the response of "the markets", in reality, that of the oligopolies which control them at their whim, is negative, and stocks continue to fall. It is not enough, they say. They need more and more. To be precise : to cope with the crisis they may need to socialize all the wealth produced on the planet and transfer it to people's hands.

The crisis opens a long period of push and pull and negotiations to define the way to resolve it, who will benefit, and who will pay for it.

It serves to remember that in the 1929 crisis, the building of the Bretton Woods economic architecture and the setting up of the international financial system that were fundamental for post-war recovery demanded nearly a year of arduous negotiations that culminated in the conference which took place in that city of New Hampshire between July 1st and 22nd, 1944.

Those agreements, conceived in the Keynesian phase of capitalism, coincided with the stabilization of a new model of bourgeois hegemony that, as a product of the consequences of war and anti-fascist struggle had as a new and unexpected backdrop the strengthening of workers' unions, leftist parties, and the expansion of the regulatory and interventionist capacities of states.

Is it reasonable to hope now for a similar outcome to this crisis? Any prognosis in a volatile situation such as this is extremely risky, but to begin with, several differences exist between the respective global contexts of the three abovementioned crises.

In the first place, the USSR no longer exists; its mere presence and the threat its expansion towards the West represented was enough to tip the balance of negotiation in favor of the Left, popular sectors, trade unions, etc. If the European bourgeoisie agreed to negotiate and accept some gains of the workers, it was not solely due to the determination and strength they had shown for many years. The shadow cast by the USSR on those negotiations and commitments was of great importance.

At the present time, China occupies an incomparably more important role in the world economy than the USSR at the time, but without a parallel

importance within world politics. The USSR in contrast, despite its economic weakness, was a tremendous military and political power. As a result of this, it was a first rate "player" in the main fields of international politics. China is an economic power, but with a limited military and political presence in world affairs, although it is just beginning a very cautious and gradual process of reaffirmation of its global interests.

In spite of these considerations, China could play a positive role in the economic reconstruction of peripheral countries. Also hit by the crisis, Beijing is progressively redirecting its enormous national energies towards the internal market. For many reasons, it is a country that needs its economy to grow 8% yearly, stimulated either by world markets or its immense - and only partially developed - domestic market. If this shift is confirmed, China could keep its demand of many products from the Third World, such as nickel, copper, steel, oil, soy and other raw materials and food products.

In contrast, during the Great Depression of the 1930's, the USSR had a very weak presence in world markets. It was practically autarchic and thus unable to play a significant role in the crisis, especially in economic matters. It could mobilize, though not without difficulty, the Communist Parties articulated in the Third International, but this was not sufficient. Today, it is a different matter with China: it will continue to play a very important role and, like Russia and India (though these two countries to a much lesser degree), it will have to buy abroad the raw materials and food it requires. The USSR could not play such a stimulating role during the Great Depression. □□□ *[abridged]*