COMMENTARY

The global capital leviathan

William I. Robinson

The money mandarins of global capitalism and their political agents are utilizing the global crisis to impose brutal austerity and attempting to dismantle what is left of welfare systems and social states in Europe, North America and elsewhere. The budgetary and fiscal crises that supposedly justify spending cuts and austerity are contrived. They are a consequence of the unwillingness or inability of states to challenge capital and their disposition to transfer the burden of the crisis to working and popular classes. Global mobility has given capital enhanced class power over nationally based working classes and extraordinary structural influence over state managers who seek economic reactivation and macroeconomic stability.

To understand the current conjuncture we need to go back to the 1970s. The globalization stage of world capitalism we are now in itself evolved out the response of distinct agents to previous episodes of crisis, in particular to the 1970s' crisis of Fordism–Keynesianism, or of redistributive capitalism. In the wake of that crisis capital went global as a strategy of the emergent transnational capitalist class and its political representatives to reconstitute its class power by breaking free of nation-state constraints to accumulation. These constraints – the so-called 'class compromise' – had been imposed on capital through decades of mass struggles around the world by nationally contained popular and working classes. During the 1980s and 1990s, however, globally oriented elites captured state power in most countries around the world and utilized that power to push capitalist globalization.

Globalization and neoliberal policies opened up vast new opportunities for transnational accumulation in the 1980s and 1990s. The revolution in computer and information technology (CIT) and other technological advances helped emergent transnational capital to achieve major gains in productivity and to restructure, 'flexibilize' and shed labour worldwide. This, in turn, undercut wages and the social wage and facilitated a transfer of income to capital and to high-consumption sectors around the world that provided new market segments fuelling growth. In sum, globalization made possible a major extensive and intensive expansion of the system and unleashed a frenzied new round of accumulation worldwide that offset the 1970s' crisis of declining profits and investment opportunities.

But crises of overaccumulation follow periods of hyperaccumulation. The current global crisis is one of overaccumulation, or the lack of outlets for the profitable absorption of surpluses. Crisis theory suggests that overaccumulation may be manifested in different ways. 'Profit squeeze' theorists demonstrated falling profits in the crisis of the 1970s, but this does not explain the current situation as profits soared in the period leading up to crisis and have recovered since their drop in 2008–09.

In the 1970s over-accumulation also took the form of stagflation, or inflation together with stagnation. Working and popular classes fiercely resisted in the early and mid-1970s a transfer of the costs of the crisis to themselves. Neither these classes nor capital were willing to shoulder the costs of crisis; this stand-off is what in my view generated stagflation. But working and popular classes were able to put up resistance precisely because they faced capital within the confines of the nation-state. The gains these classes had made within nation-state capitalism and their ability to resist capital's impositions is precisely what led capital in the first place to go global – that is, to undertake a restructuring of the system through globalization.

Overproduction/underconsumption

Stagflation and stand-off, however, do not characterize the current crisis. As has been amply documented, the portion of value going to workers has dropped sharply and living standards have plummeted since the late 1970s. Instead, it seems clear that overaccumulation is now expressed, as it was in the 1930s' crisis, as overproduction/underconsumption; the capitalist system is facing the challenge of how to unload surpluses profitably. The system had been stumbling from one lesser crisis to another since the mid-1990s – the Mexican peso crisis of 1995, the Asian financial meltdown of 1997–98, the recession of 2001 and the bursting of the dotcom bubble. By the new century two major mechanisms for unloading surplus would provide a perverse lifeline to the system: militarized accumulation and financial speculation.

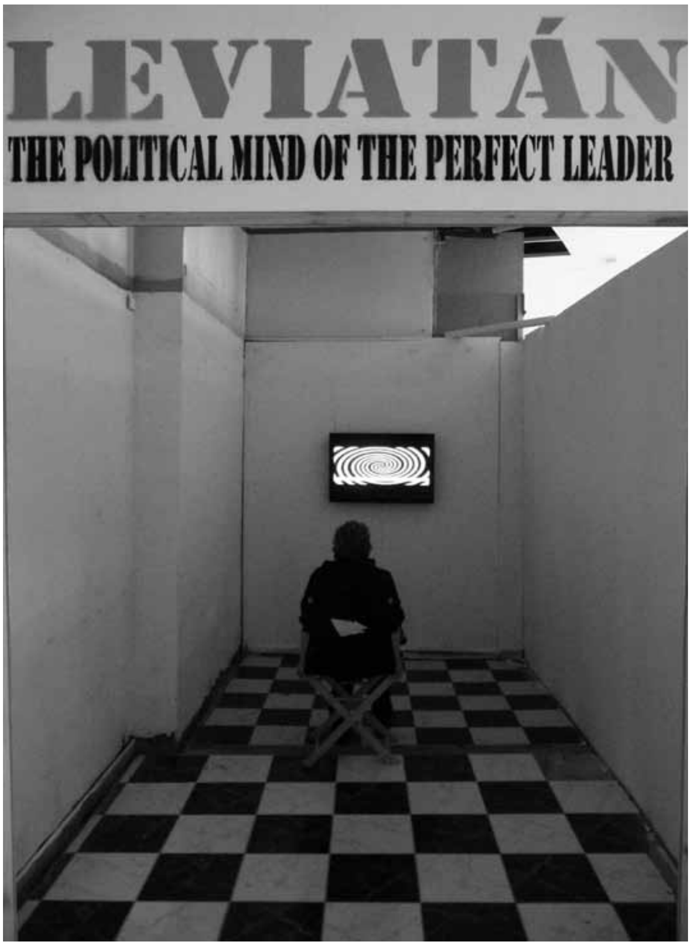
The US state took advantage of 9/11 to militarize the global economy. The cutting edge of accumulation in the 'real economy' worldwide shifted from computer and information technology before the 2001 dotcom bust to a military–security–industrial-construction–engineering–petroleum complex that also accrued enormous influence in the halls of power in Washington. Military spending skyrocketed into the trillions of dollars through the 'war on terrorism' and the invasions and occupations of Iraq and Afghanistan, acting to throw fresh firewood on the smouldering embers of the global economy. Spin-off effects of this spending have flowed through the open veins of the global economy – that is, the integrated network structures of the global production, services and financial system.

Financial speculation was made possible by deregulation of the financial industry together with the introduction of CIT that gave rise to a globally integrated financial system. The 'revolution in finance' has included over the past few decades all sorts of financial innovations – a vast and bewildering array of derivatives: swaps, futures markets, hedge funds, institutional investment funds, mortgage-backed securities, collateralized debt obligations, Ponzi schemes, pyramiding of assets, and many more. These innovations make possible a global casino, or transnational financial circuits based on speculation and the ongoing expansion of fictitious capital. Securitization made every pile of money, such as pensions, as well as debt itself, or negative money, a 'tradable' and therefore a source of speculation and accumulation. These innovations allowed global speculators to appropriate values through new circuits that were in many respects irrespective of space and irrespective of 'real' value or material production.

Predatory transnational finance capital has sought one outlet after another for frenzied speculation. The sequence of speculative waves in the global casino since the 1980s included real-estate investments in the emerging global property market that inflated property values in one locality after another, wild stock-market speculation leading to periodic booms and busts, most notable the bursting of the dotcom bubble in 2001, the phenomenal escalation of hedge-fund flows and pyramiding of assets, currency speculation, one Ponzi scheme after another, and later on frantic speculation in global commodities markets, especially energy and food markets, which provoked a spike in world prices in 2007 and 2008 and sparked 'food riots' around the world.

As speculation in the global financial casino reached fever pitch following recovery from the 2001 recession, the 'real economy' was kept afloat momentarily by a massive increase in consumer debt (largely credit cards and mortgages) and federal deficit spending in the United States, which converted that country into the world's 'market of last resort'. The Federal Reserve decision to reduce interest rates to about 1 per cent in 2003 as a mechanism to overcome the recession also triggered a wave of speculation in the US mortgage market and prompted investors to indulge in the infamous subprime lending spree. The bottoming out in 2007 of the subprime mortgage market triggered the collapse a year later of the global financial system headquartered in Wall Street.

Yet in the perverse world of predatory transnational finance capital, debt and deficits themselves became new sources of financial speculation. This explains, in part, the latest round of crisis as manifest in Greece, Spain, Portugal, Ireland and elsewhere. Government debt is now being portrayed as 'spending beyond means' and used to justify cuts in social spending and austerity. Yet this debt has become a major source of profit-making for transnational finance capital – the latest financial fix – to the extent that social consumption continues to decline as a source of accumulation. The global bond market stood in 2009 at an estimated US$90 trillion and constituted the single biggest market for financial speculation in the wake of the 2008 collapse. Gone are the times that such bonds are bought and held to maturity. They are bought and sold by individual and institutional investors in frenzied 24-hour worldwide trading and bet on continuously through such mechanisms as credit default swaps that shift their values and make bond markets a high-stakes gamble of volatility and risk for investors.



The current crisis, in my view, is structural more than cyclical. The last major structural crisis, of the 1970s, was resolved through capitalist globalization. And, prior to that, the structural crisis of the 1930s was resolved through the creation of a new model of Fordist–Keynesian or redistributive capitalism. Transnational capital and its political agents are attempting to resolve the current structural crisis by a vast shift in the balance of class and social forces worldwide – in effect, to deepen many times over and to consummate the 'neoliberal counterrevolution' that began in the 1980s. Some global elites have proposed a global reformism that involves a shift from neoclassical to institutional economics, a limited re-regulation of global market forces, some redistributive measures, state stimulus programmes, and fomenting a shift from financial to productive accumulation. Yet it would seem that these reformers have been unable to prevail over the power of transnational finance capital.

Global capital has become a leviathan in which capitals from around the world are so deeply interpenetrated not only across borders but through the overlap of productive and financial circuits that it is not clear how meaningful it is to continue to make a distinction between the two. The giant global financial conglomerates draw in individual and institutional investors from around the world and in turn circulate unfathomable amounts of capital into productive, commercial and service circuits. In the wake of globalization, it seems, global elites and capitalist state managers have lacked the political will or even the notion to restructure the system in any way that would re-establish some boundaries between financial and productive circuits or that would modify the role transnational finance capital has played as the regulator of the worldwide circuit of accumulation and the causal agent in the crisis.

Indeed, global speculators used the US state's bailout of Wall Street to channel a new round of speculative investment into the market in state-issued bonds and into bank lending to states strapped for cash in the wake of the 2008 economic collapse. Once the private banking and financial institutions recovered from the 2008 collapse – in large part thanks to government bailouts – they turned to unloading surplus into sovereign debt markets that they themselves helped to create. This new speculative frenzy by financial capitalists is now being presented as working peoples living beyond their means, a convenient smokescreen that conceals the origins and nature of deficits and legitimates the call for social spending cuts and austerity.

Greece provides the textbook case. As is well known, Goldman Sachs led the charge of transnational investors into Greece, advising Greek financial authorities to pour state funds into derivatives in order to make national accounts look good and therefore to attract loans and bond purchases. Goldman Sachs then turned around and engaged in parallel derivative trading known as 'credit default swaps' – that is, betting on the possibility that Greece would default. This raised the country's cost of borrowing, making huge profits for Goldman Sachs and increasing interest rates many times over for Greece, while raising the prospect of sovereign debt default and therefore justifying brutal austerity measures. In other words, speculation in sovereign debt is a mechanism for extracting from working classes present and future income streams, a mechanism at work as well in Ireland and throughout the EU and in the United States, and more generally worldwide (in this respect, the Eurozone sovereign debt crisis is but the coming to the First World of the debt crisis that the global South has experienced for several decades).

The austerity sweeping across Europe is particularly revealing; it represents an acceleration of the process of the 'Third-Worldization' of the 'First World', in which the wealth concentrated at some poles of accumulation in the world is no longer redistributed downward locally towards First World labour aristocracies. Regardless of the outcome of financial crisis in each individual country case, capital wins in both the short and the long term. In the short term, investors cash in on a would-be defaulter with higher bond rates and/or through state bailouts that are channelled into their coffers. In the long run, austerity intensifies the processes of regressive taxation, privatization and the dismantling of the social wage. Behind massive cuts in education and increases in tuition in both Europe and the United States, for instance, is the steady march of the privatization and commodification of public education. In short, the toxic mixture of public finance and private transnational finance capital in this age of global capitalism constitutes a new battlefield in which the global rich are waging a war against the global poor and working classes.

Global working class

Which way, then, in the face of the global capital leviathan? Reformist forces from above in the 1930s were able to restructure capitalism by curtailing capital's prerogatives without challenging its fundamental interests. Today, by contrast, I do not see any way a reformism from above could adequately address the crisis without a head-on collision with the interests of global capital – especially the transnational banks, the oil/energy/extractive sector, and the military–security–industrial–reconstruction complex. This is to say that the capitalist state in order to salvage the system from its own self-destruction would have to exercise a remarkable degree of autonomy not just from individual capitalists and investor groups but from the juggernaut that is the inextricably entangled mass of global capital. Such a role could only come about under a change in the worldwide correlation of class and social forces in favour of popular and working classes. Yet mass socialist and worker movements, although they are burgeoning, are weak compared to the 1930s.

A proto-fascist Right appears as insurgent. This Right seeks to fuse reactionary political power with transnational capital, to organize a mass base among historically privileged sectors of the global working class, such as white workers in the North and middle layers in the South, that are now experiencing heightened insecurity and the spectre of downward mobility. The proto-fascist response to the crisis involves militarism, extreme masculinization, racism, the search for scapegoats (such as immigrant workers in the United States and Europe) and mystifying ideologies. The need for dominant groups around the world to ensure widespread, organized mass social control of the world's surplus population and of rebellious forces from below gives a powerful impulse to a project of twenty-first-century global fascism. Images in recent years of what such a political project would involve have spanned the Israeli invasion of Gaza and ethnic cleansing of the Palestinians, to the scapegoating and criminalization of immigrant workers and the Tea Party movement in the United States, genocide in the Congo, the US/United Nations occupation of Haiti, the spread of neo-Nazis and skinheads in Europe and the intensified Indian repression in occupied Kashmir.

The counterweight to a twenty-first-century fascism must be a coordinated fight-back by the global working class. Mass unemployment, foreclosures, the further erosion of social wages, wage cuts, furloughs, the increased exploitation of part-time workers, reduced work hours, informalization, and mounting debt peonage are some of capital's mechanisms for transferring the cost of crisis onto the mass of popular and working classes. Will popular sectors manage to forge a social solidarity of the oppressed, the exploited and the subordinate majorities across ethnic and national lines?

David Cameron's Tea Party

Richard Seymour

While 'Tea Party' rebels agitate for the return of 'Austrian' principles in the USA, the Conservative Party under David Cameron is actually implementing these principles in the UK. Without prefacing their agenda with the hysterical red-baiting characteristic of the Tea Party, the Tories argue that their spending reductions are not ideologically driven but are necessary because of New Labour's fiscal profligacy.

The biggest cuts in absolute terms will be to welfare and council spending. Lower housing benefits will drive most of the poor out of the south of England by 2025. Reductions in social housing funding will triple the cost of rent for new council tenants. Libraries will be closed, street repairs stopped, and services for the young and elderly terminated. Already, the NHS, supposedly spared cuts, is feeling the strain with fewer staff working longer hours. Schools will have 40,000 fewer teachers. With tuition fees potentially rising to £9,000 a year, higher education is finished for many working-class