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The failure of capitalism

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Figures on the state of the European economy published over the past week are not only the expression of a deepening economic and social crisis. They have a profound historical meaning, pointing to the bankruptcy of the capitalist economic order.

In its latest economic forecast, the International Monetary Fund has predicted that the euro zone area as a whole will contract by 0.3 percent this year, with France joining Italy and Spain as the three major economies in recession. The contraction itself is significant, but the fact that it takes place some five years after the onset of the financial crisis points to the underlying processes that produced it. The European economy is caught in a deepening downward spiral.

Spain now has a Depression-level unemployment rate of 27 percent, with youth unemployment at 57 percent. More than six million Spanish workers are unemployed. In France the total number of job seekers who had not worked at all in the previous month rose to a record 3.2 million. Across the European Union 26 million people, representing 12 percent of the workforce, are unemployed.

In Britain, economic growth in the last quarter was just 0.3 percent. While this prompted a sigh of relief in official circles because Britain had escaped a “triple dip” recession, the fact remains that the British economy is still 2.6 percent smaller than when the crisis began.

Britain has experienced its deepest and most prolonged fall in gross domestic product in a century. In comparison, at the same stage—some 51 months into the crisis—economic growth had begun to recover during the Great Depression, the downturn in the 1970s and the recession of the early 1990s.

What is more, the European economic outlook is worsening. In a speech delivered last week, International Monetary Fund deputy managing director David Lipton warned that Europe faced the risk of a “stagnation scenario”. “Investment is declining and unemployment continues to rise [and] financial markets remain fragmented.”

The European situation, however, is only the starkest expression of the state of global capitalism as a whole. Growth in the US economy is an anaemic 2.5 percent, while unemployment remains at near-Depression levels, amid rising poverty and widening social inequality. While the Federal Reserve pours money into the financial markets, boosting corporate profits, real incomes for the mass of the population continue to fall.

For the bourgeois media and its talking heads and pundits, the ever-worsening social position of the broad mass of the population is just another expression of the “new normal.” None of them ever feels the need to explain why, amid the greatest scientific and technological advances in history, growing portions of the population are being impoverished.

But the significance of such a development was elaborated by Karl Marx more than 160 years ago. Such a phenomenon, he explained, shows that “the bourgeoisie is unfit any longer to be the ruling class in society, and to impose its conditions of existence upon society as an over-riding law.”

At a recent forum in London, organised by the Bank of England, IMF Chief Economist Olivier Blanchard outlined what he called the lessons from the crisis. It was a confession of intellectual and political bankruptcy.

Blanchard admitted to being completely blindsided by the eruption of the financial crisis in 2008, believing such things would no longer take place. He had failed to understand the “plumbing” of the financial system and did not take into account the interconnectedness of the world economy, which led to a collapse of global trade in 2009.

Furthermore, after admitting that “the traditional monetary and fiscal tools are just not good enough to deal with the very specific problems in the financial system,” he said he was unsure about whether so-called macro prudential tools to regulate the financial system could actually work.

Blanchard is certainly not alone. Last September, in the wake of the US Federal Reserve’s decision to expand its policy of quantitative easing, Richard Fisher, a member of the Federal

Open Market Committee, admitted that “nobody really knows what will work to get the economy back on course” and that no central bank “has the experience of successfully navigating a return home from the place where we now find ourselves.”

The same bewilderment was on display at a meeting of top-level economists convened by the IMF after its spring meeting in Washington last month. Nobel Prize winner George Akerlof likened the economic crisis to a cat that had climbed a tree, did not know how to come down, and was now about to fall. Another economist chimed in that after five years it perhaps was time to get the cat out of the tree, while Nobel Prize winner Joseph Stiglitz explained: “There is no good economic theory that explains why the cat is still up in the tree.”

The bankruptcy of medieval scholasticism and of the feudal social order that underlay it was expressed in the discussions over how many angels could dance on the head of a pin.

If the modern day theologians of capitalism and their discussions of cats up trees appear just as ridiculous, it is not a result of their personal failings. In the final analysis, they are unable to offer any explanation for the deepest crisis in three quarters of a century because the socio-economic order they defend has become antagonistic to any further historical progress.

While the ideologists of the ruling class seized upon the collapse of the USSR to proclaim the end of socialism, the economists and media pundits say nothing about the failure of capitalism.

However, just under the surface of their bewilderment lies the growing fear that this economic breakdown will produce a tremendous upsurge in social and class struggles. Recently a major article in *Time* magazine noted that Marx had theorized that “the capitalist system would inevitably impoverish the world’s masses as the world’s wealth became concentrated in the hands of a greedy few causing economic crises ... A growing dossier of evidence suggests that he may have been right.”

The mass of statistics emanating from Europe and elsewhere show that capitalism has entered a terminal crisis, with revolutionary implications.

The intellectual disintegration of the defenders of the bourgeois order points to the fact that a conscious political struggle by the working class, on the basis of a program of socialist internationalism, will open up paths for it to lead society out of the downward spiral of social decay that marks the breakdown of the profit system.