The Historical Roots of the Global Economic and Social Crisis

Part II

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In 2007, the capitalist sky started to darken: the biggest crisis of capitalism since the 1930s had erupted. The different crises that ensued were interconnected: the banking and financial crisis, real estate crisis, and economic crisis in the most industrialized countries, and the food crises in the Southern countries, particularly in Africa and certain Asian countries (Latin America was less significantly affected), which mainly resulted from the economic policies practiced in the most industrialized countries, in particular: 1. the shift away from real estate speculation (when the housing bubble broke) towards the grains futures markets; 2. support for biofuel production. In 2008, the food crisis caused hunger riots in more than 15 countries, as the number of starving people increased from 850 million to more than one billion . The economic health of China, which is the workshop of the world, led to workers' strikes in the former Middle Kingdom that resulted in wage increases (which were at that point very low).

The worldwide crisis in governance is obvious, as the following three examples show:

1. The process to further deregulate trade, defined in Doha in November 2001, is at a standstill, and the WTO is simply spinning its wheels.

2. Between 2002 and 2008, the IMF experienced a radical crisis: two Managing Directors in a row did not finish their term of office; emerging countries reimbursed their debt to the IMF in advance in order to escape from its direct supervision and to follow partly heterodox economic policies; 3.

The G7 (the United States, Germany, the United Kingdom, Japan, France, Italy, and Canada), where the financial and economic crisis originated, cannot pretend once again to find and impose solutions, because the emerging economies are in good economic shape, have substantial currency reserves, and have reduced their debt (at least their external debt). The leaders of the most industrialized countries convened the G20 in 2009, and asked the emerging countries to help them get out of the economic quagmire in which they were stuck. Great promises were made: the capitalist system will be reformed or even rebuilt on new foundations, the international finance system will be cleaned up by regulating the tax havens, bankers and their traders will be forced to stop their extravagant behavior, speculation on foodstuffs will be limited, major institutions like the IMF and the World Bank will be reformed to give a little more voice to emerging countries, solutions will be found to mitigate climate change… In the final analysis, none of these promises have been put into practice. Meanwhile, the IMF has returned to the center stage.

Whereas it had to take the pressure off emerging countries and was on the brink of financial suffocation (to such an extent that it had to lay off staff), it decided to attack again, but this time the Northern countries. In 2008-2009, it imposed its neoliberal prescriptions in Iceland and in several countries in Central and Eastern Europe (former members of the Soviet bloc which became members of the European Union or candidates for accession) . In 2010, it was Greece and Ireland's turn. In 2011, Portugal was once again submitted to some brutal financial waterboarding. The G20 decided to bailout the IMF even if the process was complicated to enact since the major powers were reluctant to give the emerging powers the role they deserved, even though they had asked them for financial support . At a European summit in December 2011, the EU, without the help of the United Kingdom, decided to channel 150 billion euros to the IMF.

In 2008-2009, the crisis in the most industrialized countries adversely affected the Chinese economy, where the authorities reacted by launching a vast economic stimulus package financed by the State (which the IMF had always refused to do when Southern countries were facing such a crisis).

In 2007-2008, the dominant classes and governments in power in the most industrialized countries became frightened: the capitalist mirage was quickly evaporating, capitalism was caught up in its own contradictions and starting to appear to be the very cause of the crisis. To avoid massive protests, which might become quite radical or even anti-capitalistic, at the end of 2008 and in 2009, Washington (where Barack Obama had arrived in January 2009), the European Commission, and the capitals of the Old continent created social shock absorbers, except in European periphery countries such as the Baltic Republics, Hungary, and the Ukraine. The shock doctrine really started being implemented in 2010. In 2011, it was applied more violently. The attacks against what remained of the rights acquired by workers after World War II were brutal, particularly in the periphery countries, within or outside of the European Union.

Meanwhile, in 2008-2009, the epicenter of the crisis, which had been in the United States moved to the European Union for three reasons:

1. The organization of the European Union accentuated the crisis because the instruments for aid and for transferring funds to the most fragile countries were progressively disappearing;

2. Private European banks threatened to collapse and to cause a new financial cataclysm similar to the one created by the bankruptcy of Lehman Brothers. Saved by the States, they continued taking tremendous risks with the money lent to them for almost nothing by the Fed, the ECB, Bank of England, and Swiss National Bank;

3. Instead of adopting an economic stimulus policy and imposing strict rules on the banks, the European commission and national governments imposed severe austerity measures, which reduced demand and resulted in depressed economic activity. As a consequence, public debt, which was much lower than the debt held by private corporations, exploded. In several European countries, including Spain, Ireland, the United Kingdom, and Hungary, when the housing bubble broke hundreds of thousands of heavily indebted families lost their homes or apartments creating dramatic situations for them. Hundreds of thousands of construction jobs were also eliminated.

In 2010-2011, the European governance crisis took on major proportions. Increasingly frequent crisis summits were held to concoct bailout plans, which have not yet been able to solve anything. Banks are once again on the brink of disaster, and if they have not yet fallen off the cliff, it is only thanks to the additional support provided by national governments.

Translated by Charles La Via
