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## GOOD NEWS WEEK

This is Good News Week. The capitalist economy has overcome all its problems. Never again will the world see another GFC. Never again will there be a 1930s-type depression. And by the way, there'll be no more wars. Best of all, the Neo-Classical economists have a perfect understanding of how the system works. Well, that's enough for one April Fool's Day.

Since none of these claims comes within a country mile of the truth about capitalism, we shall return to our twin themes of

- a. the sesqui-centenary of the publication of Marx's *Das Kapital* in September 1867; and
- b. the decade-long implosion within the expanded reproduction of social capital.

### 1. My mistake

Before delving those matters, I need to return to the little matter of making a fool of oneself. Last year, I had been operating on the assumption that global capitalism would have hit the wall before now. It hasn't.

Anyone can make a mistake. Only fools carry on as if they had never done so. I'm not so great a fool as to suppose I could fool a 3CR audience.

Why spotlight that error of judgement? If we were Christadelphians predicting the Second Coming, we could conjure up yet another Day of Judgement. But we are historical materialists, not god-botherers. Above all, we have a duty towards working people. One strand of our class duty is never to take our eye off the global economy.

I've been relying on the reports from the Bank for International Settlements. In June 2014, the Bank for International Settlements concluded that governments and corporations had done little more than to postpone the day of reckoning. Last year, the Bank concluded that those delays were going to make the smash worse when it did come.

If you want one take-away statistic, here it is. On the eve of the 2008 crash, the ratio of all debt to GDP was 210% for the entire global economy. Today, it is 25% higher at 260%. The Bank did not name the day. I did – that was my mistake. My mistake had nothing to do with my efforts to develop a Marxist analysis of capitalism.

### *Marxism Today?*

A so-called 'Marxism Today' conference will be conducted Melbourne over Easter. Look at the programme and see if you can spot any trace of 150<sup>th</sup> of *Das Kapital*. One session asks whether Marxism is a nineteenth-century concept. On the basis of the rest of the programme you'd have to conclude that the answer is a resounding YES. Marxism Yesterday. Marxism Tomorrow. But no Marxism Today.

### Cycles – trade or financial?

Chastened by experience, let's now turn to two aspects of the on-going implosion in the expansion of capital. The first will report how the brightest and best at the Bank for International Settlements are re-interpreting what's been happening. We'll end the morning with the latest debt crisis to loom over the Greeks.

At the BIS, the head of its Monetary and Economic Department is trying to make sense of why recovery from the crash has been so slow. Two explanations are on offer. One is known

'secular stagnation'. We won't have time to examine that account. Suffice it to say that 'secular stagnation' is latter-day Keynesianism. In short, it supposes a 'demand' problem from the trade cycle.

The 'trade cycle' did not exist before capitalism. So, it could not appear until the early 1800s. Nineteenth-century experiences indicated that the trade cycle of growth, contraction and regrowth took about 7 to 8 years. On that timetable, the global economy should have picked up by now. Instead, capitalism is still on life-support from governments' pumping out cash. That chronic malaise encourages the experts at the BIS to seek a different rhythm. They have come up with a 'financial cycle' to displace the 'trade cycle'. The alternative explanation for the slow recovery is known as 'financial cycle drag'.

Of course, the emergence of 'financial cycles' need not eliminate the trade cycle. One hard question is how might they mesh. Do the financial cycles compound the problems of regrowth from the trade cycle?

Perhaps the BIS is right. New things happen. That's dialectics, comrade. Given the explosion in financial activities since the 1970s. Hence, it would be strange indeed if nothing else had shifted.

The 'financial cycle' is estimated to run twice as long as the trade cycle. If that's so, the on-going implosion will hangover until somewhere around 2023, or even 2025. The other question is: can the 'electoral cycle' of disaffection weather the economic storms of 6 to 8 more years of turmoil from 'financial drag'?

### Channeling Dr Karl

Marx had been dead for 100 years before 'financialisation' struck in the 1980s. He expected that capitalism would have been overthrown well before then. Are there any clues in the four volumes of *Capital* which might at least help us to orientate our investigations into the current actualities? One place to start is that individuals can and do make money out of money. It is called swindling. However, the capitalist class as a whole cannot swindle itself.

No matter how many trillions of dollars the agents of social capital shift around the globe every day, those deals do not and cannot add value. Only the application of human capacities to the wealth of nature can add value.

### Science

Marx learned a lot from the Classical Economists, notably, Francois Quesnay, Adam Smith and David Ricardo. He also made the most of the research undertaken by those whom he labeled 'vulgar economists'. They were 'vulgar' because they did not penetrate appearances to the structured dynamics of capitalism. Breaking through the surface is the only pathway to science.

The head of the BIS confesses that 'the economics profession has been grappling with doubt'. 'Gone', he admits, 'are the illusory certainties of the Great Moderation' aka the boom that led to the 2008 crash. Instead, the academy faces 'deeper, sometimes troubling, questions about how the economy really works.' Orthodox economists, he continues, are working against a 'backdrop of "paradigm uncertainty".'

We can bet Paris to a peanut that none of this 'doubt' and 'uncertainty' has penetrated the economics courses in our universities.

### Marxism everyday

Marxists face equal but different obstacles to improve our inevitably relative knowledge of what's going down. Hence, we cannot afford to ignore what the people charged with the responsibility for preserving our enemy have to offer.

We may be short of the mass of statistic at the BIS, but we don't suffer from 'paradigm uncertainty'. We are certain that social capital must expand in order to exist. We are also certain that its expansion must come from the exploitation of human capacities applied to the plunder of nature.

Those certainties, however, can never tell us how the expansion or contraction is taking place at this moment, and in this or that place. The hard question for a materialist is to grapple with 'how exactly' the Marxist paradigm operates.

Greece is a case in point.

### Thieves bearing Greeks

To conclude, here is one more instance of the necessity to break through appearances. If headline 'News' items were any guide, the Greek Crisis was over in 2015. Nothing could be further from the truth. The next crunch point comes in July – perhaps sooner.

July is when the next loan of more than six million Euros is due to pass through Athens on its way to the German banks that hold the Greek debt. Should the money not flow, Deutsche Bank will need to be bailed out - again.

Under the dirty deal imposed on the Greek working people, the money will flow only if the Greek budget promises a current surplus of 3.5 % of their GDP. At the moment, the 'current' surplus is at 0.5% of GDP. To go from 0.5% to 3.5% will mean slashing pensions and imposing taxes on the lowest incomes.

The IMF fears that such austerity will tip the Greek economy back into recession. The unemployment rate now stands at 23%. The latest indicators all point south. If the Greek economy collapses again, there will be next-to-no chance of its ever getting out of debt. Exit from the EURO zone and perhaps from the EU would follow.

There is one more nasty little fact. Greek debt is a further instance of how postponing the day of reckoning has been piling up problems. The Greek debt is being refinanced at almost zero rates of interest. That concession will end in 2030. Well before then, the devils whom Luther denounced for usury will have come for their pound of flesh.

Humphrey McQueen  
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