Shawn Hattingh
The deepening capitalist crisis
From blood and dirt to much worse
September 13, 2015

Retrieved on 4th August 2021 from anarkismo.net

usa.anarchistlibraries.net

The deepening capitalist crisis

From blood and dirt to much worse

Shawn Hattingh

September 13, 2015

to rid the world of the rotting system that is capitalism. Thus, while capitalism is a rank and vile system it will only be ended if the working class ends it. In doing so, the working class too will have to rid themselves of the states that so blatantly and ruthlessly prop modern capitalism up. Indeed, only when the working class has dismantled capitalism and the states that keep it in place – and replaced these with an economy based on meeting all people's needs and a society run by all through federated worker and community assemblies and councils – will the torture of the working class at the hands of the ruling class be ended. Only then, will the wasteful use of resources to assist the richest people on Earth, while billions of people are mired and driven further into poverty, be a thing of the past.

South Africa, for example, the ruling class has been threatening to retrench hundreds of thousands of workers in the steel and mining sectors. The South African President recently called on workers to 'tighten their belts' in the midst of the turmoil, and to be willing to accept compromises in terms of their wages.

As with all of the past attacks, the new round of attacks by the ruling class will lead to greater inequality, if they are not stopped by the working class. Already as a result of attacks since the 1970s wages in many countries have stagnated or dropped in real terms. In the US, for instance, wages as a share of GDP are at their lowest levels in history. Likewise, in China wages as a percentage of GDP have declined from over 56% in 1983 to 36.7% today. According to a study by Arden Finn, of the University of Cape Town, 60% of African workers and 22% of white workers in South Africa now earn so little that their wages are not enough to pull them out of abject poverty. Unless combated, the current events globally and in China will see a worsening of this situation. Indeed, the underbelly of the rotting, yet living, corpse that is capitalism is the increased exploitation and oppression that the ruling class has unleashed on the working class. Unless fought, what we have seen recently will be used as a pretext to make this worse.

The system needs to go

There needs to be a massive defensive struggle against the further attacks that will follow in the wake of events in China and the fallout around it. A start already has been made. Massive protests and strike waves in many countries, including China, have been taking place since 2007, especially against austerity. In the current climate, these have to be built on – otherwise the ruling classes will cut wages and welfare even further.

Nonetheless, at some point, such defensive struggles are going to have to be built into conscious revolutionary struggles

Contents

It is, therefore, also not an accident that South Africa's economy shrunk by 1.3% in the second quarter of 2015. Manufacturing and mining in particular have been adversely impacted on. It is also not an accident that Chinese companies are dumping steel in countries such as South Africa – and thereby threatening steel companies based in South Africa – as due to overproduction Chinese companies are desperately looking to off-load steel even if that means selling it at below cost elsewhere. Even tougher times, therefore, look like they are ahead for China, the countries that export to it, and indeed the world (of course states and capitalists will try and assuage the impacts of this by creating another bubble somewhere else).

Globally, the crisis of over-production and over-accumulation is still with us – it has never been overcome. Rather, states have created speculative outlets for capital, and capital has used this to create bubbles over and over since the 1970s. When these periodically burst, the full brunt of the crisis of capitalism becomes evident again, as has happened with the events around the Chinese stock markets.

More lesson's from the past

Like in past 'financial' crises since the 1970s, no doubt the ruling classes are going to use what has happened around the Chinese stock markets and the fallout to once again attack the working class. Indeed, every financial/economic crisis since the global crisis of capitalism first erupted in the 1970s has been used by the ruling classes to attack the working class.

One way to try and maintain profits under capitalism has always, and will always be, driving down the cost of labour. Consequently, we are likely again to see attempts to retrench more workers, drive down wages, drive up productivity, and cut any semblance of welfare even further (welfare which was won by the working class through past struggles). Already in

China since 2007 has not really been a vibrant manufacturing sector with ample demand for goods across the globe, but rather real estate and stock market bubbles (along with massive Chinese state spending to boost demand for manufactured goods), which are now bursting.

At least 19 sectors in China have been hit by falling prices since 2013 due to over-production, including the steel, clothing, and ship-building sectors. In these sectors, prices have been cut to the point of often being below the cost of production – driving many companies into bankruptcy. In 2013, the Chinese state ordered 1400 factories in these sectors to slash production to try and address the problem. Along with this, the state has been 'stock-piling' certain commodities from the worst hit sectors, such as aluminium, to try and keep prices as high as possible to prevent a collapse of these industries. Even all these measures have not ended the problem. The problems of over-production and over-accumulation can be seen most vividly in the hundreds of cement factories in China that have slashed production or are lying idle.

The fallout goes far beyond stock, currency and bond markets

For countries that rely on exports of raw materials to China, like South Africa, the problem of over-production and over-accumulation in that country, and likewise globally, is bad news even beyond their stock, currency and bond markets. Since 2007, China has accounted for 40% of growth globally – without China the depth of the capitalist crisis would be even starker. China also accounts for over 10% of the global trade in goods. The slow-down in manufacturing in China is already beginning to hit other countries hard. South Korea – which in terms of the 'Asian supply chain' is a major exporter to China – saw its exports decline year on year by 14.7% in August.

It was long ago stated that capitalism came into the world dripping in blood and dirt, from every pore, from head to toe. While it has demonstrated that it won't simply collapse under its own weight, the recent goings-on around the current capitalist crisis have shown that with age it has become even more hideous. Capitalism is now rank with massive state intervention required to simply keep its rotting body moving: through states propping up the financial sector and deepening the colossal attack on the working class.

Fallout from Chinese stock markets

The goings-on that have once again highlighted capitalism's depravity, are the turmoil – starting in China – that has occurred over the last few weeks on stock markets; including the underlying causes that led to it, and the actions that the ruling classes have taken since then to try and end it, or at least alleviate it.

The recent volatility in world stock markets erupted in earnest in June 2015. In June, the Chinese stock markets began a plunge that has frightened the ruling classes (capitalists, top state officials and politicians) across the globe. This plunge has not yet ended, and so far the Shanghai Stock Market has lost 40% of its value. In the wake of this, stock markets from New York to London have reeled; leading to a roller coaster ride of uncertainty.

Speculators have also been withdrawing from stock, currency and bond markets in other parts of Asia, Africa and Latin America. At the end of August 2015, in a single week, $ 2.5 billion moved out of the bond markets of countries such as South Africa, Russia, Turkey and Brazil. Numerous countries too have seen their currencies routed, as nervous speculators have shifted money to areas and 'investments' they have deemed as being safer in uncertain times. This shift of speculative money from these markets is dangerous for such countries. The South African state in particular relies on inflows of speculative money into its stock and bond markets to cover its current account deficits. If this inflow of speculative money dries up, South Africa would be in serious trouble. To try and prevent this possibility, the South African state and the Reserve Bank have maintained one of the highest interest rates, in real terms, in the world.

States do the dirty work, again

In reaction to this turmoil, the ruling classes in many countries have used their control of states to try and stabilise the system: highlighting once again that the notion of a self- regulating free market is a fallacy, that the elite don't believe or practice, but which they try and sell to the working class.

The Chinese state alone has spent as much as $ 240 billion since June 2015 to stem the bloodletting on the Shanghai Stock Market. It has also banned large companies from selling stocks and it has launched criminal investigations into speculators that have been short-selling. In an attempt to re-inflate the stock market bubble, though, the Chinese state has lowered the reserve requirements for banks and slashed interest rates – to make cheap money available to speculators. This was done in the hope they would use this to buy shares again and stabilise prices. It was also recently announced that the state was considering suspending trading on Chinese stock markets at any signs of volatility. All of this has so far been to little avail as stock prices have continued mostly to decline – they will eventually reach a bottom, but no one knows for certain when.

It has not just been the Chinese state that has intervened in the wake of recent events, the US state also rushed to try and ease the concerns of speculators over the last few weeks. It did this by stating, in late August, that it would probably not raise

to create demand for goods. Many of the projects to create this demand were absurd – for example building highways and bridges to nowhere and even a theme park in Tibet – and were undertaken with the sole purpose of assisting capital.

Over and above this, since 2007, cheap loans have been provided by the Chinese state to corporations to undertake projects in the real estate sector and to speculate on the stock markets. This contributed to private debt rising by more than 60% in China in the last five years, with private debt now standing at 280% of the country's GDP. All of this, however, only bought time. The massive state intervention in 2008 and 2009 to try and curb the impact of the crisis has now run out of steam – meaning the crisis is returning in full force. The state may choose again to try and delay the impact with massive spending, but even its capacity to do this endlessly does not exist and will only make over-production worse in the short-term. It has, therefore, become clear again that the problem of over-production and over-accumulation has not disappeared even in China, and it is this that is at the centre of the current stock market crash.

Over-production and over-accumulation are still with us

Officially, the Chinese state has claimed that GDP in the country is still growing at 7% annually. However, there is a widespread belief that this may be false, and that at best China's GDP is in the region of 4%, with manufacturing actually declining. The July 2015 manufacturing purchasing managers' index (PMI) in China showed that manufacturing is shrinking. Likewise, it was announced that exports and imports had also declined year on year in August. In fact, it was the 10^{th} consecutive month that imports declined. This partially also means that the main driving force of growth in buy-back spree to inflate share prices – since 2009 $ 2.3 trillion has been spent by US companies buying back their own shares and thereby inflating the prices. It was and is states that make this possible through their policies, laws and even actions such as bailouts.

This explosion of speculation, since the 1970s, has led to massive instability. Since financial liberalisation began in the 1970s, there have been over 100 financial crises in different parts of the world. The last major one being in 2007 and centred around US corporations that had run up massive debt and speculated on debt – only to find the debt they had speculated on was largely worthless – while the most recent one being the bursting of the Chinese stock market bubble and the subsequent global fallout.

Of course when speculative bubbles have burst, states have spent billions and trillions bailing out the rich. Indeed, when in deep trouble the ruling classes have always turned to their instrument of rule, the state, to bail themselves out. In the wake of the 2007 financial crisis it was estimated that the US state alone spent as much as $ 29 trillion bailing out speculators. In countries like South Africa, the state has helped finance capital when they have got into difficulty. In 2014, the South African state and the Reserve Bank spent $ 1.6 billion bailing out African Bank. African Bank had been involved in massive unsecured lending, and when large parts of this could not be paid back, the state stepped in to save the capitalists that owned the company. For the people that had taken unsecured loans that African Bank fostered on them, however, there was no relief: the state has enforced the repayment of these loans.

China too also has a history of assisting and bailing out corporations in specific ways. Its recent spree to prop up the Shanghai Stock Market is nothing new. In 2007, when demand for goods manufactured in the country declined, and it became clear China was suffering from a crisis of over-production, the Chinese state spent $ 4 trillion (between 2008 and 2009)

interest rates yet. One of the ways that the US state has been assisting speculators since 2007 is by keeping interest rates at near zero. This has allowed banks, brokers, pension fund companies, hedge funds etc. (speculators in other words) to borrow money cheaply to speculate on stock and bond markets in Africa, Asia and Latin America, which have been offering high returns. In stating that it won't probably raise interest rates yet (although speculation is once again growing, at the time of writing, that it may), the US state was signalling it would continue to provide easy money to speculators.

Just symptoms

All of these recent convulsions are, however, just symptoms of much wider problems. Capitalism has been mired in a global crisis since the 1970s based on over-production and over-accumulation. Since the 1970s, productive sectors, like manufacturing, have been stagnating with profit margins becoming slimmer and slimmer due to over-production. As a result, the portion of investment into manufacturing since then has declined, as capital has desperately sought out other outlets that offer better returns.

One of the few geographical places that seemed to have been immune to the global problem of over-production and over-accumulation was China. Due to extremely low wages, violently and ruthlessly kept in place by the Chinese state, the manufacturing sector in China experienced a boom beginning in the 1980s. Many corporations from various parts of the world also set up plants in the country or outsourced production to Chinese corporations.

By 2007, and in the wake of the global financial crisis, it became evident that China was not immune, and that it too was experiencing a crisis of over-production and over-accumulation. In 2007, exports from China plunged and it became evident that China itself had excess manufacturing capacity and a problem of capital over-accumulation – at the time there was a real threat that massive amounts of products would have no buyers and thousands of factories would become idle. Two things, however, delayed the full impact of this at the time: there was a shift by Chinese capitalists towards massive speculation on the stock markets and in real estate – leading to growth in the GDP – and massive intervention by the Chinese state to purchase products, commodities, and boost the Chinese stock markets.

A long history of state intervention

States are central to capitalism, which has been evident in the wake of 2007, and again around recent events centred on China. The anarchist Peter Kropotkin long ago stated that: "The state… and capitalism are facts and conceptions which we cannot separate from each other. In the course of history these institutions have developed, supporting and reinforcing each other. They are connected with each other – not as mere accidental coincidences. They are linked together by the links of cause and effect, effect and cause". Indeed, in the context of modern capitalism this relationship has been laid bare for all to see. States, since the 1970s, have been intervening in very specific ways to try and create outlets for capital in order for capitalism to overcome the crisis of over-production and over-accumulation. In the past states, including in countries such as the US, intervened through heavily assisting corporations involved in manufacturing, including through subsidies. In China until the late 1970s a form of state capitalism existed, with the state playing a direct role as a capitalist through owning the means of production and directly exploiting workers. By the late 1970s, the intervention changed. As such,

states still have intervened in the market, but only in new ways.

One way states have been 'intervening' in the market, since the 1970s, has been through embarking on financial liberalisation. They have assisted capitalists by allowing and enabling them to create new areas of 'investment', including through floating currencies, promoting the growth of financial markets, and encouraging trade in opaque financial instruments such as debt derivatives. In countries such as the US and South Africa states have also made it legal for companies to buy back their own shares to inflate share prices. Other states, in the 1980s and 1990s, such as the Chinese state established stock markets for the first time (along with encouraging the emergence of much larger private sectors and embarking on some privatisation); thereby creating new outlets – even if unstable – for capitalists globally, who were experiencing over-accumulation and needed to find some profitable outlets for their capital beyond manufacturing.

It is, therefore, states as instruments of the ruling class that have helped in engineering the explosion of the financial sector and speculation, including in China. Globally the financial sector and speculation has become massive – dwarfing productive sectors. For example, by 2014 the average daily speculation on currencies around the world had reached $ 5.5 trillion. Even a relatively small country like South Africa – which is ranked 33rd in the world in terms of the size of its economy – has come to experience massive trade in its currency. In fact, the average daily trading volumes (mainly speculation) on the South African Rand has reached $ 60 billion – meaning the size of the speculation on the Rand on any given day is almost 20% of the country's entire Gross Domestic Product (GDP).

The amount of speculation on stock markets has also exploded since the 1970s. Many, including Wall Street, are now far larger than the GDP of the states they are situated in. In recent years corporations in the US have been on a massive share