Crises are not only unavoidable they are essential to the law of motion of capital. They constitute the resolution to the over-accumulation of capital so that the cycle would run its course anew. The trajectory of each crisis of capital depends upon the peculiar features and severity of the specific crisis as well as other economic and political factors. The current unprecedented global financial catastrophe is mistakenly seen as the result of exceptional greed and excessive profit-taking by irresponsible capitalists in the United States. This paper argues that the international system of capital is in crisis generated by the contradictions in the processes of capital accumulation and the class struggle globally. The role by which US led finance capital has shaped the global structures of production based on the exploitation of wage labour will be examined. The global crisis of capital has enormous implications for the US as the dominant but declining imperial power. It is the harbinger of greater international instability, fuelling possible power shifts and deepening rivalry. Significant structural changes within nation states and internationally are imminent. Will the irreconcilable contradictions of capital lead to greater exploitation and immiseration of the masses as the solution to its crisis? Or, will new possibilities emerge for humankind to liberate itself finally from the clutches of capital?
'Great Disorder Under Heaven'

There is great disorder under capital’s celestial canopy. Unlike the previous economic crises of the past two decades which have occurred in Asia, Russia, Mexico and Argentina, the present crisis of capital occurred at its centre: the United States of America. The financial crisis gripping the American heartland may indicate both the end of a global neo-liberal hegemony and the beginning of the end of the United States as the dominant imperial power. The financial crisis cannot be limited to massive bad loans, burst speculative bubbles or the virtual collapse of key banking and investment institutions in the United States and Europe. Despite the gargantuan bailouts by Washington of the bankrupted and collapsing financial masters of the universe, Goldman Sachs, JP Morgan, Chase, Morgan Stanley, Bear Stearns, Lehman Brothers, Merrill Lynch, and American International Group, the crisis of capital shows no definite signs of abating, despite the predictions that it can be contained, or that its duration will be brief, or miraculously, that the market free of state intervention will correct itself. The present crisis has American origins and its repercussions will be and are global. It may lead to protracted economic stagnation and a world-wide depression as other global crises in food, energy and the environment unfold.¹

Before examining the background and dynamics of the present unprecedented crisis of capital, it must be stressed that such crises are both unavoidable and essential to the law of motion of capital. Capitalism’s resilience requires the elimination of over-accumulation so that the system can run its course anew. Such a process creates a

fundamental contradiction. It paves the way for more extensive and destructive crises and diminishes the means whereby crises are prevented.\textsuperscript{2} The trajectory of this progression depends upon the specific features and the severity of the contemporary crisis as well as other economic and political factors. The global struggle of capital is ceaseless. The last major system failure of capital was the Great Depression of the 1930s. It was the harbinger of international fascism and imperialist war. The resolution of the contemporary crisis of capital is unknown as is its trajectory. Whether it proves to be epochal like the Great Depression may only be judged in hindsight. With these considerations in mind, we may begin to analyse the dynamics of the current crisis.

Although the totally unregulated practices of Wall Street’s financial institutions precipitated a monumental collapse of credit, the raising of loans and corporate bankruptcies, these problems could not be contained. Money capital was entirely separated from productive capital. Speculation in the sub-prime mortgage market and derivatives became the driving force of economic adventurism. Because US-led finance has a dominant role in shaping the global capitalist order, the repercussions of the financial collapse on Wall Street were international in dimension. The ferocity, speed and spread of the Wall Street crisis prefigured a systemic failure of capital. Unlike previous debt and financial crises of the past quarter century, this crisis exploded in the US, the world’s leading capitalist economy and to date remains focused on major bank failures in Western Europe whose governments are engineering separate bailouts. The Russian stockmarket intermittently suspended operations and Asian financial markets collapsed. The present deepening financial crisis will have unpredictable repercussions on the world

\textsuperscript{2} Marx and Engels 1848
capitalist system and the power shifts and rivalries within it. The crisis is the outcome of the fundamental workings of the capitalist system. The background to the crisis is framed in several key considerations. The first is the relationship between the vast enlargement of the US financial sector, the phenomenon of financialization and the globalization of capitalist production of the past two decades. Central to this dynamic is the relationship between the United States and China. Secondly, through the course of this growth and expansion, severe imbalances have developed between the financial system and the expectation of future profits and the accumulation of capital. That is, the structure, actual production and re-investment based on the exploitation of wage-labour. The third consideration is the enormity of the militarization of the US economy. The final consideration is that the crisis is a concentrated expression of the anarchy of capitalist production at an international level.³

Most commentary and analysis of the crisis concentrates on the US financial system. The immediate trigger is seen as the collapse of the speculative real estate market, leading to cascading losses in the financial sector and the inability of bankrupted financial institutions to raise capital or to lend capital. At a deeper level, the crisis is the outcome of the trajectory of world capitalist growth. A significant feature of the past twenty years has been the integration of the world capitalist economy at the level of trade and production. In the realm of global finance, banks operate across national borders and are tightly interlinked through chains of borrowing and lending. This wave of globalization has involved direct production and financial investments and the expansion of outsourcing and contracting. It has created both the fuller integration of export producing Third World countries into the world capitalist market as a globally-integrated

³ Lotta 2008.
cheap labour manufacturing economy. Over forty per cent of US imports are now made by US transnationals and thirty per cent of US corporate profits are generated overseas. China has become the high profit sweatshop of international capitalism and the epicentre of this surge of corporate globalization.⁴

Global capitalist growth has been spurred by intensified financialization. As production and exploitation is now globalized in Third World countries through free-trade agreements, the financial services sector in advanced capitalist countries has mushroomed. Massive and mobile flows of investment capital have been continuously generated. The stakes of winning or losing were enormous. Capital was provided risk management through investment banks and other financial institutions to ‘hedge’ against interest rate variations, currency fluctuations and other sources of volatility and loss. Finance capital became a source of short term speculative profit making. Global financial assets increased from $12 trillion in 1980 to $200 trillion in 2007, far outstripping the growth in world output or expansion in trade. Growth in advanced capitalist countries is increasingly finance-led and credit-driven. The US is the nerve-centre of this heightened financialization. In 2007, manufacturing made up just 10 per cent of US Gross Domestic Product (the production of goods and services) while finance, insurance and real estate had grown to twenty-five per cent. Moreover, in 1982 the financial sector of total corporate profits was five per cent. In 2007 its share of corporate profits was nearly forty-five per cent.⁵

These processes of globalization and financialization have created unsustainable imbalances and instabilities. The dynamics which accelerated growth have also

⁵ Bellamy Foster and Magdoff, 2009; Phillips 2008; Rude 2004.
generated new barriers to the accumulation of capital. The contradictions of this regulatory trajectory of growth have turned strengths into vulnerabilities. The financial sector is a bloated deadweight on the productive base. The expansion of corporate debt and government deficits in the US is now reliant upon massive and uninterrupted flows of overseas capital, with the central banks of Japan and China holding huge amounts of US Treasury debt. There are billions of dollars of paper assets in the US and throughout world capitalism which cannot be transferred into real productive material assets. American consumption and borrowing which intensified China’s frantic manufacturing growth also created great US trade deficits and mounting competitive pressures throughout the world economy. Financial institutions attempted to reduce risk and profit from risk by dispersing more varied financial instruments over a broader field of investors internationally. The globalization of production, markets and economies has created the conditions for a faster and more extensive rippling effect of capital’s crisis throughout the world.⁶

A major strategic concern for US corporate capital is the international strength of the US dollar. It is the world’s leading currency for settling transactions, clearing debts and holding foreign exchange reserves. It is an investible commodity. The dollar is the linchpin of US supremacy in the current global order. If foreign central banks and investors abandoned their dollar holdings there exists the possibility of a global monetary crisis, in which rival currencies, such as the Euro of Western Europe, and rival powers of the US could be strengthened. So far the US dollar has held firm. But this period of calm may only prove to be a lull in the crisis of international capital. At present the US has limited manoeuvrability. It remains the largest debtor nation. Its wars for empire in

⁶ Lotta 2008
Iraq and Afghanistan (and Pakistan?) have been costly and indecisive. Moreover, US military dominance globally is strategically necessary. According to Kenneth Rogoff, the former chief of the International Monetary Fund: ‘A large expansion of debt will certainly make it harder for the US to maintain its military dominance which has been one of the lynchpins of the dollar.\(^7\) US Defence and defence related spending amounted to more than $1,000 trillion in fiscal year 2007-2008.\(^8\) Military-related production and research are deeply embedded in the US economy. The US military plays a special role in forcibly preserving and extending the American empire across the globe. American military dominance and the wars the US is waging are increasingly reliant upon the steady inflow of foreign capital of nearly $3 billion a day. For this to continue, the US economy and the dollar must remain stable. This is the stark contradiction for US imperialism.\(^9\)

The US faces new competitive challenges and the emergence of potential rival constellations of power contending for market shares, control over energy resources and geopolitical position. The international bodies which the US dominates – the International Monetary Fund, World Bank and World Trade Organisation – seem impotent under the current crisis. The available funds of the IMF and World Bank are insignificant compared to the scale of loan requirements. Different countries seek to shore up their domestic economies against the financial storm. The WTO globalisation agenda has few enthusiasts.

The crisis of capital has revealed the acute vulnerability of US imperialism. It continues to preserve and extend its supremacy despite its declining economic strength

\(^7\) Rogoff 2008.
\(^8\) Chalmers 2008.
\(^9\) Bellamy Foster, Holleman and McChesney 2008.
and a fractured and unstable world financial architecture which for the present is based on
the privileged role of the dollar. This is a period of dynamic flux in the world system of
capitalism.

From the collapse of the Soviet bloc a new more integrated geopolitical
framework for capital accumulation contributed to accelerated globalization. It was
intensified by new technologies and consolidated under the US-led project of neo-
liberalism which privatised government assets, opened new markets to foreign capital,
jettisoned most regulations over international business, cut social welfare and suppressed
the rights of labour. The rapid industrialization of world agriculture and the transnational
integration of food production have increasingly destroyed traditional agricultural
systems throughout the Third World. There has been an unprecedented forced
urbanization and pauperisation of huge population movements throughout many Third
World countries. More than half the world’s population now live in cities. One billion
people inhabit the slums of contemporary Third World cities. Mike Davis describes this
new material reality as the ‘planet of slums.’ Arising in the wake of the implosion of the
Soviet Union and globalisation is a reactionary transnational Islamic fundamentalism that
is a real and ideological force.

As the crisis of capital continues, these shifts and fault-lines in the world economy
become clearer. A new situation and great challenges to global capitalism is emerging in
its systemic breakdown. China’s rapid economic rise and power projection into East and
Central Asia and other strategic regions of the Third World indicate that American global
domination is under challenge. The European Union, with its intrusion into central and
eastern Europe and the creation of a monetary zone based on the Euro, poses an

\[10\] Davis 2006.
economic challenge to US dollar hegemony. Similarly, an assertive energy-based Russia is reaching out and creating pressure on Western Europe, countering US moves and promoting its own interests in energy rich Central Asia, forming a strategic partnership with China over regions of Eurasia and providing technological assistance and advanced weapons to Iran and Venezuela.\textsuperscript{11}

The global crisis of capital grips a world economy where there is an intensifying competition for finite resources especially oil and global ecological stresses may be beyond repair or recovery. Its system failure creates greater shifts and fault-lines in the global economy. The prospects for change, political, economic and ideological, may be profound. The fate of global capital in crisis cannot be predicted only anticipated.

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