

The Structural Crisis *of* Capital

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- Attila József e l'arte moderna*, 1964
- Marx's Theory of Alienation*, 1970
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- The Work of Sartre: Search for Freedom*, 1979
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- Socialism or Barbarism*, 2001
- A educação para além do capital*, 2005
- O desafio e o fardo do tempo histórico*, 2007
- The Challenge and Burden of Historical Time*, 2008

The Structural Crisis *of* Capital

by ISTVÁN MÉSZÁROS



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For Donatella; and for the people of
Brazil's Landless Workers Movement (MST)
whose struggle for emancipation she admired and supported.

Foreword

by John Bellamy Foster

If I were asked to sum up the significance of István Mészáros for our time in a phrase I would have to follow President Hugo Chávez of Venezuela in referring to him as the “Pathfinder of Socialism.”¹ His work, in such writings as *Marx’s Theory of Alienation* (1970), *The Power of Ideology* (1989), *Beyond Capital* (1995), *The Challenge and Burden of Historical Time* (2008), *The Structural Crisis of Capital*—the book before you (2009), and *Social Structure and Forms of Consciousness* (forthcoming, 2010), provides a strategic vision of the building of socialism, the absence of which for many decades constituted one of the principal weaknesses of the anti-capitalist movement worldwide. For Mészáros “the structural crisis of capital” arises not simply from the fact that the system is now face to face for the first time with its own “absolute limits,” but also from the reality that the necessary conditions of a mass-based, hegemonic socialist alternative are emerging, providing the bases of a new revolutionary situation globally. The depth and breadth of his critique of the capital system—extending to post-capitalist regimes like the Soviet Union—offers a powerful set of insights into the historical necessity of socialism, and this in turn informs his critique of capital itself, constituting a single strategic argument. As Chávez has stated, the importance of Mészáros’s magnum

opus *Beyond Capital* is to be found in its “subtitle: ‘Toward a Theory of Transition.’ It is a theoretical effort, because Karl Marx did not develop a theory of transition.”²

The immediate context in which Mészáros’s *Structural Crisis of Capital* appears is what is commonly and euphemistically known as the Great Recession, or the immense financial and economic crisis in which we are now engulfed, manifesting itself on a scale not seen since the Great Depression of the 1930s.³ Mészáros begins and ends his book with the current economic malaise. But he explains this as part of a wider disjuncture stretching back to the early 1970s.⁴ This structural crisis cannot be seen simply in narrow economic terms. Rather it also encompasses the global ecological crisis; what Mészáros calls “the potentially deadliest form of global hegemonic imperialism” (179); and the manifold social and cultural contradictions emanating from the hierarchical power relations of the prevailing order. “The epochal *structural crisis* of the capital system,” moreover, transcends all merely “*cyclic and conjunctural* economic crises...affecting *all conceivable forms of the capital system as such*, not only capitalism,” asserting itself through the activation of “*the absolute limits of capital as a mode of social metabolic reproduction*.” This poses dangers “incomparably more severe than even the Great World Economic Crisis of 1929-1933,” due to the “truly global character” of the world crisis this time around (172).

So dialectically interconnected, in Mészáros’s conception, are capital’s deepening structural crisis and the imperative of a genuine socialist transition that it is impossible to address the former without also addressing the latter. His critique of *capital* (as opposed to capitalism) is equally a critique of the early “socialist” (or post-capitalist) experiments, which in failing to eradicate the capital relation in its entirety, but merely mediating this via the state, ended up in a historical dead end—while nevertheless illuminating the path that the socialism of the twenty-first century must take. In Mészáros’s analysis this path can be summed up as: “substantive equality,” “self-critique,” and communal self-organization of productive relations, which taken together define a sustainable socialist society.⁵

Mészáros strongly counsels against the *defensive*, purely economic orientation of laborist and social democratic movements, which, faced with the default of capital, do everything they can to bail it out and restore

the very economic power that keeps them and the entire working class in subservience. Rather it is essential, he argues, to take full *offensive* advantage of the current weakness of capital as a system of social metabolic reproduction to alter the rules of the game fundamentally and irrevocably *by political means*. Opposing those who claim that the working class has been integrated into the system, he makes it clear that this is a systemic impossibility even in the wealthiest capitalist states, and at most extends to the trade union leadership (190-95). The working class remains everywhere an alienated power, the indispensable agent of *potential* revolutionary change. Still, in responding to the question of whether such a revolutionary transformation will actually take place, Mészáros answers bluntly: “It depends” (p. 187). Genuine human emancipation, altering society “from top to bottom,” in Marx’s terms, can only be brought about through unrelenting struggle and hence is a contingent aspect of history (85).

The structural crisis of capital, described in this book, has been worsening for decades and has now reached a point where it has taken on real urgency in every region of the globe. Critics of the system can therefore no longer hide behind the comforting illusion that socialism will eventually arise of its own accord, or that the world can simply afford to wait. In this respect Chávez (quoted in Chapter Five “Bolívar and Chávez”) declared before the World Social Forum in Caracas in January 2006: that to limit anti-systemic activities to an annual “*touristic/folkloric encounter would be terrible, because we would be simply wasting time, and we have no time to waste*.” I believe that it is not given to us to speak in terms of future centuries...we have no time to waste; the challenge is to save the conditions of life on this planet, to save the human species, to change the course of history, to change the world” (p. 136).

The out-of-control destruction that now characterizes the capital system on a world scale, and imperils all life on the planet, has its dialectical antithesis in the potential for an acceleration of history, through the activation of a genuine, mass-based revolutionary struggle for substantive equality. The conservative nineteenth-century cultural historian Jacob Burckhardt, looking back on an earlier era of revolution, once described a “historical crisis” as a time in which “a crisis in the whole state of things is produced, involving whole epochs and all or many peoples of the same

civilization. . . . The historical process is suddenly accelerated in terrifying fashion. Developments which otherwise take centuries seem to flit by like phantoms in months or weeks, and are fulfilled."⁶ Today the structural crisis of capital provides the historical setting for a new revolutionary movement for social emancipation in which developments normally taking centuries would flit by like phantoms in decades or even years. But the force for such necessary, vital change remains with the people themselves, and rests on humanity's willingness to constitute itself as both subject and object of history, through the collective struggle to create a just and sustainable world. This, Mészáros insists, constitutes the unprecedented challenge and burden of *our* historical time.

INTRODUCTION

The Substance of the Crisis¹

by Richard Antunes

I.

Much has been written about the crisis. A crisis of subprime mortgages, a crisis of speculation, a banking crisis, a financial crisis, a global crisis, a rerun of the crisis of 1929, and so forth. A phenomenology of crises has blossomed, and what was said yesterday is obsolete today. The major periodicals—*The Economist* for one—speak of a “crisis of confidence” and the catchphrase spreads. The crisis as an act of volition. *Fiducia!*, the Latins would say. That is the key to analysis.

The governments of the countries in crisis, in the United States, Europe, and many other corners of the world, seem to have rediscovered *full-blown privatized statism* as the recipe for curtailing the crisis of “confidence.” The neo-Keynesian solutions, buried for the last four decades, and considered one of the main evils of earlier crises of capitalism, has reemerged as the salvation from the *true way to servitude*; that is, mankind’s subjection to the designs of the destructive logic of capitalism and, in particular, its hegemonic financial center.

Beyond the phenomenology of the crisis, we could recall several critical authors from the left who have tried to go beyond the surface and

uncover the structural and systemic fundamentals of the melting and liquefying of the capital system.

Robert Kurz, for example, has been warning us since the early 1990s that the crisis that bankrupted countries in the so-called “real socialism” camp (with the USSR at the front) and also devastated the “Third World” was the expression of a crisis in the *mode of commodity production* that would later migrate to the heart of the capitalist system.

François Chesnais highlighted the complex connections between production, financialization (“the most fetishized form of accumulation”), and capitalist globalization, emphasizing that the financial sphere feeds on the wealth generated by investment and the exploitation of a trained workforce worldwide. And it is a part of that wealth, channeled toward the financial sphere, that inflates flaccid, fictitious capital.

But István Mészáros, since the late sixties, has been systematically exposing the *crisis* that was already beginning to devastate the global capital system, pointing out that the 1968 rebellions and the monumental restructuring of capital in 1973, were harbingers of a substantial change outlined in both the capitalist and the global systems of capital.²

He wrote that the capital system (and the capitalist system in particular), after living through an era of cycles, was entering a new, never-before-seen phase of *structural crisis characterized by a depressed continuum* that would confine the previous cyclical phase to history. Although there would be changes in the epicenters, the crisis has shown itself to be enduring, systemic, and structural.

What is more, it has shown the failure of the two most daring state systems of control and regulation of capital seen in the twentieth century. The first, of a Keynesian type, was typical of *welfare state* capitalist societies. The second, of a “Soviet type” (established, according to Mészáros, in the Soviet Union and other “post-capitalist” societies), resulted from a social revolution that tried to destroy capital and was devoured by it. In both instances, the political entity charged with regulation was deregulated at the end of a long period, by the very system of social metabolism of capital.³ A similar process seems to be taking place in China today, making it an exceptional laboratory for critical thinking.

II.

This book is a condensation of a number of articles and interviews presenting the main theses and formulations in the work of István Mészáros, written over more than three decades and now published in a single volume, summarizing some of his stronger theses at a decisive time in the twenty-first century when *all that seemed solid melts into air, with capitalism undergoing a strong process of liquefaction*.

The sum total of resources, trillions of dollars destroyed in the last few months, is in itself overwhelming. The crisis in the global financial system, and the reduction of industrial, agricultural, and services output, are all too evident. Since 1929, capitalism has not seen so deep a crisis, one that surfaces even in the discourse of capital holders, their managers, and political lieutenants. In recent decades, István Mészáros has been one of the densest, deepest, most qualified, and most radical of critics. This book is an example of the compelling force and weight of his vast and powerful corpus of works.

If I could condense into a few pages some of the theses that define the current *structural crisis of capital*, I would begin by saying that Mészáros makes a devastating criticism of the workings characteristic of its *socio-metabolic system*.

His penetrating research, covering all of the twentieth century, has led him to the conclusion that, having *no limits to its expansion*, the system of capital ends up as a *destructive* and deeply *uncontrollable* process. It is made up of what he, following Marx, calls *second-order mediations*—when everything becomes controlled by the logic of capital's valorization process, with no regard for vital human and social imperatives. Superfluous production and consumerism corrode labor, with the correlation of more precarious employment and structural unemployment, as well as a level of destruction of nature never before seen on such a global scale.

Expansionist in its unlimited and growing quest for surplus value, *destructive* in its development characterized by the pursuit of superfluity and waste, the capital system becomes uncontrollable when it reaches its outer limits. All that, concisely stated here, means that, after a long period of cycles, the crisis, still according to Mészáros, has taken the shape of an

endemic, cumulative, chronic, permanent crisis, which confronts us again as a vital imperative of our time, given the specter of global destruction, the task of creating a social alternative for building a *new mode of production* and a *new way of life*, one firmly and openly opposed to the destructive logic of the capitalist system dominant today.

Therefore, unlike the cycles of expansion that have shaped capitalism throughout its history, alternating periods of expansion and crisis, since the 1960s and 1970s, we find ourselves immersed in what Mészáros has called a *depressed continuum* showing the characteristics of a *structural crisis*.

His analysis already forewarned that within the capitalist countries of the center, “crisis management” mechanisms would become ever more recurrent—and ever more inadequate—once the radical gulf between *production for social needs and self-reproduction of capital changed the character of modern capitalism, with devastating consequences for mankind*.

Given the new *form of being* of the crisis, we have thus entered a new period characterized not by cyclical interval of expansion and recession, but rather *more frequent and longer lasting precipitations*. Since this is a crisis of the very realization of value, the destructive logic that accelerates in our days has enabled Mészáros to develop another thesis: that the system of capital can no longer develop without using the *decreasing rate of utilization of use-value of commodities* as an intrinsic mechanism. This happens because capital does not distinguish between *use-value* (as relating to the sphere of needs) and *exchange-value* (as relating to the valorization of value). On the contrary, it radically subordinates the former to the latter.

This means, the author adds, that the utilization of commodities can vary from one extreme to the other, from having their use-value immediately realized to never being used, without ever losing their essential usefulness to capital. And, given that the *diminishing trend of utilization* drastically reduces the useful life of commodities—a *sine qua non* for the proper functioning of the valorization process in its reproductive cycle—that diminishing trend becomes one of the main mechanisms through which capital can accomplish its accumulation, by destroying the useful life of commodities and the subordination of use-value to the imperatives of exchange-value.

The widening gulf between production truly dedicated to meeting human needs and production dedicated to the self-reproduction of capital intensifies the destructive side effects, of which the two mentioned above put the present and future of our species at risk: the structural precariousness of labor and the destruction of nature. Mészáros's conclusion is forceful: even if 90 percent of the material and labor resources needed for the production and distribution of a given commodity (for example, a cosmetic product) went directly to the trash can, and only 10 percent were actually used in making the product, for the real or imaginary benefit of the consumer, the obviously devastating practices involved would be completely justified under the criteria of capitalist "efficiency," "rationality," and "economy;" due to the proven profitability of the product. And, he adds, what would become of humankind when 5 percent of the world's population (the United States) consumes 25 percent of all available energy resources? And what if the other 95 percent engaged in a similar level of consumption? The current tragedy of environmental destruction in China is emblematic.

This underlines another fundamental contradiction in which the world has been more deeply sunk since the beginning of the century: if unemployment rates continue to rise, the levels of social degradation and barbarism intrinsic to unemployment will spiral too. If, on the other hand, the world resumes its former rate of growth again, increasing production and the way of life founded on superfluity and waste, we shall see an even higher rate of nature's destruction, intensifying the destructive logic now dominant.

This situation of *systemic and structural crisis* has another central component, the corrosion of labor. After the worsening of the crisis in the United States and other central capitalist countries, we have seen deep repercussions on a global scale in the sphere of labor. Amid the hurricane now battering the heart of the capitalist system, we see the erosion of relatively regulated and contracted labor, heir to the Taylorist and Fordist eras, which was the norm in the twentieth century—the result of a century of workers' struggles for social rights. This is now being replaced by several forms of "entrepreneurship," "cooperativism," "voluntary work," and "atypical labor." These formats range from the super-exploitation of labor to self-exploitation, always in the direction of a structurally greater

precarization of the labor force on a global scale. And, of course, there is an explosion of unemployment affecting enormous numbers of workers, be they men or women, permanent or precarized, formal or informal, native-born or immigrant, the latter being the first to be harshly penalized.⁴

In a recent report, the International Labor Organization (ILO), using fairly moderate data, forecast the loss of fifty million jobs in 2009. It would only take one large carmaker in the United States closing its doors to create further millions of unemployed. The newspapers in Europe report every day on thousands of workers losing their jobs.

The same ILO report adds that almost 1.5 billion workers will see their salaries cut and unemployment spreading in the same period.⁵ But it is a well-established fact that international statistics on employment fail to detect *hidden unemployment*, often absent from official statistics. And, as Mészáros often points out, if real statistics on unemployment in India and China were included, the numbers would grow many times over.

It is worth pointing out that in China, twenty-six million former rural workers who had found work in cities have lost it in the last months of 2008 and the first months of 2009, and can no longer find available work in the countryside, thus triggering a new wave of revolts in that country. In Latin America, the ILO adds that “up to 2.4 million people could swell the ranks of the unemployed in the region during 2009,” adding to the almost sixteen million already unemployed.⁶

In the United States, Great Britain, and Japan, unemployment rates in the first few months of 2009 are the highest in decades. That is why businessmen the world over are pressing for new legislation to make labor laws more flexible, using the fallacy that this is a way of saving jobs. It has been already tried in the United States, Great Britain, Spain, and Argentina in a very intense way, but unemployment has just kept on spiraling upward.

Therefore, taking a completely different tack from those who confine the crisis to the world of banking, a “crisis of the financial system,” or a “credit crunch,” for Mészáros, “the enormous speculative expansion of financial adventurism—particularly in the last three or four decades—is by its nature inseparable from *a deepening of the crisis in the productive branches of industry* as well as from the ensuing troubles arising from the

utterly sluggish capital accumulation (and indeed failed accumulation) in the productive field of the economy. Now, inevitably, in the field of industrial production the crisis is getting much worse. Naturally, the necessary consequence of the ever deepening crisis in the productive branches of the 'real economy' . . . is the growth of unemployment everywhere on a frightening scale, and of the human misery associated with it. To expect a happy solution to these problems from the capitalist state's rescue operations would be a great illusion."

And he adds: "the recent attempts to counter the intensifying crisis symptoms, by the cynically camouflaged nationalization of astronomic magnitudes of capitalist bankruptcy, out of the yet to be invented state resources, could only highlight the deep-seated antagonistic causal determinations of the capital system's destructiveness. For what is fundamentally at stake today is not simply a massive financial crisis but humanity's potential self-destruction at this juncture of historical development, both militarily and through the ongoing destruction of nature."

If capital's answer to its structural crisis is the neo-Keynesianism of the fully privatized state, the answer from the social forces of labor must be radical. Against the fallacy of the neo-Keynesian "alternative," always welcomed by those on the "left" acting to promote "Order"—"alternatives" are fated to fail. As demonstrated by Mészáros in his analysis of the twentieth century, they constitute the *line of least resistance to capital*. The necessary challenge was already indicated in his article, "Radical Politics and Transition to Socialism."⁷ A shorter version of this article was delivered as a lecture in Athens in April 1983. The article is reprinted in full in Part IV of his *Beyond Capital*. In it, he already made the distinction between *structural and systemic crises* and the *cyclic or conjunctural* crises of the past, as well as the need for radical politics in opposition to the (neo-) Keynesian alternatives that capital adopts in its moments of crisis.

It is worth remembering a recent *Notes from the Editors* in *Monthly Review* that points to Mészáros's decisive contribution: "How is the left to react to the economic crisis and to such attempts to socialize losses on the back of the population as a whole? Should we in the face of a depression and financial crisis be offering our own, slightly more benign strategies for saving the system?"

The Note adds: “In September (2008) some progressives in the United States argued that it was necessary to support Paulson’s ‘bailout the rich’ plan lest there be a depression. Three months later we have trillions in government funds handed over to the richest people on the planet *and* a depression. The crucial point, in our view, was captured by Mészáros in *Beyond Capital* where he explained that “radical politics can only accelerate its own demise . . . if it consents to define its own scope in terms of limited economic targets which are in fact necessarily dictated by the established socioeconomic structure in crisis.”⁸

As Mészáros wrote in his prophetic 1982 article:

Since the *immediate* manifestations of the crisis are *economic*—from inflation to unemployment, and from the bankruptcy of local industrial and commercial enterprises to a general trade-war and the potential collapse of the international financial system—the pressure emanating from the given social base inevitably tends to define the task at hand in terms of finding urgent *economic* answers at the level of the crisis-manifestations themselves, while leaving their *social causes* intact.

And, he went on:

‘belt tightening’ and ‘accepting sacrifices needed’ to ‘creating real jobs,’ ‘injecting new investment funds,’ ‘increasing productivity and competitiveness,’ etc.—imposes the *social premises* of the established order (in the name of purely *economic* imperatives) over the socialist political initiative . . . within the framework of the old social premises and structural determinations, thereby ending up with the revitalization of capital.

This explains why for Mészáros any attempt to overcome that system of social metabolism that follows the *line of least resistance* to capital and confines itself to the *institutional and parliamentary* sphere, is doomed to failure. Only a radical extraparliamentary policy that drastically reorients the economic structure could destroy capital’s system of social domination and its destructive logic.

To create a *mode of production and living* fundamentally different from the current one is, therefore, a vital challenge launched by Mészáros.

Now at the start of the twenty-first century, building a new meaningful way of life reinstates the imperative to establish a new system of social metabolism, a new mode of production based on *self-determined activity*, i.e. based on the activity of *freely associated individuals* (Marx), driven by the need to *go beyond capital*. Contrary to production based on *surplus time* in the service of exchange value for reproducing capital, it becomes vital to engage in activities based on *disposable time* dedicated to the production of socially useful goods corresponding to real needs.

Under capitalism (and capital too) the *use-value of socially needed goods became subordinated to their exchange-value*, which dominated the logic of the system of production. Basic productive and reproductive functions were radically split between those who *produce* (the workers) and those who *control* (the capitalists and their managers). Having been the first mode of production to create a logic that does not give priority to the real needs of society, capital, according to Mészáros, established a system dedicated to its own self-valorization, *independent from the real self-reproductive needs of humankind*.

As a counterpoint, a new kind of society will only make sense and be truly emancipated if its vital functions—those that control its system of social metabolism—are *effectively exercised autonomously by the freely associated producers and not by an external, extraneous body in control of those functions*.

The main contribution of this small but powerful book by István Mészáros is the revelation of the deepest meanings of the *current crisis, its global, structural, and systemic sense*, and its devastatingly destructive character. It must be read by all those men and women that in any way have to confront the dominant system of social metabolism, essentially destructive to humankind and nature, in their social and day-to-day struggles. Reading it will help us to reflect, imagine, and conceive another form of truly socialist sociability capable of rescuing the real meaning of production and reproduction of human life and, thus, of aiding the creation of the essential critical conditions for the blossoming of a new authentic and emancipated sociability that would constitute a great advancement in the twenty-first century. It would be in the best spirit of the work of Mészáros and his ardent and impassioned defense of humankind.

CHAPTER ONE

The Unfolding Crisis and the Relevance of Marx¹

Some of you may have been present at our meeting, in May of this year, when I recalled what I said to Lucien Goldman in Paris a few months before France's historic May 1968. In contrast to the then-prevailing perspective of "organized capitalism," which was supposed to have successfully left behind the stage of "crisis capitalism"—a view prominently asserted by Herbert Marcuse and shared also by my dear friend Lucien Goldman—I insisted that, compared to the crisis we are actually heading for, the Great World Economic Crisis of 1929–1933 would look like the Vicar's tea party.

In the last few weeks you have had a foretaste of what I had in mind, but no more than a foretaste. The structural crisis of the capital system as a whole, which we are experiencing in our time on an epochal scale, is bound to get considerably worse. It will become in due course much deeper, in the sense of invading not only the world of more or less parasitic global finance but also every single domain of our social, economic, and cultural life.

The obvious question we must now address concerns the nature of the globally unfolding crisis and the conditions required for its feasible resolution.

1. "CONFIDENCE" AND ITS DISAPPEARANCE

If you try to remember what you have heard endlessly repeated about the current crisis, one word stands out, overshadowing all of the other claimed diagnoses and corresponding remedies. That word is *confidence*. If we could get a ten pound note for every occasion when that magic word has been offered for public consumption in the last two weeks all over the world, not to mention its continued reassertion ever since, we would all be millionaires. Our only problem would be what to do with our suddenly acquired millions. For none of our banks, not even our recently nationalized banks—nationalized to the tune of no less than two-thirds of their capital assets—could supply the legendary confidence required for safe deposit or investment.

Our Prime Minister, Gordon Brown, presented us with the memorable phrase: "Confidence is the most precious thing." I know the song—and probably most of us do—which tells us that: "Love is the most precious thing." But *confidence* in capitalist banking being the most precious thing—that suggestion is utterly perverse! Nevertheless, the advocacy of this magic remedy now seems to be universal. It is repeated as if confidence could simply rain out of the sky or grow on trees.

Three days ago (on the 18th of October) the BBC's flagship Sunday morning interview program, the Andrew Marr program, wheeled out a very distinguished elderly gentleman: Sir Brian Pitman, the former head of Lloyds Bank. They did not say when he headed that organization, but the way he spoke made it amply clear. For it transpired through his respectfully received answers that he might have been the head of Lloyds Bank well before the world economic crisis of 1929–33. He introduced a great conceptual innovation into the confidence discourse, saying that our troubles were all due to some *overconfidence*. And he immediately also demonstrated the meaning of "overconfidence," by saying that there can be no serious problem today because the market always takes care of everything. Even if sometimes it has gone unexpectedly far down, later it always goes up again. So it will do so this time, and it will unfailingly go up again and again in the future. The present crisis should not be exaggerated, he said, because it is much less serious today than what we experienced way back in 1974. For in 1974 we had a three-day working week

in Britain [introduced by the Conservative government to save energy during the miners' strikes], and now we do not have it. And who could argue with that irrefutable fact?

2. A PSEUDO-HEGELIAN TRIAD

Thus, we now have the magic explanatory word of all our troubles not standing like an unhappy orphan, alone, but as part of something like a Fukuyamized pseudo-Hegelian triad: *confidence*, *lack of confidence*, and *overconfidence*. The only constituent missing from this magic explanatory discourse is the real foundation of our perilous banking and insurance system, which operates on the ground of self-serving *confidence tricks* that sooner or later are bound to be (and from time to time actually have been) found out.

In any case, all this talk about the absolute virtue of confidence in capitalist economic management is much like the explanation offered in Indian mythology about the supporting ground of the universe. In that ancient vision of the world, it is said that the universe is carried, most reassuringly, on the back of an elephant. No one should think of that as a difficulty. For the elephant is, even more reassuringly, supported on the back of the cosmic tortoise. But what holds up the cosmic tortoise? Don't you dare ask such a question, lest you might be fed to the tigers of Bengal!

Luckily, perhaps, *The Economist* is a little bit more realistic in its assessment of the situation. In the context of our painful subject, the now-acknowledged worsening economic crisis, I am going to give you exact quotations, including some damning figures of capitalist failures that are no longer deniable, taken mainly from such well established and unabashedly class-conscious bourgeois newspapers as *The Economist* and *The Sunday Times*. I will quote them meticulously, word for word, not only because they are prominent in their field but also in order to forestall any accusation of left-wing bias and distortion.

Marx used to say that on the pages of *The Economist* the ruling class is "talking to itself." Things have changed somewhat since those days. For now, even in the specialized field of economic expertise, the ruling class needs a mass circulation propaganda organ for the purpose of general

mystification. In Marx's lifetime, the ruling class had plenty of "confidence" and also a great deal of unchallenged "overconfidence." But, under the present circumstances, *The Economist*—the self-righteous mouthpiece of the U.S.-dominated annual "Davos Jamboree"—concedes that the crisis we are facing today is concerned with the difficulties of "Saving the System," according to the cover of its October 11, 2008 issue.

We can grant, of course, that nothing less than 'saving the system' (or not) is what happens to be at stake in our time, even if *The Economist's* discussion of this problem is rather strange and contradictory. For in its usual way of trying to present its highly partisan position as an objectively balanced view, by using the formula of "on the one hand, but on the other hand," *The Economist* always succeeds in reaching its desired conclusion in favor of the established order. Thus, *The Economist* asserts, in the principal lead article in its October 11 issue, that: "This week saw the first glimmer of a comprehensive global answer to the *confidence gap*." Now, thankfully, the confidence gap, although reprehensible in itself, is expected to be remedied. This is all thanks to a somewhat mysterious 'comprehensive global answer.'

More realistically, the London weekly also acknowledges in the same editorial article that: "The damage to the real economy is becoming apparent. In America consumer credit is now shrinking, and around *150,000 Americans lost their jobs in September*, the most since 2003. Some industries are hurting badly: car sales are at their lowest level for 16 years as would-be buyers are unable to get credit. General Motors has temporarily shut some of its factories in Europe. Across the globe forward-looking indicators, such as surveys of purchasing managers, are horribly gloomy." They do not say, though, that the confidence gap may have something to do with such facts.

Of course, an apology for the system must prevail in every article, even if it must be presented as the unquestionable word of pragmatic wisdom. In this sense, "saving the system" amounts to the journal's totally uncritical identification with, and the uncontestable advocacy of, an unlimited economic rescue operation—to be accomplished by no means out of the customarily and dogmatically glorified market resources—in favor of the troubled capitalist system. Thus, even the most cherished and

well-trying propaganda tenets (of a not only nonexistent but never in reality existent free market) can be now thrown overboard for the noble cause of “saving the system.” Accordingly, we are told by *The Economist* that: “The world economy is plainly in a poor shape, but it could get a lot worse. This is the time to put *dogma and politics* to one side and concentrate on *pragmatic answers*. That means *more government intervention* and co-operation in the *short term* than *taxpayers, politicians or indeed free-market newspapers would normally like*.”²

President George W. Bush has treated us to similar sermons. He told his television audience that normally and instinctively he is a believer in, and a passionate supporter of, the free market, but under the present exceptional circumstances he must think of other ways. He must begin to think under these exceptional circumstances, full stop. You cannot say that you have not been warned.

The sums involved in the recommended “pragmatic” solution, which advocates sweeping aside the “normal likings” of the “taxpayers and free market newspapers” (that is, the now advocated solution that means, in truth, the necessary submission of the great masses of the people to increasing tax burdens sooner or later) are literally astronomical. To quote *The Economist* again: “In little more than three weeks America’s government, all told, expanded its gross liabilities by more than \$1 trillion—almost twice as much as the cost so far of the Iraq War.”³ “American and European banks will shed some \$10 trillions of dollars.”⁴ “But history teaches an important lesson: that big banking crises are ultimately solved by throwing in large dollops of public money.”⁵

Tens of trillions of dollars of public money thrown in and justified in the name of the claimed important lesson of history, and of course in the service of the unchallengeable good cause of saving the system—that is certainly quite a *dollop*. No High Street ice-cream vendor could ever dream about such tsunami-size dollops. Not even in his worst nightmare.

In the course of last year alone, “*The Economist’s* food price index jumped by nearly 55%,”⁶ and “the food-price spike in late 2007 and early 2008 caused riots in some 30 countries.”⁷ Such facts reveal even more about the nature of the system, which now finds itself in ever deepening crisis. Can you think of a stronger indictment for a purportedly unsurpassable system of economic production and societal reproduction? At the height of

its productive power, this system is producing a global food crisis and the suffering of countless millions all over the world. That is the nature of the system that is expected to be saved now at all costs.

How can one make some tangible sense out of all of the wasted trillions? Since we are talking about *astronomical* magnitudes, I addressed this question to a close friend who is a professor of astrophysics at London University. His answer was that I should point out that *one trillion* alone is roughly *one hundred times the age of our universe*. Now, the official figure for the American debt, which is regularly understated, amounts to more than ten trillion dollars. That is, *one thousand times* the age of our universe.

Let me quote a short passage from a Japanese publication. It reads:

How much speculative money is moving around the world? According to a Mitsubishi UFJ Securities analysis, the size of the global “real economy,” in which goods and services are produced and traded, is estimated at \$48.1 trillion. . . . On the other hand, the size of the global “financial economy,” the total amount of stocks, securities, and deposits, adds up to \$151.8 trillion. The financial economy thus has swollen to more than three times the size of the real economy, growing especially rapidly during the past two decades. The gap is as large as \$100 trillion. An analyst involved in this estimation said that about half the amount, \$50 trillion is scarcely necessary for the real economy. Fifty trillion dollars are worth well over 5,000 trillion yen, too big a number for me to actually comprehend.⁸

It is, indeed, very difficult even to comprehend, not to mention to justify, as our capital-apologetic politicians and bankers do, the astronomical sums of parasitic speculation accumulated to a magnitude corresponding to 500,000 times the age of our universe. If you wish to have another measure about the magnitude involved, just imagine an unlucky accountant from Roman times, who is asked nothing more than simply to chalk up on his blackboard the figure of 5,000 trillion yen, in Roman numerals. He would be in total despair. He simply could not do it. And even if he had at his disposal Arabic numerals, he would have needed as many as seventeen zeros after the number five in order to write down the figure in question.

The trouble is, though, that our well-heeled politicians and bankers seem to think only of the zeros, and not of their substantive linkages, when they present these problems for public consumption. And that approach cannot work indefinitely. One needs much more than zeros for getting out of the bottomless hole of the global indebtedness to which we are condemned by the system that they now want to save at all costs.

As a matter of fact, Gordon Brown's newfound popularity has a great deal to do with zeros in more ways than one. His astonishing new popularity—which might well turn out to be rather ephemeral—was illustrated last week by the front-page newspaper headline: “*From Zero to Hero.*” The article in question suggested that our Prime Minister actually succeeded in saving the system. That is how he earned the high acclaim.

3. THE NATIONALIZATION OF CAPITALIST BANKRUPTCY

The reason why he was hailed in that way, as a hero, was because he invented a new variety of nationalizing capitalist bankruptcy, to be adopted with untroubled “free market conscience” by other countries as well. That made even George W. Bush feel less guilty about acting against his own proclaimed “passionate instinct” when he nationalized a huge dollop of U.S. capitalist bankruptcy, one single item of which—the liabilities of the giant mortgage companies of Fannie Mae and Freddie Mac—amounted to \$5.4 *trillion* (that is to say, the sum required for eleven years of running the Iraq War).

The “pragmatic novelty”—as opposed to “dogma and politics” in the words of *The Economist*—of the recent nationalization of capitalist bankruptcy by New Labour is that the taxpayers get *absolutely nothing* (in other words, zero-zero-zero, as many times as you would like to write it down) for the immense sums of money invested in failed capitalist assets, including our two-thirds nationalized British banks. This kind of nationalization of capitalist bankruptcy is somewhat different from the earlier versions instituted after the Second World War when the Labour Party's Clause 4—advocating the public control of the means of production—was still part of its Constitution. In 1945, the bankrupt sectors of the capital-

ist economy that were nationalized were transferred to state control. They were generously fattened up again from general taxation for the purpose of proper “privatization” in due course.

Even Conservative Prime Minister Edward Heath’s 1971 nationalization of the bankrupt Rolls Royce Company followed the same embarrassing pattern of state controlled and openly admitted nationalization. In our own day, however, the beauty of Gordon Brown’s solution is that it removes the embarrassment while multiplying manifold the billions invested in capitalist bankruptcy. Surely, that fully deserves his promotion “from zero to hero” as well as the highest accolade, “Saviour of the World,” conferred upon him by some other newspapers. All of this on account of Brown being satisfied with absolute zero in exchange for *our*—not *his*—generously dispensed billions. But can this kind of governmental remedy be considered a lasting solution to our problems, even on a short-term basis? Only a fool could believe that.

In truth, the recent measures adopted by our political and financial authorities only attended to one single aspect of the current crisis: the *liquidity* of the banks, mortgage, and insurance companies. And even that only to a very limited extent. In reality, the huge dollops thrown in represent no more than putting down a deposit, so to speak. Much more will be required in the future, as even the still unfolding disturbances on the world’s stock exchanges make clear.

However, well beyond the problem of *liquidity*, another dimension of the financial crisis concerns the near catastrophic *insolvency* of banks and insurance companies. This fact becomes clear once their *liabilities*, assumed through irresponsible speculation, are actually taken into account. To give you just one example: two of our big banks in Britain have liabilities amounting to \$2.4 trillion each, acquired on the reckless assumption that they will never have to be met. Can the capitalist state successfully bail them out? Where could the state possibly borrow enough money for such a rescue operation? And what would be the necessary inflationary consequences of simply printing the money in the absence of other solutions?

Moreover, the problems are by no means exhausted by the perilous state of the financial sector. For even more intractably, the productive sectors of capitalist industry are also in serious trouble, no matter how high-

ly developed and favored they might appear to be by their advantageous competitive position in the global pecking order of transnational capital. Due to our limited time, I must confine myself to one, but one very significant, example. It concerns the American automobile industry, which has been greatly humbled in the last few years, despite all of the subsidies, counted in many billions of U.S. dollars, received from the world's most powerful capitalist state.

Let me quote from an article on the Ford corporation and its globalizing fantasies published way back in 1994 in *The Sunday Times*:

Full globalization is being attempted by multinationals. . . . “This is definitely Trotman’s baby,” said one American source. “He has a vision of the future which says that, to be a global winner, Ford must be a truly global corporation.” According to Trotman, who told *The Sunday Times* in October 1993, “As automotive competition becomes more global as we get into the next century, the pressure to find *scale economies* will become greater and greater. If, instead of making two engines of 500,000 units each, you can make 1 million units, then the costs are much lower. Ultimately there will be a handful of global players and the rest will either not be there or they will be struggling along.” Trotman and his colleagues concluded that full globalization is the way to beat competitors such as the Japanese and, in Europe, Ford’s archrival General Motors, which retains a cost-advantage over Ford. Ford also believes it needs globalization to capitalise on fast-emerging markets in the Far East and in Latin America.⁹

Thus, the only thing Alex Trotman—the British-born Chairman of Ford at the time—forgot to consider, despite his impeccable arithmetical skill of knowing the difference between 500,000 and one million, was this: what happens when they cannot sell the one million (and many times more) motor cars, despite the company’s strategically envisaged and enjoyed cost-advantage. In the case of Ford, even the massive differential rate of exploitation which the company could impose worldwide as a huge transnational company—that is, paying the workers of Ford Philippines, for instance, one twenty-fifth what the company pays its workforce in the United States—is insufficient for securing a way out of this fundamental contradiction.

This is where we stand today, not only in the case of the badly humbled Ford but also in that of General Motors, irrespective of its cost-advantage, once deeply envied even by Ford.

Talking about a recently instituted deal, which provides major subsidies by the American state to the country's giant car companies, this is how the current situation of the U.S. automotive industry is described by *The Economist*: "The deal means that car companies—blessed with the government guarantee—should get loans with an interest rate of around 5% rather than [the]15% they would face on the open market in today's conditions."¹⁰

However, no subsidy of any kind can be considered satisfactory because the Big Three companies—General Motors, Ford, and Chrysler—are all on the brink of bankruptcy. Thus, *The Economist* must admit that:

Once industrial subsidies like this begin to flow, it is difficult to stop them. A recent study by the Cato Institute, a rightwing think-tank, found that the federal government spent some \$92 billion subsidising business in 2006 alone. Only \$21 billion of that went to farmers: much of the rest went to firms such as Boeing, IBM, and General Electric in the form of export-credit support and various research subsidies. The Big Three are already complaining that it will take too long to dish out the [state] money, and they want the process speeded up. They also want a further \$25 billion, possibly attached to the second version of the Wall Street rescue bill. The logic of bailing out Wall Street is that finance underpins everything. Detroit cannot begin to make that claim. But, given its successful lobbying, can it be long before ailing airlines and failing retailers join the queue?¹¹

Financial adventurism, in the form of the immense expansion of speculative activities witnessed in the last three or four decades, is of course inseparable from the deepening crisis of the productive branches of industry and the ensuing trouble arising from utterly sluggish capital accumulation (and indeed failed accumulation). Now, inevitably, in the domain of industrial production the crisis is also getting much worse.

Naturally, the necessary consequence of the ever-deepening crisis in the productive branches of industry or the "real economy," as it is has

come to be called, is the growth of unemployment everywhere on a frightening scale and the human misery associated with it. To expect a happy solution to these problems from the capitalist state's rescue operations would be a great illusion.

This is the context where our politicians should really begin to pay attention to the important lessons of history, instead of dishing out large dollops of public money. For as a result of historical development under the rule of capital in its structural crisis, in our own time we have reached the point where we must be subjected to the destructive impact of an ever worsening *symbiosis* between the state legislative framework of our society and the material productive as well as the financial dimension of the established societal reproductive order.

Understandably, that symbiotic relationship can be, and frequently it also happens to be, managed with utterly corrupt practices by the privileged personifications of capital, in business as much as in politics. For, no matter how corrupt such practices might be, they are fully in tune with the *institutionalized counter-values* of the established order. And—within the framework of the symbiosis prevailing between the economic field and the dominant political practices—they are legally quite permissible, thanks to the most dubious and often even clearly anti-democratic facilitating role of the *impenetrable legislative jungle* provided in this respect by the state also in the financial domain.

Fraudulence, in a great variety of its practicable forms, is the *normality of capital*. Its extremely destructive manifestations are by no means confined to the operation of the military-industrial complex. By now the direct role of the capitalist state in the parasitic world of finance is not only fundamentally important, in view of its all-pervasive magnitude, as we found out with shocking clarity during the last few weeks, but also potentially catastrophic.

The embarrassing fact of the matter is that the giant U.S. mortgage companies, like Fannie Mae and Freddie Mac, were corruptly supported and generously supplied with highly profitable but totally undeserved guarantees by the American state's *legislative jungle* in the first place, as well as through the personal services of unpunished political corruption. Indeed, the capitalist state's ever-more dense legislative jungle happens to be the "democratic" legitimator of *institutionalized fraudulence* in our

societies. The editors and journalists of *The Economist* are in fact perfectly well acquainted with the corrupt practices that, and here I quote their London-based weekly:

allowed Fannie and Freddie to operate with *tiny amounts of capital*. The two groups had core capital (as defined by their regulator) of \$83.2 billion at the end of 2007; this supported \$5.2 *trillion* of debt and guarantees, a *gearing ratio of 65 to one*. [!!!] According to CreditSights, a research group, Fannie and Freddie were counterparties in \$2.3 *trillion-worth* of derivative transactions, related to their *hedging activities*. There is no way a private bank would be allowed to have such a highly geared balance sheet,¹² nor would it *qualify for the highest AAA credit rating*. . . . They used their *cheap financing* to buy *higher-yielding assets*.¹³

Moreover, “with so much at stake, no wonder the companies built a formidable lobbying machine. *Ex-politicians were given jobs*. Critics could expect a rough ride. The companies were not afraid to bite the hands that fed them.[emphases added]”¹⁴

Not being afraid to bite the hands that fed them refers, of course, to the American state legislative body. But why should they be afraid? For such giant companies constitute a *total symbiosis* with the capitalist state. This corrupt relationship also asserts itself in terms of the personnel involved—through the act of hiring politicians who could serve them preferentially with a mind-boggling “gearing ratio of 65 to one” and the associated AAA credit rating.

4. U.S. DEFAULT IS BY NO MEANS “UNTHINKABLE”

The gravity of the present situation is underlined in a characteristic way by the circumstance, reported in these words by *The Economist*: “traders in the credit-default swaps market have recently made *bets on the unthinkable: that America may default on its debt*.”¹⁵ Naturally, such traders react, even to events of such character and gravity, the only possible way they can: by squeezing profit out of them.

The big trouble for the global capital system is, though, that the *default of America is not unthinkable at all*. On the contrary, it is—and it has been for a very long time—a coming certainty. This is why I wrote many years ago that:

In a world of financial *insecurity* nothing suits better the practice of gambling with astronomical and criminally unsecured sums on the world's stock exchanges—foreshadowing an earthquake of magnitude 9 or 10 on the financial “Richter scale”—than to call the enterprises which engage in such gambling “*securities* management”. . . . When exactly and in what form—of which there can be several, more or less brutal, varieties—the U.S. will default on its astronomical debt, cannot be seen at this point in time. There can be only two certainties in this regard. The first is that the *inevitability of the American default* will deeply affect everyone on this planet. And the second, that the preponderant hegemonic power position of the U.S. will continue to be asserted in every way, so as to make the rest of the world pay for the American debt for as long as it is capable of doing.¹⁶

Of course, the aggravating condition today is that the rest of the world—even with the massive Chinese contribution to the balance sheet of the American Treasury—is less and less capable of filling the “black hole” produced on an ever-growing scale by America's insatiable appetite for debt financing, as demonstrated by the global reverberations of the recent U.S. mortgage and bank crisis. This circumstance brings the necessary default of America, in one of its more or less brutal varieties, that much nearer.

The truth of this disturbing matter is that there can be no way out of these ultimately suicidal contradictions—which are inseparable from the *imperative of endless capital-expansion, irrespective of the consequences*—without radically changing our mode of social metabolic reproduction. This demands adopting the responsible and rational practices of the only viable economy—an economy oriented by human need, instead of alienating, dehumanizing, and degrading profit.¹⁷

This is where the overwhelming impediment of capital's self-serving interdeterminations must be confronted, no matter how difficult it must be under the prevailing conditions. For the absolutely necessary adoption

and the appropriate future development of the only viable economy is inconceivable without the radical transformation of the established socioeconomic and political order itself.

Gordon Brown recently voiced his displeasure with “unfettered capitalism,” in the name of totally unspecified “regulation.” You may remember that Gorbachev, too, wanted a kind of regulated capitalism, under the name of “market socialism,” and you may also know what happened to him and to his grotesque daydream. On the other hand, British Conservative Prime Minister Edward Heath’s expression, a very long time ago, for the same sin of unfettered capitalism was “the unacceptable face of capitalism.” And yet, unfettered capitalism, despite its unacceptable face, remained all these decades not only acceptable but—in the course of its further development—it had become much worse. For the causal foundation of our ever-more serious problems is not the unacceptable face of unregulated capitalism but its *destructive substance*. It is that overpowering substance that *must resist and nullify* all efforts aimed at restraining the capital system even minimally—as, indeed, it actually succeeded in doing by metamorphosing (social democratic) Old Labour in Britain into (neoliberal) New Labour. Accordingly, the periodically renewed fantasy of *regulating capitalism* in a structurally significant way can only amount to trying to tie the wind into a knot.

Today, we have to face the gravity of capital’s *structural crisis*, which calls for the institution of radical *systemic change*. No less a figure than the Deputy Governor of the Bank of England has described the current crisis as the greatest economic crisis in all of human history. It is most revealing about the incorrigible character of the capital system that even at a time like this, when the immense magnitude of the unfolding crisis cannot be denied any longer even by the system’s most devoted *ex officio* apologists, nothing can be contemplated, not to mention actually done, for changing the fundamental defects of an ever more destructive societal reproductive order by those who control the economic and political levers of our society.

In contrast to the recent illumination by his own Deputy, the Governor of the Bank of England, Mervyn King, had no reservations at all about the soundness of the cherished capital system, nor did he have the faintest anticipation of a coming crisis, when he praised to the sky Martin Wolf’s capital-apologetic book, with its self-complacent and peremptorily

assertive title: *Why Globalization Works*. He called that book “a devastating intellectual critique of the opponents of globalization” and a “civilized, wise, and optimistic view of our economic and political future.”¹⁸ Now, however, everybody is forced to have at least some concern about the real nature and the necessary destructive consequences of dogmatically hailed *capitalist* globalization.

Naturally, my own attitude to Wolf’s book was very different from that of Mervyn King and others who share the same vested interests. I commented at the time of its publication in 2004 that:

the author, who is the Chief Economics Commentator of the London *Financial Times*, forgets to ask the really important question: *For whom does it work?*, if it does. It certainly works, for the time being, and by no means that well, for the decision-makers of transnational capital, but not for the overwhelming majority of humankind who must suffer the consequences. And no amount of “*jurisdictional integration*” advocated by the author—that is, in plain English, the tighter direct control of the deplored “too many states” by a handful of imperialist powers, especially the biggest one of them—is going to remedy the situation. Capitalist globalization in reality does not work and cannot work. For it cannot overcome the irreconcilable contradictions and antagonisms manifest through the global structural crisis of the system. Capitalist globalization itself is the contradictory manifestation of that crisis, trying to overturn the *cause/effect* relationship in a vain attempt to cure some negative effects by other *wishfully projected effects*, because it is structurally incapable of addressing their *causes*.¹⁹

In this sense, recent attempts to counter the intensifying symptoms of the crisis by the cynically camouflaged nationalization of astronomical magnitudes of capitalist bankruptcy, out of yet to be invented state resources, only highlight the deep-seated and antagonistic causal determinations of the capital system’s destructiveness. For what is fundamentally at stake today is not simply a massive financial crisis but humanity’s potential self-destruction at this juncture of historical development, through both military conflagration and the ongoing destruction of nature.

Despite the concerted manipulation of interest rates and the vacuous summit meetings of the dominant capitalist countries, nothing has been

lastingly achieved by throwing gobs of money into the bottomless hole of the “crunched” global financial market. The *comprehensive global answer to the confidence gap*, as wishfully projected by *The Economist* and its masters, belongs to the world of fantasy. For one of the greatest historic failures of capital, as the long-established mode of social metabolic control, is the continued dominance of the potentially most aggressive *nation states* and the impossibility of instituting *the state of the capital system as such* on the basis of the structurally entrenched antagonisms of this system.

To imagine that within the framework of such antagonistic causal determinations a harmonious permanent solution could be found to the deepening structural crisis of a most iniquitous production and exchange order—which is now actively engaged in producing a global food crisis on top of all of its other crying contradictions, including the ever more pervasive destruction of nature—is the worst kind of wishful thinking, bordering on total irrationality. And the so-called jurisdictional integration of the too many states under a self-appointed few, or one, as advocated by some prominent capital-apologists, can only suggest the permanence of potentially suicidal global imperialist domination.

This is why Marx is more relevant today than ever before. For only a radical *systemic change* can offer historically sustainable hope and a solution for the future.