

The Crisis of Neoliberal Capitalism (December 2008)

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Do you think that the recent nationalisations and big bail-outs signify a major change in the configuration of capitalism? What sort of new regime could result from the crisis?

The nationalisations are only pseudo-nationalisations. They are partial, provisional, and almost unconditional. They are aimed at re-establishing the profitability of the banking system and furnishing it with the instruments for restructuring. If it was really a matter of reconfiguring capitalism, these injections of public money should have been the occasion for imposing tighter rules of functioning on the banks. The speeches about the need for regulation and the struggle against tax havens are only distractions. The most probable outcome is that the liquidity handed out today will just feed the next bubble. The public intervention nevertheless constitutes a confession which puts into question one of the foundations of neoliberalism, namely the optimality of private finance. But it is not enough in itself to set in motion a transition to a new regime.

The old regime was based on the reduction of the wage-share, compensated for by households becoming over-indebted, plus, in the case of the United States, the financing of growth by the rest of the world. The two pillars of that model are now in question: households can no longer hold up market demand by expanding their debt, and so the recession has become a classic crisis of overproduction and difficulty in “realising” surplus-value. And the deficit financing of the United States has become uncertain, all the more so because the surpluses of the emerging economies are going to tend to shrink.

The governments are trying to put into practice what their economists have learned, as regards stabilisation policies, from the study of the 1930s and of the depression in Japan in the 1990s. What are the limits and capacities of these policies?

The reflationary measures are inadequate in so far as they cannot lead to a re-establishment of a more equitable distribution between wages and profits.

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That is the essential condition for the establishment of, or rather for a return to, a model of the Keynesian-Fordist type. But it would presuppose a challenge to the inequalities which have increased in recent decades, to different degrees, in the United States, in Europe, and even in China. The stabilisation policies are thus going to allow the system to avoid a crisis like that of the 1930s, but they do not involve measures capable of avoiding a depression analogous to that which Japan suffered throughout the 1990s.

The subprime crisis in the United States, although sizeable, involved much smaller sums than those in play in the crisis today. How is that a relatively small disturbance produced such huge consequences?

The spread of the subprime crisis to the whole financial system is a revelation of the degree of integration of the world economy and of the financial system. The hypothesis of “decoupling”, put forward at the start of the crisis, according to which Europe and China would be safe from the effects of the crisis and so would allow the world to avoid a generalised crisis, rapidly misfired.

In recent months, it has been governments, not only banks, in trouble. The reserves of the IMF are relatively small, and the biggest funds are held by the governments, the central banks, and the sovereign wealth funds of East Asia and the Gulf states. Do you think that this crisis could bring an important shift in the balance of forces at a world level?

The crisis is far from over, and the degree of coordination among the capitalist authorities (governments, banks, IMF, sovereign wealth funds, European institutions, etc.) is advancing under the pressure of the emergency. But it is not enough to make us envisage the establishment of a new Bretton Woods. The most probable scenario on the months to come is, on the contrary, the sharpening of the contradictions. Despite the globalisation of production, inter-state contradictions are going to take on a new sharpness, with each state trying to pass the costs of the crisis onto others. The United States is going to try to impose a new reduction of the exchange-rate of the dollar, which is necessary to rebalance their trade deficit.

In Europe, each country is very differently positioned in relation to the crisis, depending on the relative weight of finance, of the property market and the car industry, and its mode of insertion into the world market. A truly coordinated economic policy is thus beyond reach, all the more so because the European Union has voluntarily deprived itself of the institutions which could allow it to be pursued, in particular a sufficient federal European budget. The countries of the South, especially Latin America and Asia, will tend to re-focus

themselves on their internal and regional markets, on the model of the import substitution policies pursued in Latin America after the crisis of the 1930s.

Inside each country, the capital-labour contradiction will be deepened. There are few things in the plans for rescue or reflation which favour wage-workers, and meanwhile businesses will seize the opportunity of the crisis to re-establish their conditions of profitability. Finally, public budgets will be weighed down by the sums squandered in hand-outs to banks and businesses, and so social budgets will be cut again. The political conjuncture of the months and years to come will doubtless be characterised by a race between the rise of orientations of a nationalist or protectionist type, and the rise of social struggles.