

Table of Contents

Wishful Thinkers of the Calamity Bazaar 1

Wishful Thinkers of the Calamity Bazaar

By John Barker

Capital needs to sustain the fantasy of its health, efficiency and inevitability at all costs. As the crisis broadsides this fantasy, the spin-doctors are scrambling to reconstruct it. Now is our chance to stop them, writes John Barker

These really are unprecedented times, even for folk who amateurs that we are could see that the levels of debt which were integral to what has been called free market capitalism were unsustainable. The sheer scale of the figures involved become ever harder to grasp, and were not predicted by most amateurs or, as it happens, the full gamut of finance professionals who, it turns out, appear to have believed in their fantasy world. The assessment of losses has increased from \$400 billion at the end of February 08 (US Monetary Policy Forum), to \$2.8 trillion as given by the Bank of England in November, via \$1.4 trillion from the IMF a few weeks earlier.

[IMAGE]

Image: left - protestors at the Wall Street Bull demonstrating against the US government's proposed \$700 billion bail of the financial system, New York Stock Exchange, 25 September 2008. Right - President George Bush and Treasury Secretary Henry Paulson

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Since then we have heard the lame duck President George Bush, at the time of writing, feeling it necessary to take airtime to tell the American people that capitalism is really a jolly good thing a free market kind of guy and to stick with it, while the word socialism entered the presidential election campaign. This came after watching the nationalisation of American and British banks by the Bush Administration, and by a New Labour government (one that advertised itself as prudent, while selling London as the least regulated global financial centre in the world), who did their utmost to call it something other than nationalisation. In other parts of the world banks are also saved or part-nationalised.

The question then for people who see capitalism as a mean, unjust and crippling political-economic form, is how to use this political opportunity, rather than arguing over any exclusive formulation of a Marxist theory of crisis. One serious concern is media presentation, the framing and presentation of the recession through the fetishised drama of rising and falling stock market figures. The BBC speaks of demystifying what has happened, with the experts and correspondents to give you a comprehensive explanation of events in the financial world. In fact it is a thoroughly partial explanation; a monologue of many colours which includes the apocalyptic, but is exclusively in the hands of finance world wiseguys, wise-after-the-event wiseguys (bankers, financial journalists and analysts) giving in-house, Green Zone analysis.¹ They speak with authority even when they are incoherent, and when what has happened has shown them to be ignorant or greedy wishful thinkers. Meanwhile the ex-head boys and girls in the studio automatically refer to socialism as old-fashioned.

Over the last year there has been a cycle of denial regarding the 'soundness' of venerable financial institutions and the 'seriousness' of the situation. Ever since US investment bank Lehman Brothers went down the tubes and things got seriously out of hand, the authoritative voice has switched, without shame, to a narrative of catastrophe, but catastrophe as defined in its own terms.ⁱⁱ 'Staring at the abyss', and 'on the brink', and then 'averting a catastrophe'. These phrases give a fetishised word-picture of 'economic collapse' as a singular, melodramatic event, and have been repeated so many times that it becomes boring enough for most folk to fall asleep while trying to work out what the hell is going on. Meanwhile the abyss turns out not to be an abyss, but rather a dragged-out austerity phase of privatised, watching-the-pennies, anxiety for the majority.

At the same time 'to scare the children/taxpayers' there's 'meltdown', as in nuclear disaster. It is scaring the children with a purpose: to save the banks, more or less on their own terms, or who knows what may happen in the *real* world. This current Green Zone concern with the *real* economy, ought to imply a recognition that what we've been fed before is a fantasy world, but its functions are very different. Treasury Secretary Paulson, for example, has talked repeatedly of 'using all the tools in the locker' when dishing out more money, as if fixing an engine with a temporary fault. At the same time this *real* economy becomes somehow virtuous, as if it wasn't a business of armaments production, 'terminator' seeds, and the super-exploitation of export processing zones.

Various sensible demands have been made on behalf of the 'taxpayer' as quid pro quo for any bail-out of banks; sensible demands which include, but go beyond, a bail-out tax, or the prevention of foreclosures for mugged house buyers. Sensible demands have also addressed the deflationary recession that is in process. These demands include directing money towards turning empty, or mothballed, new build housing into social housing, raising the minimum wage and increasing social security payments, all of which would increase 'effective demand' to counter the recession.

But such sensible proposals 'whether we call them 'reformist' or not' will not have the smallest chance of success if the authoritative voice is not challenged at every opportunity. Understanding that the Emperor is naked is no guarantee of the radical change that present circumstances demand, but is a prerequisite. As it is now, public challenge has been monopolised by useless professional hands, not just useless but part of the monologue. There is the irrelevant irreverence of satire and 'alternative' comedy, the routine grilling of easy-prey politicians, and demands from professional opinionists that capitalism be nicer. When it comes to the economy, what we get are unchallenged experts, all of whom have been party to the free market fantasy world. It may have a coat of many colours, but the monologue is highly selective. So much so that we don't even get to hear trade union leaders on mass media, not even when their quid pro demands for rescuing greedy bankers are as weak as they are. What this suggests, however, is that this neoliberal/free market narrative of brazen capitalism has a thin skin. Alternatives of all sorts, however mild, are seen as a threat.

Crises are moments when bright lights are shone on what was hidden and opaque, all those murky corners that are integral to capitalism. There have been many instances of naff opportunism by the British left, but these should not put off people who see and feel capitalism as unjust and archaic from

taking this exceptional opportunity to keep those bright lights aimed at its greeds, pretensions, and wishful thinking. It is also necessary to fight off blame being attached to 'illegal' immigrants, generic Muslims and the casting of 'finance capital' as Jewish capital. These possibilities give the job urgency, as does the need to counter Green Zone in-house attempts to explain away recent revelations, keep the free market's pretensions afloat, and use the crisis as a means to accelerate the capitalist process of monopolisation.

Whose Free Market?

Looked at with a cold eye, its pretensions are ludicrous. The reality of the free market has been of 'uneven development' with its historically-loaded dice; of various extremes of exploitation; of a process of monopolisation; a dependence in its 'Anglo-Saxon' heartland on a military Keynesianism; and on the privatised debts and anxieties of large numbers of people. The perverse pride in its impersonal, yet anthropomorphic power 'the invisible hand' is laughable given its penchant for gurus. Gurus are always liable to fall from grace, as in the case of Alan Greenspan, but another one is there ready to take his place. This time, Warren Buffet, the *sage* of Omaha, whose investment decisions and even opinions can alter what is grotesquely called 'market sentiment'.

Free market ideology relies on crude notions of inevitability 'There Is No Alternative' with its convenient denial of human agency. After the East Asian currency crisis of 1997-8, which free marketeers had blamed on the 'crony capitalism' apparently characteristic of that area, the then guru Greenspan called its resolution 'the enforced liberalisation of capital markets in Asia' 'a milestone on the *inexorable* trend towards market capitalism.' Even more crude was a celebration of the ruthless nature of this inevitability. Commenting on another crisis of that time, an attack on the Brazilian currency, David Smith, Economics Editor of Murdoch's *Sunday Times*, wrote:

It may not always be pretty, but it is the way international capitalism works. Control it or insist on tougher lending criteria and the supply of capital that is the lifeblood of economic development will dry up. You cannot pick and choose, or try to put the genie back in the bottle.

What has now made these pretensions risible is that all the self-styled tough, independent characters who make up this market, having derided governments, and government interference, have had to be rescued by taxpayer-financed governments. It would be inhuman not to enjoy the hubris of the market and its representatives, and the real dent the crisis has put into its fantasy version of itself. Governments and government action were ridiculed because if they started to influence risk and investment decisions they would mess it up; because they were helpless to influence the market due to its sheer size and global nature; and, most of all, because it would give the lie to the fetish of 'the independence of money'.

In an interview two years earlier, city wise-guy Graham Bishop referred to the market as 'a rolling referendum on the views of savers about government policies.'ⁱⁱⁱ In the same interview he talked of how 'pressures from the owners of securities will stimulate a bottom-up restructuring of European

industry and how this boded well for EU competitiveness. It is pretty clear then what kind of government policies were judged in this rolling referendum conducted by market confidence: the relative and competitive conditions made for maximum and secure extraction of surplus value.

“All that was Solid Melts into Air”

The methods by which governments created a situation where market judgements could have such a fast and dramatic impact on their own powers are well known to be the deregulation and liberalisation of finance capital. This was a politico-economic strategy beginning in the early 1970s and aimed at those who created surplus value both for individual capitalists, and for capital as a whole with its incessant need to accumulate. For its demands to be met the demands of workers, both economic and cultural, had to be disciplined. Deregulated capital fetishised as “the market” and free to go where it pleased took on this disciplinary role with the great advantage that it could not be negotiated with. After a two month strike at General Motors, a UAW official talked of how it had been impossible to negotiate in this “universe of shareholders and analysts”, one which had replaced that of industrial managers whose authority had been undermined by labour militancy and the cultural confidence that went with it. This reassertion of the power of capital did not take place in isolation. The skewing of infrastructural investment towards telecommunications and information technology coalesced with the dynamics of transnational corporations.

[IMAGE]

Image: right - factory workers occupy an office after smashing equipment during a protest at the Kaida toy factory, Dongguan, Guangdong province, China, 25 November 2008

This macro-role in the push to extract more surplus value was matched by a micro process of mergers and acquisitions, and lately by the managerial activity of private equity, all credit financed. It meant a hands-on role for finance capital in creating more surplus value in productive sectors of whose material processes the new “managers” knew nothing. All they know is to increase the intensity of labour, that is, the same or more work done by less workers. But both at micro and macro levels, and taking into account the huge increase in the global extraction of surplus value coming from South and East Asia, the global pot of surplus value is always finite at any given time. Needless to say, however, the market, active in a range of price movements of every conceivable currency or commodity, material or “immaterial”, developed its own set of interests in increasing its share of that finite pot to beyond what was possible.

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material or immaterial, developed its own set of interests in increasing its share of that finite pot to beyond what was possible.

The self-regulating, invisible hand market proved to have partial vision, prejudices and irrationalities. Its collective blindness was being unable to see that the pressures it exerted in surplus value extraction, whether it be unionbreaking, relocation or job cuts, meant lower real wages across the board, and this would create problems in the realisation of surplus value. Ten years ago wiseguy Ed Yardeni was already saying that the world needed all the yuppies it could muster. There have not been enough and, though a relatively large scale bourgeoisie is being created in China and India, their consumer spending power is still relatively small. Instead, as has been obvious for several years, the circle was squared with a rapid increase in personal debt, which in the UK began during the time of Margaret Thatcher.

That especially partial vision of the free market chose to ignore the fact that this could not last forever. Faced with insufficient world-wide numbers of yuppies, but with an addiction to high-rate-of-return accumulation, capital turned to ripping off the poor in the sphere of its own reproduction. It survived in the meantime by both creating and being part of a fantasy world, one in which house prices, for instance, would never fall. Back in 1998, market sentiment had created the reality of a Brazilian currency crisis, despite what used to be known as economic fundamentals, like its Balance of Trade being strongly in surplus. This seems to have led to the belief that all fundamentals had been somehow overcome, as with Greenspan's new era economics. It is a DIY reality world which was epitomised by Mr Tony Blair saying 'I only know what I believe' when confronted with unambiguous evidence of the absence of WMD in Iraq.

Sound Bite History Repeats Itself

A basic requirement of a fantasy world living in an eternal present is not just to ignore, or not see, awkward facts, but to blank out history however recent. Around ten years ago there were crises which, though small scale looked at from now, were not seen as such at the time. The East Asian currency crisis, followed by a Russian debt default and the subsequent collapse and rescue of a major hedge fund of the time (the ironically named Long Term Capital Management), caused a brief period of self-examination in the financial world. Then there was also talk of 'tottering on the brink' and 'infection spreading'. President Chirac proposed reforming the IMF and annoyed the Americans as Sarkozy is doing now. There was talk of a global financial architecture by many of the same people talking of it now, like George Soros, and also the *Financial Times*:

LTCM shows that it is not only in developing markets that transparency, oversight and prudential controls have been found wanting, A growing proportion of global capital is leveraged, so the G7 needs to make progress on two fronts next week. It must start to create a global financial architecture that can deal with problems in emerging markets. But it must also deal with problems of transparency controls, risk management and regulation much closer to home. (*Financial Times*, 26 September 1998)

That was ten years ago, and as we know, none of these things happened. The whole idea was rejected by the Bundesbank even more vehemently than the US Treasury. Other headlines of the time sound equally familiar:

The situation raises questions of banks's risk management practices, but the lure of high fees on derivative products and the increasingly lax lending standards of recent years contributed to the willingness to take risks. (*Wall Street Journal*, 2 September 1998)

Greed has replaced bankerly caution, this under the misguided assumption that some players were too big to fail. (*Herald Tribune*, 7 September 1998)

It is even more eerie, in light of Paulson's \$700 billion bail-out that was pushed through Congress without proper debate, to read what was said earlier in that year of 1998:

Before pumping more money into the system, Congress has the right to ask what's being done so that it will not have to choose again between aiding undeserving bankers and risking a global collapse. (*Washington Post*, 29 January 1998)

The language at that time was also similar, the collapse of the *real* economy was the alternative, an apocalypse. The difference is that in 2008, disaster rhetoric came into use after tens of billions had *already* been provided to the banks by the Fed and the Bank of England against collateral of uncertain value, and this with the promise that said billions would *prevent* apocalyptic circumstances. What the similarities do suggest is that capitalism could not reform itself, even in its own long term interest. The dotcom bubble was followed by Enron, while the only significant US legislation of the time was the Sarbanes-Oxley Act, Rule 46-R which allowed for those notorious off-balance sheet special entities.

This time the crisis is on a massively different scale, but that has partly been caused by what was supposed to be the safeguard to Rule 46-R, that these off-balance sheet vehicles were OK so long as the bulk of reward and risks lay with others. That assumed financial institutions would be wholly truthful to each other.

When I choose a word, it means just what I choose it to mean (Humpty Dumpty)

This assumption has been blown away by the inescapable fact that banks are reluctant to lend to each other, knowing themselves what can be done with balance sheets and asset values and how much deception they are capable of; blown away, too, by the sight of financial institutions suing each other for having been misled over the value of the various financial packages passed on (i.e. how secure the

income streams on which they were premised actually are). Big name institutions, that have come on like wronged virgins in this pass-the-parcel game, are then sued themselves for having shafted smaller funds.^{iv}

Within the Green Zone, this has exacerbated a concern as to the "small investor's" loss of faith in the market which had surfaced during the dotcom bubble, so much so that in June 2008 two of the big honchos of the collapsed Bear Sterns were indicted not just for routine "insider trading" but "for not giving *full* information to investors".

Outside of the Green Zone, what the crisis spotlight has revealed is that in the fantasy culture there is only partial information: one where objective scientific research turns out to be funded by corporations with a distinctly partial interest in the results. In short, it has shown what was already there, a crisis in the integrity of information. This is especially serious in what it says about the parallel fantasy world of the "information society". Marcel Rohner, the new CEO of UBS Bank "which, though both virgin and seducer in this melodrama of mis-selling, still made heavy losses" rationalised what had happened by blaming not the lack of integrity, but rather the overload of information. This is hardly new "the CIA started the trend when explaining its failure to know that the first Indian nuclear bomb test was about to take place" but Rohner's is especially revealing:

The problem was not a failure to appreciate complexity, but rather the opposite: it was a lack of simplicity and critical perspective, which prevented the right questions from being asked while there was still time.

This is another version of "bankers ain't what they used to be" which has been heavily used in capital's obfuscting selfexplanation, as in, "it's all the fault of those mathematicians in the financial world."^v But it does undermine the rationale of the Information Society, which has not had "critical" thinking high on its agenda for non-elites. Even in universities, critical thinking has often been silenced by the exceptionally partial analysis of unchecked think-tanks, fanatics of the fantasy world, and the publicity they are given.

The complexity Rohner describes, and perhaps the very notion of such an information society, involves ever greater levels of abstraction and this, along with the comprehensive predominance of marketing and its language, is a characteristic of the fantasy world. It is a continuation of the dynamic by which exchange values came to dominate use values. It was highlighted in the recent crisis by the estimate that Deutsche Bank had become the biggest landlord in Cleveland, Ohio, with plenty of empty properties to rent. It is hard to believe that any executives or the risk committee of the bank had ever been anywhere near the streets of Cleveland. Living in another world in which there are no queues or weekly anxieties, these bankers appear not to have been informed that real wages in the USA had been stagnant or falling in the last 10 to 20 years. Things were going well for them, it followed then, as if they actually believed the "trickle-down" narrative, that *everyone* was happy.

[IMAGE]

Image: left - protestor demonstrating against the US government's bailout, New York Stock Exchange, 25 September 2008. Right ? Federal Reserve Chairman Ben Bernanke testifies, flanked by Treasury Secretary Henry Paulson, during a Senate Banking, Housing and Urban Affairs Committee hearing on Capitol Hill, Washington DC, February 14th 2008

Such abstraction is fertile ground for the capitalist fantasy world. A *Herald Tribune* headline (12 June 2008) read 'Housing is booming if only on television'. The audiences for HGTV and TLC, the two US networks with the most 'property programming', it reported, have been growing over the last three years. As the housing market slumped, the scheduling of *House Hunters* and *Designed to Sell* increased dramatically. R. J. Cutler, a wiseguy producer of one of them, *Flip the House*, commented with a routine piece of bogus analogy, that 'People had loved comedies during the depression too'. It is as if, along with the credit, more fantasy had to be 'pumped' into the system.^{vi}

Eyes Wide Shut

The crisis of information integrity for the capitalist class takes the form of a breakdown in the objective evaluation of assets. Assets with a face value of millions turn out to have little or no value because they were dependent on a stream of income, the source of which capital itself had already squeezed. All this seems surprising given the cultural obsession with numbers in American society, and when the mantra of the ubiquitous McKinsey Consultancy, pioneers of securitisation, is: 'if you can measure it, you can manage it.' There are private profit-making 'institutions' that were supposed to assess values - ratings agencies and auditors. Given their form, it is amazing that the oligopoly of global auditors has continued untouched in this role. Take Coopers & Lybrand with its auditing record for Robert Maxwell, Polly Peck and Barings Bank. In light of these successive scandals, it took the very British step of changing its name by merging with Price Waterhouse, and, in the process, furthered the process of monopolisation. It now turns out that after the notorious case of Arthur Andersen's complicity in the frauds of Enron and the promises to police conflicts of interest in the future, PriceWaterhouseCoopers were auditors *and* consultants for Northern Rock, whose collapse and the shocking sight of queues of people at its doors demanding their money, visually symbolised an end to the fantasy world.

Ten years ago - once again - the analysis was there in respect of ratings agencies: 'What were the banks research departments saying six months ago? Nor did the IMF or ratings agencies such as Moody's and Standard and Poor, provide any warnings...' complained the *Washington Post* (6 January 1998). Fitch's makes up the cosy threesome oligopoly of these agencies, and they too have happily managed not to bother about their conflict of interests, not when it comes to the creditworthiness of banks, their assets and financial 'products', which is what they are supposed to be objectively rating with their triple As and so on. Suddenly it is common knowledge, as if we'd known all along, that these agencies were being paid by the financial institutions whose bonds and assets they were rating. And - this is how brazen one can be in a fantasy world - the banks could pick and choose

among the three to get the best rating for their money.

It is crucial that the bright light remains on these sectors that the crisis has brought out of the shadows. Once the Green Zone's smothering strategies (and its determination to control interpretations of what is happening) was succinctly described in the *Herald Tribune* (5 June 2008): "Regulators have struggled to assign blame for the mortgage debacle, at times pointing to everyone and no one."^{vii} While it has been entertaining to watch the "masters of the universe" blaming everyone else including each other "it's not me guv" it is important not to let this diffusion of blame become like the market itself, where responsibility cannot be pinned on anyone in particular or any of capital's own service industries.

Secondly, both play crucial roles in capital's version of itself. The oligopoly of auditor consultants are prime movers in the murky business of carbon emissions trading, and in the global and profitable business of public-private partnerships and direct privatisation. The ratings agencies' role is especially significant as a means of discipline in which the fiction of the independence of money can be maintained and, as a corollary, the unique efficiency of private capital in making investment decisions. Speaking at the time of that Indian nuclear bomb test which the CIA had failed to predict, Felix Rohatyn spoke of the disciplinary power of the market, how it had punished India in a way diplomacy could not:

While many countries refused to sanction India as a result of its nuclear tests, the capital markets provided that sanction promptly.

But this required the mediation of Standard and Poor, who, he went on to say,

downgraded the outlook for India from "Stable to Negative", thereby raising India's borrowing costs immediately. The Bombay Stock Exchange slid and the rupee lost 10% against the dollar.^{viii}

This was not the market itself, but a political decision, masquerading as non-political. Sometimes it has worked the other way. At the time of the East Asian currency crisis the agencies, who had seen nothing wrong with its economies, followed the market when its "sentiment" turned sour, and by doing so amplified the misery that ensued in that part of the world by raising the cost of credit.

Reality Check

It's hard to believe that anyone in the Green Zone actually fell for the trickle-down narrative in which the poor would only get richer if the rich got richer, though all subscribed to it "smug journalists, think-tank fanatics and its multi-disciplinary marketing department. The real "fundamental" development in the fantasy world period is one of a steady increase in inequality, and a spectacular

increase in the proportion of global wealth taken by the very rich, the top 1 percent. In the USA, this 1 percent took 9 percent of national income in 1979, and by 2005 it was 17.5 percent. Their greed is at the peak of a coalescence of personal and family greed which has added another dimension to capital's compulsion to accumulate. By the simultaneous pushing down of real wages and the claims on the global surplus value exceeding its generation that this involves, an economic crisis has ensued. Our job is to make of this a political and cultural crisis.

A couple of years after 1998, all the talk of financial architectures, the greed of banks, and reform was seen to have had no consequences. This too is typical of the dark, marketing side of the fantasy world in which promises of disaster aid are made but not actually delivered. By then things had also quietened down in the fantasy world at the expense of the poor people of Indonesia and other South East. Asian countries whose suffering was not spectacular enough to excite much comment. It meant that the *Financial Times* could adopt a blasphemous voice regarding convictions made a case of share price manipulation:

Business morality, like business itself, is cyclical in nature: during periods of financial euphoria and strongly rising share prices, people cut corners and bend the rules; during the austere times which follow, the rule books are rewritten and everyone agrees things will be different next time. (*Financial Times*, September 1990)

It's as if the cyclical nature of the economy was a comfortable fact - unsurprising when austerity has no impact on its writers. Our job is to make sure that the sobering up process is in our own hands and that it exposes the fantasy world and what it has hidden.

This time there is such an opportunity because things are rather different (and, it should be emphasised, still in process with another huge bail-out of Citigroup) not just because of the scale of what has happened, but because the free market has had to run to the state and thus to the taxpayer. It is an opportunity to escape the separating roles that are imposed on us as taxpayer, consumer, and the ghost in the cupboard - producer, to become class-conscious citizens, a not impossible process when so many types of work have been proletarianised.

[IMAGE]

Image: left - Chairman of the Treasury Select Committee John McFall on BBC News, April 2008.
Right: At a protest against the Administration's bailout, New York Stock Exchange, September 25th 2008

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What will not help is to get stuck in the coils of what is *reformist* and what is *revolutionary*. What matters most is *how* gains are fought for, and the dynamic they engender, which have the possibility of going further than their representation. Otherwise we are likely to be paralysed by these ahistorical concepts, which have been further confused by the monopolisation of the very word *reform* by the useful idiots of the free market. *Reformism* is often understood as the working class being *bought off*, as if the class were saints in overalls being led into temptation. That is both moralistic, undialectical, and in the context of modern globalisation as opposed to previous periods of imperialism in which cheap imports were not balanced against falling real wages in the western world *ahistorical*. The evidence from ten years ago is that capitalism has great difficulty in reforming itself because there are basic psychic fears in the mean and foxy capitalist mindset of *give-them-an-inch-and-they'll-take-a-mile*, of being drawn into anything that compromises the inalienable right of private property, and even of the transparency it espouses. This can be seen in the secretive distribution of the October Paulson hand-out by an ad hoc body. Keynesian economics is *reformist* in that it is premised on exploitation, but it is subversive in its emphasis on human agency as against an omnipotent market. The stark overturning of this *ex-reality* is there for all to see, and shows that the possibility for radical change does exist.

On Alert

Reformism should not be confused with the achievement of *all* limited class gains. Some reforms defuse popular anger, others give it focus, as for example those that concern housing and its class-skewed structure which at present is wholly to the benefit of a rentier class, banks and privileged individuals. It is the defusing of anger which characterises reformism, when the maximum gains possible against a weakened enemy are not made, or even demanded, or smothered by irrelevant modifications. This is a danger, especially when the capitalist class wants a period of consolidation of its gains, a quiet period when it will be content with much lower rates of return: the wholly self-absorbed *flight to safety*. Alertness is required, rather than the paralysis brought on by a fear of *reformism*.

The presence of popular anger as a political force *so* easily dissipated, as George Caffentzis describes after Paulson's bank-friendly bail-out^{ix} *instead* requires, amongst a variety of tactics and means of opposition, an immediate slapping down of:

- all attempts to create new fantasies, like the idea that *the taxpayer* may profit from the bail-outs;
- the notion that only capitalism can allocate resources efficiently, or rather that it does so at all, and in the process raising the question of *efficiency for whom?*;
- the idea that finance capital is a temporary excrescence as against the *real* economy presented as virtuous and wronged;
- the fantasy that bank investment can be directed without nationalisation. (In this instance such a slapping down does not mean necessarily that nationalisation should be demanded, just that a new fantasy is being proposed);

-that capitalism can ever be stable, let alone just.

It also means not being afraid of popular anger. Capitalism is not a system but a mode of production which requires its own self-interested agents. It's one of Marx's great strengths that he is both moralist and analyst, and that while unpicking capitalism's dynamics, he names names, attacks particular individuals and particular institutions which today include accountants and ratings agencies. Nothing seems to have angered people more than the fund manager who said that banks could not hold down pay and bonuses, because it would cause an exodus of staff to Mumbai, Shanghai or Dubai. The response was, "Go on then", an instinctive attack on the apparent expertise that is a fundamental justification for massive inequality; and on the brazen shamelessness of bankers being expressed by the ways in which taxpayers' money is being used to concentrate finance capital by merger and acquisition, for example; and in the wholly non-transparent manner in which Paulson's \$700 billion is being distributed.

Against this shamelessness, a whole language of contempt is required. One that has to storm the Green Zone of capital's own explanation of what has happened and what will be done; one that does not permit the smothering of the rebuke "Private Profits: Social Losses".

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Footnotes

i The Green Zone is the common name for the International Zone in Iraq [editor's note].

ii Why then was Lehman Brothers allowed to fail when Europeans like the French Finance Minister, Christine Lagarde, saw this as the trigger for the global crisis? At the time, Ben Bernanke said: "A public sector solution for Lehman proved infeasible, as the firm could not post sufficient collateral to provide reasonable assurance that a loan from the Federal Reserve could be repaid. And the treasury did not have the authority to absorb billions of dollars of expected losses to facilitate Lehman's acquisition by another firm." This, as various people have pointed out, simply doesn't add up. Not when the Fed had proved willing to buy so much debt without collateral, and when guarantees on liabilities were given in the case of Bear Sterns and Wachovia. One can imagine a conspiracy theory in which it was all an American plot to pass the parcel. More likely, given their record elsewhere, the authorities simply didn't understand the consequences of allowing Lehman to fail. Since then blame has been narrowed down to the bank's CEO, Fuld, for trying to drive too high a bargain in finding commercial partners or buyers. None of which prevented him personally making some \$480 million over the last ten years, and then, when questioned about it in the House of Representatives, coming on like a Holocaust denier and saying that really it was only \$400 million.

iii Robert G. Williams, *The Money Changers*, Zed Books, 2006.

iv UBS are in the middle of this. The original impression given was that they were one of the mugs in a game they didn't understand, but in February 2008 they were sued by, and then counter-sued, the Paramax hedge fund for apparent misrepresentation by the bank. It also has to fight against the German HSH Nordbank for mis-selling and misrepresentation of risk. The volume of such cases has provoked a book called, *The Pebble and the Pool: The Global Expansion of Subprime Litigation*, John Doherty & Richard Hans, Tomson West 2008.

v See John Barker, 'Structural Greed', *Variant*, issue 32, Summer 2008.

vi And as if Preston Sturges' great movie, *Sullivan's Way*, could ever justify this kind of banal fantasy.

vii This singular blame on subprime has itself been deceptive, and part of the smothering tactics used in media presentation. More exactly it was the straw that broke the camel's back loaded down with leveraged assets. See Barker, *op. cit.*

viii Rohatyn, New York's financial saviour, then US Ambassador to France, but lately of collapsed Lehman Brothers. Barker, *op. cit.*

ix Notes on the Bail-Out of the Financial Crisis:

http://news.infoshop.org/article.php?story=20081022_233913679