

Workers, Not Money, Make the World Go Around

CAPITALISM CREATES CRISIS AND WAR

A song in the musical *Cabaret* claims that “Money makes the world go around.” It’s catchy but it confuses more than it clarifies. The money we see – money as wages - really forces us to stay in or near poverty. Money as wages is a by-product of money as capital. And money-capital has rules of its own that most of us don’t realize because we never control or use it.

Money-capital is invested to make more money-capital. Although it can be invested in anything, only when invested in industrial production does it make more money and add value (in the form of manufactured goods) to society. Exploiting workers who make things is the only way surplus value is created. It is often written as a formula: $M-C-M^1$. Invest \$1 million in raw materials, labor, and machinery and sell the finished product for \$1 1/2 million. In this way \$1/2 million has been added to the economy. Capitalism can only create added value (growth) if it circulates successfully (when everything made is sold). The faster it circulates (completes one cycle and begins the next) the more added, or surplus, value it can create.

This is called productive investment (as opposed to speculative investment). In today’s crisis-driven world there are a few areas where productive investment is most profitable. These are the BRICS (Brazil, Russia, India, China and South Africa) and Germany. Of these, China and Germany are the most important. They provide the hope that capitalism can restore itself as a productive system without too much destruction or war.

There’s a catch, however.

If the crisis were to play out like that, China, Germany or another of the BRICS would emerge either as sole leaders or co-leaders of the world. Either way, US imperialism loses.

The remarkable thing is that a situation like this was bound to happen. There is a built-in contradiction to the circulation of even capital invested in production rather than speculation. Over the years successful cycles of $M-C-M^1$ create too much money-capital. There are not enough places for it to be invested productively. If capital were allowed to sit (be hoarded or stored somewhere), it would disrupt the whole system. Who, in our example, would bother to go through all the trouble to create the \$1/2 million surplus value (the M^1), if all you had to do was go to the bank or warehouse and take it out?

This excess capital, then, has to be invested. There are three avenues open to it. It can be invested in infrastructure, building new roads, bullet trains, even expanding education. It can be used to enlarge the Army. And, to get a quick return on their investment, it can be used in speculation like selling derivatives, betting on currency fluctuations or creating ‘bubbles’ as in dot.com or housing bubbles. None of this cre-

ates products.

Fixed capital investments (including most government spending from infrastructure to the military) can help the economy but they are also a drag on it since they circulate slowly. This is especially true of the military.

In the US the 30% of total government budget that the military absorbs is a huge drag on the economy unless it is used. In action it can capture raw materials or markets away from rivals. As we have seen, it can defend the world market for the US\$ to circulate in as the world’s reserve currency. However, the main problem is that there is too much capital in the world to be invested productively.

Since, as we have seen, hoarding capital for a rainy day isn’t a solution, only one alternative remains – destroying capital.

Historically, that is the role crises play. The question then becomes whose capital – in the form of factories, workers’ labor power and currencies – get destroyed. While this is being played out on many fronts throughout the world, the principal struggle at the moment is the attack on Europe by US financial institutions. While taming if not destroying the Euro is an important goal in and of itself, for US imperialism there is an added incentive. Europe is China’s biggest trading partner. A crisis-ridden and poorer Europe will import less from China, and hobble the growth of its productive forces. Just as the wars in Yugoslavia and Iraq were attacks on Europe and its euro, the financial attack on the euro is also an attack on China.

When capitalism is expanding, money in the form of capital unleashes production. In crisis, it unleashes destruction in the form of austerity, lay-offs, bankruptcies and, if the destruction by economic means isn’t sufficient, by war. What a system! When it functions well it creates the conditions for crisis and war. When it functions well it creates a wage system that keeps us at, or near, poverty. Capitalism doesn’t have a sell-by date; it only has a smash-by date. That is long past. We need communist revolution.



DISCUSSION AND DEBATE: CONTINUED ON NEXT PAGE

US Needs Eurozone Allies

A comrade writes in response to the article above:

The U. S. capitalists are in a dialectical contradiction with the capitalists of Europe. These are two rival imperialists, but they also have some common interests and areas of cooperation. Right now, economic and military cooperation is important to both sets of capitalists, and this cooperation outweighs their conflict. In particular, it is not correct to say, as the article above does, that U. S. financial institutions are trying to destroy the euro currency in the current debt crisis. In fact, the U. S. Federal Reserve recently lowered the cost for troubled European banks to borrow dollars, taking some

pressure off them.

The U. S. capitalists might wish that the euro had never existed as a rival to the dollar, but the failure of the euro now would be a disaster for U. S. business and especially for U. S. banks. U. S. banks have significant investment in the government debt of European countries. As of a few months ago, for example, J. P. Morgan Chase held \$15 billion in the bonds of weak E. U. governments. The much bigger issue, however, is that if European banks fail because the weak governments default, the European banks will not be able to pay what they owe U. S. banks.

It isn’t just the banks that will be in trouble, however, if the euro crisis is not solved. The result of a crash in the euro would be a world-

wide recession like the one the U. S. banks caused in 2008. This would send the U. S. economy back into recession, as U. S. government spokesmen have said repeatedly.

Despite their conflicts of a decade ago, the U. S. and European capitalists have recently been allies in two wars (Afghanistan and Libya) and the Europeans are cooperating with the US in imposing sanctions on Iran, a move against Chinese capitalists who buy their oil from Iran. For the present, cooperation dominates rivalry in the U.S.-Europe contradiction, and U. S. bosses are not trying to bring down the euro. Instead, they are looking for allies in the coming battles with China.

--A comrade

See response to this article on the next page.

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DISCUSSION AND DEBATE FROM PAGE 14

Conflict Outweighs Cooperation

Response to the comrade:

The comrade makes a good point by raising the rivalry and interdependence of two major imperialist economies: the Euro and the US\$.

However, it's overstating the case to claim that "economic and military cooperation is important to both sets of capitalists and cooperation outweighs their conflict."

The world economic crisis has heightened contradictions in the Eurozone. Its dominant member, Germany, is at odds with most other member states as well as with the US.

The US\$ is still the world's reserve currency and its military the world's largest, with around 30,000 troops in Germany itself. Clearly any break with the US would have dramatic consequences. Nevertheless, it could occur. Rather than "cooperation," it would be more accurate to describe German-US unity as 'enlisting,' 'manipulating,' or 'coercing.'

What sort of ally has Germany been in Afg-

hanistan and Libya? German forces are about 6-8% of those under US command in Afghanistan and have a low casualty rate (about 1/8 of their British ally) because they have not been deployed in important (and dangerous) areas.

German 'cooperation' in Libya has been even less impressive. Germany joined the BRICS (Brazil, Russia, India, China, and South Africa) in abstaining from the UN Security Council vote on authorizing NATO support for anti-Gaddafi rebels. Later, after arm-twisting, they agreed to send 11 soldiers to bolster NATO. They actually sent 100. Some ally!

The euro might well fail. In fact a sizeable section of the German ruling class wants it to. They might or might not settle for its drastic restructuring.

The idea that Germany is an ally of the US against China is hard to swallow. Germany's trade with China is greater than its trade with the US and has increased 34% since 2009. It's set to grow even more. When Prime Minister Wen Jiabao visited Germany last year, he brought a huge entourage including 13 minis-

ters and 30 managers.

Certainly, it would be in the US rulers' interest to hobble this growing German-China trade relation.

This suggests that the world is much more volatile and dangerous than the comrade's picture of a cooperative alliance between the Eurozone and US imperialism.

—Author of the original article

