Editorial

From financial crisis to anti-capitalist alternatives

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In previous issues *Amandla!* introduced a feature called 'It's the Economy Stupid, echoing former US President Bill Clinton. We are of the view that coming to terms with the economic situation is crucial to successful political strategy. We also did this in the firm belief that economic turmoil globally and nationally was going to impose itself on the political situation. The current global financial crisis, which has brought the financial system virtually to its knees, is a both cause and symptom of a deeper systemic crisis of capitalism.

Like an overworked cliché, the left has been trumpeting the crisis of capitalism for many years. And like the proverbial Peter who cried wolf, the left's cries can no longer be ignored if the flock is to be saved.

According to respected historian and political economist Robert Brenner the current crisis 'manifests profound, unresolved problems in the real economy that have been – literally – papered over by debt for decades, as well as a shorter-term financial crunch of a depth unseen since World War II. The combination of the weakness of underlying capital accumulation and the meltdown of the banking system is what's made the downward slide so intractable for policymakers and its potential for disaster so serious.' The articles of both Lee Sustar and Jack Rasmus build on this and go some way to explaining the depth and nature of the crisis.

There has been a degree of complacency amongst policymakers in response to the financial crisis. The sense conveyed is that we in SA are shielded from the crisis as our markets are less exposed to the failing US financial institutions. However, as Patrick Bond points out, this ignores how similar processes of financialisation expose SA to financial bubbles that are likely to puncture with similar results to those seen in the US. All the more so since South Africa not only has an unregulated derivatives market but is offering to make this practice subject to further deregulation under the World Trade Organisation's services agreement GATS.

Equally serious is the dependence of the South African economy on extremely volatile speculative capital to keep the economy afloat. For some years now we have been living beyond our means, where the costs of our imports far out-weigh revenue from exports. We are not earning sufficient foreign currency to pay for these imports, which, in turn, has made us dependent on attracting short-term speculative investment to allow us to continue on this unsustainable path. This has been achieved by having very high real interest rates. But maintaining high interest rates reinforces the process of financialisation as it encourages investment in the financial sector and consequently discourages investment in the real economy, such as in expanding factory production, agriculture, etc. Similarly, it imposes limits on public investment in social spending as government follows the same logic.

All of this is an outcome of an economic policy which removed controls on the financial sector. This process, known as liberalisation, made it easier for investors to take their money in and out of the country and to make greater profits from speculative investment. But it is precisely the policies of liberalisation and deregulation, commonly understood as neo-liberalism, that render the South African economy vulnerable to the global financial crisis. Volatile and unstable markets have been rendered powerful, so powerful that they are able to influence policy and political decision making.

A few years ago reappointed Finance Minister Trevor Manuel angrily ranted against the 'amorphous markets' that were destabilising the rand. The same 'amorphous' markets whose interests he has slavishly upheld were responsible for his speedy reappointment as Minister of Finance during the debacle of the mass resignation of Mbeki's ministers.

This brings us full circle: the financial crisis must be understood as an outcome of an ailing capitalism unable to generate profit through investment in the productive sectors of the economy. Policies aimed at resolving the problems of growth are just aggravating the situation, exposing the system to repeated crisis. This will impose itself on the new ANC government. Continuing with the Mbeki–Manuel policies will just make the economy more unstable and redistribution more remote. The cycle that created the tensions in the Alliance will continue, deepening the social crisis and causing political turmoil.

As Emir Sader explains, the current crisis will not bring the system down. At best it will increasingly bring the legitimacy of capitalism into question. Here lies the space for real debate and the need for popular movements to put forward strategic and long-term alternatives as well as concrete proposals for the here and now.

P.S.

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