

State capitalism to overcome cyclic crisis

Saturday 12 June 2010, by [KARUNARATNE Vickramabahu \("Bahu"\)](#) (Date first published: 23 May 2010).

The global crisis, which we are experiencing right now is the deepest and the most widespread crisis, since the 1930s by any reckoning. It has changed the attitude of pundits of global capital. The glory days of free market are gone with the crisis. Then, we were told by writers, artists and academics that "Greed or desire is good. Greed is right. Greed works. Greed clarifies, cuts through, and captures the essence of the evolutionary spirit." In fact the founder of modern psychology, Freud saw all human behaviour as motivated by drives or instincts, which in turn are the neurological representations of physical needs. On the one hand these instincts perpetuate the life of the individual, and on the other the life of the species. Thus he became a guru for those who wanted the free market economy to rule the human life. Many have accepted the idea that humans are just naked apes and the man is just a hunter. Market is the modern hunting ground. However, all these optimistic Neanderthal thinking has been slowly abandoned for more realistic ways for capitalism. It is the path of compromise and social peace.

Desire dominated

New thinkers promoted by the International Monetary Fund, now argue that it is wrong to forget the institutional foundations of markets and to equate the free market with unregulated markets. Furthermore, they argue that whatever market monitoring that was there, was insufficient to guard against opportunistic behaviour, of unregulated, profit-seeking individuals taking risks by which they stand to benefit and others to lose. In other words man has to come out of desire dominated thinking, to care for others. Big banks and multinational companies too should remould their ethical frameworks. All this time the global capital arranged its affairs with least regard for ethical structures put forward by Mohamed, Jesus or Buddha. Of course the system preached that it is involved in a messianic mission to save religion from blood thirsty terrorists. But within the market mechanism there was scant regard for ethical thinking. Now the global capital is searching for truth and benevolence.

In an earlier analysis of the global crisis Daron Acemoglu, one of the new IMF thinkers, states: "A deep and important contribution of the discipline of economics is the insight that greed is neither good nor bad in the abstract. When channelled into profit-maximizing, competitive, and innovative behaviour under the auspices of sound laws and regulations, greed can act as the engine of innovation and economic growth. But when unchecked by the appropriate institutions and regulations, it will degenerate into rent-seeking, corruption, and crime." I am glad to hear that the beast has to be controlled! However, the position today is that the desire is natural and it is the duty of the society to control. I thought Buddha said more or less the same thing. According to him the desire makes the human, an alienated person. The determination of desire by care will remove this alienation. The path for that nirvana is the collective, democratic praxis; the path of sanga. No, I am wrong; capitalism even with state control cannot get that far.

State capitalism

So we are in the middle of state capitalism as a temporary way out of this debacle of cyclic crisis. In spite of new terminology and man made confusion, the global system has entered the stage of state capitalism. I have nothing more to add than to quote from one of my teachers Fredric Engels. "In

any case, with trusts or without, the official representative of capitalist society – the state – will ultimately have to undertake the direction of production. But, the transformation – either into joint-stock companies and trusts, or into State-ownership – does not do away with the capitalistic nature of the productive forces. ... It is, rather, brought to a head. But, brought to a head, it topples over. State-ownership of the productive forces is not the solution of the conflict, but concealed within it are the technical conditions that form the elements of that solution.”

P.S.

* Lakkimanews column of May 23, 2010.