

FINANCIAL CRISIS 2008

“It’s Capitalism, Stupid!”*



Top: The New York Stock Exchange.
Bottom: People picking through a garbage dump in Tegucigalpa, Honduras.

The U.S. capitalist-imperialist system is experiencing the most serious financial crisis since the Great Depression. Some people blame this crisis on fraud and greed, or on lax regulation—which are certainly in play. But such explanations don’t get to the cause of the problem. This crisis is the outcome of the fundamental workings of the capitalist system.

Homeowners facing foreclosure meet with a housing counselor March 5, 2008, in Anaheim, Calif.



This whole process is an obscene example of how under this capitalist system something as basic as human shelter becomes a financial instrument and object of speculation. This has led to a situation today where 1 in 6 U.S. homeowners owe more on a mortgage than their home is worth; where 1 in every 65 households in California is in some phase of foreclosure; and where a disproportionate number of Black and Latino families who have been victimized by predatory lending have experienced incredible losses of what little wealth they had.

In the early 2000s, after the collapse of high-tech stocks, the U.S. Federal Reserve Bank sought to stimulate lending and growth. It lowered interest rates and pumped funds into the banking system. Banks had access to cheap and plentiful credit. And through deceit and aggressive marketing, they pushed mortgages on people. The Federal Reserve continued to inject low-cost funds into the banking system—helping to prop up loans and to fuel a long-term speculative housing bubble.

Banks sold these mortgages to investment banks. The investment banks in turn bundled these loans together with other loans, created complex financial products, and sold them to large investors—in the U.S. and in other parts of the world. These mortgage-backed securities, as they are called, circulated in financial markets and became the basis for other loans. The ultimate collateral for this chain of borrowing and lending was the original mortgage loans. So when housing prices fell, and as growing numbers of mortgage holders found themselves unable to pay back housing loans, much of this original collateral became nearly worthless.



A woman in South Carolina is served an eviction notice in front of her home.

Chinese workers at DaimlerChrysler factory in Beijing, Sept. 15, 2006.



Dhaka, Bangladesh: Women line up to buy government subsidized rice, April 4, 2008.



U.S. carriers, warships, and bombers in a massive training exercise involving more than 22,000 troops in the Southwest Pacific, June 2006.

U.S. imperialism has attempted to parlay its superior military strength into a new world order and to lock in its global supremacy for decades to come. Defense and defense-related spending totaled more than \$1 trillion in fiscal 2008. And military-related production and research have long been deeply embedded in the U.S. economy. **The whole imperialist system rests on the domination of vast swaths of the globe through savage force, with the U.S. military colossus playing a special role.** The costs of forcibly preserving and extending the U.S. empire is one of the dirty little secrets of the dynamics of the financial crisis that scarcely gets talked about.



Afghan villagers surround two children, victims of a raid conducted by U.S. troops in Kabul, Afghanistan, Monday, Sept. 1, 2008.

The current crisis is the outcome of a particular trajectory of world capitalist growth. There has been a massive new wave of globalization. One of the most significant features of world growth and expansion of the last 15 years has been the deepening integration of the world capitalist economy. This is happening both on the level of production and trade—like the parts that go into a computer being manufactured in different parts of the world; and in the case of an iPod being totally manufactured in China. And it is happening on the level of finance—where banks operate globally and are more tightly interlinked with one another through chains of borrowing and lending.

This new wave of globalization has involved direct productive and financial investments abroad. It has involved the expansion of outsourcing and subcontracting. And central to all of this has been the fuller integration of export-producing countries of the Third World into the world capitalist market—and the forging of a globally-integrated, cheap-labor manufacturing economy.

40 percent of the imports coming into the U.S. are accounted for by U.S. transnational corporations—and this does not even include the subcontracting done by companies like Walmart. 30 percent of U.S. corporate profits are generated overseas. China, which has evolved into the high-profit workshop/sweatshop for international capitalism, has been at the epicenter of this recent surge of globalization.

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Capitalism-imperialism is a totally irrational system and a nightmare for the people.

But there is another way to organize society. It is possible to take hold of the productive resources of society and to develop and deploy them in a rational, planned, and society-wide way to meet human need and to safeguard the planet. It is possible to establish a radically different kind of state power and to create a society and institutions that unleash people’s creativity and that promote initiative and diversity in an atmosphere that brings out human community.

The question of socialism, of communism, of revolution could not be more relevant...and more urgent.

WE NEED REVOLUTION!

The text of this poster is taken from the article, “Financial Hurricane Batters World Capitalism: System Failure and the Need for Revolution” by Raymond Lotta. Read the whole article at: revcom.us.

* This is a play on the phrase, “It’s the economy, stupid!” which was originally coined as a slogan for the 1992 Clinton presidential campaign—which argued that George Bush (the 1st) had not adequately addressed the economy. It has become a common catch phrase among political commentators in order to call attention to something that is staring people in the face but that many refuse to acknowledge.