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"Capitalism Can Change the Sign But Not the Direction"

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This crisis has shown us how fragile we are, too.

The financial and economic crisis we are experiencing shows all the inhuman savagery of capitalism. Predicted, and in some ways allowed to develop, it falls on us with the metaphorical intensity of a tsunami. No one knows how long it will last, and we have already been told that it will produce an immeasurable amount of debris, creating even more poverty than already exists.

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I don't understand economics, and the modest thinking of which I am capable proceeds from reading the analyses of those who deal with it professionally. But a strong indignation arises in me spontaneously when I hear the news and read the information that has been reported daily for months concerning the disaster into which the management of global wealth has been dragged by the criminal oligarchy at the top of the banking system. I need to express the anger that arises in me at the injustice and intolerable arrogance that dominates us.

What is clear is that the global financial system was headed towards an implosion. A phase that was foreseen for several months, indulged and allowed to develop according to the logic and demands of speculation, which has seen jumping balances, become uncontrollable, continuing to sustain the unsustainable increase in the wealth of those who were already rich. Since the whole economy depends on financial flows, this wasteful collapse could only drag all the human masses, always intentionally excluded from the lavish speculative-financial gains, into disastrous conditions of existence which have yet to be defined and quantified since they are still in progress.

Creative finance ?

In short, once those who have been making money on the backs of others all along enter a crisis and fail, those who have nothing because they have been excluded from the possibility of having find that the brunt of a crisis for which they are not responsible and that they have neither sought nor helped to create falls on their shoulders. This is the dramatic, profound, and tragic sense of the system underpinning the lives and destinies of the world's human beings.

What happened ? For nearly two decades, on a path strewn with errors, what is euphemistically called "creative finance" has taken hold. Theoretically, this means the ability to find solutions and create financial maneuvers to improve compromised situations in need of rapid growth. In fact, it operates through the global market, thereby eluding national controls, using highly sophisticated instruments and loads of risk unbeknownst to the investors, who, confident and unconscious, are cheated by brokers and issuers. Every time you make deposits in your savings banks or pension fund for investments or loans, these are used in financial transactions to raise capital, according to the philosophy of making money purely by means of money. Harangued by persuasive offers, you sleep peacefully while the banks play with what you earned by the sweat of your labor – and do so at your risk, even though you cannot even understand what they are doing.

But something more was done. In America in particular, duped clients were encouraged to take on debts that were beyond their means. These easy loans were then reinvested, amplified indefinitely through the game of derivatives, so called because they do not stand on their own value but are basically dependent on other securities or even other derivatives. In reality, these were nothing more than sophisticated insurance contracts, for which each bank will ensure that there is another bank that accepts a bet. Technically, the issuer sells a bad debt to a third party, who then makes a profit, which serves to cover previous losses. In practice, this is speculation on nothing, or nearly nothing, pushing uninformed people to get into debt, facilitating credit to an improbable extent and pretending that these pits were mountains of money, while in reality, they were almost entirely virtual. An absurd logic dictates that the offer of a loan must create and magnify the need to borrow.

It could not have gone on indefinitely. As Zygmunt Bauman argues, living on credit is like few other addictive drugs, and decades of ample availability of a drug can only lead to shock and trauma when the supply dries up. [1] At some point, the plaything breaks, revealing all its evanescence, spilling its contents over the lives of those who were deluded by it into sleeping easily at night as well as those who were always too poor to have ever even dreamed of participating in the game. Predictably – and overpaid experts knew it all along – this generated a huge speculative bubble that has screwed up the whole dilapidated mechanism.

In this maelstrom of the continuous increase of money around derivatives that did not support their own value, the constant race to invest generated an irrepressible excess, to the point that new investors were no longer arriving who were willing to purchase additional rights at a price that had meanwhile become too high. Like a time bomb going off, the bubble burst; the value of the securities fell suddenly, and we saw a relentless fall in prices, dragging the whole system indiscriminately into a bottomless abyss. The castle of paper, the virtual wealth that produced such extravagant privilege for some unscrupulous executives, vanished in the space of a few hours, adversely affecting economic productivity, wages, employment. While only a few enjoyed the lavish gains of this generalized scam, now we all pay indiscriminately for the failure of their insane greed.

To get an idea of the extent of the thrust of endless greed toward a hoarding of wealth that has been made something very like an illusion, just consider that the monstrous market for derivative securities has reached 55,000 billion dollars, four times the GDP of the US. A market which in most cases was conducted outside and above the ordinary business of the banks. To understand better still, it is estimated that in America, over the past decade, behind every dollar of increase in GDP, the increase in income of the real economy, there were five US dollars in loans. A mountain of financial assets dominates the production of things, goods and real services. The national GDP was only a fraction in comparison to the bubble of debt that was behind it.

But the system went to pieces

Faced with this disaster foretold, this cavalcade of ills which it was no longer possible to block or prevent, what have the mighty of the earth done? Attempting to run for shelter, they have grabbed disproportionate quantities of funds and capital that have been systematically denied to projects for the benefit of society. The states have intervened that, using taxpayers' money at their own discretion, to rescue banks and bankers in order to save the system that was in pieces. First America, which started the disaster, released 700 billion dollars for Wall Street. Then Europe: adding up the national plans that have been implemented, the directives of the Paris summit will come at a cost in dollars up to 2400 billion, more than three times the amount allocated by the US.

A mountain of billions, given away for free to profit the criminals who have decided to sink us all, while for decades the 30 billion that would be needed to solve the problem of world hunger have been unavailable. Meanwhile, we are entering a global recession. Concretely, this means the loss of jobs, unemployment, increased poverty. Meanwhile, the bank executives responsible for the disaster, instead of being convicted, have been rewarded with settlements by

the big shots. Meanwhile, as Federico Rampini noted, taxpayers will be hit hard when they see the bill in terms of their tax burden. The massive increase in public deficits for rescuing the banks overlaps with a disastrous economic situation and a recession which in turn depresses tax revenues. Having bled the public to remedy the mistakes of bankers, we find no resources to support growth, to alleviate the industrial sectors in crisis, to tackle rising unemployment.

The state therefore has become the savior of the market, which was supposed to remain free from controls and undue interference from government or anyone. On the sidelines of this whole affair, a debate has tentatively surfaced that would be comical if it wasn't so tragic. In many quarters, we hear a murmur about a rebirth of socialism owing to state interventions. Poor socialism ! Arising and conceived as a universal project for bringing about the management of wealth for the common good of the community, it is literally reduced to rags, to emergency state interventions in order to rescue its opposite, capitalism, particularly its financial globalized version, and to place this back on its feet. This is not pure ignorance. I am convinced that behind such theoretical absurdity there is bad faith, serving to prevent a serious reflection on the possibilities of real alternatives.

On this subject, Ruffolo offers an acute reflection, showing how the beneficiaries, instead of being grateful for what they have been given undeservedly, have never lowered their flags, despite the disaster, and never satisfied, continue to make demands with great arrogance. "The real danger that emerges from this crisis is not that the state should become the boss of the market, but that it should become its slave ... the tone of 'liberal' opinion is peremptory : pay the state and pay it today ... they are troubled enough to ask the state, which hitherto they considered to be not the solution but the problem, for the solution of the problem. But they hasten to invoke caution against any temptation to lay hands on the 'self-regulating' mechanisms of the market." [\[2\]](#) Some rebirth of socialism !

I do not even agree with those few who, driven by a misplaced optimism, have glimpsed the beginning of a crisis in the entire field of capitalism as such. If it is true that this crisis, with its particularly strong virulence, seems to have cracked the consolidated system of financial concentration, it has also long been true that capitalism periodically manifests a crisis capable of bringing it to its knees. One could say that it thrives on them ; it needs to restore itself through its periodic crises after a long period of feeding itself.

Weakness and impotence

I am convinced that the hurricane will pass ; the world economy won't be overwhelmed, and there won't be a true collapse of the system. If anything seems clear this time, it is that it is primarily matter of a crisis of values, insoluble at a structural level. But capitalism is still too strong, especially in the absence of an even minimally credible alternative project. The fact is that the crisis of values is inherent in its nature. How can it be endowed with sound ethical values, as some now hope, or march towards a "return to morality," as Hirsch hopes ? At the base of its being, its sole tendency is toward private enrichment through profit or revenue, leaving the common welfare to be diffused by the self-regulation of the non-existent "invisible hands" that so deluded Smith. In fact, the prevailing capitalism demonstrates every day that they feed only greed – and greed at the expense of any other social or collective value.

This crisis has clearly illuminated all our fragility and our practical impotence. We who live by working with salaries and wages that force us to economize on everything ; we who fail to find a stable job, worn out by the nightmare of not having enough money ; we, the world's poor and subaltern, forced to struggle every day for a dignified life and the minimum to ensure our necessary subsistence – we are completely at the mercy of capitalism, a greedy and omnivorous system that is based on private accumulation at the expense of everyone else. My instinct is to try to slip out of the tentacles of this devouring octopus as far as possible.

In the absence of a credible alternative, I feel inclined to dust off the concept of Proudhonian mutual-aid banking, updating its meaning and content. Potentially, there could be places and moments in which the subaltern could collect the fruits of their work, self-managing them directly in common and ceasing to give most of them to the banks. We would at least be sheltered from the winds of evil crises such as this one, and we would have a real basis to defend ourselves and to think about what to construct in their place.

Andrea Papi

[1] Bauman, Zygmunt. "Il mondo drogato della vita a credito." Trad. Emilia Benghi. [La Repubblica \(Oct. 8, 2008\)](#).

[2] Ruffolo, Giorgio. "La crisi a spese dello Stato." [La Repubblica \(Oct. 29, 2008\)](#).