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## Why the bourgeoisie cannot learn from history

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Hi everybody,

There was an interesting article in yesterday's *New York Times* entitled "Governments Moving to Cut Spending, in Echo of 1930s". It's at:

<http://www.nytimes.com/2010/06/30/business/economy/30leonhardt.html?th&emc=th>

The graphic accompanying it is especially interesting; it shows the big cutbacks in government deficit spending in all the major economies (even though their deficits remain huge).

Watching this renewed determination by the capitalist governments around the world to "move in the direction" of balancing budgets, rather than use even more massive Keynesian deficits to improve their economies, the liberal Keynesian economist Paul Krugman wrote an op-ed piece a couple days earlier entitled "The Third Depression", predicting that that is now what is coming down the pike toward us. (Of course a number of us have been convinced of this for a very long time, but now even some establishment economists are starting to agree.)

There are many things that could be said about all this. But one thing in particular is very striking. Bourgeois economists have *claimed* that they have learned the lessons of "the past mistakes that led to the Great Depression of the 1930s" and that they won't make the same mistakes again. But current events are proving that this is just not true.

In some *secondary areas* it may be true, as with the Federal Reserve flooding the economy with trillions of dollars of handouts and loans to banks and corporations during the most acute stage [so far!] of the financial aspect of the crisis, in 2008-2009. This was actually quite different than what happened in the 1930s, and it did tremendously ameliorate this recent bout of financial crisis.

But what about the bigger and more central lesson, the basic Keynesian lesson of the Great Depression--that if "effective demand" in the private sphere falters, then the government must step in boost it back up (either through putting money into the hands of those who will spend it, or else by buying things itself)? This lesson has obviously *NOT* been fully learned.

The *NY Times* article talks about how the Depression intensified again in 1937-38 when FDR cut back on government deficits in 1936-37. Well, the same sort of thing is occurring right now. It was actually highly predictable that this would happen (and I and some others have in fact been predicting it).

For one thing this is the course that Japan has been following for the past two decades now. "Half-assed Keynesianism", as I have been calling it, which eases the crisis for a bit, followed by attempts to cut the deficits, which in turn leads to a renewed economic downturn. This has led to a long period of in-and-out of recession, with only extremely short and weak "recoveries" in between them.

But *why* has the Japanese ruling class been too stupid to understand that this is what has

been happening? And **why** are the ruling bourgeoisies of the U.S. and other major countries now repeating this very same mistake?

We Marxists often condemn the bourgeoisie--especially in this imperialist era--for being pragmatists. Indeed we often say that pragmatism is the fundamental ideology of the capitalist-imperialists. But this is actually only a half truth. In reality, bourgeois ideology does include some very definite and deeply held principles which the ruling class finds almost impossible to abandon, even given their very strong pragmatic impulses.

The capitalists and their politicians and ideologists are in fact absolutely convinced that capitalism is not only the "best" economic system, but indeed the *only* economic system that really works at all (at least in the modern world). They are unalterably convinced that capitalism has no significant internal economic flaws, and that most of the time (at least) it will function very well if it is not "interfered with" by the state.

Within that basic agreement, there are, however, two sub-trends. The first sub-trend (which is most absolutely upheld by the "Austrian School" purists) maintains that *all* real economic problems under capitalism are caused by "outside interference". (They sometimes admit that there might be periodic mild recessions, but claim that these serve a good purpose overall.) They insist that capitalism would always work beautifully were it not for the "socialist" impulses of the state to regulate (or otherwise mess with) the private capitalist economy.

The other sub-trend is that of Keynes, his followers, and people like that. They do recognize that *occasionally* the economy can get out of whack (for whatever reason) and that government intervention is then necessary to "get things working properly again". Many of them also recognize that the economy does need to be regulated, even in the interests of the capitalists themselves.

But notice the deep unity here of these two different sub-trends: Even the most genuine Keynesians, and even many who go *further* than Keynes himself did with regard to government intervention in the economy, still believe that *most of the time* the capitalist economy functions just fine, all on its own. They still believe that it is, despite some secondary problems, the only practical economy system.

And in particular, the core idea of Keynesianism is that of the occasional necessity of "pump priming", of helping the capitalist system *get back on track* where it will continue for a long time quite well, and mostly on its own.

Thus the basic idea even of Keynes and his followers is that government deficits are only necessary for a relatively short while. They even believe that when the "good times" return it will be possible to make up for these deficits with budget surpluses!

This is why even the most adamant Keynesian economists (including Paul Krugman) think that "eventually" the government must move in the direction of balancing the budget. But, looking at the very weak economy right now, they are at least smart enough to say that "this is not the time yet" to try to trim government deficits.

However, most bourgeois economists and thinkers believe that, really, the economy at most just needed a Keynesian boost, and it has already been given such a boost--and a huge one at that! They really believe that things are on the mend, and that the ordinary workings of

capitalism can take things from here.

In other words, it is their *bourgeois ideology* which is leading them to make this serious mistake of cutting back on these huge deficits--which are in fact the only things keeping the U.S. and world economies from sinking into worsening recession (and eventually outright depression).

If the capitalists were only doing this to themselves, I would just sit back and enjoy their foolishness! Unfortunately, they are running the world, and the biggest victims of their folly are always the ordinary people, the working class, and the masses. There is a lot of misery out there right now, and a lot more coming our way.

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It is true, however, that the bourgeoisie is also right to worry about perpetually increasing government (and private) debt. This government debt bubble will inevitably collapse at some point, probably not all that far in the future, even if they do make some short term efforts to trim the government deficits for a year or two. (The government debt bubble recently collapsed in Greece, and a number of other European countries are very near the edge.)

What it amounts to is this: The capitalists have two possible courses of action at the present time:

Course 1: Continuing to following the Japanese path, in and out of recession, with only partial and short recoveries. This means a period of overall stagnation and economic weakness.

Course 2: Implementing a huge new round of Keynesian deficits (even qualitatively bigger than in the past 2 years!) that actually pulls us out of the current stagnation for a few years.

(A third course is conceivable, but it can't possibly happen: This is for the bourgeois purists to completely get their way, for the government to not only completely balance its budget, but for it to run surpluses and start to pay off its already colossal debts. This course would almost immediately bring about a new, intractable depression.)

Course number 2 is being implemented (for now) in China, and was implemented by Nazi Germany during the 1930s. It is the course that *appears* (for a while) to end the economic crisis. It is the course recommended by Krugman. It probably is the most rational course for the ruling class to take at the present time. But I still predict that they will stick with course 1, mostly for ideological reasons.

But here's the thing. *Whichever* of these two courses is chosen, the end result is a new great depression! Course 1 will probably prevent this from developing for a longer time. Course 2 will certainly be a better result in the near term, but will very likely speed up the advent of the collapse of the government debt bubble, and mean the coming depression starts sooner.

So which would you choose? Going out with a bang or a prolonged whimper?

Capitalism has led us to this fork in the road, where all government policy alternatives lead to the same disaster. That suggests to me that we need to get rid of capitalism. Unfortunately humanity has not yet grasped this true alternative to the ghastly capitalist depression bearing

down on us, a depression that will be far worse, and far longer, than anything ever before.

Bourgeois governments have proven that they can't really learn from history. The question before us in the coming decades is whether humanity as a whole will be able to learn the overall lesson of the history of the past several centuries: That capitalism itself has to go.

Scott