

*Warning: The events can lead me to change some sequences of this text.
People who would like to stage the text can ask me the latest version.
The one who would like to carry out improvements to this text can write to me. Thank you
harribey@u-bordeaux4.fr*

**Financial Crisis :
J'ai mal à mon capital
Das Kapital tut mir Weh
My capital is a pain**

By Jean-Marie Harribey

*Translated from French by Johanne Tete, Lorraine Buckley and Christine Pagnouille,
Coeditrad*

The stock exchange catches people's imagination through miracles that seem to occur there. The crisis, when it happens inevitably, destroys dreams that turn into nightmares. How is it possible to convey it when fiction is mingled with reality? Hereunder, a series of 5 short scenes, made up with dialogues mostly real and a tad imaginary, but so true...

First Act: For a fistful of dollars

We are around the end of the 70's. The highest-ranking officials at the Trilateral Commission are together in a luxury hotel (which name is not revealed), most of them members of the Bilderberg Group. Among them:

David Rockefeller and Henry Kissinger, instigators of this Commission,
Paul Volcker, Chairman of the Federal Reserve (FED), the central bank of the United States.
They are surrounded by:

Jacques Delors, Chairman of the Committee on Economic and Monetary Affairs of the European Parliament, future chairman of the European Commission,

Raymond Barre, French Prime Minister,

Important people from international institutions and business world including Klaus Schwab, founder of the World Economic Forum in Davos.

There are only men, except to serve petit four.

David Rockefeller introduces the discussion:

“Sirs, I would like to thank you for accepting my invitation. I invited you to this exchange of ideas because the democratic world economic situation is serious. We all know that democracy comes along with the freedom of undertaking we are attached to. But economic indicators are bad. For investors' trust, the most important is the ratio of sales to fixed assets rate of the equity capital called profit rate by our opponents, as if this word was negatively charged, when it is the barometer of the economical dynamic. Unfortunately it has been going down for ten years because we can't improve productivity as fast as our investments increase. We must reverse the situation pretty quickly if we don't want it to lead to geopolitical

consequences we wouldn't be able to control. What happens on the petroleum front won't help matters: two oil crisis five years apart, it's hard to take it all in one's stride. I turn to M. Kissinger our strategist: Are the United States able to confront these dangers?"

Henri Kissinger pushes his glasses back up and starts an academic talk:

"The United States are and will remain the foremost power in the world. All our energies are striven for the free world's victory. In 1973 the CIA did what had to be done in Chile to eliminate Allende's Marxist government and to replace him with Pinochet, who immediately brought the country back to our side and tested new Liberal policies on behalf of our Chicago boys. With military government in Brazil and Argentina, we firmly keep South America under control. Admittedly, we had to give way to Vietnam, but we are planning that whole Asia is going to swing over to free market economy soon.

From an economic point of view, in 1971 President Nixon sounded the death knell for international monetary system when he gave up gold for good, this "barbarian relic". Oh! What a visionary was Keynes! But, while he wanted to create an international currency, we instituted dollar instead. It was a good job, because as you can see, in few years thanks to a fluctuating dollar, we have now floating exchange rate that are more convenient for the movement of capital which was locked up by 1944's Bretton Woods Agreement."

M. Volcker, new chairman of the Federal Reserve speaks:

"This program comes up against a considerable obstacle: The 2 numbers inflation which is in all free countries robs creditors and removes openness to investors. In order to restore normality for creditors and shareholders, we have to cut inflation urgently, also because it encourages trade unions to criticize. I suggest a very strict plan: I increase threefold or fourfold the FED's guideline rate so I stop credits which can just contribute to increase in prices as it has been showed by Professor Milton Friedman. In few weeks, or in few months, the whole world banking system will take the same way."

M. Rockefeller shows his worries:

"Aren't you afraid of a slowing down of the economy? What do our business directors think about it?"

And he looks enquiringly M. Klaus Schwab who has been launching the Davos Forum since a few years.

M. Schwab reports on the latest Davos meeting:

"Managers of big firms are worried. They wonder about the strategies followed by governments and don't see either coherence or coordination attempt. Some States have opened a new exchange rate and renounced the Keynesian reflation policy that is not working anymore and some others are still clinging on it. Our business directors are convinced that cutting inflation is necessary but not enough." (M. Volcker pricks up his ears, being afraid of a rejection of his plan). "They also recommend stopping similar evolution between wages and productivity." (M. Volcker, relieved, nods in agreement). "Mainly in Europe, where an important social system has to be reduced."

M. Raymond Barre, who was just about to doze off, starts:

"I am the best economist in France, I can assure you that austerity measures that I have just imposed, in plans called Barre I, Barre II and Barre III will be profitable, I say profitable and I know what I am talking about because it's written in my economic manual which I hope you

have read.”
He dozes back off.

Jacques Delors, left wing right-thinking person, speaks:

“My colleague and friend Raymond Barre is right. In order to give to the necessary austerity the best chances of success, European commissioner and I are working on the creation of a single European market in the next fifteen years. I can guarantee you that it’s going to be the best way to lay down liberalization to a recalcitrant social electorate.”

He closes his eyes and starts daydreaming: “I’m writing a blue book that will prefigure the Single European Act that will be my favourite treaty. To prepare the monetary integration, I will pass a package Delors I then Delors II and we will have a single currency and an independent central Bank. Verily I say unto you, I will put Europe into the liberal globalization. If Barre doesn’t carry off successfully, I have my movement order: 1) I will stop the index-linking of salaries to the inflation rate, something that no right-wing government has been able to oblige trade unions to accept; 2) I will impose austerity measures; 3) I will convince my left-wing friends that the market is impossible to overtake.”

All of them quiver with pleasure, and M. Rockefeller outlines a summary:

“Sirs, we have just written a new part of the history. The one of liberalism, I want to say the one of freedom. Capital control is over everywhere, financial markets are open and central banks are going to increase their guideline rates. Any country in demand of international credits will have to follow a liberalization programme. It’s the financial constituent. Let’s turn to the economical constituent: as the opening of borders strengthens competition, privatizations have to apply to all sectors, and in particular to energy and transport, we will see later for education and health. Remain the social constituent. Under the guise of desindexation of salaries to prices, we will stop the index-linking of salaries to the added value. So that people don’t notice it, we will approach through the decrease in welfare costs that pay for a social welfare system too expensive in a more and more competitive world. For the rest, let’s trust the dynamics of the free market economy.

Sirs, we will have to see each other again in order to check on the good implementation of the programme which, I assure you, is opening a new way. I will have to ask one of our thinkers, M. Francis Fukuyama, to write us an article showing that the end of the history is the beginning of ours.”

Second Act: Once upon a time in the South

The scene takes place in the World Trade Organization (WTO) headquarters in Geneva, at the end of the 90s.

The Managing Directors of the WTO, Renato Ruggiero, of the International Monetary Fund (IMF), Michel Camdessus and the President of the World Bank, James Wolfensohn, are giving a press conference to outline the issues on the agenda at the WTO Ministerial Conference scheduled in Seattle within a few weeks.

In his role as Managing Director of the WTO, Renato Ruggiero is the first to address the journalists:

“The international negotiations are going well and we are optimistic that we will agree on the

abolition of all trade barriers on agricultural products and services.”

A first journalist, from *The Guardian*, raises his hand:

“Don’t you think that eliminating the customs barriers which still protect small farmers in developing countries will have very negative impacts for them?”

Mr. Ruggiero promptly answers:

“Experience has shown that, in the long term, competition is good for everyone. It is true that initially the Peruvian farmer who wants to sell his sack of wheat on the world market, or the Thai farmer his cassava, will be unable to do so because they will be competing with large scale American and European producers who farm intensively and more economically and enjoy huge subsidies. So the small farmers will go bankrupt and be forced to emigrate towards the nearest megalopolis. Then major industries will have cheap labour at their disposal, all production costs will be lowered and everyone’s purchasing power will increase. The market will equalize conditions.”

The correspondent from *The Financial Times* asks rather sceptically:

“Will that be enough? The poor in the shantytowns are happy with very little, but they are getting free healthcare and their children go to state schools.”

Mr. Camdessus, Managing Director of the IMF, answers him:

“You are quite right. Cases like that do still occur. But along with his Excellency the President of the World Bank, we are demanding that poor countries reduce public expenditure and welfare costs in exchange for international loans. Any new loan is conditional on the implementation of Structural Adjustment Plans. I know the debt of third world countries has spiralled up to 2,500 billion dollars, but every cloud has a silver lining: they will bring some money into the western banks’ coffers. You can tell your readers to sell their ethical investments”.

Mr. Wolfensohn, President of the World Bank, confirms:

“Selling on at a profit, that’s a moral action! Actually, when we make rich people a lot richer, it brings the world average up more than if we give limited help to the poor, who only have limited needs, and in any case are far too many. People are making such a fuss about the lower number of enrolments in primary schools in African countries that have applied our plans, and the increases in infant mortality rates in some of them. But that is the price to pay in order to be able to balance the state’s national economy; now there’s consensus in Washington on this.”

The special correspondent from *L’Osservatore Romano* gets to his feet and asks

“How does structural adjustment fit in with social justice?”

Mr. Camdessus, a firm believer, answers with a hypocritical air:

“Adjusting”, in economics, means reducing. And ‘structural’ means social. Therefore, structural adjustment means reducing social benefits. But these reforms are necessary; it’s like collecting yourself before a jump so that you can jump higher. Salaries have to stay low in the South because pension funds in the North need to turn a profit in order to pay people’s pensions, once we have reduced the pay-as-you-go pension plans which generate too much

security in the social structure. And salaries in the North have to be lowered to stay competitive with those in the South. Pretty logical, isn't it?"

A Brazilian journalist from *O Globo* objects:

"Revolt is rumbling in the favelas and the Sem Terra landless are mobilizing."

Mr. Camdessus is more and more conciliatory:

"Don't worry, our communications team is preparing a video clip on globalization with a human face."

Mr. Wolfensohn is more graphic:

"As the great landowners have the means to deal with their most pressing issues first, if there is an increase in the occupations of land, our priority will obviously be to save as many people as possible from going the way Chico Mendes did."

Mr. Ruggiero closes the press conference:

"Ladies and gentlemen, we have a date in Seattle next month."

Third Act: For another handful of dollars

We are at the head office of the Merrill Lynch business bank in the 2000s. Talks are underway between Mr. Stanley Inthesky, its CEO, Mr. Dan Button, CEO of General Society, a French business bank, Mr. Adam Junkapple, CEO of Northern Rock, a British bank specialising in mortgage loans, and Herr Joseph Bauer, CEO of the Deutsche Bank.

Mr. Stanley Inthesky welcomes his guests:

"Gentlemen, welcome. Let's face it, since the Internet bubble burst and the new economy started fading, already before the 9/11 attacks, the US economy has been stuck, the Japanese economy has stagnated, and Europe has flagged. Granted, our various commitments in diversified financial operations are a guarantee that we can still produce dividends for our shareholders. The tried method of leverage buy-out is doing miracles to increase return on equity. But there must be something out there to be bought. And if we cannot find a way of developing consumption among poorer households, the economy will get bogged down."

Mr. Button wonders in impeccable Frenglish:

"What? Do you want invent again the fordism?"

There is a moment of silence. Then Mr. Junkapple slaps his forehead and says:

"I have an idea. A good idea. We mustn't increase the wages of the poor but grant them loans."

Herr Bauer steps in:

"You only lend to those who have."

Mr. Junkapple does not hear and speaks on:

"We must lend to the poor. So that they can buy a house, for instance. We'll take mortgages on the buildings. So either they pay us back with interests that we'll have the foresight to define at a variable rate. Or we seize their property, the price of which will have increased in-between. We win either way. In the meantime we will have hedged credit risks by selling mortgages. The market will be ready to buy since securitization of receivables is very much in the air. To make sure they are readily accepted we'll scatter them among other securities. Taking risks is ok, particularly with sub-prime loans. But scattering risks is even better."

Herr Bauer counts on his fingers and mumbles:

"1) I grant loans to households with poor credit histories. 2) Prices on the real estate market soar. 3) I blend and securitize. 4) All the banks and mutual funds buy these securities. 5) If the US building industry is hit, market trends will shift. 6) Financial securities won't be worth anything any more."

Loud: "My board of directors will be reluctant."

Mr. Button, the author of a notorious report on good governance in banking, replies:

"All we have to do is compensate risks through the benefits we earn thanks to rising stockmarket positions. I am in touch with a trader who knows his business. Nobody will suspect him since he comes from the *back office*; I'll send him to the *front*."

Mr. Inthesky can now see a clear sky in his mind's eyes and concludes:

"In the beginning was saving. In the end our financial system will transfer risks onto the small savers. And not any savers! Those who can only rely on their wages! So Capital shifts all risks onto Labour! Ah, I start to understand that article I've just read in the *Wall Street Journal* that referred to Marx to explain our business!"

Fourth Act: Breaking the Bank

A pirated version of a videoconference was circulating on the Internet in August 2007. It brought together

Mr Ben Bernanke, chairman of the US Federal Reserve (FED),
M. Jean-Claude Trichet, President of the European Central Bank (ECB),
and the Honorable Toshihiko Fukui, Governor of the Bank of Japan (BoJ).

Mr Bernanke speaks first:

"Our worst fears have come true. As soon as housing prices fell, the stock prices of financial products backed on subprimes plummeted. No financial institution is willing to back them any more. Banks look at each other suspiciously. On the interbank market they no longer grant any loans to each other. We are on the verge of a *credit crunch*. We will have to step in and lower our official market rates."

M. Trichet pipes in, gloomily:

"This is out of the question. Inflation is stalking us; I will not lower my rates. I already had to raise my voice for Frau Merkel not to agree to minimum wages in Germany. And together with the European Commission I have to fight to coax Belgium, the last European country to stick to this obsolescent system, to suppress salary indexing."

Mr Bernanke resumes with some surprise:

“Is this really the greatest peril for the Euro zone? I saw on the ECB website that you are quite permissive when it comes to money printing if I am to go by the evolution of your M3.” (At this point some interference makes it impossible to hear the video sound track but a link shows M3 = entire supply of money within an economy, from cash to long-term deposits). “When all is said you *do* allow credit for our financial circuits. So please go on.”

Stung in his pride M. Trichet spills the beans:

“Sure, but that is what we had agreed on: get over the financial crisis in the early 2000s by encouraging credit, which did boost speculation. I've made my choice: I agree to inflation on securities in order to retrain inflation on goods and consequently on wage demands. Lowering rates would not help a positive outcome. Look at Japan: maintaining zero interest rates for a decade has not been a great success, has it?”

The Honorable Toshihiko Fukui understands that the time has come for him to voice words of wisdom:

“Dear colleagues, financial markets yo-yoing is part and parcel of the search for liquidities. In a recent conversation the governor of the People's Bank of China was telling me that the yang of strong investments needs the yin of ‘cash guarantee’. This is a highly dialectic process, and I can say we have recently experienced its wisdom in a decade and a half of prolonged downturn in the Land of the Rising Sun, when the interest rates of the Bank of Japan were just zero, I mean were just because they were zero. Indeed no investment can gain value without labour and we bite our fingers for not having learned this lesson from our ancestors. Allow me to give the following piece of advice: lend plenty of short-term liquidities to banks for them and other funds to get back on their feet, I mean since no one can ever get back to its innermost self, to get back to the surface. Please forgive, gentlemen, my uncertain mastery of the international language of business.”

Mr. Bernanke looks puzzled:

“Let us see. Who could lend money on the interbank market? You, M. Trichet, or you, Mr Toshihiko, who provide such sound advice?”

At this juncture the telephone rings and Mr Bernanke speaks on the interior line: “This is Mr. Alan Greenspan, who was chairman before me.”

Mr Greenspan is mad:

“What is this? You are undecided! You still hesitate instead of making decisions when fire is about to break out! Yet you can see that Middle East sovereign funds bailing out is not enough. Sir Bernanke, you must immediately lower your rates and make additional funding available. Sir Trichet, if you don't lower your rates, then make at least three times of much funding available as Bernanke. And you, Sir Toshihiko, is not the Japanese model based on imitation?”

Chastised Mr. Bernanke attempts to sum up the situation:

“My official rate is currently set at 5.25 percent, I am going to lower it but only gradually to allow for manoeuvring room. To 4.5, then 3 percent, or less if needed. And I can make short-

term loans of some USD 100 billion to the banks. If needed, I will take on devalorised securities. What can *you* do, M. Trichet?"

M. Trichet grumbles:

"I will not lower my rates but I can lend several hundred billions euros on the interbank market. Meanwhile I firmly expect that your government will take appropriate measures to curb your deficits for public opinion in Europe has some difficulty to stomach the appreciation of the euro in relation to the dollar, and I will have to weather the medias' onslaught."

The Honorable Toshihiko Fukui adds in a most dignified way:

"As I had the honour of telling you, gentlemen, I can hardly be expected to lower rates that are already as low as can be. I can also lend on the interbank market but in keeping with the Empire of the Sun's legendary modesty, I wouldn't dare mention the same kinds of amounts as you, and will merely make a few dozens billions dollars available."

Mr. Bernanke concludes the videoconference:

"We'll be keeping in touch minute by minute. Mr. Greenspan, thank you again for your most precious help in this time of need. Without you we would have lost our grip on reality in front of markets' irrational exuberance."

Fifth Act: The Good, the Bad, and the Ugly

In early 2008 a French television channel had invited:

Mme Mathilde Devine, a specialist in hedging operations for Hongkong Shanghai Banking Corporation (HSBC),

M. Jean-Marc Forestier, a morning columnist on a public radio,

M. Eric Alémeri, a columnist in a quality paper,

Mme Florence Eden, chair of Adam¹ (small shareholders' association, "Association des actionnaires minoritaires")

and Mme France Attac, an unduly neglected economist.

The show called "Ce soir, on se bat sur la 3" ("Tonight we have a fight") is moderated by Mme Christine Acran.

Mme Christine Acran opens the show with a measure of bombast:

"Good evening and welcome to 'Ce soir, on se bat sur la 3', which is devoted tonight to the hot topic of the current financial crisis. With us, to help us understand this complex issue, we have the best specialists in financial matters. Indeed we common mortals are quite lost when we hear news of the stockmarkets: should we buy or sell? Are traders out of their minds or are they white-collar thieves? Can we still trust banks that are obviously interested in our money? Mme Devine, you who are in trading rooms on a daily basis, do you read tea leaves? What is the point of those financial markets that go through crises every five years? People have a right to know."

¹ Authentic.

Mme Devine slowly looks at each participant, then she gazes into the camera and says her piece:

“Financial markets to life are essential
In the body economy as indeed is breathing.
Circulation of blood or else of capital,
Such is the condition for free enterprising.
Distributed resources, gambling on the future,
But hedged and covered against all adventure.
Efficiently laid out eggs in many baskets,
Who cares then for turbulent markets!”

M. Forestier is overwhelmed with admiration and edges toward Mme Devine:

“Madam, say this again, I will use it for my column tomorrow morning. You have supplied my three daily topics. 1) Financial markets are vital: thanks to them capital circulates and economy can breathe. 2) They distribute resources to the best of everybody's interests. 3) The financial crisis pushes out unproductive elements, handicapped of technical progress, all those who stand in the way of structural reforms.”

M. Alémeri gloats:

“I would go even further: structural reforms have been too slow in coming; there is no common interests, only particular interests; move on, capitals, there isn't anything to be seen, for the business elite has realised that their class interest was to correct their excesses.²”

Mme Florence Eden, chair of Adam, reacts violently:

“Oh but there is; smallholders are flouted by bad management. They have a pain in the arse, hmm sorry, I mean in their capital. Their hearts are not set on investing any more. They have lost their faith in free enterprise. You have to have a strong back to weather the crisis. In one word, there is something rotten in the kingdom of money. I demand more transparency and some morality in capitalism.”

M. Forestier exclaims:

“We just have to nationalise banks' losses.³”

Mme Christine Acran, realising something is wrong, sends a news story on China in which you can hear young people tell about their thirst for consumer goods thanks to globalization on a backdrop of huge working areas. Back in the studio she turns to Mme France Attac and asks whether, in spite of downturn, globalization cannot also be a good thing.

Mme France Attac, who had been chafing with impatience for a while, jumps at the opportunity:

“Allow me, Madam, to change the rules of your hissing snakes and shaky ladders game. Many claim here to be surprised by the gravity of a situation they have long denied and to see in it only a succession of isolated accidents whereas there is a relentless consistence in those various disasters.”

² No doubt about it, this is authentic, see *Le Monde*, 10 and 11 March 2008.

³ Authentic again, heard on France Inter, 14 March 2008.

As though she was at one of ATTAC's summer universities she launches into a lecture that is quite clear, true, but perfectly inaccessible to all participants in the show:

“The crisis we go through is the direct consequence of global economy falling into the hands of financial interests, which started when capitals were granted the right to circulate freely whatever the consequences for social rights, employment, the environment, and this only because Return On Investment had to be increased. Corporate management has aimed at one outcome: yield dividends for shareholders. Through an increase in ROI proportional to the fall in wages; through buying out their own shares to boost the market prices, without realising that this actually weakened the return rate; through leverage restructuring; through speculation on more and more sophisticated financial products; and through penetration – indeed capitalism is a phallic system – of the public sphere by the private, wrecking havoc in public services and social security.”

As Mme France Attac pauses to breathe, Mme Christine Acran whispers urgently:

“Don't give too much explanation.”⁴

Mme France Attac replies:

“I merely try to meet your expectations, Madam: you said you couldn't understand a thing, which is plain to see, so listen and get some insight. For instance, all media concur in stirring good people's fears as they refer to billions that are supposed to evaporate with each crisis. Actually nothing disappears but the fiction of the previous bubble. When a shareholder makes a wrong bet, another one has got the right one. This is a zero-sum game. And if, as happened during the 1990s and between 2002 and 2007, all shareholders get richer thanks to the stock exchange, this is because they think they can perpetuate the exploitation of labour. Now this is a head and tail game: head capital wins, tail labour loses. For in the long term you cannot both want more profit and undermine labour. Unfortunately these dealings have been encouraged by the central banks that throw oil in order to quench the fire. Remember Mme Devine's lines a minute ago: money is the fuel on which economy functions, true, but it is inflammable. Which is why we demand that central banks submit again to democratic control.

This is the reality of capitalism, which aims at universal commodification measured by the standards of ROI. Its arrogance has become such that tax havens can safely multiply providing balmy shadow for dirty and almost clean money to rest in peace while speculation has turned into the emotional must of those who find it hard to come. As it walks too much on its head, the planet runs the risk of apoplexy. Let's take emergency measures: tax all financial transactions, suppress tax havens, level financial incomes – and the patient's temperature will fall.

As to demanding morality in capitalism, we can as well ask M. Gautier-Sauvagnac and Mme Parisot to chair a committee on the question.”

At this point Medef activists burst into the studio with shouts of "We are all amoral! GDP amoral, CAC 40⁵ amoral!"

Before the mike is ripped away from her, France Attac manages to shout:

“You may hold the strings of the market game, but we hold on to the thread of life!”

⁴ One last time: authentic, in another show: "Ce soir ou jamais", 27 September 2007.

⁵ Benchmark for the Paris stock exchange, can be compared to the Dow Jones for Wall Street.