

# CAPITALISM AT AN IMPASSE

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*Capitalism is in a state of deep crisis. This crisis is far from being one of the ordinary crises of capitalist economy. By all evidence it is a deep system crisis of historical importance. Capitalism is at an historical impasse, argues Elif Çağlı in her article. After her booklet titled “Crises of Capitalism and Revolutionary Situation” she explains the nature of capitalism with a special emphasis on the role played by credit mechanism, referring to Marx who made a special emphasis on the role of credits in the workings of capitalist economy. While the credit mechanism helps the system overcome certain problems, it reproduces them on a greater scale. Çağlı makes the point that the credit mechanism as well as other tools used by capitalism is now quite worn out. They have almost completely lost their efficiency in overcoming great crises. Capitalism has also lost its capacity for a great scale transformation and reforms that might save it a new era of freshness and provide the broad working masses a genuine welfare.*

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# Capitalism at an Impasse

The present system crisis of capitalism is continuing in a deeper and wider way surpassing even the period of Great Depression of 1929. This crisis also shattered the rosy pictures of the future of capitalist order drawn by bourgeois ideologues for a long time. At present period imperialist re-division wars that broke out especially in certain regions of the world exposed those liberals who claimed “period of wars are gone now, we are now entering in a period of peace”. Let alone the claim that the capitalist European Union would gradually become a United States of Europe abolishing national borders has lost its credibility, the EU is in serious difficulty to remain even as an economic union. It is now an unquestionable fact that globalisation has not abolished national borders, but, on the contrary, the heated capitalist rivalry on a global scale intensified national conflicts and frictions all along.

If we are to remember what happened in the past, periods of great depression that march on through imperialist division wars of capitalism taught serious lessons. The most important of these lessons was that capitalism could overcome its crises only at the cost of preparing more destructive ones. And the result that would be produced by this course was also evident by the very nature of things. And this could be nothing but a grave impasse that would squeeze capitalist system into corner.

As is revealed in all symptoms, capitalism is in a state of historical impasse and suffering from death agonies coming one after another, which are inevitable. The same fate that led previous social orders to the dustbin of history now lies in ambush for capitalism. Capitalist system has exhausted its progressive potentials and now the death knell sounds for it. These are the truths indicated by the process filled with enormous conflicts and dead ends capita-

list world order has been driven into.

Capitalism is now trying to overcome its system crisis again, as in the past periods, by increasing war spending and thus setting the world into flames, ravaging those regions that are subject to re-division and ruining the lives of millions. In this sense, we are passing through a period of Third World War in the form of regional wars of re-division linked to one another forming a whole chain and carried out via new war stuff and techniques. But there is another fact that despite all advances of imperialist rulers of the world to master in destruction, cruelty and in deceiving the masses by deceit and intrigue, the mechanisms used by capitalism to overcome periods of great crises have now been worn out. However, to understand the contradictions that lay in the depths of capitalist mode of production is impossible for those who think that capitalist course is consisted of new technological inventions. Yet, although it still manages to draw rosy pictures from a technical point of view and blur some people's mind, capitalist system is indeed in a great deadlock, simply because of economic stalemates caused by its inner laws of operation and deep-rooted social contradictions that trigger class wars across the world.

One of the most striking manifestations of this impasse is the credit mechanism being worn out so that it cannot serve as a remedy now, whereas it gave life to capitalism over and over again in the past. For many years capitalism have managed to keep a world of consumption based on exploitation of the working class alive by pumping credit mechanism. However the credit mechanism which is regarded as saviour has increasingly become a monster fostering new crises. But neither capitalism is able to give up credit mechanism nor credit mechanism can promise an endless life to capitalism.

Capitalist economy constantly produces social inequality and aggravates it with its contradictory character concentrating wealth on the one side and spreading poverty on the other. On the one hand capitalism creates a relative ground for plenty by means of *production* acquiring massive dimensions, but on the other hand what broad masses get is a growing poverty in *distribution* as a result of the nature of capitalist production relations. This deep contradiction is a proclamation of the fact that living conditions of millions of people throughout the world are under a heavy threat under capitalism.

Moreover, and above all, today's level of productive forces and technology

are incompatible with capitalist production relations. Capitalism escalated human exploitation, social inequality and the resulting social climate of degeneration and destruction of nature to unbearable dimensions so that our planet is nearly on the brink.

Capitalist mode of production has lost its progressive potentials once it had. This system has become rotten, degenerated and turned into a curse undermining human society. This situation is in fact obvious for those eyes that wish to see. Yet beyond this reality, there is an objective ground that would enable a progress towards a future, i.e. socialism, in which human exploitation, social repression and oppression and inequality are all wiped out of the world. Therefore, when the world working class equips itself with a revolutionary consciousness and gets organised it can bring about a great social transformation in the interests of humanity.

Although at present the working class is weak in terms of its level of preparedness for this historical action, it is obvious that there must be no room for despair. The new wave of revolt that has risen across the world and developed by involving working masses and young generations heralds the inner fermentation of the conditions of the historical working class revolution which will wipe capitalism out of the earth. Are not these realities what lead bourgeois ideologues to a deep concern over the future of capitalism?

## **No escape from reality**

The scope and depth of the present crisis is reflected even in the news in the bourgeois media so that there is no need to indulge in figures and statistics here. The situation is self evident. Even the USA as the hegemonic power of capitalist system is struggling with successive economic convulsions. And a double-dip recession is said to be on the order of the day for Britain, another one of the prominent imperialist countries. Worries about the course of capitalism on the side of the bourgeois order can be exemplified from Turkey as well. Ali Babacan, one of the deputy prime ministers, said: “Everyone should act with utmost care in the period ahead ... Nothing should be regarded as surprise. Nobody should say ‘we didn’t expect that much.’ ... We are passing through such a complicated period that can be compared to no other period in the last century.” Such statements prove that escape routes are being closed one after another under the pressure of enormous change and upheaval in

economic and social life.

In the past the bourgeois economists invented numerous theories to conceal crises and structural problems of capitalism. They refrained from admitting crises of overproduction as systemic illness of capitalism and worked out arguments saying that crises arise from financial problems or from mismanagement of economy. However the formidable dimensions of the present crisis make it impossible to conceal great economic and social problems created by capitalism by merely employing the age-old rhetoric. Therefore today the bourgeois world is alarmed to fabricate arguments that can create new illusions about the future of capitalism.

As an example we can refer to those bubbles of lies that capitalism in fact is not today's wild system and a conscientious capitalism to secure social justice is possible. Those people who seek to avert exposure of capitalism with its biting features in the eyes of the working masses conduct a propaganda that the problem results not from capitalism itself but from its "conscienceless" application. The statement of PepsiCo's world CEO, Indra Nooyi, is a striking example here: "Capitalism is actually a good thing. A means enabling the abilities and qualities of people to come out. On the other hand capitalism must have a conscience. Capitalism without conscience brings disaster. What is being protested today in Wall Street is not capitalism. It's a capitalism that has lost its conscience."

From an historical point of view capitalist system is now unable to give a sign of hope like all social formations that were driven to the point of exhaustion. Capitalism does not have the capacity for reform either, reform that could pacify the waves of masses taking to the streets in revolt and rage nearly all over the world. And this drives the world bourgeoisie into kind of attitudes more destructive, more brutal and more deceitful. In fact such moments point not to the strength of the ruling classes but to their historical impasse and incapacity. Like whistling in the dark to suppress one's own fear, PepsiCo's CEO Nooyi seeks to condole herself in the nursery rhyme that the masses revolted not against capitalism but against "a capitalism without conscience". However it is a clear and scientific truth that there is, and can be, no capitalism other than this one which has since long been making workers and toilers across the world suffer under an incredible exploitation, poverty, repression and pain.

Another interesting tendency in the heart of the deep crisis of capitalism is

the despair caused by the historical convulsion of the system on the part of some of the bourgeois ideologues. As it gets understood that it is not easy to get out of this crisis, many bourgeois ideologues and spokespersons who have never ascribed crises to capitalism have now turned into pessimistic oracles saying that the crisis will last long. For instance, famous economist Joseph Stiglitz, a Nobel Prize winner, points out in one of his reverberating articles that in the USA and EU countries everything will get worse. What he does when he says that the most optimistic estimation could be a long economic period of stagnation amounts, in fact, to admitting the bleak situation of the world capitalist system. Also Soros, a world famous money speculator, warns that the uncertainties and bad course of the global world economy will boost revolts and social conflicts on the basis of the crisis in Europe.

Many prominent economists agree that the current crisis is a global one. Indeed the current capitalist system crisis is progressing embracing the developed economies of America and Europe in a deeper way and creating a multitude of problems, particularly an unstoppable rise in unemployment. The most striking outcome of this situation is the unprecedented levels of worsening in income distribution. Moreover, in all capitalist countries budgeted deficit is growing in general and social spending has been cut over and over again as public resources have been allocated to saving big monopolies and banks. Even the biggest imperialist countries are in the grip of an economic stagnation and a tendency towards inflation, which scares the bourgeoisie. So those economists who had enthusiastically praised the market economy are now pedantically speaking of the necessity of state intervention into economy. In fact, state intervention which had been said to be off the agenda was already introduced when the current crisis first manifested itself through bankruptcies of big companies and banks in mighty-looking imperialist countries.

Some columnists of economy describe this situation as transition to a modern version of statist capitalism. And some others say that the only element that can lead people under conditions of crisis is the lawmakers and that this “recalls socialism”. And there are economics professors who, looking at the formidable financial crisis that grips the US economy which is the engine of capitalist system, argue that American capitalism as is has now come to an end. Such examples are accompanied by assertions that now we are in a period of transition from the financialisation of economy to a finance becoming

socialistic. It must be an irony of history to frequently hear the word socialism from bourgeois ideologues and economists nowadays!

Some bourgeois writers nowadays acknowledge Marx so much that it suggests almost a class suicide in a step further of this tendency towards confession. As can be remembered from historical examples, class suicide means a desperate mood on the part of some intellectual elements of a rotten socio-economic system having lost confidence in the future of their class. Moreover, it can be added that these elements have begun to acknowledge the social cause of the oppressed classes, though with full of inconsistencies. Such symptoms indicate that there is a deep ideological crisis of the system growing.

This crisis is sensed most clearly from the approach of some of those writers and thinkers who had been advocating capitalism for years, which tells that they are now losing their faith in capitalism. Such rare situations arise in times of great revolutions that shake the world deeply as in the example of October Revolution. When we carefully interpret the present indications in the same way we can see that a similar historical era has been entered and a revolutionary situation that begins to toll the bell for capitalism is developing on a world scale.

## **Marx proved right**

With the manifestation of aggravating structural illnesses of capitalism there is hardly a day passing without hearing Marx's name. In bourgeois press we frequently come across with headlines such as "Marx's spectre is haunting the world" or "Marx's prophecies about capitalism come true." Regardless of the intentions on the part of the bourgeois front, this situation is in fact a downright confession that Marx is a great revolutionary who analysed the workings of capitalism scientifically. With his deep analyses Marx showed that capitalism is finally condemned to death and although he is sought to be discredited by bourgeois writers and ideologues in periods of economic upturn, history never forgives! It takes its revenge in this way...

This must be the revolutionary dialectics of social life which is full of surprises. While socialism and Marxism were declared to be forever dead 20 years ago when the Soviet Union fell and the world bourgeoisie gave joyful spec-

hes about the immortality of capitalism, the mole of history kept doing its work underground in a completely different direction. Today's world is back to the death agonies of capitalism, with signs pointing to the rightfulness of Marxism and necessity of socialism. Marxism's superiority which has been proved time and again despite vicious attacks on it is significant. Because Marxism is the only scientific and revolutionary world view that is able to scientifically analyse the historical adventure of humanity on this planet called earth and explain the historical conditions of genuine human emancipation.

Capitalist mode of production contains many conflicting aspects and makes its way on the basis of the contradiction between expanding production and shrinking purchasing power. Depending on the level of development of social productivity of labour, the part of total capital invested in wages becomes relatively smaller as constant capital grows. Also capitalist mode of production makes the working class, which creates the economic growth, enormously grow while it diminishes the share it takes from capitalist distribution and that part of the working class able to find a job. Capitalists try to compensate the fall in surplus value production caused by reduction in number of workers by means of intensifying the level of exploitation of workers they employ. However, even in this field, restrictive laws of capitalist economy come into play and the average profit rate exhibits a tendency to fall. Thus, with such inner contradictions capitalism crates its own impasse.

As Marx said, capitalist production constantly creates obstacles springing from its very nature and tries to make its way in constant struggle to overcome these obstacles. It can do that only at the expense of constantly regenerating the same obstacles on a greater scale. Therefore the real obstacle of capitalist production is the capital itself. There are many inner factors underlying the stalemates of capital accumulation process and they are in a dialectical interaction. For instance, underconsumption, stressed by Marx, and described by Engels as the precondition of capitalist crises, is the fundamental reason underlying the overproduction crises which capitalism is unable to avoid.

Capitalism is a chaotic system in which broad masses cannot afford even their most basic necessities while production turns into "over-production" in expectation of profit. Regardless of the level of technology in the service of capitalist mode of production, which may, for instance, enable follow-up of orders, stock control and sectional production plans, capitalism is not, and

cannot be, a planned economy that produces for the need of the masses. This system is an anarchic system in which big monopolies, holding companies, multinational cartels harshly compete with each other and thus strive to undermine each other's plans. As clearly evidenced by today's facts, those assertions that suggest that capitalism solve the problem of overproduction and can do away with this seed of crisis are totally unfounded.

The conflict of contradictory aspects in capitalist economy and manifestation of this conflict via capitalist crises are all inevitable. Periodic crises that break out in capitalist economies which live on industrial cycles one after another are explosive and temporary solutions of these inner contradictions of capitalist mode of production. As we dealt with crises of capitalism at length elsewhere (see Elif Çağlı, *Kapitalizmin Krizleri ve Devrimci Durum [Crises of Capitalism and Revolutionary Situation]*) let us be content here with a striking emphasis. When capitalism overcomes an overproduction crisis and enters a new period of rise, whatever the extent of that rise, that means in fact a new overproduction crisis is in the works now. Thus, in the long term, capitalist operation exhibits a historical tendency of preparing ever more destructive crises and wearing the mechanisms bringing the system into equilibrium out more dangerously.

Those periods of great crises experienced by capitalism in the form of long waves of capitalist system reveal the operation of this tendency. The first example of these periods was the period prior to the First World War and the second one was the period that included the 1929 depression and the Second World War that followed. In the first historical example, capitalism tried to save itself from the great crisis it had been in grip of by structural transformations that it experienced on the basis of its rise to the imperialist stage from the stage of so-called free competition. But these structural transformations of capitalist system aggravated the competition of the countries that were trying to become imperialist and thus did not bring along a period of peace and tranquility. On the contrary, various countries and peoples in those countries faced the disaster of First World War caused by the rabid competition of capitalists.

In the second great crisis capitalist system did not have an equally strong opportunity of structural transformation as in the first one. What we see in principal capitalist countries at that time was the deepening and spreading of

imperialist relations and a cut-throat rivalry among capitalist countries that had already become imperialist such as USA, Japan, Britain, France and Germany. The Second World War was the product of this second great crisis and it carried capitalist destruction one step further, as if finishing what the first one had left in the half-way. In the end, capitalism overcame this great crisis by an imperialist re-division war which was much more destructive for humanity than the first one claiming the lives of millions of people.

These historical examples adequately reveal the destructive essence of the efforts of capitalism to overcome periods of great crises. Moreover, and most importantly, it points to potentials for structural transformation being ever weakened, which might be resorted to by capitalism to overcome its crises. And as the potentials for structural transformation are weakened, imperialist countries lead the world to much more violent imperialist wars on the basis of a harsher rivalry. These points that must be underlined indicate at the same time the features of current system crisis of capitalism.

At present capitalism is a global system in which countries are linked to one another within the framework of uneven, but complicated, interrelations under the hierarchy and hegemony of imperialism. In such a system the illnesses of capitalism are extremely contagious and it is inevitable that the effects of a crisis that break out somewhere easily absorb others in waves. In short, globalisation of capitalism has not brought stability and peace to the system, as argued by the bourgeoisie in its propaganda of globalism it carried on on the basis of this objective reality. On the contrary, the globalised capitalism has reached to an extreme point of maturity, that is, a climax of rottenness, in which it has become impossible to escape from crises and export the destructive effects of crises to periphery or less developed countries, thus easing the centre imperialist countries.

Let us remind, by the way, that globalisation is not a new stage of capitalism coming after imperialism. Global capitalism and the capitalist relations that rise above this background signify a quite matured, and thus dilapidated, state of imperialist capitalism itself. Now there is no chance that capitalism can overcome its system crisis by a great structural transformation, thus rising to a higher stage and getting relief, like in the past. This is what capitalism is and there will be no further and different capitalism than this.

All these truths hint destructive consequences created by the desperate

struggle of capitalism to come out of the current great crisis, and this will continue. As long as our world is in the hands of capitalism it will be the stage for much more violent wars of competition, a more rampant rise of militarism and bourgeois reaction, and imperialist wars of re-division bringing incomparable destruction to humanity. But on the other hand it is a fact that capitalism is matured more than enough to the point of dilapidation and that objectively it has become more compelling for it to leave its place to a new order which is proper for the level of socialisation of productive forces. And the state of social unrest and simmering throughout the world is a reflection of this fact. But there will be no spontaneous transition from capitalist society to socialist society. This transition requires revolutionary action of the working masses across the world, an action raised to the level of writing history.

It is on the level of a definite law that capitalist mode of production is, and will be, unable to escape from overproduction crises flowing from the drive for getting more profit. And the credit system deepens the overproduction crises and heats them up by playing an accelerating role in capitalist process of production and circulation. Credits that are not repaid in crisis periods which impede the heated operation of capitalism bring capitalist finance institutions and capitalist states into a huge debt problem they cannot come out. To emphasize briefly, as capitalism develops the credit mechanism with multiply diversified credit types creates many problems as well as it solves some of the problems.

If we leave aside for a moment the formidable bills of debt the capitalist institutions and states face caused by credit mechanism, even thinking of the striking aspects of the problems created by this system which immediately affect the lives of broad masses will show the enormous importance of the matter. While capitalism creates a stock of “overproduction” in an anarchic way with its non-planned profit-driven nature without satisfying the social needs, on the other hand it leads to a serious problem of “under-consumption” by diminishing the purchasing power of the masses. This situation is an inevitable curse flowing from the inner contradiction of capitalism. And capitalism finds the remedy in creating an extra purchasing power based on indebting the masses. In this way the working class and broader working masses are driven into a huge pit of debt and at the same time they get a spending “capability” which capitalist distribution does not let them have.

It might be thought that the credit mechanism plays a positive role by creating an extra purchasing power from the standpoint of boosting consumption. But if we look at the problem from the standpoint of payments, it will be understood that credit is a problem-producing mechanism on the part of both capitalists and the working class. In trying to escape from the formidable consequences of under-consumption by massive indebting capitalism creates an inextricable problem of unpaid debts and generates new dead ends let alone drying out the source of systemic crises. Unpaid credits appear in front of capitalists in the form of inextricable crises. What this brings for the working class is reduced wages, cuts in social funds, cancelled credit cards because of lost jobs, and eventually, almost completely lost purchasing power. Besides, credit system creates many destructive consequences on the side of workers and working class families, leads them to dangerous delusions about capitalist order and prevents them from taking a fighting class attitude against capitalist order.

So, regardless of from which side you look at the problem, all appearances suggesting that capitalism has ceased to be the wild capitalism of the past thanks to the credit mechanism and provided broad masses with more attractive living conditions are fake. That the working masses can escape from poverty and deprivation imposed by capitalism on them through means such as credit is an empty dream. It is impossible for workers and toilers to live on as if a welfare society superseding capitalism has been reached under capitalism. It is absolutely impossible for the worker to get a share from social distribution as if he/she lives under socialism, while he/she continues to work as a wage slave of capitalism. On the other hand, it is downright ideological meanness to present socialism as a kind of capitalism spreading welfare to the grassroots of society thanks to the credit system and thus try to couple socialism and capitalism. Because the credit system is completely peculiar to capitalism and there will not be anything like the credit system when the means of production are stripped of their capital character.

## **The credit system**

The credit mechanism began in the first period of development of capitalism in order to bring solution to the needs of commodity and capital trade. Emerging as the modern system of lending/borrowing the credit mechanism was

a reaction against the usury of the old times. This situation was an expression of the interest-bearing capital adapting itself to the conditions and needs of the capitalist mode of production. The credit institutions began to appear from the twelfth and fourteenth centuries in the city-states of Venice and Genoa where capitalist commercial relations made an early start. This development enabled to save the wholesale sea trade from the old system of usury. Also in the seventeenth century in the Netherlands, which was the model of economic development then, credit money thrived to break the monopoly of usury capital. These developments were also a harbinger of modern banking system. With the development of trade and capitalist mode of production the base for credit system expanded and became prevalent. Credit became diversified in time with changing needs and eventually set to serve capitalism with different forms such as commercial credit, banking credit or investment credit, housing credit.

Historically commercial credit is the essence of the credit system and has the aim of satisfying the needs of the capitalist reproduction process which comprises the whole processes of production and circulation. Spreading of capitalist commodity production and trade distanced the purchase and delivery of goods, seller and buyer, and hence commercial credit has become an indispensable element of capitalism. Within the chain of diversified commercial relations capitalists constantly give and take bills of debt. The purpose of these credits is to get the money equivalent of the commodity produced before the actual selling of it, thus realizing the value of it at once, and maintain without interruption the capitalist business process by means of the bills of debt traded and transferred in buying and selling during the process of circulation. These credits between capitalists are represented by trade bills with a due payment date.

Capitalist process of development accelerates development of banks as well as commercial activities. With the development of banking activities individual money savings of small sizes, which cannot play a role as money-capital by themselves, accumulate in banks as massive aggregates. These reserves accumulated in the hands of banks are the source of credits (debts) given to individuals and institutions for various businesses, investments and needs. Because the interest rate of the money they lend is higher than that of the one they borrow, banks or similar financial institutions make massive gains apart

from their other important economic activities such as investment partnerships. Capitalist development leads gradually to separation of the ownership of capital and entrepreneurship. This results in an increased number of entrepreneur capitalists around, in need of investment credit, which makes banking credits more and more important.

The credit system accelerated the circulation process and successive phases of capitalist production process. There is a directly proportional interaction between the operation of credit mechanism and the phases of expansion and contraction of capitalist production process. Expansion in production expands credit and, on the other hand, development of credit mechanism leads to an increased scope and speed of industrial and commercial transactions. In periods of boom and upswing regular repayment of credits by debtors is ensured. As far as these conditions hold the credit system keeps expanding its operation. However when the time of crisis comes we see disruptions in repayment of debts which means serious delays. Now there are halts in capitalist process of reproduction and therefore the problems created by credits are added those losses due to the decreased credit demand for new businesses to boost the capitalist economy.

Marx, in those chapters of the third volume of *Capital*, which were compiled by Engels, threw light upon the role of credit in capitalist production in an amazing accuracy and farsightedness, and he did this in an earlier historical moment from the standpoint of the development of this role. Thanks to his efforts secrets of a mature capitalist operation with deepened inner contradictions have been worked out. As Marx noted credit system accelerated the process of concentration and centralisation of capital and consequently individual private capital institutions which had dominated the earlier periods of capitalism lost their importance and stock-companies gained prominence. Credit system not only encouraged individual private capitalist enterprises to become stock-companies, which made ownership a joint one, but it also laid the basis for their spread and expansion on a national level. Hence the credit system became the lever for transition from the free competition period of capitalism to monopoly capitalism period and for monopoly enterprises to establish their dominance on a national scale. Obviously this development did not remain within nation-state barriers and there arose, with time, big monopolies having international dominance. In this sense the credit system

is the creator of huge stock-companies sweeping away the individual private capital, of monopoly capitalism, of the imperialist stage of capitalism, and consequently, of capitalist globalisation.

Analysing the dialectical consequences of the development of stock-companies Marx threw light upon opposing historical functions of it. While stock-companies accelerate, on the one hand, the development of capitalism, on the other hand they become the capitalist form of the need of social ownership imposed by the growth of productive forces acquiring a social character. Marx notes that this form could be termed as temporary forms preparing the transition from the capitalist mode of production to the associated one and makes very important remarks in this context. First, these companies create an enormous potential for the expansion of the scale of production and enterprises, which is not possible for individual private capitals. Second, capital which leads to social concentration of means of production and labour power assumes the form of social capital thanks to these joint-ownership companies as different from individual private capital. This situation is, *in a sense*, abolition of capital as private property within capitalist production, in other words, negation of capitalist mode of production within the framework of capitalist mode of production itself. Third, this development replaces the former capitalist who has an actual function in the process of production with mere managers administering other people's capital. And it eventually turns certain capital owners into mere money-capitalists.

Obviously, as stock-companies develops and becomes common the function of capital is divorced from its ownership. And during this process labour is divorced completely from ownership of means of production. In other words, small property owning producers are divorced from the means of production once they had and turn directly into wage workers. Stock-companies prepare an objective base which forces all the functions performed in the framework of capitalist ownership in the production process turn into social functions that indicate the future mode of production. The development and spread of joint-stock companies create big monopolies in decisive industries of production, also requiring a higher level of state intervention in economy compared with the past, despite all kinds of liberal rhetoric. In the process of capitalist development stock-companies that signify the domination of finance-capital lead to creation of a new finance aristocracy, money speculators.

On this basis a different type of parasitic stratum from the old times takes shape. Joint-stock companies turn the age of finance-capital into a downright system of gambling and swindling through stock speculation.

The credit system is the principal factor which has accelerated all these developments, their spread and the process on the whole. Credit mechanism offers to the capitalist a means of absolute control over the capital and property of others, and thereby over the labour of others. The transition from a level of relations that dominate earlier periods of capitalism, resting upon capitalist's individual control over his own individual private capital to this level of control over social capital means that finance-capital has the control over social labour. Marx points especially to the fact that all morals that belong to the period of individual control of capital have disappeared. For instance, what the speculating wholesale merchant risks now is social property, not *his own property*. Excuses which may have served to justify capitalists in earlier periods, such as the phrase relating the origin of capital to savings, are refuted. Because what the finance capitalists demand is that *others* should save for them and they seek to make big fortunes by gambling on other people's money.

While this development of capitalism into finance capital domination increases the concentration of capital on the one hand, it led to the process of abolition of individual private property on the other hand. The abolition of private ownership of the means of production extends here from the direct producers down to the smaller and the medium-sized capitalists. Private property once was the point of departure for capitalism, now the accomplishment of the abolition of this ownership becomes the goal of capitalist mode of production itself. Obviously, as capitalism develops, it turns capitalist ownership from individual private ownership into collective private ownership. Then even under capitalism, as social production develops means of production cease to be the means and products of private production. And as if to demonstrate that they are products of social production process, they assume the form of a capitalist social property (collective capitalist property). However this expropriation that takes place within capitalist workings against individual private property never establishes a genuine social property. On the contrary, it assumes the form of appropriation of social property by a tiny capitalist minority.

Credit system lends this minority more and more the character of, in Marx's

words, a mere bunch of adventurers. And transfer of property becomes purely a result of gambling on the stock exchange, where the little fish are swallowed by the sharks and the lambs by the stock-exchange wolves. By the potential of expansion it created the credit system keeps forcing the capitalist reproduction process to its extreme limits, which would bring about eruptions of historical importance. This system procured both the development of means of production on a world scale and a unified world market. By doing this it necessarily lays the material foundations for a new mode of production. While it appears to do a great service to capitalism it aggravates and concentrates the contradictions and crises of capitalism. It develops enrichment to the point of a pure system of gambling and swindling, on the other hand it reduces more and more the number of the few who exploit the social wealth. Hence the credit system ripens the contradictions of capitalism to the point of necessitating its overthrow. As an irony of history, it could be said, the credit system itself which is regarded so high by capitalism performs a historical function bringing about the end of capitalism.

### **A worn-out credit system**

Acting always in search of maximum profit capital cannot fit the scale of production to the purchasing capacity of the masses. The gap between planless and uncontrolled growth of capital and limited consumption (under-consumption we may call) of the masses widens up. Also on this basis, the capital invested in production hardly returns and reproduction of capital becomes to a large extent dependent on the speculative gains of unproductive capital. Capitalist crises arising out of such unbalances and contradictions are in essence manifestation of over-production of commodities gone well beyond the purchasing power of the masses. As Marx underlined, the ultimate reason of all real crises is the poverty and limited consumption of the masses. It is the credit system that tries to mitigate the menacing consequences of the gap between the limited capacity of the masses and tendency of capital to over-produce. Although it has been able to perform this function for a certain historical period, crises of capitalism inevitably reach destructive dimensions despite the credit mechanism.

Bourgeois economists are unwilling to accept such kind of realities that are inherent in capitalism. In general they tend to dodge the problem by ascri-

bing crises to wrong economic policies, to deficiencies in financial system or to bubbles in credit mechanism. The reason for such analyses and comments are accepted by the public is that the capitalist crises initially appear as mere credit and money crises. Because, while a crisis is in the making in the capitalist production process, banks and big financial institutions face deadlocks with enormous dimensions that threaten them due to the fact the debtors become unable to pay their credits back. With the stoppage of credits one after another the crisis hinders the production process and manifests itself on the surface with eruptions hitting hard the big banks and finance monopolies.

When it is carefully examined, it would be seen that the source of capitalist crises, in the final analysis, is the production process. Therefore those crisis analyses that are not based on production process end in a point of nonsense. Typical examples for such analyses are those approaches that ascribe crises to mere speculative plays in the financial system, claiming at the same time that capitalism does not pay much attention to industrial production any more. Such approaches come to mean, as Marx expounded in a striking way, that capital can yield interest without creating a surplus-value and thereby completely wrong. If a great majority of capitalists withdraw their capital from production and turn it into mere money-capital, with the idea that interest-bearing capital creates profit on its own right without the troublesome production process, there would be a great depreciation of money-capital and a huge fall in interest rates. In the end, most of the capitalists would be unable to lead their lives on incomes based on interest and consequently the capitalist cycle would necessarily force itself again to function on its productive foundations. And, as most of the capitalists cannot become money-capitalists a considerable part of them would turn industrial capitalists.

As is seen, Marx analysed the laws of the operation of capitalist economy in an unmatched accuracy and profoundness. And the frivolous theories invented by bourgeois economists completely lack the quality and power of passing the test of realities. This aspect of the question is evident especially in periods of great crises of capitalism.

Credit mechanism is a phenomenon developed and become common as a product of modern capitalism to overcome the obstacles raised by inner contradictions of capitalism. In retrospect, credit system indeed served, beginning from the period of development of capitalism, and especially over

the course of the imperialist stage, to mitigate, to a certain extent, the problems arising out of the inner contradictions of this mode of production. However as demonstrated clearly by the present system crisis, unless the inner problems are solved –which is impossible as long as capitalism exists- it is inevitable that the mitigating mechanisms wear out with time. And this is what happened with the credit mechanism. The credit system which was supposed to play a positive role from the standpoint of capitalism by accelerating the process of reproduction, has triggered over-production crises with such concentration, scope and depth that capitalist system finds itself increasingly unable to cope with.

Therefore, while it is true that the expansion in credits enabled capitalism for a certain period a possibility of upswing which appeared endless, it is equally true that the negative side of the credit system gradually dragged capitalism into a deep system crisis. Although the credit mechanism is employed at full swing at present compared to the past the gap between capitalist over-production and the limited consumption capacity of the masses has now reached unbridgeable dimensions. Hence capitalism has been dragged into a historical deadlock where old curing mechanisms do not work as expected. This historical loss of power of the credit system which once saved capitalism is an extremely important reality of the present day, which must be paid a special attention.

This crisis of capitalism and the credit system suggests the tendencies of development remarked by Marx many years ago. It would be useful to remind here briefly what Marx indicated in this context. Credit system is objectively a powerful lever from the standpoint of the transition from the capitalist mode of production to the socialist mode production. Breaking the narrow limits of capitalist distribution within the framework of capitalism credit system serves to pave the objective base for the relations of division of the future society. Development of the credit system to a certain stage of maturity manifests itself, as experienced today, with deep crises and social upheavals unprecedented hitherto.

Capitalist mode of production is now faced with a situation where the contradiction between the means of production that has assumed a social character on a world scale and the capitalist relations of production is now objectively matured to the point of causing big violent eruptions. To the grief of the pro-

ponents of the capitalist order and to the joy of all revolutionaries over the world, capitalist system is indeed in a deep deadlock that would trigger inevitable revolts of the working masses in all countries. Once progressive capitalism has now turned into a destructive fetter for the humanity to advance. The present capitalist system crisis is much more serious and deeper than the past crises. This situation manifests itself in the credit system being worn out which makes the world bourgeoisie very worried and points to the impasse of capitalism. This historical moment is also the expression of the fact that capitalism is now approaching the end of the game of avoiding the problems, created by the inadequate purchasing power of the working masses resulting from the capitalist relations of distribution, by means of credit mechanism.

As can be seen by considering carefully, the opening of the twenty first century heralded the beginning of a new era of great upheavals pregnant with deep social transformations all over the world. And the series of staged events around the scenario of “attacks” on Twin Towers on 11 September 2001 have been the signal flare of the era of the third great repartition of the imperialist capitalist system. While capitalism drops bombs over various peoples of the world under the pretext of “war on international terror”, the work of the dialectics of social history is accelerated. While capitalist system resorts to “Shock and Awe” operations to avert its crisis, the mace of history is accelerated in the direction of dragging the bourgeois rulers to shock and awe.

A new revolutionary situation is in the works all over the world as the harbinger of a new future. The sense of revolt in the heart of the broad masses evoked by illnesses of capitalism such as inequality, injustice and persecution ushers in an era of great social revolutions to change the fate of the world. It is becoming more and more obvious that the only solution of social problems is through overthrow of capitalism and bringing about socialist relations of distribution throughout the world. With all its signs socialism winks at humanity through the dilemmas of capitalist system!