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# Abolish the Stock Market

A Brief Diagnosis of the Depression

James Herod

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(Being mostly a survey of scholarly research.)

It is obscene and insane that a few ten thousand very rich persons (multi-millionaires and billionaires) can, by placing bets (gambling) in the world's stock exchanges (casinos), artificially jack up, within months, the price of rice, wheat, corn, and other food staples, thus forcing a billion or more people to the very edge of starvation. Obviously, such an abominable situation should not exist.

So you'd think there would be a great clamor to abolish the stock market. But then, you'd think that there would be a clamor to abolish the CIA also, which is an absolute evil, and the Pentagon, an equally absolute evil, as well as Hollywood. But as big and bad as these outfits are they are nothing compared to the biggest abomination of them all – capitalism, including its nation-state system. (While we're in the abolishing mode, let's abolish money, which would get rid of all these evil institutions in one fell swoop.)

The current financial meltdown we're in is just an artifact of capitalism, and it certainly can't be explained without taking this system into account, although plenty of people are trying

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to do just that. The most popular explanation says that those Wall Street bankers are just *too damned greedy*.

So what's going on? I have pieced together the following sketch of the crisis from the writings of our radical social philosophers and historians who have studied the matter, scholars such as John Bellamy Foster and Fred Magdoff, most importantly, but also Immanuel Wallerstein, Michael Hudson, Michel Chossudovsky, Doug Henwood, and Silvia Federici / George Caffentzis, among many others.

To begin with, we are in the early stages of a major depression. This is not a typical brief recession, but a deep, long-lasting, systemic, global depression. It may last a decade. There will be massive unemployment. Hundreds of thousands of businesses will go bankrupt. Maybe a hundred thousand nongovernmental organizations will shut down for lack of funding. Millions will lose their homes. Millions more will lose their pensions. Malls will stand deserted. Poverty will increase dramatically. Millions more people will starve to death in the poorer countries.

A depression is when the so-called economy contracts significantly, maybe by as much as 10-15%. That is, "growth" stops. Growth of what? Capital accumulation. Capital cannot find ways to continue to expand. That is, rich people cannot find ways to invest their surplus money which will yield sufficient profit. When the rate of profit falters, crisis ensues. General panic sets in amongst "investors" (people who make money off money). Capitalism – a system for accumulating capital for the sake of accumulating capital – requires incessant growth (new products, new markets), which is why it is often likened to a cancer, and why it must be eradicated.

As it happened, capitalism has a cyclical aspect. It grows for thirty years or so and then stagnates for roughly thirty more years, with the cycle ending in a depression. And so it has been for five hundred years. The years of stagnation stem from the increasing difficulty of keeping the rate of profit up through

Silvia Federici and George Caffentzis, "Notes on the Wall Street Meltdown," October 10, 2008, online at: <freeofstate.org>.

Peter Gowan, "Crisis in the Heartland," *New Left Review*, #55, January-February 2009, online at: <www.newleftreview.org>.

David Harvey, "Why the U.S. Stimulus Package is Bound to Fail," February 13, 2009, online at: <http://www.zmag.org/znet/viewArticle/20559>. See also Harvey's March 13/15, 2009 essay on Counterpunch, "The Crisis and the Consolidation of Class Power: Is This Really the End of Neoliberalism?" online at: <www.counterpunch.org>.

Leo Panitch and Sam Gindin, "From Global Finance to the Nationalization of the Banks: Eight Theses on the Economic Crisis," February 25, 2009 online at:

<www.globalresearch.ca>.

See also an interview with Panitch, February 18, 2009, at: <zcommunications.org>.

Paul Bowman, "Financial Weapons of Mass Destruction," September 2008, online at:

<www.anarkismo.net>.

Matt Taibbi, "The Big Takeover," *Rolling Stone*, issue #1075, April 2, 2009. Also online at: <www.informationclearinghouse.info>.

James Petras, "Latin America: Perspectives for Socialism in a time of a World Capitalist Recession/Depression," online at: <petras.lahaine.org>.

### **More Generally**

Wallerstein, Immanuel, *Historical Capitalism*

Hudson, Michael, *Super Imperialism*

Chossudovsky, Michel, *The Globalization of Poverty*

Henwood, Doug, *Wall Street*

Ingham, Geoffrey, *The Nature of Money*

Kindleberger, Charles, *Manias, Panics, and Crashes*

Hutchinson, Frances (and others), *The Politics of Money*

McNally, David, *Against the Market*

the production of goods and services. The built-up productive capacity outstrips demand. If goods and services don't sell, no profit can be realized, and there is no point in making further investments in the "real economy." So the people who own surplus capital shift over to financial speculation in an effort to keep the profits flowing in. This process is entirely normal to the system.

This is what has been happening again recently. There was a stagnating economy combined with an over-abundance of capital with nowhere to go, so the rich turned to gambling, in a rigged game which yielded enormous profits for a while to those in the know. But now the casino has gone belly up, the system has crashed, and a depression has commenced.

Historically, after a depression, the cycle starts over again. There is some disagreement among radical scholars, however, as to whether the cycle will restart this time in the usual way and continue on as before. Wallerstein, for example, believes that capitalism has reached barriers to its continued growth which it will not be able to overcome and that the system will be gone within twenty to forty years. Most analysts do not go this far, some even claiming that the idea that capitalism will self-destruct is nonsense.

There is general agreement though that the current crisis has distinctive features which make it different from all preceding ones. For one thing, there is the sheer volume of the surplus capital that is sloshing around the world looking for "investment opportunities." We're talking about tens of trillions of dollars, much of it changing hands overnight. Also, with high-speed computers, million-dollar bets can be placed which last only a few minutes. Very little of this betting now takes place in the stock market per se. Most of it is done in the commodity, bond, and currency markets, and through over the counter betting.

Plus, in recent years, the gamblers have invented a whole basketful of new ways to bet (called "financial instruments,"

e.g., derivatives – forwards, futures, options, swaps, collars). For example, they can bet that the prices of currencies, commodities, or stocks will rise or fall. Much of the spike in the price of oil last year was caused by betting. Millions of dollars worth of bets that the value of a company's stock will fall can then become a self-fulfilling prophecy, and a perfectly normal profit-earning company can be destroyed. Gamblers can buy insurance to cover the risks of their bets, and then bet on the ability of the insurance company to pay. These practices strike any normal person as total madness, but they are completely rational from the point of view of the financial elite, who will grab profit any which way they can.

In recent years, in the United States, the financial wing of the capitalist ruling class, which is now predominant, has further compounded the madness by getting rid of all government regulations over its activities. It has gotten the situation back to pre-World War I days when the Robber Barons had a completely free hand to do any damned thing they wanted to, the result being the Great Depression of 1929. So the Roosevelt wing of the ruling class stepped in, back then, to save capitalism from itself with the watered-down US American version of the welfare state – the New Deal. This is not likely to happen again, because there is no massive socialist movement to exert pressure from below, nor is the ruling class as divided. Capitalists have never been in such complete control of everything as they now are in the United States. They face no serious opposition.

What is the likely outcome of all this? We can see from the government's response to the crisis so far. All steps taken to date serve to cover the losses of the financial elite (wealthy gamblers). They get to keep the profits they made when the betting was good, and then have the government, using general tax revenue, cover their losses after the betting tanked. This does not mean that the banks are being nationalized. Quite the

contrary. It is the privatization of the government. Wall Street has simply taken over the US Treasury Department.

The end result will be the further concentration of capital into fewer very powerful corporations, and the further consolidation of ruling class power.

Anarchists can use this crisis to discredit capitalism and organize campaigns to dismantle it. A good beginning is the emerging Boycott Banks campaign. (See information at:

<<http://www.bankstrike.net/organizing-financial-crisis>>.

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### **Recommended Reading**

#### ***On the Financial Meltdown***

Foster, John Bellamy, and Fred Magdoff, *The Great Financial Crisis* (Monthly Review Press, February 2009, 160 pages). This is the best radical analysis of the crisis so far.

Immanuel Wallerstein, "The Depression: A Long-Term View," October 8, 2008, at: <[www.binghamton.edu](http://www.binghamton.edu)>. See also the long interview with Wallerstein by Jae-Jung Suh, "Capitalism's Demise?" January 10, 2009, online at: <<http://english.hani.co.kr/popups/print.hani?ksn=332037>>.

Michael Hudson. A convenient archive of Hudson's essays on the crisis can be found at: <<http://www.globalresearch.ca/>>. Go to their author index, click on H, and scroll down to Hudson.

Michel Chossudovsky, "America's Fiscal Collapse," March 2, 2009, online at:

<<http://www.globalresearch.ca/index.php?context=va&aid=12517>>.

Doug Henwood, "Reflections on the Current Crisis – Part Two," *Left Business Observer* #118, April 2008, online at: <[www.leftbusinessobserver.com](http://www.leftbusinessobserver.com)>.

There is a link to Part One.