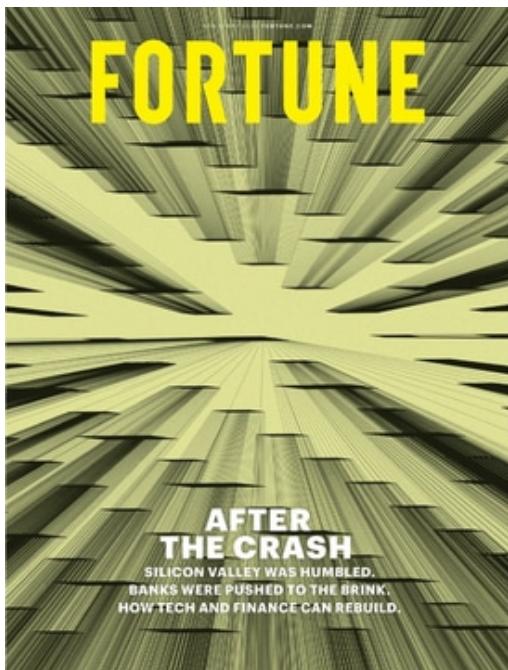


Corporate magazine describes and bemoans the ‘end of capitalism’

written by Chris Fry

April 27, 2023



Fortune magazine worried about the ‘end of capitalism.’

An April 5th [article](#) from the aptly-named pro-capitalist magazine website, Fortune.com, carried the title: “**We may be looking at the end of capitalism**:

One of the world's oldest and largest investment banks warns 'Greedflation' has gone too far."

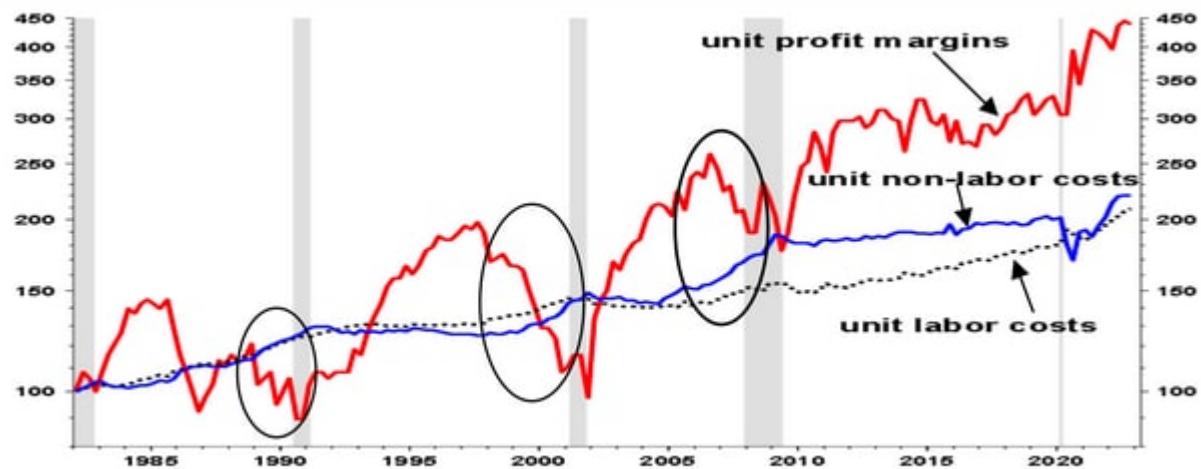
This piece by Will Daniel is a study of an essay by Albert Edwards, the chief global strategist at the French bank Société Générale. This investment bank is labeled as "systemically" important by the G20.

Corporations, particularly in developed economies like the U.S. and U.K., have used rising raw material costs amid the pandemic and the war in Ukraine as an "excuse" to raise prices and expand profit margins to new heights, he said.

Furthermore, Edwards wrote in the Tuesday edition of his Global Strategy Weekly that after four decades of working in finance, he's never seen anything like the "unprecedented" and "astonishing" levels of corporate Greedflation in this economic cycle. To his point, a January study from the Federal Reserve Bank of Kansas City found that "markup growth"—the increase in the ratio between the price a firm charges and its cost of production—was a far more important factor driving inflation in 2021 than it has been throughout economic history.

Here is a chart that shows the widening profit margin that Edwards is talking about:

Greedflation: US BEA whole economy profit margins (non-financial) remain close to record levels



Source: Datastream

Edwards predicts that these “super normal profits” by corporations in the U.S. and abroad will “inflame social unrest.”:

“[T]he end of Greedflation must surely come. Otherwise, we may be looking at the end of capitalism,” he warned. “This is a big issue for policy makers that simply cannot be ignored any longer.”

Of course, this French banker needs merely to look out his office window to see the millions of workers who are pouring into the streets of Paris and other cities to protest the Macron government’s slashing of pensions by raising the retirement age, all to shore up corporate profits.

A rebuke of the Fed’s interest rate hikes and a call for price controls

The Fortune.com [article](#)’s writer, Will Daniel, describes the debate over the Federal Reserve’s policy to curb inflation by raising interest rates. The Fed lays the blame for rising prices on the workers and their increasing wages and “full” employment.

The Fed is deliberately working to generate a devastating recession and impoverish the workers and oppressed.

But banker Edwards instead blames corporate price gouging for the sky-high rate of inflation and, reluctantly and out of sheer desperation, suggests an alternative strategy - price controls:

Edwards noted that many of his colleagues are “less sympathetic to the use of price controls”, but he argues their use may be warranted because “something seems to have broken with capitalism.”

The strategist referenced a paper by University of Massachusetts Amherst economists Isabella Weber and Evan Wasner, titled, “Sellers’ Inflation, Profits and Conflict: Why can Large Firms Hike Prices in an Emergency?” which found that corporations engaged in “price gouging” during the pandemic and argued temporary price controls may be the only way to prevent the “inflationary spirals” that could come as a result of this gouging.

It must be noted that Edwards never suggests wage controls, which were implemented by President Richard Nixon in 1971, because even this banker recognizes that workers’ wages play no role in this current sky-high inflation rate and wage controls would create even more “social unrest.”

China avoids financial crises and inflationary spirals.

On March 26, the New York Times published an opinion piece by Zhiwu Chen, director of the Hong Kong Institute for the Humanities and Social Sciences, titled “How China keeps putting off its Lehman moment.”

The “Lehman moment” that Chen refers to is the collapse of the mega Lehman House Investment Bank in 2008, crushed by the unfolding financial crisis stemming from the subprime mortgage escapade. That fraudulent scheme, generated by the

largest banks and insurance companies on Wall Street, caused millions of families to lose their homes and millions of workers to lose their jobs. Although the subprime crisis became global, China and its working class were virtually unscathed.

The article goes on to describe how, when the Chinese real estate developer Evergrande defaulted on its debt and when the tech giant Alibaba overreached on its IPO offering, bourgeois economists in the West predicted that the Chinese financial system would soon collapse. But that didn't happen.

Although Chen never uses the word "socialism," he does [detail](#) how the Chinese Communist Party was able to use that system's socialist foundation to stave off crises and, crucially, safeguard the standard of living of an alert, conscious Chinese working class:

Most of China's biggest and most powerful companies, including all of its major banks, are state-owned, and executives are usually members of the Communist Party, which controls top-level corporate appointments. Party committees within corporations further ensure that many important business decisions align with government policy. Even healthy and influential private companies can be ordered to undergo painful restructuring or curtail certain business operations, as a government crackdown on the e-commerce leader Alibaba and other Chinese tech giants that began in 2020 made clear.

Ultimately, all of this serves the party's absolute priority of maintaining social stability; there is zero tolerance for financial distress or major corporate failures that could trigger street demonstrations. And government control of the business sector is only increasing.

Through its National Development and Reform Commission (NDRC), China does indeed have constantly monitored and updated price controls, keeping inflation far below that of the U.S. and the rest of the imperialist world.

In the Fortune article described above, Edwards tells how most bourgeois economists disdain price controls because corporations will simply cut back production and create shortages until enough pressure is put on the government to lift the controls.

But because China's government and workers' party have so much control over the banks and corporations, even private ones, such production cutbacks can be and are prevented.

Karl Marx lays out the way forward.

Today we are witnessing a tremendous upsurge in the class struggle. From the militant defense of tenants in Detroit to the union organizing struggles at Starbucks and Amazon, from the increasing wave of education worker strikes to the demonstrations and strikes in Germany, to the now epic weekly general strikes in France, our class here and in Europe, which has been near dormant for decades, is awakening. Edwards' massive "social unrest" is on the horizon.

Although union membership in the U.S. is only a fraction of what it was before the powerful 1980s Reagan-led corporate anti-union campaign, unions are now more popular among our class here than they have been in decades. The stage is set for a massive struggle against the Federal Reserve-spawned austerity program.

As these struggles unfold and draw in more and more of the workers and oppressed, progressives of many "stripes" will be drawn in to not only support these struggles, which is essential but also to compose programs to guide them forward. Unions are fundamental and crucial, but they are limited essentially to the goals of protecting members from abuse and job losses and of increasing the share of the surplus value that we produce to enhance our standard of living.

"Reform" socialists like the Democratic Socialists of America (DSA), taking a class-

wide outlook, may prepare political programs to affect capitalist distribution to benefit the working class. That is worthy and essential. But it leaves the class structure intact with the billionaires still in power, ready to dismantle whatever hard-won gains are won.

Revolutionary socialists must unite and prepare our class to carry the struggle even further.

In the heroic 1871 Paris Commune, workers and soldiers led by revolutionaries took control of the city of Paris. The workers organized and took control of all the major factories and other workplaces. So empowered, they enacted laws and regulations that bettered the lives of the working class rather than fill the pockets of the business owners. Though their struggle was defeated in a little over a month, organizers and theorists like Karl Marx drew many lessons from that experience.

In 1875, Marx wrote a [letter](#) to a group of activists meeting in the German town of Gotha. In order to create a “unified” German workers’ organization, the group adopted a reformist socialist program. Marx’s letter became known as the “Critique of the Gotha Program.”

Marx explains that capitalist distribution stems directly from capitalist production:

Any distribution whatever of the means of consumption is only a consequence of the distribution of the conditions of production themselves. The latter distribution, however, is a feature of the mode of production itself.

Marx then states that the hardship that the workers face from capitalist distribution (i.e., the outrageous price of goods and services, the impoverishment of the unemployed, and so on) is because of the private ownership of capitalist production:

The latter distribution, however, is a feature of the mode of production itself. The capitalist mode of production, for example, rests on the fact that the

material conditions of production are in the hands of nonworkers in the form of property in capital and land, while the masses are only owners of the personal condition of production, of labor power. If the elements of production are so distributed, then the present-day distribution of the means of consumption results automatically.

Then he writes the solution to this that is as relevant today as the day the words were written:

If the material conditions of production are the cooperative property of the workers themselves, then there likewise results a distribution of the means of consumption different from the present one.

Marx is saying that the only solution to end all the suffering caused by deprivation and impoverishment the workers and oppressed face today and more so tomorrow, sky-high inflation, foreclosures and evictions, the absence of health care, the low wages and lack of benefits, all of this can only be finally resolved by placing productive property under the ownership and control of the workers and oppressed.

Marx contrasts this point with the program of the “reformers”:

Vulgar socialism (and from it, in turn, a section of the democrats) has taken over from the bourgeois economists the consideration and treatment of distribution as independent of the mode of production and hence the presentation of socialism as turning principally on distribution. After the real relation has long been made clear, why retrogress again?

It should be pointed out that Marx and his comrade Frederick Engels didn't make this letter public for 17 years in order to not create disunity in the broad workers' movement, just as today revolutionary socialists support calls for reforms, particularly coming from organizations of the oppressed. That is why, for example,

we favor permanent community-controlled price controls of essential goods and services needed by our class as well as reparations for the oppressed communities.

But we want banker Albert Edward's dream, or rather for him, his nightmare of the "end of capitalism" fulfilled, to make these reforms unbreakable. And that's what defines revolutionary socialism.

