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press release

A House of Cards

from fantasy finance to global crash

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A spectre is haunting globalised capitalism - the collapse of the debt mountain built up over 30 years of unsustainable growth, says a timely new analysis. Since queues gathered outside Northern Rock branches in September 2007, financial pundits have started to use the dreaded "C" words – capitalism and crash – until now considered so last century.

In *A House of Cards - from fantasy finance to global crash*, Gerry Gold and Paul Feldman note how Marx used the term "fictitious capital" when analysing the role of credit in the capitalist economy.

The authors say: "Some claim that credit and debt can be permanently separated from the 'real economy', and have an independent existence. This is wishful thinking. All the evidence reveals quite the opposite – a relationship of mutual dependency between productive capital and fictitious capital."

They warn that the magnitude of debt swirling around the global economy means that the crisis is far deeper than in 1929 when the Wall Street crash led to global slump.

Gerry Gold and Paul Feldman connect the emergence of fantasy finance to the rise of powerful transnational corporations and the need to entice consumers to buy increasing numbers of commodities and services, whether they needed them or not.

The authors critically examine proposals for improved regulation and governance and conclude that the crisis is beyond the control of national governments and international agencies. Finally, in throwing up the challenge of "composting capitalism", *A House of Cards* sets out visionary, not-for-profit, sustainable alternatives to the global market economy and financial system. These are based on taking the resources, technology, distribution system and skills developed under capitalism and placing them within a new economic and political framework.

Notes to editors

A House of Cards – from fantasy finance to global crash is published by Lupus Books and A World to Win at £3. It can be purchased online at www.aworldtowin.net.

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Introduction

A House of Cards is nothing if not timely. As the global financial and economic crisis deepens, politically active people tell us that the world of derivatives, hedge funds, private equity and wholesale money markets is beyond their understanding. So *A House of Cards* sets out to demystify the financial system and show its inescapable relationship to productive activity. The authors explain the way in which the component parts of the global economy interact and drive each other.

In particular, *A House of Cards* shows how the contradiction between productive capital and what Marx called “fictitious capital” – the world of fantasy finance – is driving the global economy into slump. We also spell out the consequences of corporate-driven globalisation, including climate change and growing inequality. There is a response to those who argue that the solution lies – impossibly – in better regulation of global capital before the authors set out a detailed vision of a future economy based on co-ownership, self-management and sustainability.

As *A House of Cards* goes to print, the debt contagion is spreading fast. On 30 October, UBS – Europe’s largest bank – announced that it had written off \$5.6 billion in sub-prime and other bad loans in the third quarter. Pre-tax profit forecasts were abandoned in favour of substantial losses. UBS had already sacked 1,500 staff including its head of investment. The bank’s new chief executive Marcel Rohner admitted that “current difficulties” would not be “be resolved in the short term”.

The same day, Merrill Lynch boss Stan O’Neal jumped before he was pushed following the investment bank’s heavy sub-prime losses. O’Neal lost the confidence of the board after the bank ran up liabilities of \$4 billion.

Also on 30 October, the gathering recession in the US economy saw consumer confidence slump to a two-year low, while house prices in August suffered their biggest fall in 16 years. The devaluation of the dollar gathered pace. The next day brought no better news. It emerged that Northern Rock had borrowed over £22 billion in government-backed loans from the Bank of England, leaving each UK taxpayer poorer to the tune of £730. The failing mortgage lender is expected to need £40 billion to shore it up, transferring the equivalent of half the annual budget for the NHS into the private sector.

Then on 4 November, Citigroup – the world’s largest bank – shocked the financial world by parting company with Chuck Prince, its chief executive and chairman, after acknowledging sub-prime market losses of up to \$11 billion. The bank was left holding “collateralised debt obligations” not worth the paper they are printed on because the market for selling them on no longer exists. Citigroup built its “assets” – primarily its lending – by an astonishing 48% in 21 months and the bank’s sub-prime crisis is only the tip of its debt iceberg.

The social and political impact of the deepening crisis is certain to be profound, especially in Britain. Here, economic growth was largely founded on a consumption boom financed by house price inflation and easy credit. First the Tories and then New Labour encouraged this as part of the deregulation/globalisation process. These special conditions helped create an alienated sense of rampant individualism and a me-first outlook which has tended to overwhelm traditions of collective thinking and action. Those excluded from this instant “wealth” have too often become victims of the globalised drugs market as well as punitive penal policies.

Now millions of people are drowning in debt and the days of free-for-all consumption are coming to an end. For the majority, it was an illusion of wealth, a fantasy spun by credit card companies, corporations, advertising and marketing gurus and politicians from Thatcher to Blair and Brown. As reality reasserts itself, the conditions for revolutionary social change will also reappear. *A House of Cards* is above all a contribution by A World to Win towards building a movement that can achieve a sustainable economic and social system in place of the disastrous and ruinous market economy.

Paul Feldman

Editor, November 2007