



Post-crisis Belarus: Marxism and the lender of last resort



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ABSTRACT

Existing literature has examined the predictions and proscriptions of Karl Marx in response to the 2008 global financial crisis. However, the suggestions put forth by the Marxist-leaning literature never took hold and state-level banking and finance policies have remained largely unchanged. While many criticisms of Marxism exist, this paper examines Belarus, a 'neo-communist' or 'market-socialist' state, to provide a new perspective on the continuation of capitalism in the United States and Europe. In the case of Belarus, the International Monetary Fund and the Eurasian Economic Community's Anti-Crisis Fund provided both the critical liquidity needed to temporarily quell the effects of the financial crisis. Their demands meant that Belarus agreed to speed its move away from the Soviet-era finance and banking policies and more towards its western capitalist neighbors. Its failure to implement these policies further hurt its recovery. Examining Belarus' path to and out of its financial crisis makes apparent that the role of the international lender of last resort (LOLR). The LOLR acts as a key element in protecting states embroiled in the financial crisis from facing the possibility of making the difficult policy changes put forth by the Marxist literature. By ignoring its promises under the loan conditions from its LOLRs, Belarus moved further from the recovery promised by the Marxist suggestions.

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1. Introduction

Following the start of the 2008 financial crisis, the literature began to discuss the predictions of Karl Marx, drawing parallels to Marx's predictions of the global financialization of capital and the subsequent weakening in power of workers to negotiate (Carver, 2009; Shulman, 2012; Sklansky, 2012; Sustar, 2013; Tabb, 2010a, 2010b). Interestingly, Sustar (2013) claimed that even the Tea Party represented Marx's analysis of the middle class with its

"angry and resentful" attitude toward big business while remaining procapitalist and conservative. Some more extreme papers pondered the implosion of capitalism and a new, left-leaning system taking its place. Hobsbawm and Rutherford (2011, p. 140) stated that "the most promising road forward for the left is to attack the failure of our economies to understand the depth of the crisis of capitalism since 2008 – a crisis which, as is increasingly evident, is far from overcome in the Atlantic countries and Europe." The ways in which Marx's crises theory addressed financial overextension (Tabb, 2010a, 2010b) and called for reform (Buiter, 2008) were discussed as news outlets highlighted the increased attention paid to Marx, played out to some respect via "Occupy" movements across the United States and Europe.

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However, United States and European policy has not reacted to the financial crisis by meaningful left-leaning reforms. Outside the long-standing criticisms of Marxism, it is useful to examine Belarus, a European former Soviet state that did not transition or westernize its economy to the same extent as its neighbors and maintained some socialist policies, to show why the recommendations of the Marxist literature have remained largely ignored. The path Belarus followed towards capitalism has been unlike that of its Eastern European neighbors, making it an example of how a less-capitalist European, market socialist state embroiled in the global financial crisis responds. In the height of the financial crisis, it turned to western, market-oriented mechanisms and accepted aid from international lenders of last resort (LOLR), agreeing to change its internal policies in order to do so. It used these mechanisms but ignored its reform promises, further hurting its recovery. By examining Belarus' financial crisis, it can be shown that the philosophies and recommendations espoused in by Marxist-leaning literature fail to inspire policy change because they fail to adequately address the role of the modern international LOLRs. Furthermore, the recommendations fall flat when observing how, by Belarus failed to speed its path towards a more open market-based economy, its recovery has been hampered.

2. Marxism – A brief review

When examining Marxist-oriented literature, it raises the question of “which Marxism?” This paper will not be able to adequately cover the breadth of the schools of Marxism but will look at trends and modern-day approaches to applying Marxism to the financial crisis. [Shulman \(2012\)](#) refers to Marxism as the “analysis of the specific historical transformations of ‘capitalism’ and resistance to it, by way of ‘class struggle.’” For this article, a Marxist-oriented literature will be defined as literature that identifies the perceived contradictions and shortcomings of capitalism, challenges capitalism as to identify its weaknesses, and ultimately, envisions a post-capitalist world where the identified contradictions are no longer in existence ([Burawoy, 2000](#)).

Following the death of Karl Marx, branches of Marxism emerged to build on Classical Marxism's philosophies. The schools of Marxist thought since Marx's original writings have continuously strived to bridge the gap between ideas and real-world practice. For example, Orthodox Marxism emerged in between the Franco-Prussian War and World War I, focusing on scientific and methodological approaches to the study of society and economics. It was move to refocus away from criticisms of Classical Marxism's ambiguities with respect to society and political action. The years following World War I saw Marxism implemented politically via Marxism-Leninism and the emergence of the Communist state. Western Marxism stood in contrast to Communism among European scholars, who were concerned with how an industrial society affected the individual ([Bronner, 1990](#)). In the 1960's, a “Marxist revival” occurred in some academic pockets in the United States and challenged the strong anti-Communist sentiment espoused during the height of the cold war ([Burawoy,](#)

[2000](#)). Analytical Marxism emerged prior to the collapse of the Soviet Union and attempted to bring the philosophy in line with more modern philosophical approaches by incorporating rational choice theory.

Following the collapse of the Soviet Union, Marxism was largely dismissed by most policymakers, and the academic literature in defense of Marxism sought to identify the gaps between Marxism, Soviet Marxism and Soviet Communism. During the 1990's, political science research on the whole turned away from general theories of economic and social change, with Marxism coming under extensive criticism ([Lafferty, 2000](#)). The fall of the Soviet Union was to many a death knell to the legitimacy of Marx's real-world applicability ([Burawoy, 2000](#)). Some research then turned to defend Marxism by focusing on the ways that the Soviet Union had never been a true embodiment of the Marxist ethos. Since the early 1990's, discussion has surrounded whether the collapse of the Soviet Union was a collapse of Marxism and communism, or whether it was a collapse of a system that never achieved the monist Marxist doctrine it espoused. Questions focused less on the applicability of Marxism and turned more towards whether Marxism always resulted in a totalitarian regime, since applications of Marxism in other countries have similarly resulted in such systems ([Femia, 1993](#)). While it is difficult to apply the term “Marxism” to any national system without ample room for debate, there is little doubt that Soviet Communism was not so much an ideal implementation but more of a mutation of Marxism ([Femia, 1993](#), [Kolakowski, 1977](#)). However, any embodiments of political science philosophies have deviations from their ideological baseline elements.

The tide has recently turned on Marxism's affiliation only with authoritarian and/or failed regimes. “Occupy” and “99 Percent” movements embraced by some who live in Western countries that encountered the financial crisis have been characterized as a renewal of class struggle ([Harvey, 2010](#)). It was seen as a social movement of many elements and languages, without a fixed agenda but working under the auspices of an “occupation” necessary to bring about change and the establishing of new ideals. At the same time, it was the embodiment of the sense of loss and anxiety in western cultures ([Shulman, 2012](#)). Similarly, the academic community revived its interest in the predictions of Karl Marx, resulting in publications highlighting the applicability of Marx's predictions to the financial crisis.

3. Post-crisis Marxist literature predicted a systemic change in the global financial system

Marxists-oriented literature maintains that the 2008 financial crisis was “the moment when capitalism's contradictions and the limits to the development of capital (that are inherent in capital itself) emerge.” ([Giacché, 2011](#)). [Tabb \(2010a, 2010b\)](#) lays the blame for the financial crisis on what Marx described as a “new aristocracy of finance.” [Davies \(2011\)](#) points to “zero-sum capitalism” as the enemy.

The Marxist-oriented literature examines the changing nature of capital, its flight from production and application instead to speculation in many western economies ([Giacché, 2011](#); [Tabb, 2010a, 2010b](#)). The result was

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