Crisis and Class Struggle

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Socialist Register 2011: The Crisis This Time
edited by Leo Panitch, Greg Albo and Vivek Chibber *(New Delhi: Leftword Books), 2010; pp 323, Rs 350.*

The various papers in the present volume of the *Socialist Register* are united in one respect – they show how capitalist crises are not simply problems of positive economics and neutral economic management. The neutrality is exposed once you try to unbundle the ceteris paribus and the various assumptions that are made in modelling the economy. The realities of class, state, power and conflict provide the socio-historical matrix that configures the economy and its problems.

In other words, a main thrust of this collection on the contemporary capitalist crisis is, as Leo Panitch and Sam Gindin point out in "Capitalist Crises and the Crisis This Time", to look at "the complex factors that lead to structural crises… through the prism of class and state relations" (p 7). Every essay complements the others by accounting for the contingent and historical factors that configure the terrain for the past, present and future of the capitalist crisis – determining its specific conjunctural nature at various moments in the development of capitalism. However, while conjunctural factors do play a major role in determining the historical expressions, crises are not black swans appearing randomly, as Anwar Shaikh explains in "The First Great Depression of the 21st Century": "Capitalism's sheath mutates constantly in order for its core to remain the same" (p 46).

Crises are moments in the "turbulent dynamic process" of capitalist accumulation (p 44), Shaikh argues. Despite tremendous institutional changes within capitalism, its history is witness to intrinsic patterns that derive from the logic of profit, which is central to business behaviour. The present crisis was nurtured in the very successful attempts to overcome the Great Stagflation of the 1970s and to sustain high rates of profit through neo-liberal means. Deregulation of financial activities, a sharp drop in interest rates in major capitalist countries and the slowdown in real wages relative to productivity boosted the rate of profit. Normally a wage deceleration would have adversely affected consumer spending, but falling interest rates and credit availability, as Shaikh (p 45) notes, "buoyed on a rising tide of debt. All limits seemed suspended, all laws of motion abolished. And then it came crashing down. The mortgage crisis in the US was only the immediate trigger."

The phenomenon of financialisation has been crucial to the post-1970s resurgence of profit and its eventual crisis in the 1990s-2000s. Financialisation does not distort pure capitalism, nor is it a result of a coup against productive capital. It is instead, according to Alfredo Saad-Filho in "Crisis in Neo-liberalism or Crisis of Neo-liberalism?", "a structural feature of accumulation and social reproduction under neo-liberalism" (p 243). The process has tremendous disciplining potential. It intensifies accumulation by transnationalisation, increasing competition between individual capitals and between (and within) national working classes.

Managers are submitted to shareholding interests concerned only with the over- or under-valuation of stocks and shares, Doug Henwood notes in "Before and After Crisis: Wall Street Lives On". The industrial and labour reforms that ensue to satisfy such market regulation of the circuits of capital make employment precarious, and force many households into debt, making them dependent on asset price inflation for satisfying their reproductive needs, thus financialising and controlling the reproductive domain of labour. Demand is propped up through "Asset Price Keynesianism", as Saad-Filho suggests (p 246), or "truly heroic doses of credit", as Henwood argues (p 91), i e, by lowering interest rates, remortgaging and accumulating unsecured debts, etc.

In "Deriving Capital's (and Labour's) Future", Dick Bryan and Michael Rafferty present a rigorous analysis of derivatives – one of the major instruments of financialisation, defined by them as an extension of "the calculus of finance and risk into wider social domains" (p 204). Further, they note that (196):

> [Derivatives] are integral to capitalism and the expression of its essential property relations and its inventiveness. The contradictions of derivatives are the contradictions of capitalism.

Derivatives establish newer sites of accumulation out of the segmentation of the socio-economic world into quantifiable and commodifiable units. The power of derivatives to make assets fungible intensifies the mobility of capital and capitalist accumulation. As the perpetuation of financial instruments or financialisation derives from the logic of capital, so does the financial crisis. The authors dub the real/financial dichotomy as faulty. The dichotomy is ahistorical and does not ground the financial in the logic of capitalist accumulation.

The Labour Factor

As indicated above, the collection views the crisis from the prism of class struggle and state. It has been time and again shown how under neo-liberalism, the global balance of class forces has shifted away from labour and from particular forms of capital. In "The Global Crisis and the Crisis of European Neomercantilism", Riccardo Bellofiore, Francesco Garibaldo and Joseph Halevi accurately encapsulate the political spirit of the collection when they describe the central tragedy in this financial crisis as befalling "traumatised workers, manic-depressive savers and indebted consumers – all performed by the same actor" (p 124). Most of the essays in this collection tell us how the political economy of neo-liberalism splits the personality of labour into so many identities.

Agenda of Neo-Liberalism

The class agenda of neo-liberalism was to break the Keynesian alliance between capital and labour, which was proving to be a hurdle to profit-making in the early 1970s. A thorough financialisation of the real economy of businesses, households and governments was crucial in this regard, as Hugo Radice suggests in "Confronting the Crisis: A Class Analysis". The state and the enfeebling of the working class were major factors in "generating the conditions that led to the greatest financial crisis since 1929", according to Panitch and Gindin (p 13). Increasing labour vulnerabilities through industrial restructuring led to a tremendous increase in industrial profits, and this in turn freed finance for betting on vulnerable labour. As Sam Ashman, Ben Fine and Susan Newman put it in "The Crisis in South Africa: Neo-liberalism, Financialisation and Uneven and Combined Development" (p 175):

> The spreading and individualisation of debt, in part to compensate for three decades of stagnant or falling real wages, has become critical to maintaining demand…Financialisation, then, is not just about capital, it is about labour.

Susanne Soederberg calls this situation "cannibalistic capitalism" (also the title of her essay) – a form of financial fetishism where instead of giving workers independence, savings increase worker dependence on the economic performance of corporations. It is a set of "processes by which workers' savings in the form of pension funds feeds off both their own increased indebtedness and that of other workers" (p 224). Thus, workers are so bound to capitalist fate that they see in capital's destruction an extermination of their life savings. Dispossessed workers became more exposed to "the disciplinary, demobilising, and individualising tendencies of debt" (p 226).

It is not just competitive calculations that subjugate labour through workplace discipline; the process of securitisation is crucial to this subjugation. Securitisation does not simply appropriate labour's income through interest payments. It essentially recasts, as Bryan and Rafferty argue, "labour as the provider of income streams for securities, to facilitate asset diversification and the search of yield" (p 215). Bryan and Rafferty report that the International Monetary Fund dubs households as shock-absorbers of last resort in its "Global Financial Stability Report 2005" (p 216). For capital, labour is an asset class, like equities, bonds and credit derivatives. Working class aspirations become attractive investments. However, as Bryan and Rafferty explain, this is an asset class which is not risk-managed well by capital or the state (216). "In important respects, therefore, it was labour, and its failure as an asset class, not its power as a working class, that triggered the global financial crisis".

More than any other crisis in the recent past, the present crisis has exposed the vampire nature of neo-liberal capital – not losing its hold on labour "so long as there is a muscle, a nerve, a drop of blood to be exploited".[1] As Joanna Brenner shows in "Caught in the Whirlwind: Working-Class Families Face the Economic Crisis", with opportunities for collective action dwindling due to the cooptation and destruction of traditional working class organisations in the US, workers had to rely increasingly on family survival strategies. Continuous attacks on male workers' wages, coupled with the dismantling of social security networks, have forced women further into the active labour force and working class families into bankruptcies and debts, which were readily provisioned by the deregulated financial sector.

While women's earnings "once kept families afloat, now they are cushioning families with unemployed men from total disaster" (p 74). The hardest hit sectors are those which are heavily dependent on male labour. Families headed by single mothers have increasingly plunged into poverty. The care economy was drastically affected; seemingly greater equality among men and women in the expenditure of unpaid labour meant that the women's working hours could expand.

However, this was possible only with the 24/7 economy providing inexpensive goods and services based on the low wages of a contingent workforce from among immigrants. The crisis has exposed both the importance and fragility of family survival strategies. It has deepened the segmentation of the working class on the basis of the degree to which individuals can hold on. Racial and occupational disparities play a major role in this segmentation.

Opportunity Lost

The crisis has definitely exposed the fragility of the US economy and its dollar hegemony, but in turn, it has also exposed the structural faults of other economies throughout the globe and their dependence on US growth. The global dominance of the dollar confirms not just the global presence and prowess of the American interests – US multinationals, Wall Street and US offshore banking affiliates – but also the extent to which major national and regional economies are tied to the US market. Taggart Murphy argues that Japan and eastern economies are loyal retainers of American dollar hegemony; Bellofiore et al note the neomercantilist dependence of the economies in the EU on the US as the provider of the last resort of effective demand. As Karl Beitel shows in "The Crisis, the Deficit, and the Power of the Dollar: Resisting the Public Sector's Devaluation", there is no viable challenger to the dollar. The euro lost because of "the 'fractured sovereignty' that characterises the monetary integration of Europe" (p 269) and the remnibi is out for the time being because China does not have the will and capacity to replace the dollar.

The enormous dependence of other economies on the US, facilitated by financialisation, has definitely scuttled statist willingness and ability to emerge from the neo-liberal framework across the globe. As Albo and Evans' analysis of the rescue and exit strategies of the US and various European economies shows, these class strategies tend to stabilise and sustain the liberalised financial system and to transfer the burden on to the shoulders of the working class. In fact, the state is taking interventionist measures to ensure that austerity is imposed on the working class and the public sector.

As Radice (p 37) notes, "[b]ecause neo-liberalism is a project of class hegemony, the current economic and financial crisis is only a crisis *of* neo-liberalism if there is a working-class challenge to that hegemony". A major part of the volume under review demonstrates through various country and regional analyses why the barriers to capital accumulation could not be transformed into its limits. In fact, wherever a viable alternative, even if not complete structural overhauling, seemed feasible, the opportunities were not just lost, but they were morphed into strategies for neo-liberal resurgence. So if neo-liberal strategies and institutions survived unreformed, the secret of their resilience must be found in the balance of forces prior to the crisis. Here we find the left and radical forces totally marginalised (Julie Froud, Michael Moran, Adriana Nilsson and Karel Williams in "Opportunity Lost: Mystification, Elite Politics and Financial Reform in the UK"), labour activism reduced to shareholder (and stakeholder) activism and the ideology of corporate governance, effectively refocusing political discontent in market-based terms (Soederberg).

This volume of *Socialist Register* stands out in providing a comprehensive understanding of "the crisis this time". It sweeps away the mists of carefully contrived illusion and reveals the stark reality behind neo-liberal ideologies and politics, a task which, as Noam Chomsky puts it in his concluding contribution, is necessary to rekindle the radical imagination.

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NOTE

1 Karl Marx (1954), *Capital*, Vol 1 (Moscow: Progress Publishers), p 285.