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# INTERNATIONAL VIEWPOINT

News & analysis from the Fourth International – November 2008 # 406

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**United States:** Barack Obama: A Campaign with Issues



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**Economic crisis:** “The climatic crisis will combine with the crisis of capital...”

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**Economic crisis:** Toxic capitalism

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**Economic crisis:** “The crisis is combining with the climate and food crises”

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**France:** The New Anti-capitalist Party shakes up the left

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**United States:** Barack Obama’s Dual Mandate

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**Debate:** Revolution and the party in Gramsci’s thought

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**France:** Toward the Foundation of a New Anticapitalist Party

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**Review:** The Communist Manifesto 160 years later

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## International Viewpoint

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## United States

# Barack Obama: A Campaign with Issues

### Editorial board statement on the presidential campaign

#### *Against the Current*

**There will be no real progress on health care, education, sustainability or any other meaningful goal without freeing up the resources that are being poured into the colonial occupation of Iraq and the overwhelming U.S. military budget. On one point Barack Obama is perfectly clear, and in harmony with John McCain: He'll expand the U.S. military operation in Afghanistan.**



**Barack Obama: the next US president.**  
Image: Elizabeth Cromwell

THE ISSUES IN the 2008 election ought to be clear to everyone by now: Rev. Jeremiah Wright. John McCain's medical dossier. Obama leaving Trinity United Church of Christ. Will Bill and Hillary Clinton sabotage the Obama campaign? Will she force herself onto the Obama ticket? Will the religious right come around to McCain after all?

We hate to disappoint, but in this editorial we're going to bypass these fundamental issues and instead take up a

few secondary questions that may be of some marginal interest — a continuing disastrous war, an economic shambles that's destroying the lives of millions of families, a growing global food crisis and the legacy of an outgoing administration that has smashed all previous records in U.S. history for presidential abuse of power.

We begin with what everyone knew well before the June 3 final primaries, that Barack Obama will be the Democratic presidential nominee. His election would be the political event of the past hundred years in American politics. Yet even after Hillary Clinton's concession speech, there are still two Democratic candidates: As the late great Mary Wells of Motown fame once sang "I have two lovers, And both of them are you," the Democrats have two presidential nominees and both are named Barack Obama.

There's the Barack Obama who has seized the attention of Black America, of young people by the millions, of political independents and of some Republicans. This Barack Obama would get us out of the Iraq mess in less than two years, restore sane priorities for combating global poverty and environmental destruction, and begin bridging the racial divisions and deep inequalities in our society. Most important for his army of supporters, he'd replace the old politics of the past two administrations — the systematic lying, cronyism and abuses of the Bush regime and the cynical triangulation and sleaze of the Clintons — with a new kind of open and honest governance.

Then there's Barack Obama the actual nominee, who ran straight to the American Israel Public Affairs Committee and sang AIPAC's favorite hit-parade tunes ("Undivided Jerusalem Israel's Eternal Capital," "No Talking to Hamas," etc.), a performance that Israel's preeminent peace campaigner Uri Avnery called "a speech that broke all records for obsequiousness and fawning."

But the importance of that speech wasn't just in slamming the door on hopes for Palestinian peace and freedom, it also affirmed Obama's complete integration into the imperial and elite establishment. This is the Obama who surrounds himself with thoroughly conventional political, economic and foreign policy advisors; whose "vice-presidential search committee" chairman is so saturated with corporate sleaze he had to resign before even getting started; whose newly appointed chief economic advisor Jason Furman is an explicit supporter of Wal-Mart, globalization and privatizing Social Security; and who seems allergic to any hint of a social justice agenda.

Which Barack Obama is authentic? In a real sense, both of them. An army of Obama supporters, the African American community, and tens of millions of people all over this country will mobilize around Obama the symbol of "The Audacity of Hope." The Republican Party, in keeping with its nature as the preferential option for corporate power and white supremacy, can be expected to target this same symbolic Obama, in what we can expect to be the dirtiest, most bigoted, racist and scaremongering campaign in our country's recent history. (He's biracial! His father was once Muslim! He'll talk to Ahmedinejad! His middle name is Hussein!)

Meanwhile, a significant sector of corporate and policy elites will gather around Obama the mainstream Democrat. There is genuine fear in these circles about the consequences of the Bush regime's massive financial irresponsibility, its ideologically-driven military adventurism, its disastrous inattention to infrastructure and catastrophic climate change, its incapacity to respond to out-of-control domestic and global energy price inflation, in short, its squandering of the physical, monetary and political assets that make the United States the master of the world.

These forces are happy to enjoy the fruits of Republican policies that have made them rich at the expense of the rest of us, but are worried that pushing this direction further could seriously destabilize U.S. capitalism and the global system. Well aware of the distinction between lofty imagery and the realities of bourgeois politics, they see Obama as their safe-reform option and hope for a soft landing from the present crisis.

### How About That Economy?

There are differences between the Obama-Democratic and McCain-Republican programs, and we'll get to them, but they have practically nothing to do with the most important recent event in the U.S. class struggle. An 87-day strike at American Axle and Manufacturing (AAM) ended in abject surrender by the UAW International, with production workers' wages essentially cut in half. Union members have returned to work in a police-state factory atmosphere, with the company aiming to push the existing work force out the door to be replaced with new hires at \$11.50 an hour.

This is not only a tragedy for AAM workers and their families, but portends the end of the U.S. auto industry as a high-wage employer. It's easy to recognize the implication for the next bargaining round at the used-to-be-Big Three: The next generation auto work force will be at more or less the upper end of low-wage workers.

This development should be reverberating through the national political debate, but of course it isn't. Labor's wave of concessions throughout industry points toward a series of urgent issues:

\* The AAM workers went back under the threat of replacement workers, knowing that labor law and government policy would allow this and that the UAW International couldn't or wouldn't defend them. Barack Obama has vaguely mentioned workers' rights, but certainly not how the threat of permanent replacement cripples unions' right to strike effectively, and when the UAW endorsed him it didn't even demand that he address labor law reform.

\* Fewer and fewer workers have decent health care insurance through their employers. McCain and the Republicans promise to make this broken system even worse, by forcing families to buy into costly private plans with the promise of "tax credits" to partially offset the ruinous expense. Obama and the Democrats will play around with using government programs to incorporate

blocs of uninsured Americans into the private system, but they'll be lucky if they can cover half the uninsured through such schemes.

Barack Obama could boldly pose the following question: "There are 50 million Americans without health insurance, and over 100 million inadequately covered. What is the greater risk to them — a potential terrorist attack, or a major illness in their family that wipes them out financially?" The symbolic audacity-of-hope Obama would ask that question; the real life centrist Democrat Obama of course will not.

\* While AAM is a profitable company — so much greater the crime of enabling its wage-slashing spree — much of the U.S. auto industry, given the population's falling purchasing power and gas rising over \$4 a gallon, is on the sharp end of an incipient deep economic crisis (discussed in the articles in this issue by Nomi Prins and Jack Rasmus). After decades of turning its back on energy efficiency to produce high-profit gas-guzzlers and that ultimate Brontomobile the SUV, the U.S. auto industry is "restructuring" — on the backs of its work force, moving production to the U.S. and Global South and pushing all its workers' conditions toward the bottom. A different kind of "restructuring" is possible, but it would require decisive political (legislative and executive) action, a militant revival of union activism against corporate power, and a true "Audacity of Hope" in our society.

George W. Bush's horrible ethanol-from-corn debacle is helping drive food prices up here and globally, pushing the U.S. toward "stagflation" and tens of millions of people in the Global South toward starvation. Urgent action is needed now to use the existing alternative, sustainable energy technologies and develop new ones; to create urban mass transit and design future housing patterns to be able to use it; to fully exploit the potential for electric, hybrid and alternative-fuel vehicles; and so much more.

The audacity-of-hope Obama would campaign on the necessity of a "sustainability revolution." The real-life centrist one won't go beyond the pathetic plea of UAW President Ron Gettelfinger to "assist the auto industry" while it cuts his members' wages and benefits.

### And the War(s)?

There will be no real progress on health care, education, sustainability or any other meaningful goal without freeing up the resources that are being poured into the colonial occupation of Iraq and the overwhelming U.S. military budget. On one point Barack Obama is perfectly clear, and in harmony with John McCain: He'll expand the U.S. military operation in Afghanistan. What a disaster. Beginning about a hundred years ago, U.S. Marines went into Nicaragua and Haiti and remained for a quarter century. At the present rate, the war in Afghanistan could easily last that long, at a vastly higher price.

Obama's argument is that troops can be pulled away from "the wrong war" in Iraq to fight "the right war against terrorism" in Afghanistan — out of the quagmire, into the quicksand. McCain of course wants to sink in the quagmire and quicksand at the same time; stability is just around the

corner in Iraq and then U.S. forces can triumphantly remain forever, just like in South Korea.

The tragic reality about the debate on Iraq is that the destruction of that country and its people has substantially faded from the corporate media, due in large measure to the decline of the antiwar movement which, for a couple of years, forced part of the truth to come out. If Barack Obama in the White House is going to do anything serious about withdrawal, the decision would have to be taken in the very first months of his administration. After that, he would already "own" the war and be unable to take the heat of "losing Iraq," as if this wretched war weren't lost years ago.

This points to the need for the antiwar movement to get itself rebuilt at the grassroots and "surge" into the streets, as soon as possible after the election even if, regrettably, it probably can't do so before. (And we're not even discussing here the possibility of a last-ditch strike at Iran by the Bush regime in its death agony.)

### Some Brief Conclusions

Where does this leave us? That depends on where your politics are. If you're a Democratic voter, if that party and its program are yours, then Barack Obama — the real one, not the symbol — is your candidate. In particular, we'll say it out loud: For those Democratic voters who supported Hillary Clinton, the only reason for "staying home" or voting for McCain would be racism. The brutal fact is that such a discussion would never come up if Senator Clinton had been narrowly defeated by, say, John Edwards or Joe Biden.

On the other hand, if you consider yourself to be a progressive or independent voter with a commitment to peace and social justice, you'll have to confront the disconnect — which will only grow from now till November — between the symbolic, audacity-of-hope Barack Obama and the real-life candidate who's consciously opted for the politics of a centrist, pro-military corporate Democrat. If you decide you want a genuine, not just symbolic alternative, you'll need "the audacity of hope" to look elsewhere.

► *Against the Current* is the magazine of *Solidarity*, a radical socialist regroupment in the United States.

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## Economic crisis

# “The climatic crisis will combine with the crisis of capital...”

*François Chesnais*

**The point of view that I will defend is that the crisis which started in August 2007 represented a real break which put an end to a long phase of expansion of the world economy. This break heralds the beginning of a process of crisis whose characteristics in terms of the number of intermingled factors are comparable with those of the crisis of 1929, although this one takes place in a very different context and these factors are necessarily different.**



François Chesnais speaking during a April 2008 tour of Latin America  
Photo: PUC-SP

It is important to recall initially that the crisis of 1929 took place as a process: a long process which started in 1929 with the crash of Wall Street, but whose climax took place much later, in 1933, and that the crisis was followed by a long phase of recession which led to the Second World War. I say this to stress that, in my opinion, we are witnessing the first stages, really the very first stages, the beginning of a process of an analogous breadth and temporality, even if the analogies stop there. What is happening right now on the financial markets of New York, London and the other great stock exchange centres is only one dimension - and almost certainly not the most important one - of a process which must be interpreted as a historical caesura.

We are confronted with the form of crisis which Marx said marked the historical limits of capitalism, where all of the contradictions. To say that is not to defend any version of the theory of “the final crisis” of capitalism or anything similar. What is in question, in my opinion, is understanding that we are confronted with a situation where the historical limits of capitalist production are apparent. What is it necessary to understand by that? Without wishing to sound

like a Marxist preacher, I will read you a passage from Capital:

“The real barrier of capitalist production is capital itself. It is that capital and its self-expansion appear as the starting and the closing point, the motive and the purpose of production; that production is only production for capital and not vice versa, the means of production are not mere means for a constant expansion of the living process of the society of producers. The limits within which the preservation and self-expansion of the value of capital resting on the expropriation and pauperisation of the great mass of producers can alone move — these limits come continually into conflict with the methods of production employed by capital for its purposes, which drive towards unlimited extension of production, towards production as an end in itself, towards unconditional development of the social productivity of labour. The means — unconditional development of the productive forces of society — comes continually into conflict with the limited purpose, the self-expansion of the existing capital. The capitalist mode of production is, for this reason, a historical means of developing the material forces of production and creating an appropriate world-market and is, at the same time, a continual conflict between this its historical task and its own corresponding relations of social production. [1]

### Two dimensions which give the crisis its novelty

There are certainly some terms which we would not use today any more, like that of “historical task”. On the other hand I think that the crisis that we will see in the years to come will unfold precisely on the basis of this world market, which Marx intuited and which now exists in all its abundance. This is one of the points where we dealing with a world situation different from 1929. Countries like China or India, which were then still semi-colonial countries, do not have this character any more today. Their specific features (the expression of combined and unequal development) require an attentive analysis. But these are countries which now participate fully in a single world economy, a world economy unified on a scale unknown until this stage of history.

The crisis which has started thus has as its context a world which is unique in a different sense that was not the case in 1929. It is a first point. Here is a second. In my opinion, in this new historical stage, the crisis will develop in such manner that the brutal reality of the world climatic crisis of which we are seeing the first demonstrations will be combined with the crisis of capital as such. We enter a phase which is really that of the crisis of humanity, in its complex relations. That includes wars. But even by excluding the outbreak of a war of great breadth, a world war, which could at present only be a nuclear war, we are faced with a new type of crisis, the combination of this economic crisis which started in a situation where nature, treated without regard and brutalised by humanity within the framework of capitalism, reacts in a brutal way. It is something which is almost excluded from our

discussions, but which will impose itself as a central phenomenon.

For example, very recently, I learned from reading a book by a French sociologist, Franck Poupeau [2], that the Andean glaciers which are the source of the water supplies of La Paz and El Alto (Bolivia), are more than 80% exhausted and that it is estimated that in about fifteen years La Paz and El Alto will not have any more water... It is something that we, who claim to be revolutionary Marxists, have never dealt with. We never discuss facts of this nature and this breadth. However this fact can substantially modify the class struggle in Bolivia, as we know it: for example, the movement of the capital to Sucre, so controversial, imposes itself as a "natural" phenomenon, because La Paz will lack water. We enter a period where facts of this type will interfere in the class struggle. The problem is that in revolutionary circles hardly anybody speaks about that; we continue to discuss things whose importance is negligible at the present time, completely petty questions in comparison with the challenges which we must face.

### **Three means of overcoming capital's "immanent barriers"**

To continue on the question of the limits of capitalism, I would like to return to a quotation from Marx, which precedes that already given: "Capitalist production seeks continually to overcome these immanent barriers, but overcomes them only by means which again place these barriers in its way and on a more formidable scale." [3] There is a lightning rod which can be useful in analysis and discussion. The means implemented by the bourgeoisie ranged behind the United States to overcome the inherent limits of capital during the past thirty years were primarily three.

Firstly, there was the whole process of liberalization of finances, trade and the investment, i.e. the process of destruction of the political relations which emerged on the basis of the crisis of 1929 and of the Thirties, after the Second World War, the Chinese revolution and the wars of national liberation. All these relations, which did not in Western Europe or Latin America affect the existence of the capital but which represented at the same time forms of partial control over it, were destroyed.

The second means employed to overcome these inherent limits of the capital was the recourse, on an unprecedented scale, to the creation of fictitious capital and of forms of credit which, in the countries in the centre of the system, enlarged an insufficient demand.

The third means, most important historically for capital, was rehabilitation as full components of the world capitalist system of the Soviet Union and its "satellites", and especially China, more important still because marked by a controlled modification of the relations of property and production.

It is within the framework of the contradictory effects of these three processes that it is possible to grasp the breadth and novelty of the crisis that has opened.

### **Liberalization, world market, competition...**

Let us initially look at the contradictory effects of the liberalization and deregulation undertaken on a worldwide scale in the space created by the integration into capitalism of the old Soviet "camp" after the collapse of the USSR, as well as that of China. The process of liberalization involved the dismantling of the elements of regulation built within the international framework at the end of the Second World War, leading to a capitalism about completely deprived of mechanisms of regulation. Capitalism was not only deregulated, but the world market was created really and fully, transforming into reality what was for Marx largely an intuition and an anticipation. It is useful to specify the concept of world market. The term "market" indicates a space of valorisation, released from restrictions for the operations of capital, which makes it possible for the latter to produce and realise surplus value by taking this space as basis for the mechanisms of truly international centralization and concentration. This open, non homogeneous space, but with a Draconian reduction of the obstacles to the mobility of capital enabling it to organize the cycle of valorisation on the planetary scale. It is accompanied by a situation making it possible to put all the workers of all countries in competition with each other. Thus it is founded on the fact that the industrial reserve army is truly global and that it is capital as a whole which governs, in the forms studied by Marx, the flows of integration or rejection of the workers in the process of accumulation.

Such then is the general framework of a process of "production for production" under conditions where the possibility for humanity and the masses of the world to accede to this production is very limited. This is why the positive outcome of the cycle of valorisation of the capital, for capital as a whole and each capital in particular, becomes increasingly difficult to attain. And it is from this fact that "the blind laws of competition" play an unceasingly larger role and become more determinant on the world market. The central banks and the governments can try to agree among themselves and to collaborate to overcome the crisis, but I do not think that it is possible to introduce co-operation into a world space which has become the scene of a terrible competition between capitals. And now competition between capitals goes well beyond the relationship between the capital of the older and most developed parts of the world system. It includes the least developed sectors from the capitalist point of view. Because in particular forms including the most parasitic, in the world market a process of centralization of capital apart from the traditional framework of the imperialist centres has taken place: in relation to them, but under conditions which also introduce something completely new within the world framework.

Industrial groups capable of integrating themselves in their own right as partners in world oligopolies have developed in given points of the system during the last fifteen years and in particular during the most recent stage. In India and China genuinely powerful capitalist

economic groups were formed. On the financial level, as expression of the oil revenue and the parasitism which is specific to it, sovereign wealth funds became important points of centralization of capital-money. They are not simple satellites of the United States. They have their strategies and their own dynamics which modify in many respects the configuration of geopolitical relations of the key points where the life of capital is decided and will be decided.

Consequently another dimension of which we must take account is that this crisis marks the end of the stage during which the United States could act as a world power without adversaries. In my opinion, we have left the phase that Mészáros analyzed in his book of 2001 [4] The United States will be put to the test: in a very short lapse of time their world relations have been modified and the United States will have to renegotiate them and reorganize them by basing themselves on the fact that they must share power. And that, of course, it is something which never occurred in a peaceful way in the history of capital... So, the first element is that one of the means chosen by capital to overcome its limits has become a new source of tensions, conflicts and contradictions, so that it a new historical stage has been opened through this crisis.

### **Uncontrolled creation of fictitious capital**

The second means employed by the capital of the central economies to overcome its limits was the generalized recourse to the creation of completely artificial forms of the enlargement of solvent demand. That, added to the other forms of creation of fictitious capital, generated the conditions of the current financial crisis. In an article that comrades of Herramienta had the kindness to translate into Castilian and to publish [5], I examined rather lengthily the question of fictitious capital, its accumulation and the new processes which characterized it. For Marx, fictitious capital is the accumulation of securities which are "the shadow" of investments already made. In the form of bonds and shares, they appear in the eyes of their holders as capital. They are not capital for the system taken as a whole, but they are for their holders and, under the "normal" economic conditions, at the end of the process of valorisation of capital, they ensure them dividends and interests.

But their fictitious character appears in crisis situations. When crises of overproduction occur, with the bankruptcies of companies and so on, this capital can disappear suddenly. You read in the newspapers that this or that quantity of capital "has disappeared" during a stock market slump? These amounts did not exist as capital properly so-called, despite the fact that, for the holders of these shares, these titles represented a right to dividends and interests, a right to receive a fraction of the profits.

Of course, one of the major problems today is that, in many countries, pensions systems are based on fictitious capital, in the form of claims to a share of profits which can disappear in times of crisis. Each stage of the liberalization and the financial globalization of the years 1980 and 1990 reinforced the accumulation of fictitious capital, in particular in the hands of investment funds, pension funds and

financial funds. And the great novelty which appeared in the early to mid 1990s and throughout this century is that, in particular in the United States and in Great Britain, an extraordinary push took place for the creation of fictitious capital in the form of credit. Credit to companies, but also and especially loans to households, consumer credits and mortgages. Thus we witnessed a qualitative jump in the mass of fictitious capital created, causing sharper forms of vulnerability and brittleness, even in relation to minor shocks, including completely foreseeable episodes. For example, on the basis of former experience, which was very well studied, we knew that the property boom would necessarily end for well known endogenous reasons. While it is relatively comprehensible that on the stock market the illusion exists that there are no limits to the rise of shares, the whole of preceding history shows this is not true of the property sector: when we are talking about buildings and houses it is inevitable that the boom finishes at a given time. But the degree of dependence of the continuation of the growth and success of financial speculations was so strong, that this normal and foreseeable event was transformed into an element leading to an enormous crisis. Because I should add to what I have already said that during the two last years of the boom, loans were granted to households which did not have the least capacity to repay them. And moreover, all this combined with the new financial "techniques" - which I have tried to explain in the article mentioned above in Herramienta [6] - allowing the banks to sell designated synthetic securities in such a manner that nobody could know exactly what they had bought. This is what explained the devastating character of the contagion of the "subprime" effect which started in 2007 and the fact in particular that the "toxic effects" strongly poisoned the relations of the banks among themselves.

Now we are witnessing the "unravelling" of this process. It is necessary to erase an accumulation of "assets" which are fictitious to the nth degree, resulting from debt ratios of 30 times on average of the effective capital holdings of banks (which itself include debts, deemed "recoverable" at this time), This "unravelling" favours the concentration of financial capital of course. When Bank of America buys Merrill Lynch, it represents a classic process of concentration. The leap in the crisis that we saw on September 17 was caused by the decision of the Treasury and the Federal Reserve not to prevent the bankruptcy of Lehmann bank. On September 18 they had to change position and massively aid the AIG insurance group. The process of nationalization of debts implies a new creation of the fictitious capital. The Federal Reserve of the United States is increasing the mass of fictitious capital to maintain the illusion of the value of institutional centralizations of fictitious capital (banks and investment funds) which were about to break down, with the prospect of being obliged at a given time to strongly increase fiscal pressure, which in fact the Federal government cannot do because that means the contraction of the domestic market and the acceleration of the crisis. We are thus witnessing a headlong rush which does not solve anything.

Within the framework of this process we also see the rise in power of the sovereign wealth funds, whose effect is to modify the inter-capitalist distribution in the financial field in favour of the pensions sectors which accumulate this type of fund. And it is one more factor of disturbance in this process.

We should recall, to end on this second dimension, that it is its external deficit of 7-8% of GDP which gives the United States the characteristic of being the strategic centre of the capital valorisation cycles, which is decisive at the time of the realization of surplus value. That is true not only for capital under US control, but for the process of valorisation of capital in its totality. Now, faced with a quasi inevitable economic recession, the great question arises of whether China will be able to become the place which will guarantee this moment of realization of surplus value instead of the United States. The extent of the intervention by the Federal Reserve and the Treasury explains why the contraction of activity in the United States and the fall in its imports has until now been rather slow and limited. The question is how long they will be able to hold with the creation of more and more liquidities as the single instrument of economic policy. Is it possible that there are no limits to the creation of fictitious capital in the form of liquidities to maintain the value of the fictitious capital which already exists? That seems me to be a very hazardous assumption and very much doubted among the US economists themselves.

### **Over accumulation in China?**

To end, we will look at the third way in which capital has sought to exceed its inherent limits. It is the most important of all and raises the most interesting questions. I refer to the extension, in particular towards China, of the entire system of social relations of production of capitalism. It is something which Marx mentioned at one time as a possibility, but which has become reality only in recent years. And which was carried out under conditions which multiply the factors of crisis.

The accumulation of the capital in China was founded on internal processes, but also on the basis of something which is documented perfectly, but little commented on: the transfer of a great part of the production of sector II of the economy - the sector of consumer goods - from the United States to China. That has much to do with the increase in US deficits (both trade and budget deficits), which could be reversed only by a vast "reindustrialisation" of the United States.

That means that new relations have been established between the United States and China. They are not relations between an imperialist power and a semi-colonial country. The United States has created relations of a new type and they now face difficulty in recognising this and assuming the consequences. Basing itself on its trade surplus, China has accumulated hundreds of millions of dollars, which it immediately lent to the United States. An illustration of the consequences is the nationalization of the two companies named Fannie Mae and Freddy Mac: the Bank of China held 15% of these companies and informed the US government that it would not accept their

devalorisation. These are international relations of a completely new type.

But, what will happen if the crisis spreads in the form of a significant fall in exports with effects on production, and crisis in the banking structure and the Shanghai Stock Exchange in China? In my already mentioned article [7] there is only one page on this question right at the end, but in a certain manner, it is the most decisive question for the next stage of the crisis.

In China, there has been an internal process of competition between capital, combined with a process of rivalry between sectors of the Chinese political apparatus and competition between them to attract foreign companies. This has resulted, in addition to destruction of nature on a great scale, in a process of creation of immense capacities of production: in China an over accumulation of capital has been concentrated which, at a given time, will become insupportable. In Europe the acceleration of the relocation of productive capacities and jobs, to transfer them to this singular paradise of the capitalist world that is China today, was notorious among the big industrial groups. My assumption is that this transfer of capital to China has led to a change in the previous movement of accumulation and caused a new rise in the organic composition of capital. Accumulation is intense in means of production and very wasteful of raw materials, the other component of constant capital. The massive creation of productive capacities in sector I (means of production) has been the motor of growth in China, but the final market allowing this production to flow and realise value and surplus value has been the world market. By worsening it the recession highlights this over accumulation of capital. Michel Aglietta, who has studied it specifically [8], affirms that there is really an over accumulation, that there was an accelerated process of creation of productive capacities in China, a process which will pose problems of the realization of all this production when the external market contracts, which it is starting to do today. China plays a really decisive part, because even small variations in its economy determine the economic situation of many other countries of the world. It is enough if Chinese demand for investment goods falls a little for Germany to lose exports and enter recession. These "small oscillations" in China have very strong repercussions elsewhere, as should be obvious in the case of Argentina.

### **Continuing to reflect and discuss**

I return to what I said at the beginning. Even if they are comparable, the phases of this crisis are distinct from that of 1929, because the crisis of overproduction of the United States occurred then from the first moments. Afterwards, it deepened, but it was clear from the beginning that it amounted to a crisis of overproduction. Today, on the contrary, the policies implemented by the big central capitalist countries are delaying this moment, but they cannot do much more than that.

Simultaneously, and as happened also in the case of the crisis of 1929 and the 1930s, even if under different

conditions and forms, the crisis combines with capitalism's necessity for a total reorganisation of its economic relations of force at the world level, marking the moment where the US will see that its military supremacy is only an element, and a subordinate element, in renegotiating their relations with China and the other parts of the world. Unless of course they embark on a military adventure with unforeseeable consequences. For the moment the internal political conditions do not allow it in any way, but it cannot be excluded if the recession leads to a long depression and revolutionary movements.

For all these reasons, I conclude that we are dealing with much more than one financial crisis, even if we are for the moment at this stage. Even if I have had to concentrate this evening on the attempt to unpick the threads of fictitious capital and to help to understand why it is so difficult to dismantle this capital, we are facing an infinitely broader crisis.

By taking account of the questions and various observations which were made to me since I arrived in Buenos Aires and here even this evening, I have the impression that many think that I am drawing a catastrophist picture of the current moment of capitalism. I indeed think that we are facing a risk of catastrophe, not a catastrophe of capitalism, not a "final crisis", but a catastrophe of humanity. If we take the climatic crisis seriously, probably there is already something of that. I share the views of Mészáros, for example [9], but there are not many of us who attach the same importance to it, that from this point of view we are facing an imminent danger. What is tragic is that for the moment this directly affects only peoples whose existence is not taken into account: what can happen in Haiti seems not to have any historical importance, what happens in Bangladesh has no weight outside of the affected area, nor what occurred in Burma, because the control of the military junta prevents this being known. It is the same thing in China: we discuss the indices of the growth but not other ecological catastrophes, because the repressive apparatus controls information on that subject.

And the worst thing is that this view that "the ecological crisis is not as serious as is claimed", which is constantly projected by the media, is very deeply internalized, including by a number of left intellectuals. I had started to work and write on this subject, but with the beginning of the financial crisis I was to some extent forced to return to concerning myself with finances, although that does not satisfy me so much, because the essential seems to me to be located at another level.

In conclusion: the fact that all this happens after such a long phase, without parallel in the history of capitalism, of fifty years of uninterrupted accumulation (except for a small break in 1974-1975) and also that the capitalist leadership circles, and in particular the central banks, have learned from the crisis of 1929, all meant that the development of the crisis was slow. Since September 2007, the discourse of the leadership circles repeats unceasingly that "the worst is behind us", whereas what is certain is that "the worst" is in front of us.

This is why I insist on the risk there is of minimizing the gravity of the situation. And I suggest that, in our analysis and our manner of approaching these things, we must integrate the possibility, at least the possibility, that inadvertently we could have internalized the discourse that at the end of the day "nothing is happening".

*We reproduce here a presentation given to a meeting of the Argentinian review "Herramienta", on September 18, 2008 in Buenos Aires, published in "Herramienta" number 39 of October 2008.*

✦ *François Chesnais is a member of the Scientific Council of ATTAC-France and the author of several books and numerous articles on economics.*

## NOTES

[1] 1. Karl Marx, "Capital": <http://www.marxists.org/archive/marx/works/1894-c3/ch15.htm>

[2] 2. Franck Poupeau, "Carnets boliviens 1999-2007, Un goût de poussière", Éditions Aux lieux d'être, Paris 2008

[3] 3. Karl Marx, "Capital", op. cit.

[4] 4. István Mészáros, "Socialism or Barbarism : From the "American Century" to the Crossroads", Monthly Review Press, 2001

[5] 5. "El fin de un ciclo. Alcance y rumbo de la crisis financier", "Herramienta" number 37, March 2008. This article first appeared in French, see François Chesnais, "Fin d'un cycle, sur la portée et le cheminement de la crise financière", Carré rouge-La brèche number 1, December 2007-January 2008

[6] 6. Ibid

[7] 7. Ibid.

[8] 8. See Michel Aglietta and Yves Landry, "La Chine vers la superpuissance", Économica, Paris 2007

[9] 9. István Mészáros, "The sole viable economy", Monthly Review Press, 2007

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## Economic crisis

# Toxic capitalism

Michel Husson

**The crisis that we are witnessing today is shaking the very foundations of neo-liberal capitalism. It is unfolding at an accelerating speed, and nobody is capable of saying where it will lead.**

**This article does not try to follow its unfolding step by step, because it would be likely to be outdated by the time it was published. It seeks rather to suggest some keys to interpret this crisis and to demonstrate what is at stake on the social level.**

### The mechanics of the financial crisis

The complexity of the financial crisis makes us a bit dizzy, but it is nevertheless possible to identify its principal mechanisms [1] [2]. The starting point is the existence of a considerable mass of "free" capital in search of maximum profitability. Periodically, this capital discovers a new seam and unleashes a dynamic which feeds on "self-fulfilling prophecies": by rushing to cash in on what seems most profitable, the capitalists in fact raise the cost and thus confirm the optimism that started the rush. The warnings of those who explain why the Stock Exchange or the mortgage market cannot go sky-high are made to seem ridiculous, since the system works.

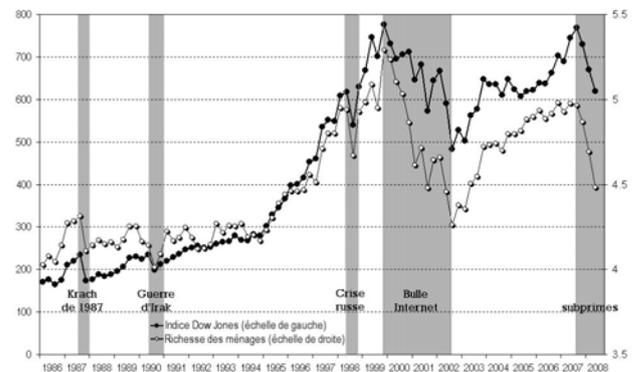
Graph 1 points out these principal episodes: the Stock Exchange crash of 1987, followed by another in 1990 preceding the First Gulf War. From the middle of the year 1995 there began the period known as the "new economy" which was accompanied by a delirious rise of the Stock Exchange. The crises in Southeast Asia and Russia - and the bankruptcy of Long Term credit Management (LTCM) in the United States - only temporarily deflated the bubble in 1998, and it was at the start of the year 2000 that it burst violently.

The headlong forward flight started again two years later and finally led to the subprime crisis in July 2007.

For the bubble to be able to take off, it is not enough to have available capital; it is also necessary for the system of regulation not to put up any obstacles. And regulations were circumvented by decisions of a political nature and by the implementation of sophisticated financial innovations and increasingly opaque practices. We can take the example of the leverage effect, which makes it possible to multiply enormously the sum of which a financial institution initially disposes. Derivative products make possible complicated operations of purchase and forward sale. The banks can get rid of their doubtful debts by placing them with others in a kind of lucky bag which can then be sold in the form of a security (whence comes the term of securitization). The risk attached to the various debts starts to circulate and no longer forms part of the institution's

balance sheet, thus escaping the prudent rules which require debts to be limited to a certain proportion of the institution's own equity.

The subprime crisis erupted in a relatively narrow economic sector, the one dealing with loans granted to poor households and guaranteed by the house that they were buying. These contracts were real swindles, since the banks knew very well that they would not be repaid. But securitization made it possible to get rid of them. The fall in the real estate market coincided with the first bankruptcies of households: the sale of the houses with which these rotten loans were guaranteed was no longer possible, or was possible at a price which no longer covered the initial loan. The housing crisis started a chain reaction: one after the other the banks discovered their losses and were gradually unable to obtain new funding sources to cover these losses. In order to prevent a series of bankruptcies, central banks and governments injected money or "nationalized" part of the banks.



1: The Stock Exchange and household wealth in the United States

▀ The Dow Jones index at current prices (base: 100 in 1960)  
 ▀ Net wealth of households as a multiple of their current income Sources and data for the graphs: <http://hussonet.free.fr/toxicap.xls>

### From the virtual to the real

This briefly summarized scenario raises several questions. The most fundamental one is that of the passage from the virtual economy to the real economy. Every financial crisis, such as the one that is currently unfolding, must in fact be interpreted as a call to order by the law of value.

Financial assets have a "value". If I have a million shares whose price is 100 euros, my wealth is 100 million euros. If the price of my shares doubles, my wealth doubles, and if it falls by half, I lose 50 million euros. But these figures only measure the virtual value of my financial fortune. Profits (or losses) become real only at the point where I seek to get rid of my shares in order to obtain cash for the purpose of buying something real, for example a house. The stock exchange capitalisation, i.e. the total value of the shares, does not in itself mean anything. The financial markets are mainly secondary markets, where people sell, for example, shares in Vivendi in order to buy shares in France Telecom. According to supply and demand, the price of these shares can fluctuate, but these transactions are also virtual in the sense that the price at which these exchanges are carried out is relatively symbolic. These prices, of a particular kind, could be multiplied by a

thousand, as if they were expressed in a special currency, disconnected from real currencies. So we could imagine an economy where everyone would be a billionaire in shares, on condition of not seeking to sell them. To use expressions which are really quite eloquent, we would have a real economy progressing at a measured pace, and a financial sphere inflating at incredible speed.

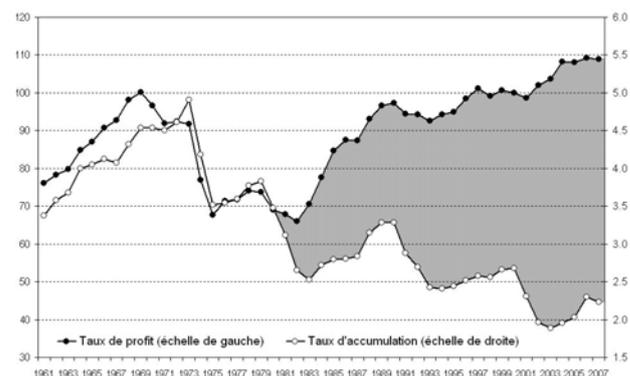
But a lasting divergence between the two is not possible, because there exist “nodes of conversion” between the financial sphere and the real sphere. An economy which grows at 2 or 3 per cent cannot provide a universal profit of 15 per cent, as the defenders of equities claim. As long as the incomes drawn from financial assets are re-invested, the fortunes increase independently of any material link with the real sphere and the variation can potentially become infinite. But if part of these drawing rights which are constituted by financial assets seek to be transferred to the real sphere, in other words to be exchanged against goods, this transfer must comply with the law of value, or more prosaically, with the law of supply and demand. Let us in fact imagine that this new purchasing power does not find a counterpart on the production side, nor does it succeed in becoming a substitute for demand emanating from wages: the adjustment then takes place through rising prices, which amounts to devaluing incomes, including financial revenues. This is what in fact explains the great sensitivity of shareholders to inflation, since the real income derived from their fortunes depends on it. But if such a devalorization occurs, it has repercussions on the evaluation of fortunes and the price of shares must then fall, in order to correspond to the real income which they provide.

Financial assets represent the right to a share of the surplus value that is produced. As long as this right is not exercised, it remains virtual. But as soon as anyone exercises it, they discover that it is subject to the law of value, which means, quiet simply, that you cannot distribute more real wealth than is produced. From an objective point of view, prices on the Stock Exchange should thus represent the anticipated profits of companies, from which financial revenues can be paid. But they have completely taken off and now maintain nothing more than a distant relationship with the profitability of capital based on the exploitation of human labour. Never, in the entire history of capitalism, has this phenomenon attained such scope, and it was not possible for it to last forever.

**The economic basis of financialisation**

Financial bubbles are not based solely on the covetous illusions of speculators. They are nourished by the permanent creation of free capital. The first source is the tendential growth of non-accumulated profit, which results itself from a double movement: on the one hand, a generalized decline in wages [3] and on the other hand the stagnation, even a decline, in the rate of accumulation, in spite of the re-establishment of the rate of profit. Graph 2 shows that the rate of profit and the rate of accumulation evolved in parallel until the beginning of the 1980s, then started to diverge considerably. The gray zone makes it

possible to measure the increase in the non-accumulated fraction of surplus value.

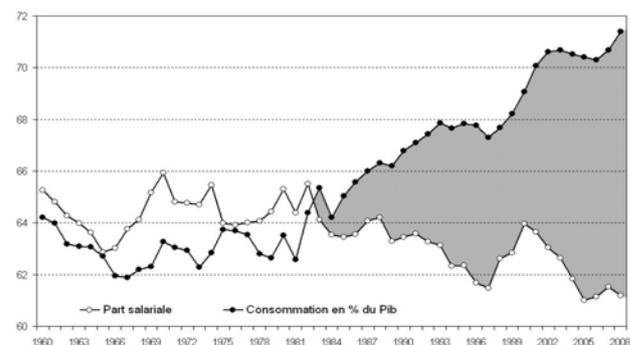


**2: Rate of profit and rate of accumulation: The United States + European Union + Japan**

\* Rate of accumulation = rate of growth rate of the net volume of capital \* Rate of profit = profit/capital (base: 100 in 2000)

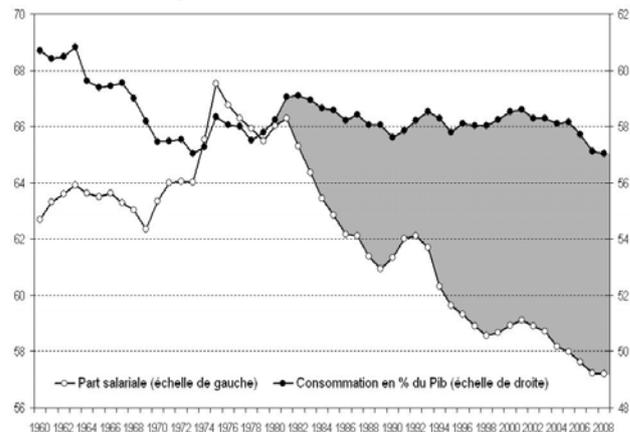
Sources and data of the graphs: <http://hussonet.free.fr/toxicap.xls>

This new and unprecedented configuration poses a priori a problem of realization: if the share of wages drops and if investment stagnates, who will buy what is produced? In other words, what are the reproduction schemas that are compatible with this new model? There is only one possible answer: consumption resulting from non-wage incomes must compensate for the stagnation of wage consumption. And this indeed what is happening, as graph 3 shows.



**3: United States Share of wages and of private consumption in Gross Domestic Product (GDP)**

Source of data and graphics: <http://hussonet.free.fr/toxicap.xls>



**Figure 4. European Union Share of wages and of private consumption in Gross Domestic Product (GDP)**

Source of data and graphics: <http://hussonet.free.fr/toxicap.xls>

In a stylized way, we can summarize as follows how things have evolved: in the United States, the share of wages remains relatively constant but household consumption increases much more quickly than GDP. In Europe, it is the share of consumption in the GDP which remains fairly constant, in spite of the marked decrease in the share of wages. In both cases, the gap widens between the share of wages and the share of consumption (gray zones), so as to compensate for the difference between profit and accumulation. Finance is what is used to effect this compensation, and to do so it follows it three main routes. The first is the consumption of shareholders: part of the non-accumulated surplus value is distributed to the holders of financial revenues, who consume it. This is an important point: reproduction is possible only if the consumption of shareholders comes to support the consumption of wage-earners, in order to provide sufficient outlets, and the increase in inequalities is thus consubstantial with this model.

The second intervention of finance consists in introducing a certain confusion between wages and unearned income: an increasing part of the income of wage-earners takes the form of financial remunerations which can be analyzed as a distribution of surplus value rather than as real wages. Lastly, and this is especially true of the United States, finance makes possible an enormous increase in the debt of households, whose consumption increases, not because of rising wages, but by a decrease in the rate of saving [4].

Finance is thus not a parasite on a healthy body. It feeds off uninvested profit but, in time, it acquires a degree of autonomy which reinforces this mechanism. Free capital circulates in search of maximum profitability (the famous 15 per cent norm) and it succeeds, at least temporarily, in obtaining it in certain sectors. The banks themselves collect an increasing share of profits. This competition for maximum profitability raises the norm of profitability and rarefies a little more the places for investment that are considered to be profitable, thus releasing new free capital which will in its turn go in search of financial hyper-profitability. This vicious circle is based once again on a distribution of income that is unfavourable to workers and to the recognition of their social needs.

### **Transmission to the real economy**

In 1987, the stock exchange crash led the majority of economists to envisage a brutal deceleration of the world economy. It was the opposite that happened: as from 1988, the developed countries experienced a very dynamic cycle of growth. The stock exchange crisis had thus not been transmitted to the real economy and, on the contrary, it had served to purge it and make it possible to start afresh. It is after all a traditional function of crises to clean up the accounts and eliminate lame ducks. A few years later, a large-scale estate and mortgage crisis struck Japan, which was at that time being presented as the rising power out to conquer world markets. There then began a decade of almost zero growth, from which the Japanese economy had great difficulty in escaping.

Finance is thus more or less autonomous according to the place and the time and today we have to address the question of whether the financial crisis will be communicated to the real economy. A first thesis consists of saying that the current deceleration is not explained mainly by the financial crisis, but by other factors: the rise in the prices of oil and raw materials, inadequate monetary and budgetary policies in Europe, competition from the emergent countries, etc. According to this thesis, the financial crisis concerns above all the United States and will have relatively little effect on the world economic situation. The demand of the emergent countries will be there to take over from the United States, according to the so-called decoupling thesis. The intervention of the central banks and governments will make it possible to avoid a sequence similar to that of the great crisis of 1929 and to spread out over time the losses of the banks. In short, the financial sphere and the economic sphere will be relatively compartmentalized.

This analysis is based on undeniable realities but does not draw from them the conclusions which go against its relative optimism. It is true that the crisis combines several dimensions, and in particular the rise in the prices of oil and raw materials. But these various aspects are part of the same system and bring us back, fundamentally, to a common origin, which is the current organization of the world economy. You do not understand anything about the present crisis if you think that it can be divided into watertight compartments. This simultaneity of several dimensions will on the contrary reinforce the transmission of the financial crisis to the real economy. It will follow six principal channels, whose relative importance can vary from one country to another:

1. The contraction of credit (credit crunch) plays a big role in the diffusion of the financial crisis, since the banks which are put in difficulty by their losses are not succeeding in being refinanced. But these restrictions also concern household consumption and investment by companies. This effect will be particularly marked in countries like the United States or the United Kingdom where household consumption is fuelled by debt.
2. The fall in prices on the Stock Exchange devalues the financial and real estate holdings of households (see graph 1) and pushes them to consume less. This is the "wealth effect".
3. Generalized uncertainty - the "loss of confidence" - influences how people behave in regard to consumption and investment.
4. The housing crisis as such contributes to the general economic deceleration.
5. The considerable sums assigned to the various rescue plans will necessitate a reduction in public spending or an increase in taxes.
6. Lastly, the deceleration is transmitted to the whole of the world economy through trade and investment.

All these mechanisms are currently at work and they combine with other dimensions of the crisis (oil, etc.) to

extend its effects well beyond the financial sphere. There is thus no watertight bulkhead between finance and the real economy, because finance is a key component of neo-liberal capitalism.

### Where is the crisis going?

It would be premature (and presumptuous) today to try and predict where this crisis is taking us, but its scale makes going back to normal improbable. One thing is sure, in any case: the very foundations of the United States model will be called into question by the financial crisis. This model rests on a double deficit, an external trade deficit and a deficit of domestic saving. In both cases, finance plays a crucial role in the management of these imbalances: on the domestic level, it is finance which made possible the growth of debt, in particular on the mortgage market; externally, its function is to ensure the equilibrium of the balance of payments. But if finance deflates, the foundations of this model of growth disappear: household debt is henceforth blocked, and the entries of foreign capital are no longer guaranteed. Consequently, the financial crisis will result in a durable deceleration of growth in the United States, which will be transmitted to the rest of the world.

But at the same time, it is not easy to see what it could be replaced by. The real alternative would be to go back to a form of "Fordism" based on rising wages parallel to rising productivity, a less uneven distribution of income and a rebalancing of foreign trade. Such a model is possible in the abstract but supposes a brutal inversion of social relations which is for the moment out of reach. If Obama is elected, as seems probable today, we cannot count on him to carry out a "Rooseveltian" programme: he lacks the political will, but also the means, since the rescue plan will durably weigh down the budget.

The concrete modalities of the way out of the American model will have repercussions on the rest of the world economy. The first unknown factor relates to the exchange value of the dollar, which should continue to fall, because it is a means for the United States of giving a shot in the arm to its exports and reducing its trade deficit, but also because of the loss of quality of the US national debt. But that amounts to exporting the recession towards Europe, which is globally sensitive to an overvalued exchange rate of the euro. This fall of the dollar, or even its maintenance at its present rate of exchange, raises another question: will capital continue to flow towards the United States? The emergent and oil-producing countries are likely at a certain point to be discouraged from exporting it because of insufficient profitability or increasing risks. From another angle, they have no interest in acting to weaken the dollar, since the value of their holdings already placed in dollars would also be devalued. Another factor must be also taken into account: if the economy of the United States slows down durably, an important outlet for the exports of the emergent countries will dry up and to push them to recentre their growth on the internal market. It is difficult to balance these different factors, which will not evolve at the same speed, but we can nevertheless make two prognostics:

1. The time necessary to get out the crisis is proportional to the enormity of the sums devoted to the rescue of the financial sector. The most probable trajectory is a Japanese-style scenario, where several years will be necessary to absorb the amounts of money that have been swallowed up, which are in another league from what we have seen during preceding financial failures. If no alternative measure is imposed, capitalism will find itself, at least in the developed countries, in a situation of slow growth and social regression. The real economic recession is already with us, and its objective determining factors, for example the crisis of the car industry, are taking over from the financial storm.

2. The way out of the crisis will be marked by an intense struggle of the major economic actors, each seeking to dump the consequences of the crisis on others. On the social terrain, that implies increased pressure of capital against wages and social spending. On the international level, the commercial and economic war between great powers will take place on a larger scale and will generate a tendency towards the fractioning of the world economy, all the more so in that, as the German Minister for Finance, Peter Steinbrück, said: "The United States will lose its status as the superpower of the world financial system".

### European dogmas put to the test

During the crisis, competition continues. The cacophony of declarations and government decisions partly reflects this dilemma: on the one hand, everyone has understood that the crisis calls for global solutions; but, at the same time, everyone seeks to draw advantage from the situation, or at least save the essential. This is obviously true for individual capitals and the discussion over the modalities of the Paulson plan also dealt with this question: is it necessary to save all the financial institutions or only the "lame ducks"? But it is especially true on the level of the famous world government, and everyone has been able to observe the return in force of national interests.

The capitals deployed on the world market may find it very beneficial to return to port and shelter under the umbrella of their national state. But we cannot speak about "the return of the state" because the state always, in the last resort, provides a guarantee for the interests of the bourgeoisie. Once again, the theses on the "Empire" demonstrate their limits: globalization did not remove competition between capitals and inter-capitalist rivalry, nor did it lead to the formation of a world capitalist government. In Europe, the difficulties of coordination are explained by the unequal degree of exposure to the effects of the crisis and express the inexistence of a true European capital. As long as it was a question of injecting liquidities, the European Central Bank could intervene, certainly in response to events. But as soon as it was a question of expenditure to be integrated into the budget, we saw that the European Union was "constitutionally" deprived of the means of facing such a crisis. The gap is widening between France, which would like there to be a rescue plan on a European scale, and Germany and

Ireland which prefer a policy of every country for itself. These divergences will no doubt be temporarily overcome if the crisis develops. It is nonetheless true that this crisis will durably call into question the very principles of European neo-liberal construction. Furthermore, it will underline the structural weaknesses of the European economy: "pessimism is necessary" even in the medium term. [5].

### Effects on the workers

Everything is happening today as if the crisis were a kind of natural cataclysm which struck everyone in the same way, and French Prime Minister Fillon did not fail to call for national unity. The climate of panic is instrumentalised so that every one of us is put in the skin of a speculator. Banking bankruptcies are presented as a threat which also menaces the most modest depositors. All this is obviously not some kind of plot, but it contributes to try and obscure what is at stake socially, which we can summarize by posing the real question: who will pay for the damage?

As far as the rich are concerned, it is the workers who must now be put in the front line, not so much as savers, but as workers or pensioners. The crisis has already ruined millions of households in the United States, but it carries very serious consequences, first of all for pensioners in countries where pension funds are the most developed, as in the United States and the United Kingdom. In these two countries, the system was already on the verge of bankruptcy and the real value of pensions will obviously slump with the fall in the Stock Exchange. This is a lesson to be learnt: it is definitely a very bad idea to gamble your pension on the Stock Exchange and any rescue protection plan should take into account this aspect of things, which is of course absent from the Paulson plan.

Workers are doubly in the firing line: directly, because companies will try to compensate for their financial losses by freezing wages even more strictly, using the argument of the risks of inflation and oil prices, and taking advantage of the general climate of uncertainty. They will also suffer the indirect effects of the financial crisis on the real economy, which will bring a string of bankruptcies and lay-offs. The destruction of jobs has already started in the United States and in France. They will be also the first victims of the cuts in welfare spending that are intended to compensate for the cost of the rescue plans.

### The eradication of finance and a social shield

The crisis is a glaring confirmation of the criticisms addressed to financialised capitalism from an anti-capitalist and/or global justice point of view. All the economists who praised the benefits of finance are today making big speeches about the need to regulate it. In France, Sarkozy cannot find words hard enough to denounce the excesses of capitalism, whereas he had put in his programme the development of mortgage lending. So the ideological landscape is changing extremely quickly and we have to take strength from the rout of the advocates of neo-liberalism.

But for all that, the crisis does not spontaneously create a climate that is favourable to alternatives. All the recycled

neo-liberals have turned the lukewarm water tap full on and they are multiplying their own ideological rescue plans based on transparency, prudential ratios, separation of investment and deposit banks, reintegration of securitization into the balance sheets, limitation on the remunerations of the top executives, a credit rating agency, reform of accounting norms, etc.

It is a question, as one of them has put it, "of saving capitalism from the capitalists". [6] These proposals destabilize the social-liberal left, because basically that is their own programme. But it is a thoroughly minimum program which is even likely to divert attention from the real issues. Some of the measures that are being proposed must be supported, such as the prohibition of tax havens, but it would be naive to have confidence in the financial authorities and governments to implement them. They have to be part of a wider project which aims at eradicating finance and which puts the social question in the foreground. Once again, the ultimate source of financialisation is the refusal to satisfy the social needs of the majority of the population. Consequently, you cannot burst the financial bubble once and for all without turning off the taps which supply it.

This orientation can be developed differently according to the countries. In Europe, it could combine two axes. The first is the nationalization of the banks. But that is exactly what they are doing, people will object. The argument can be turned around: that precisely proves that it is possible! And the nationalizations that we are seeing are only socializing the losses, and their function is to save privatized finance. Real nationalization must be carried out without any conditions and it must concern the whole of the system, because all the financiers are responsible for the crisis, whether or not they have lost money because of it. Otherwise, it is just providing state aid for the reorganization of the banking sector.

The second axis could be called a social shield, in reference to the tax shield which, in France, protects the rich from taxation. It really is a question of protecting workers from the repercussions of the crisis, because nobody can decently argue that they have any responsibility for it. At the same time, we have to think of measures which can provide the foundations for a different distribution of revenues and which is based on an elementary argument of social justice. It should be forbidden for companies to continue to pay their shareholders enormous masses of dividends, at the same time as they continue to lay off, further extend precarious work and freeze wages. In the case of France, the net dividends paid out by companies accounted for 12.4 per cent of the overall wage bill in 2007, as against 4.4 per cent 1982.

The crisis is thus the occasion to launch a counter-transfer of dividends towards wages. Rather than freezing wages, it is time to freeze dividends at their current level and transfer them to a mutual fund intended for other uses, under the control of the workers.

These sums could be used, in proportions to be discussed democratically, for the maintenance of the income of the unemployed (the prohibition on dividends would thus finance the banning of lay-offs) and for the financing of Social Security, social budgets and public services. Another measure would consist of imposing the maintenance of the purchasing power of workers by withdrawing, in corresponding proportions, government aid to companies which refuse to maintain it. Such measures are the only ones which can make pay those who are responsible for the crisis pay for it, and this would lay the foundations of a better sharing out of wealth. The sum potentially concerned is 90 billion euros: that is 5 per cent of France's Gross Domestic Product (GDP), in other words exactly the same proportion as the 700 billion dollars envisaged by the Paulson plan in the United States.

► *Michel Husson is an economist, in charge of employment at the Institut de recherches économiques et sociales (IRES) in Paris. He is member of the Fondation Copernic, a left-wing think tank, and of the Scientific Council of ATTAC. He has just published *Un pur capitalisme*, Lausanne 2008, Éditions Page Deux. You can consult his writings on <http://hussonet.free.fr>.*

## NOTES

[1] For a detailed account, see Les Echos, "La crise financière mondiale au jour le jour", <http://tinyurl.com/toxico2> or Jacques Sapir, "Sept jours qui ont ébranlé la finance", <http://tinyurl.com/toxico1>.

[2] For a synthetic presentation, see Michel Aglietta, "10 clés pour comprendre la crise", *Le Nouvel Observateur*, September 25, 2008, <http://tinyurl.com/toxico3>.

[3] See Michel Husson, "La hausse tendancielle du taux d'exploitation", *Inprecor* n°534-535, January-February 2008, <http://hussonet.free.fr/parvainp.pdf>.

[4] See Michel Husson, "Etats-Unis: la fin d'un modèle", *La Breche* n°3, 2008, <http://hussonet.free.fr/usbrech3.pdf>.

[5] Patrick Artus, "Peut-on être très pessimiste sur la situation économique, à moyen terme, de la zone euro?", <http://gesd.free.fr/flas8420.pdf>.

[6] Luigi Zingales, "Why Paulson is Wrong", September 2008, <http://gesd.free.fr/zingales.pdf>.

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## Economic crisis

# "The crisis is combining with the climate and food crises"

'Rouge' interview

*François Chesnais*

"The speed with which climate change is advancing and affecting the populations of the poorest and most vulnerable countries will subject them to the combined impact of the world recession, global warming and the effects of the agricultural policies imposed on so many countries."



Last week's issue of Rouge focussed on the bail-out of banks in France and elsewhere

Q. - In what way is the current crisis different from those which have preceded it over the last twenty or so years?

François Chesnais - The crisis is combining with very serious pre-existing dimensions of the planetary social crisis: the climate crisis and the food crisis in the South, caused by neo-liberal policies in the agricultural domain and the power of the automobile lobby, and worsened by speculation on the futures markets of basic commodities. Fusion between these dimensions of a crisis of civilization and the economic and financial crisis will give this crisis specific features. In addition, this is a world crisis, to a much greater degree than at any previous moment, even at the time of the Asian crisis.

Q. - What does this specifically world character of the crisis consist of?

F. C. - It has its epicentre in the United States and the United Kingdom, pivotal countries of financial globalization, whose specific movement of multiplication of fictitious capital has gangrened the system of credit. The mini-crashes and the extreme volatility of prices propagate the crisis by causing what we call "negative anticipations", for companies as well as for households. The other effect, very serious, is to severely compress pensions based on stock exchange equities. Because of the paralysis of credit, the crisis spreads to companies and to households, which are accustomed to resort to personal credit, or are forced to do so. These mechanisms are more advanced in the countries where real estate and mortgage credit were the engines of the artificial growth of 2002-2007, and where pensions linked to the financial markets are the most widely developed. But none of the old industrialized countries escapes. The close interconnection between exchange and direct investment, which results from liberalization, means that the recession is subsequently propagated between economies.

Q. - What role will the so-called "emerging" countries play in the development of the crisis?

F. C. - The integration of China into the World Trade Organization has already helped to prepare it. The qualitative enlargement of the world industrial reserve army was one of the pillars of the change in the relationship of forces between capital and labour and the "tendential rise in exploitation" (see Michel Husson), which is a world process. We often hear about the decoupling of the emerging countries and the idea that they are fairly immunized against the crisis. This is false. The beginning of the recession in the United States and now in Europe has led to a slowing down of exports and growth in Japan and China. We have already seen the repercussions of this, on German exports of machines and on the agrobusiness exports of countries like Argentina. Chinese "untamed capitalism" involves a race for investments in factories, infrastructures, offices and housing, marked by the anarchy of competition about which Marx spoke so much. Isaac Johsua recalls that the crisis of 1929-1933 had two poles, the United States and Germany. It is potentially the same for this one, Asia and China becoming the epicentre of a future crisis of overproduction. Two "New Deals", one in the United States, the other in China, could no doubt stop it. That would suppose the formation, in each country, of social blocs aiming at a major redistribution of wealth. The political conditions for that are far from existing. What predominates, in the ruling classes, is the idea that it is still possible to preserve, at the cost of a few minor improvements, the system such as it is.

Q. - You spoke about the relationship with the ecological crisis. Can you say some more about that?

F. C. - The speed with which climate change is advancing and affecting the populations of the poorest and most vulnerable countries will subject them to the combined impact of the world recession, global warming and the

effects of the agricultural policies imposed on so many countries. For the moment, a question which is a challenge for civilization as such is being treated as if it was a question of maintaining order. But, in certain countries, the combined impact will undoubtedly be so great that it will rebound on the economy, worsen the recession and give rise to a massive reaction by the exploited.

*This interview was published in Rouge ( no. 2271, October 23, 2008), weekly paper of the LCR, French section of the Fourth International.*

▀ *François Chesnais is a member of the Scientific Council of ATTAC-France and the author of several books and numerous articles on economics.*

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## France

# The New Anti-capitalist Party shakes up the left

## A viewpoint from Catalonia

*Esther Vivas, Josep María Antentas*

**The political panorama of the French left has been shaken in recent months by the announcement of the creation of a New Anti-capitalist Party (NPA) at the initiative of the Ligue Communiste Révolutionnaire (LCR) of Olivier Besancenot.**



The second meeting of the NPA's national co-ordination met on 8 and 9 November

Image: Photothèque Rouge/Charlie

The NPA was launched just after the presidential elections of April 2007, which confirmed Besancenot as the most solid option to the left of the Socialist Party (PS), with 4.1% of votes, far ahead of the 1.9% of the Communist Party (PCF), 1.5% of the Greens, 1.3% of the Trotskyist Lutte Ouvrière and 1.3% of the global justice campaigner, Jose Bové.

The launch of the NPA tries to translate the social and electoral support of Besancenot into an organized activist force. The new party, whose name is still provisional, is defined as anti-capitalist, internationalist, ecological and feminist. It locates the struggle against neoliberalism in a perspective of a break with Capitalism and sees itself as an activist organization and not an electoral-professional party.

Independence and not collaboration with social-liberal governments and the PS will be one of the distinctive strategic orientations of the new formation. In fact, this was the main element of divide for the candidacy of Besancenot in the last presidential elections with respect to other formations of the left like the PCF, Greens or Jose Bové, which did not exclude collaboration, in variable degrees according to the case, with the Socialists.

The launch of the NPA, which will be formally set up at the end of January 2009, has raised a broad sense of expectancy, with the new formation attracting to its ranks combative trades unionists, students, young people from the popular neighbourhoods, disappointed former militants of other left formations, intellectuals and so on. Up until now, 300 local or sectoral committees have been set up involving about 9,000 people (the LCR has at present about 3,000 members).

Besancenot has become one of the most popular figures on the French left and the main visible face of the opposition to Sarkozy, in a context where the PS does not represent a real alternative policy to that of the government. A poll by CSA in the past month indicated that 49% of those polled considered Besancenot as the main rival of Sarkozy. The popularity of Besancenot has, according to a study by the Fondation Jean-Jaurès, been consolidated in three processes: the "No" campaign in the European Constitution in 2005, the mobilization against the First Employment Contract (CPE) in 2006 and the presidential elections of 2007.

Faced with the emergence the NPA, the French left has been shaken up. The Socialists, who are in the midst of a struggle for the leadership of the party, recently started a working group to study the consequences of the emergency "of a pole of radicalism". The Communist Party, sunk in a broad historic crisis, has decided to bet anew on a line of collaboration with the Socialists in name of unity against the right, excluding agreements with the NPA. The Greens, also in crisis, are trying to recompose a new ecological bloc, framed in a strategic perspective of collaboration with the PS, through the alliance between Daniel Cohn-Bendit, representative of their more rightist wing and former partisan of the European Constitution, the popular journalist Nicholas Hulot and Jose Bové. For the moment, nevertheless, it is the emergence of the NPA which is setting the pace in the ranks of the French left.

*(Article published in the Catalan weekly magazine, La Directa, number 111.)*

► *Esther Vivas is a member of the Centre for Studies on Social Movements (CEMS) at Universitat Pompeu Fabra. She is author of the book in Spanish "Stand Up against external debt" and co-coordinator of the books also in Spanish "Supermarkets, No Thanks" and "Where is Fair Trade headed?". She is also a member of the editorial board of Viento Sur ([www.vientosur.info](http://www.vientosur.info)).*

► *Josep María Antentas is a member of the editorial board of the magazine Viento Sur, and a professor of sociology at the Autonomous University of Barcelona.*

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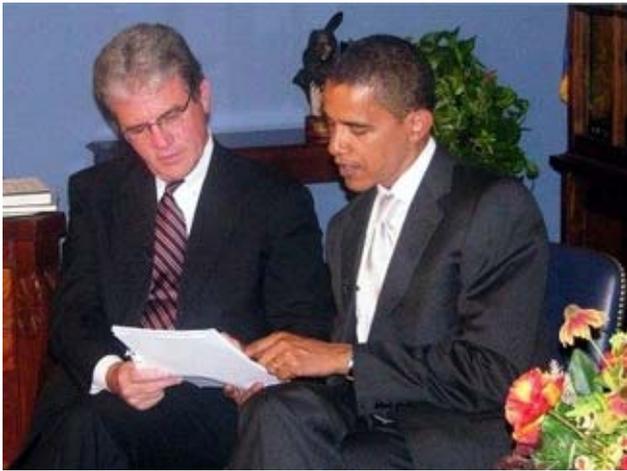
## United States

### Barack Obama's Dual Mandate

**Elected by workers, yet corporations determine policy**

*Solidarity*

**MILLIONS OF AMERICANS see the election of Barack Obama as a referendum on white supremacy and today we join in their celebration. The racist campaigns launched against Obama, conducted sometimes in coded language and other times in inflammatory accusations, turned out to be amazingly unsuccessful.**



Barack Obama with Republican senator Tom Coburn

Image: Wikimedia

Yet the 2008 election also represents a dual reality that is important for socialists and activists for peace and social justice to grasp.

For tens of millions of Black Americans, seeing a United States president-elect who's Black – and even more important, for their children to see a Black president – is a huge symbolic stride towards full citizenship and liberation. Perhaps no event since that legendary night in 1938, when Joe Louis knocked out Max Schmeling, has there been such a magic moment of celebration for the Black community; only in this case they weren't simply spectators but participants in the victory.

It's not only Black Americans who feel like "our long national nightmare is over." Young people and working-class Americans, including tens of millions of white people, Latinos, Asian Americans, American Indians, and people of Middle Eastern origin feel the same way. You need only know that Barack Obama carried suburban Macomb County, Michigan – the archetype homeland of "the Reagan Democrats" – to understand how much the political tide has turned. After the decade of Republican domination, a huge majority of Americans are disillusioned with the country's political direction and its visible economic decay.

George W. Bush goes down (in more ways than one) in history. He's the first president to serve two full terms without being legitimately elected even once. He's not the first president to launch a war on the basis of a lie, but he is the first one to cut taxes in wartime, pretending it didn't have to be paid for. His administration was an eight-year continuing criminal enterprise, breaking all of Richard Nixon's and Ronald Reagan's records for abuse of power. Ultimately, his economic policies broke the bank – literally – helping to drag down the U.S. and world economy, along with his own political party.

But all that is precisely why Barack Obama's election and mandate didn't come only "from below," from Black and Latino and working class and young Americans. It also came "from above," from the elites of corporate America. As much as they enjoy the benefits of two major capitalist parties scrambling for power while they carry on the business-as-usual of globalization, lean production and squeezing maximum profits from our labor, they know that

the Republican administration has become a disaster for their system and for U.S. imperial power.

Under Bush, U.S. prestige in the world has collapsed. Iraq has been a catastrophe. Afghanistan and Pakistan are becoming a debacle. Latin America is in revolt against neoliberalism and U.S. domination. Barack Obama's election is bringing enormous international enthusiasm and instant credibility, whereas the election of McCain and Palin would have been greeted with "they've got to be kidding." And a third consecutive election stolen by Republican vote-suppression tactics and electronic vote-switching fraud could have created a massive "legitimacy crisis."

Whose mandate will direct Obama's course? The wars in Iraq and Afghanistan continue; an Obama administration promises to expand the "War on Terror" in Afghanistan and Pakistan. While the mainstream media may celebrate "the end of racism," one million Black men remain locked in prison, wealth disparities grow, and the crisis of foreclosures and factory shutdowns hits communities of color the hardest. In a time of great crisis Obama's intention of "reaching across the aisle" suggests the most cosmetic of reforms.

Never has race and racism been as openly discussed in mainstream political conversations. Nonetheless Obama's Philadelphia speech about racism repeated the mandatory "common sense" distortion of the country's history: America is a land of opportunity, perhaps sometimes marred by a failure to live up to its great ideals. The history begins with the genocide of Native Peoples, the slavery of African Americans and the theft of land and attempted destruction of Mexican and Indian culture. The violent suppression of communities of color and imperial expansion reveal a nation in which institutional racism is deeply embedded. Jim Crow may be gone, but the forces that perpetuate discrimination exist in housing, education and jobs. The subprime crisis represents the greatest loss of wealth for people of color in modern U.S. history. A Black family in the White House, built by slaves, can impact the negative stereotypes deeply rooted in American culture – but ending discrimination requires far more.

The undemocratic two-party monopoly mainly allows voters an opportunity to "throw the bums out" – and throw them out they did. That's a long way, however, from forcing through a "rescue package" for people rather than Wall Street institutions – a ban on foreclosures, a rewriting of mortgages to reflect their real rather than fictitious value, instituting universal single-payer health insurance system we desperately need, a massive jobs program to build an environmentally sustainable economy, an end to the wars, occupations and secret torture prisons, and a drastic downsizing of the imperial military budget.

The Democratic Party, which will fully control Congress and the White House, has the power to set the legislative agenda. Those who expect this party to respond to the desire for change so vividly shown in the November 2008

election will soon begin to be disappointed – more and more so as the new administration shows its loyalty to corporate interests.

Highlighting the “reality gap” between the hopes for peace and justice and the reality of the Democratic Party agenda is an urgent, immediate task. Millions of people responded to calls for “change;” hundreds of thousands gained organizing skills in working for Obama. In the months and years ahead, the responsibility of the Left is working to re-ignite social movements independent of the Democratic Party’s dictates.

► *US socialist current*

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## Debate

# Revolution and the party in Gramsci’s thought

## A modern application

*Dan Jakopovich*

**The central thread of this work is an evaluation of Antonio Gramsci’s fundamental contributions to the theory of revolutionary social transformation, particularly incorporating the role of the revolutionary party as the central institution of revolutionary conflict: its position as the “Modern Prince” and the “Collective Intellectual”, its relation to different socio-political actors (its allies and opponents, different classes, the state and the civil society).**



Gramsci

Through this main thread, the prism of social conflict, the social movement and the revolutionary party, I will also evaluate Gramsci’s contribution to democratic theory and practice (dealing with the issues of grassroots participation and the concept of “general will”, the relation between the ideological “vanguard” and the masses, the tension between the concepts of “democratic centralism” and “direct democracy”, the dangers of substitutionism etc.).

Thirdly, I will also try to identify possible peace-building elements implicit in Gramsci’s thought, the dialectical relationship between the war of position and the war of movement, the ideological and material hegemony, particularly with regards to the problems of consent and coercion, to material power and force in social change as an element possibly contradictory to a strategy of consciousness transformation and revolutionary nonviolence aimed at establishing a consensual, truly democratic and civilised social order.

### PHILOSOPHY OF PRACTIS

Gramsci’s work is an unusually anticipatory attempt at developing a politically-strategic Marxism, one devoid of fatalistic reliance on “immutable” historical laws independent of human initiative. Gramsci placed human activity at the centre of the revolutionary process, determined to restore and reintegrate the long neglected elements of totality and the creative subjective dimension of socialist politics, particularly degraded during the official, dogmatic Marxism of the Second International. In his view, political quietism, depoliticisation and passivity of the Second International were also partly a

consequence of its positivistic, "objectivist", vulgar materialist understanding of systemic social change. For him, their simplistic materialist epistemology was a form of idealism in reverse. Both are characterised by the same empty, shallow metaphysics - reductionist polarities of subject vs. object, idealism vs. materialism, voluntarism vs. determinism, structure vs. consciousness etc. Both vulgar mechanistic materialism and idealism are hopelessly undialectical in their unsophisticated determinism, enemies to the construction of a viable revolutionary strategy since life manifests a "complex interplay of subjective and objective forces." (1)

As one of the founders of the "modern" Marxist philosophy of praxis, one of the first to grapple with the dynamics between "base" and "superstructure" (without denying the ultimate determination of the economy, which is not always necessarily dominant however), following in the footsteps of such intellectual giants as Benedetto Croce and (probably even more so) Antonio Labriola, Gramsci sought to reach a dialectical, reciprocal unity of theory and practice, thought and action, subject and object. He aspired to build an "open", non-orthodox theory relevant to the masses, able to stimulate and awake its creative potentials. Unthinking, fixed formulas are useless. Capitalist contradictions do not simply "explode" but have to be seized upon through conscious effort.

### **WORKERS' DIRECT DEMOCRACY**

Gramsci's major new philosophy of praxis began to rapidly develop during the Italian mass strikes and factory occupations of the "Biennio Rosso" (or "two red years" of 1919-20), particularly on the pages of the legendary journal *L'Ordine Nuovo* (which he co-founded in May 1919), when he began to articulate the theme of factory councils (consigli di fabbrica) and soviets as the central organisational formations of socialist grassroots democracy. The journal was to serve as "the paper of the factory councils", a catalyst for these developments articulating the nascent democratic impulses, contributing to the transformation of mass consciousness and the possible formation of a direct-democratic "Council Republic".

"The existence of the councils gives the workers direct responsibility for production, leads them to improve their work, institutes a conscious and voluntary discipline, and creates the psychology of the producer, the creator of history. (2) (...) the whole mass participates in the life of the council and feels itself to be something through this activity." (3)

Contrary to the empowering, dignifying, rejuvenating character of the councils as historical organs of working-class self-liberation, the often sectional, narrow, reformist trade union consciousness and bureaucratic structure serve as a depoliticising factor. The corporatist attitude based on (short-term) self-interest is antagonistic to the development of working-class unity and solidarity, let alone the construction of multi-class alliances or united fronts.

In themselves, trade unions are grossly inadequate for the task of radical social transformation. Gramsci, however, did not argue for a withdrawal from the labour movement or the

trade unions (which could still perform certain unifying and defensive functions), since the possibility for a socialist offensive beyond trade unionism is conjunctural, dependent on a variety of factors not all determined by subjective will. The longer-term perspective, however, was based on the development of working-class self-management, the clear goal being "to create a genuine workers' democracy here and now - a workers' democracy in effective and active opposition to the bourgeois state". (4)

Ordine Nuovo and Gramsci's writings served as the most important theoretical elaborations of Italian council communism.

### **THE REVOLUTIONARY PARTY AS THE "MODERN PRINCE"**

Particularly since the defeat of the workers' councils (which failed to fully break outside the corporate-economic sphere, leaving the political and military authority of the bourgeoisie intact) and the betrayal of the partly ossified, opportunistic Italian Socialist Party (PSI), when most of the Ordine Nuovo group entered the newly formed Italian Communist Party (PCI - founded at the Livorno Congress in 1921), one of the crucial revolutionary tasks for Gramsci was the development of a coherent subjective element able to diffuse an alternative socialist perspective, intervene in the broad social movements (the "civil society") with the goal of generalising struggles and aiding the foundation of a new administration (new "political society") and a new social system. The task was the construction of PCI as a tightly-organised, highly-flexible but mass combat organisation, a compact "vanguard party embedded in the masses" (5), the galvaniser of struggles and a central bearer of critical and active consciousness that is to enflame the masses. Its role is instructive and coordinating, a pedagogy of praxis. PCI was to become such an agent of organised change.

It would be very wrong to equate Gramsci's democratic councilism (primarily of the "biennio rosso" period) with a celebration of anti-organisational spontaneism typical of those who oppose involvement of the political socialist organisations in the revolutionary process. A conception of Gramscian strategy as a crude form of substitutionism (or minoritarian despotism) would be equally so misguided. It was ultimately to be "a party of the masses who, through their own efforts, are striving to liberate themselves autonomously from political and industrial servitude through the organization of political economy, and not a party which makes use of the masses for its own heroic attempts to imitate the French Jacobins." (6)

The "vanguard" role of the party has to do with its ideological and organisational leadership rather than connoting an "inorganic", parasitical formation imposed on the movement. Gramsci problematised and confronted the notion of "common sense" as a contradictory, ambiguous and primitive form of mainstream consciousness which is easy to manipulate according to the interests of elites. His position, particularly in his

earlier, pre-Comintern writings, was somewhere in between naive spontaneism which eschews the role of the organised political entities and Jacobin centralism which reduces the entire problem to the insertion of an "external element".

"This element of 'spontaneity' was not neglected and even less despised. It was educated,

directed, purged of extraneous contaminations; the aim was to bring it into line with modern theory (i.e. Marxism) – but in a living and historically effective manner. (...) This unity between 'spontaneity' and 'conscious leadership' or 'discipline' is precisely the real political action of subaltern classes, insofar as this is mass politics and not merely an adventure by groups claiming to represent the masses." (7)

Following his writings, it would seem entirely plausible to claim that Gramsci's vision was not one of an ultra-centralised oligarchic vanguardist party (although he certainly advocated a high degree of "democratic centralism") but a broad-based mass socialist party consolidating the most combative and critical elements in society (particularly from the working class), "rooted in everyday social reality and linked to a broad network of popular structures (eg. the factory councils and soviets)". (8) This is a conception of a dialectical unity of politics and economics, a working thesis compatible with a democratic political strategy, although Gramsci was insufficiently consistent and clear on the question of the relation between the macro-structural prefigurative struggle and micro-level transformation of human relations – destruction of undemocratic authority structures, hierarchy and rigid division of labour, both inside the revolutionary party and the social and work processes. The entire dominant bureaucratic and technocratic rationality which reduces human beings to obedient automatons has to be actively opposed rather than silently internalised. Rosa Luxemburg's much more unambiguous call for the broadest democratic rights is particularly notable here. Nonetheless, Gramsci was certainly also correct in claiming that measures should be devised to diminish the possibility of inner-part obstruction – freedom of debate should not be misconstrued as a justification for politically paralysing the organisation – a very high level of continuity, of disciplined unity in action, of readiness and combative effectiveness should be maintained at all times.

Gramsci's form of "Leninism" (particularly its early phase around the "biennio rosso" period, when Lenin's April Theses and State and Revolution, as well as the slogan "all power to the Soviets", still loomed large) seems to have been largely determined by his limited knowledge of Soviet reality, which he mostly identified with workers' and citizens' self-government (see for instance his article Workers' Democracy). Gramsci initially saw Leninism almost exclusively as a new ideology of workers' power which went beyond narrow reformism or economism in its dialectical appraisal of the interaction between economics and politics - capable of aiding the construction of the working class as a class for itself, capable of helping the working class to acquire the consciousness of a leading class in society ("the elemental class"), a self-governing, self-actualising historical subject. In this context, his usage of the term

"dictatorship of the proletariat" corresponds to the concept of the rule of the producers or workers' democracy, as evident in several of his writings. (9) Obviously, Gramsci's conception of the socialist "state" radically differs from the capitalist or "bureaucratic-collectivist" exploitative state machinery, which Gramsci deemed useless for the new socialist order. Nonetheless, it is quite easy to criticise Gramsci for his semi-emulation of the early Soviet state and the Bolshevik party, and especially his partial lack of critical positioning towards Comintern's theory and practice.

Importantly, for Gramsci, the revolutionary party, as the organisation of the most advanced, most conscious and coherent elements, of trained and prepared members-organisers, should not be confused with the broad movement in which it must intervene. This does not preclude it from becoming a mass organisation in itself.

From the organisational point of view, to summarise once again, the party should, according to Gramsci, function "organically" (resembling a biological organism), not bureaucratically, on the basis of democratic centralism and mutual interaction of different decision-making levels, through "a continual insertion of elements thrown up from the rank and file into the solid framework of the leadership apparatus which ensures continuity and the regular accumulation of experience." (10). Organicity was seen as a defensive mechanism for the preservation of internal party democracy and democratic public practice. "...the central and local organs must always consider their power not as being super-imposed, but as springing from the party's will(...)." (11)

Furthermore, organs of direct popular power such as strike committees/committees of the base (comitati di base), internal commissions, municipal direct-democratic assemblies, shop-stewards' networks etc. maintain a crucial role in the anti-capitalist movement as the practical formulations of self-organising potentials and as additional correctives and guardians against a possible hierarchical imposition of the political organisations (including possibly well-meaning revolutionaries) above the working masses. In themselves, however, these organisations won't be enough. (12)

Gramsci clearly raised the question of direct-democratic prefiguration, but he nonetheless seemed somewhat less prepared than Rosa Luxemburg for instance to produce a more definite programme dedicated to the revolutionary party's "self-abolition" as a decision-making body progressively substituted by an unhindered system of self-management.

Nonetheless, Gramsci certainly sought to dialectically bring together the organisational and the spontaneous (transcending both extremes), noting in his earlier days that "the revolutionary process can only be identified with a spontaneous movement of the working masses (...) the Socialist Party is indubitably the most important 'agent' in this process of destruction and rebuilding, but it is not and cannot be conceived as the form of this process, a form malleable and plastic to the leaders' will."(13)

Still, Gramsci was never capable of "resolving" the basic tension between the need to preserve party democracy and the necessity of constructing a cohesive, fighting organisation "pervasively implanted in every branch of the bourgeois State apparatus, and capable of wounding and inflicting grave blows on it at the decisive moment of struggle." (14)

### THE "COLLECTIVE INTELLECTUAL" AND ORGANICITY

Drawing on George Sorel's concept of the "myth" of the General Strike, Gramsci acknowledged the importance of shared norms, concepts and symbols that the party as the "collective intellectual" or "myth prince" sensitive to the task of creating emotional appeal, merging both the cognitive and the emotive, should be able to provide. The Party is to serve primarily as a herald of an open new ethical and philosophical world-view, not as a closed repository of fixed "scientific" dogmas.

In Gramsci's revolutionary theory the Party, as the most conscious organ of revolutionary praxis (of determined political, economic and cultural initiative), is also obligated to constitute its own critical "organic" intellectuals, combative democratic tribunes of the people engaged with the life of the masses and committed to the ideals of freedom, equality and human solidarity. These critical intellectuals, seeking to create an organic, egalitarian unity with the lower classes and all the oppressed, are to serve the revolutionary cause as the harbingers of hope and progress, demystifiers of the dominant ideology, organisers of counter-hegemony helping to empower the masses and lead them, as well as the entire human kind crippled by the capitalist order, "to a higher conception of life". (15)

Gramsci himself was a prototypical organic intellectual and a passionate advocate for the rights of the oppressed. Perhaps his hunchback condition, feeling of emotional pain and rejection, helped him develop a deep sympathy with the lowly, the outcast and oppressed, a sympathy which would earn him periods of terrible disappointment, as well as 11 years in a brutal fascist prison, leading to his untimely death.

A truly revolutionary party has to establish a real, organic connection with popular consciousness, placing itself at the head of the anti-capitalist movement without attempting to undemocratically dominate it. The reformism of the Second International wasn't just a symptom of "leadership betrayal" or a lack of sufficient economic crises; it was also the failure of non-directed, "spontaneous" class struggle – as well as sclerotic and lifeless party dogma - to affect a substantial change in the conditions of workers' everyday existence and to produce a truly internalised counter-hegemonic socialist consciousness.

The tragedy of the Left in the 20th century may have had a lot to do with its "failure to create a "mass psychology" that would permit it to "speak the language of the masses" with imagination and emotional appeal. Marxism tended to be too schematic and abstract (...)." (16) By ignoring most of human psychology and neglecting the strategic and ideological factors affecting change, many Marxists proved

time after time again how little connection to reality and popular consciousness they actually had. In a fashion resembling Gramsci's, Wilhelm Reich remarked brilliantly:

"While we presented the masses with superb historical analyses and economic treatises on the contradictions of imperialism, Hitler stirred the deepest roots of the emotional being. As Marx would have put it, we left the praxis of the subjective factor to the idealists; we acted like mechanistic economic materialists." (17) Marxists failed to respond to the preoccupations, needs, fears, and desires of the masses and therefore remained isolated. "A global economic and political policy, if it means to create and secure international socialism, must find a point of contact with trivial, banal, primitive, simple everyday life, with the desires of the broadest masses..." (18) Gramsci stands in that undervalued tradition of revolutionaries aiming to penetrate the core of popular consciousness, and the Italian socialist movement has often managed to gain from the theoretical and practical itinerary he has laid down. (19)

Gramsci's democratisation of the concept of the intellectual injects a particular vitality in Gramscian theory and practice, an integral vision beyond the confines of official classifications:

"Each man, finally, outside his professional activity, carries on some form of intellectual activity, that is, he is a 'philosopher', an artist, a man of taste, he participates in a particular conception of the world, has a conscious line of moral conduct, and therefore contributes to sustain a conception of the world or modify it, that is, to bring to being new modes of thought ." (20) The new intellectuals therefore aren't simply the carriers of an elite, highly specialised mental and social function – they are "an organic part of the community; they must articulate new values within the shared language and symbols of the larger culture." (21) Indeed:

"The mode of being of the new intellectuals can no longer consist in eloquence, which is an exterior and momentary mover of feeling and passions, but in active participation in practical life, as constructor, organizer, 'permanent persuader', and not just a simple orator." (22) As such, the new intellectuals, as an internalised rather than a superimposed force, have to engage the masses in their liberatory philosophy, avoiding an elitist, obscure and alienating mode of communication which breeds anti-intellectual passivity in the wider population. The new liberatory consciousness has to be organically connected, integrated within the very fabric of social and cultural life of the working class, expressed in the words that belong to the historical moment.

Although Gramsci understood the importance of "conquering"/assimilating traditional intellectuals (by pointing, among other things, to the possibility of greater professional autonomy, personal security and respect), a new strata of working-class intellectuals capable of elaborating a truly organic, democratic relationship with the working masses is absolutely indispensable (in the longer run) for the development of an integrated new

popular consciousness embedded in the reality of the masses. Sometimes traditional intellectuals themselves can be "re-socialised", developing a new democratic relationship with the masses.

Moreover, freedom of factions (notably – and controversially- however, Gramsci was opposed to the formation of permanent factions), of open debate, is a necessity for the democratisation of intellectual activity and politics in general. No one should become irreplaceable. The revolutionary party, as the "collective intellectual" (with a substantial degree of homogeneity and collective will) that must not lose touch with the masses and become bureaucratic, has to become a school of democracy and free-thinking, educating its cadres (in fact, every party member should become an organic intellectual) and also the wide segments of the working class and the labour and social movements. Theory itself has to be democratised; the "professional", corporate mentality of intellectuals has to be challenged, and Gramsci is among those rare, egalitarian thinkers and political organisers who attempted (although not always consistently) to break down the historic division of labour between intellectuals and masses (or "footsoldiers") within the revolutionary movement and society as a whole.

### **"NATIONAL-POPULAR"**

Contrary to some claims, Gramsci kept his reserve towards the universal applicability of the Russian example, especially since his aim always remained the explication and development of an organic, specifically Italian Marxism rooted in Italian conditions: the culture, customs, socio-economic context, needs and aspirations of the Italian people. Indeed, the struggle for a new hegemony cannot be confined solely to issues of class but has to engage with the totality of social life, be "the motor force of a universal expansion, of a development of all the national energies." (23) As Lenin realistically noted: "Whoever expects a "pure" revolution will never live to see it." (24) The socialist party has to place itself at the helm of the many non-class social movements and social currents as well, which is unlikely to be democratically achievable if the autonomy of other organisations and tendencies is being forcefully (or sneakily) compromised.

International solidarity, cooperation and coordination mustn't be mistaken with the imposition of a monolithic "revolutionary" model insensitive to national specificities. It is important to mention that his concept of the "national-popular", the national character of the movement for change, although it might include a patriotic sentiment, has nothing in common with petty nationalism – it is an expression of his political instinct firmly established in social reality ("the concrete analysis of concrete conditions"), and his dialectical position never allowed for the abandonment of the simultaneous active, energetically internationalist position. (25)

### **"REVOLUTIONARY HISTORICAL BLOC"**

Gramsci was adamant that serious revolutionary politics had to be based on the strategy of the united front and socialist pluralism as a product of "a national consensus

around the initiatives and actions of the working-class power." (26) It is not a conception of class collaboration (like the one that was pursued by the dominant current in Rifondazione Comunista so far), short-term electoral alliances or elite coalitions ("popular fronts" etc.) substituting broad movements but of a durable historical bloc, a system of alliances cemented by a common general outlook and able to counteract the growing complexity of the civil society and the centrifugal tendencies of working-class (as well as "middle-class") differentiation in developed capitalism. It is impossible to seriously challenge the ruling class without challenging the tendencies towards fragmentation of the oppressed and progressive sectors of society, without a certain ideological and organisational cohesion, mass mobilisation and support. However, the general thrust of this approach is based on "unity in multiplicity" (Virginia Woolf) - a plurality of possible identities - rather than some sort of forced uniformity.

The leading role, nevertheless, should belong to the working class, which has no viable option of exploiting or parasitising over other groups in society. This also implies the need for a degree of compromise and (principled) concessions by the working class to its allies if it is serious about the united front strategy. "Force can be employed against enemies, but not against a part of one's own side which one wants to assimilate rapidly, and whose "goodwill" and enthusiasm one needs." (27) Of course, this process is not without its contradictions – the issue is not how to completely avoid them, but how to simultaneously minimise elements of opportunism and disempowering antagonism. In this sense, the existence of a tension between "revolutionary" and "reformist" strategies within the anti-systemic socialist party can actually prove to be more creative.

The united front strategy (amalgamating previously often antagonistic social strata) is a necessity both for the conquest of power and the foundation of a new order based on collective will. In *What is to be Done*, Lenin also called for revolutionaries to "go among all classes of the population" to organise "special auxiliary detachments" for the working class from these elements. (28) Dissidence cannot be simply determined on the basis of class or social status. Catastrophically, the contemporary labour movement generally continues to present workers' interests in a narrow economic, corporatist manner, as if the working class is simply a "special interest group". This isn't the basis on which a political offensive and lasting hegemony can be built.

Through the organisation of counter-power the socialist party and the united front are also trying to exert disciplinary influence on the non-allied elements (which often include the "intermediary" classes), to contain them and neutralise their possible reactionary influence (although passive subordination is, in the long run, generally less sustainable than active consent) if it is not possible to secure their participation under the workers' revolutionary leadership.

"...the dominant group is coordinated concretely with the general interests of the subordinate groups, and the life of the state is conceived of as a continuous process of formation and superseding of unstable equilibria (on the juridical plane) between the interests of the fundamental group and those of the subordinate groups – equilibria in which the interests of the dominant group prevail, but only up to a certain point, i.e., stopping short of narrowly corporate economic interest." (29)

The party has to consistently oppose sectarianism and maintain roots in the mass movement at all times. Throughout Gramsci's pre-prison life, he had to cross swords with the maximalist, "ultra-leftist" yet authoritarian faction led by Amadeo Bordiga, characterised by political sterility and a marked tendency towards self-marginalisation through ideological sectarian intransigence. Bordiga was reluctant to deal with the unavoidable imperatives of consent. At a time when the fascists were consolidating their dictatorship, the marginalising, irresponsible purism of organisations and factions determined to preserve their political "virginity" destroyed the possibilities for an effective united front, a broad alliance of social forces around the working class organised against the terrible enemy. It was already too late when Gramsci's pragmatic position was finally adopted by the central committee of the PCI at the Lyons Congress in 1926. That same year both Bordiga and Gramsci were arrested and sent to the confinement in the isle of Ustica.

It is largely because of this continued differentiation within the working class, as well as the diversification of new social movements (ecology, sexual and gender issues, community-based movements etc.) why the united front strategy – as well as (we would argue) the need for a universalising but non-monolithic anti-systemic party - enjoys continued historical actuality, especially in the more developed countries.

### IDEOLOGICAL HEGEMONY

The development of counter-hegemony is tied with the project of constructing a long-term, sustainable united front. One of the most significant developments in the modern capitalist practice of exercising class domination is the changing relationship between the State and civil society, the increased and increasingly sophisticated role of ideological hegemony, often subtle but pervasive ideological control and manipulation, popular "consensus" realised not simply through physical coercion or threat of it (though this element certainly continues to play its part), but also through the mass culture, the largely refined "industry of consciousness" (Hans Magnus Enzensberger) encompassing education, the media, entertainment, popular social practices and beliefs, the law etc. It cannot be fought successfully on a purely institutional level; a socialist "counterhegemony" (Gramsci would call it a new "integrated culture") must be constructed if the struggle is to be sustained through a long period. Capitalism is an "ensemble of relations"; therefore it cannot be opposed in a partial, particularistic way. Indeed, "civil society has become a very complex structure and one which is resistant

to the catastrophic 'incursions' of the immediate economic element (crises, depressions, etc.)." (30)

Anticipating those themes which were to become central to Critical Theory and the Frankfurt School, Gramsci has been qualified as "perhaps (...) the earliest revolutionary theorist of advanced capitalism." (31) He has been portrayed as a keen observer of modern life and a versatile political strategist, as well as being interpreted as a precursor to "new social movements" and the harbinger of allhuman emancipation which was to become a notable impulse in the 1960s. Those who make this link (like Carl Boggs) are likely to argue that it is necessary to reject the "line of least resistance" and oppose the socio-cultural logic of contemporary capitalism, a logic which is criticised for blocking the development of a deeper and more consequential anti-capitalist consciousness, anti-capitalist politics of everyday life.

A new Renaissance, intellectual and moral renewal - an explosion of creative counter-cultural energy - is an indispensable ingredient for radical social change. The emphasis Gramsci placed on the importance of the "war of position" and the construction of a new culture reveals his commitment to the notion of a "total" (political, social and cultural) revolution, a transformation affecting not just formal political institutions, but also everyday ways of living and conceptions of life (*civiltà*). He longed for the "liberation of spirit, the establishment of a new moral awareness". (32) The long-term goal could be nothing less than the flowering of a new, humane culture. To neglect or discard this crucial element of the revolutionary process, rooted in creative subjectivity, would constitute the betrayal of the anti-capitalist social revolution itself. Granted this is a correct claim, it should still be possible to choose one's battles wisely. The anti-systemic socialist party is generally a totalising/universalising entity but specific "front-groups", or associations not directly linked with the party, could be set up or indirectly supported in cases where more controversial issues are concerned. Nonetheless, many of the older inconsistencies typical of radical organisations (such as the unwillingness and inability to challenge dominant sexual patterns) will have to be transcended (in a tactically wise manner) by the revolutionary organisations of the future. "(E)very revolution has been preceded by an intense labour of social criticism, of cultural penetration and diffusion".(33)

While the new integral cultural hegemony is probably impossible before the attainment of material power, since it advances in a torturous spiral highly dependent on the actual material existence of the masses (because of the particularly deep entrenchment of the capitalist socio-cultural logic), the achievement of a more direct but limited political hegemony (particularly including the few key concepts crucial to the preservation of the dominant "common sense") cannot be postponed, as it is one of the decisive factors for evaluating the possibility of immediate political takeover itself. It would probably be imprudent to expect or attempt to bring about a total, integral ideological change before the ascendancy of a

new material reality (Gramsci certainly held this view). It is perhaps more often necessary to find a way to neutralise or subvert the reactionary effects of dominant moral, cultural or social norms (liberation theology is a good example of this approach) instead of directly confronting them before the birth of a new political and economic system. This proposition widens our options offering a non-frontal approach that is often more conducive to a successful engagement with the masses as they temporarily are. It would often be a more constructive approach to strategise about ideological change through the lens of the current society in motion rather than a static idealist structure we often place the contemporary world against. Like Gramsci, we have to appreciate and build on the appropriate elements of continuity, just like we have to radicalise and capitalise on the appropriate elements of discontinuity with the past and the present. Both perspectives can be useful when used dialectically. Both should still leave plenty of space for the widening of popular horizons and offering viable alternatives to the dominant modes of living (as well as assimilating the past achievements into the fabric of the future); therefore it is not unprincipled opportunism but a call for a thoughtful and sensitive approach towards the dominant beliefs and customs. I believe an application of a Gramscian "ideological war of position" could move along the general lines I have just outlined.

Continuing to exist in moments of crisis and a socialist offensive, capitalist ideological hegemony is likely to continue to exert a lot of its previous influence, even to the extent of inducing "the oppressed to accept or 'consent' to their own exploitation and daily misery." (34) Nonetheless, a revolutionary transformation is impossible without an erosion and ideological crisis of the old order accompanied by the construction of a new culture sustained by real material changes. "...every new comedy of Voltaire, every new pamphlet was like a spark passing over a network of lines extended from nation to nation, from region to region.(...)The bayonets of Napoleon's armies found the way already leveled by an invisible army of books and pamphlets and an army which had been swarming out of Paris...and had prepared men and institutions for the necessary renovation." (35)

Attempting to create a new society without the prior partial achievement of a new mass legitimacy would be a fantasy of catastrophic proportions. Structural and ideological change are interconnected, and the ability of the revolutionary Left to replace the old bourgeois ideology of lies, exploitation and obedience will largely depend on its historical inventiveness, cohesiveness and organisational and cultural preparation.

### THE DIALECTICS OF CONSENT AND COERCION

A lot of Gramsci's Prison Notebooks writing deals with the idea of gradually building working-class hegemony, laying stress on the supposedly underappreciated "war of position" (or "siege warfare").

"In Russia the state was everything, civil society was primordial and gelatinous; in the West, there was a proper

relation between state and civil society, and when the state trembled a sturdy structure of civil society was at once revealed. The state was only an outer ditch, behind which there stood a powerful system of fortresses and earthworks (...)" (36)

This notion of a protracted accumulation of support and "revolution in stages" or "war of position" (probably an overly schematic reaction to the adventurist "theory of the revolutionary offensive" and a series of anti-establishmentarian "partial actions"/armed attacks) should not be mythologised, however. The development of grassroots dual power networks within the civil society is a critical aspect of the "war of position", which must precede the direct conquest of power/political society. Both the "organic" and the "conjunctural" sides of political life have a place within a dialectical totality. Position and maneuver possess a certain complementarity. We should not reduce the turbulent, capricious life force of history to a perfectly linear, predictable accumulation of forces until hegemony is secured. Many uprisings, including partly the Spanish revolution and the Portuguese revolution of 1974-75 for instance, point to the mistake of lacking decisiveness in extending and seizing power at critical points in the conflict, thus leaving the counter-revolutionaries with sufficient time and energy to consolidate their forces and mount a counter-offensive. There is a considerable danger of reluctance and demoralisation in such a scenario, especially if it is coupled with a rejection of the strategy of "permanent revolution".

Lenin made an apparently logical hypothesis that the turning point when the accumulation of forces should give way to a direct assault on state power constitutes that moment when the organisational activity of the popular vanguard is at its highest level, while the ruling class is at its most divided, and its possible supporters are at their weakest and most indecisive.(37) Furthermore, a "blitzkrieg" tactic might prove far more effective when the accumulated forces of the revolution are put into full action. (38)

For external and internal reasons that we cannot deal with here, Gramsci's faith in the positive power of the Russian experience proved to have partly been misguided. Nonetheless, it would be hard to negate the general need for the construction of powerful revolutionary institutions and organised structures, able to preserve stability and continuity even in times of socialist stagnation and retreat. In that sense, Gramsci was correct in stressing that "(t)he dictatorship of the proletariat has to resolve the same problems as the bourgeois state: internal and external state.(...) The proletariat is little trained in the art of governing and leading; the bourgeoisie will put up a bitter resistance to the socialist state, whether overt or concealed, violent or passive...Revolution is a great and terrible thing, and not a game for dilettantes or a romantic adventure."(39) Ideology and civil society might be the dominant mode of capitalist power in developed capitalist societies, but coercion remains the ultimately determinant one. Unlike certain modern "libertarians", Gramsci would

have clearly agreed with Mao's statement that the "revolution is not a tea party" because the capitalist state is an "integral state": "political society plus civil society, in other words, hegemony protected by the armour of coercion." (40) A question of the actual form which that coercive element is to take, however, is too rarely posed.

This strategy which acknowledges the politically constitutive, crucial role of coercion and the "political society" (the state, armed forces and police, courts, prisons etc. under capitalism) would appear to be acceptable as long as the "Gramscian" equilibrium between political and civil society is looked for, and the forms of the new institutions and their activities do not blindly replicate the repressively anti-human nature of capitalist and state coercion which erodes the organisation of consent and long-term potentials for organising a democratic, participatory new social order based on popular power and the exercising of a pluralistically conceptualised "general will". Gramsci himself granted the possibility of "the coercive element of the state withering away by degrees, as ever more conspicuous elements of civil society make their appearance." (41) Bold attempts at employing those "naively" humane insights of radical nonviolence should also be made in the construction of a socialist counter-hegemony which implies a higher new morality, an ethos poetically anticipated long ago:

"...If your enemy is hungry, give him to eat...In so doing, you will heap coals of fire upon his head, that is to say, you will kindle the fire of love in him." (42) Instead of the "shallow" approach inflexibly focused on administrative, punitive and police measures to invent and preserve the new order, the movement and the new order have to build broad-based popularity and consent, which is impossible without the ability to forgive and reach out to the better instincts in humanity (43), as well as the ability to make compromises, the willingness to take into account the interests of other social forces and combine them with the interests of the working class. A revolutionary vanguard which takes the task of building a consensual counter-hegemony seriously has to conduct its activities (in the social movements and civil society as well as in the sphere of public administration) in the spirit of genuine humanism, democratic camaraderie, inclusiveness and anti-sectarianism. Gramsci's strategy of alliances presupposes the rejection of any kind of "working-class corporatism", since the unified movement against capitalism has to take up the objective interests of all the allied social strata and classes. This strategy based on legitimacy is the only way to build a sustainable, stable and democratic social hegemony. A pluralist new order based on a tolerant (yet sufficiently coherent, directed) alliance of progressive social forces should be able to reduce the danger of violent counterrevolution.

The early American Marxist who significantly influenced Gramsci - Daniel De Leon - hoped that working class parliamentary majority might allow for a relatively "peaceful" (i.e. bloodless) revolution, with the working class exerting its extra-parliamentary power as a back-up to the parliamentary victory. Engels also pointed to the instructive

nature of elections as a useful (although imperfect) barometer of forces, guarding against an untimely insurrectionary attempt.(44) Gramsci, unlike his political PCI rival Bordiga, rejected abstentionism, seeing electoral politics as a tactical and strategic necessity. The parliament is a critical element in which the struggle for hegemony and mass legitimacy is carried out. Yet the party must resist any danger of becoming incorporated into a status-quo, top-down, reformist accommodation to the dominant system ("passive revolution" in Gramsci's vocabulary). The pre-World War I German Social Democratic Party's "war of position" points to the catastrophic consequences of opportunism. Gramsci bitterly opposed any conception of the party which would have it reduced to a merely electoral society, comparing opportunistic, class-collaborationist parliamentarians to "a swarm of coachman flies on hunt for a bowl of blancmange in which they get stuck and perish ingloriously."(45) Gramsci's concept of democracy could not be simply equated with the quasi-"democratic" institutional frameworks of capitalist society. Unfortunately, his critique of PSI's electoral, parliamentary politics and bureaucratic trade unionism remained perfectly applicable to the critique of the Stalinised, post-World War II PCI.

Although Gramsci's pluri-centered conception of power certainly doesn't automatically liquidate the possible role of armed insurrection, it puts it into a wider socio-cultural and political context of complex interplay that involves alternating factors, exposing the limited nature of traditional revolutionary strategies.

Engels stated in 1895 that already "there have been very many (...) changes, and all in favour of the military."(...) all the conditions on the insurgents' side have grown worse. (46) He wrote of workers' military struggle having "more of a moral than a material effect", noting the military's "superiority of better equipment and training, of uniform leadership, of the planned employment of the military forces and of discipline."(47)

"(O)ne should not ape the methods of the ruling classes, or one will fall into easy ambushes." (48) The strategy of "consciousness transformation" is a critical aspect of deep, sustainable social change. Gramsci was particularly keen on restoring the consensual factor in politics, and it is here that one of Gramscian contributions to nonviolence theory might also be possible to develop.(49) Never before has the need for ideological hegemony and support of the masses been greater and more indispensable, considering not just the sophisticated methods of capitalist ideological control but also the unprecedented destructive, murderous power of the capitalist state and private armies. The crass militarist approach, just like the simplistic Gandhian conceptualisation, fails to fully take these dangers - or alternative possibilities - into account. "(...) to fix one's mind on the military model is the mark of a fool: politics, here too, must have priority over its military aspect."(50)

Marx acknowledged a theoretical possibility of "peaceful" revolutions. "We know that the institutions, customs and

traditions in the different countries must be taken into account; and we do not deny the existence of countries like America, England, and if I knew your institutions better I might add Holland, where the workers may achieve their aims by peaceful means." (51) Of course, the Bolshevik takeover of power was also relatively bloodless, but even relatively nonviolent radical anti-capitalist rebellions have so far usually been followed by violent counterrevolutions. Not to be ignored, Lenin used the perspective of a peaceful transition to socialism in 1917 as a powerful – probably indispensable - propaganda weapon. (52) Still, the continual existence of "the irreducible core of counter-revolutionary" forces - both domestic and from abroad, state and private, legal, semi-legal and illegal, as well as the role of the "power of example" on ordinary soldiers – should serve as an indication of the limitations of verbal persuasion in dividing and disintegrating the state's and capitalist coercive apparatus, and the necessity of "concrete class audacity and combat" (53) in anti-capitalist rebellion. Again, a creative rethinking regarding the application of this principle is necessary.

The task of undermining internal capitalist and state cohesion is absolutely critical. The Portuguese and Venezuelan revolutions in particular (both characterised by junior officers' and soldiers' movements, though not of the same level) point to the continuing relevance of "the bursting asunder of militarism from within". (54)

An attempt at a relatively bloodless revolution without sustained, focused work within the armed forces is a fatal fantasy. The development and preservation of good relations with the military forces (who should be clearly distinguished from the politics which often throw them into bloody conflict) is one of the absolute priorities of preparatory revolutionary work. Through methods of fraternisation and covert internal organising, armed forces should be supported as people that are hyper-exploited for the benefit of the elites, they should be transformed into our strongest allies - the likely alternative is that they will become our most terrible adversaries. Revolution needs the support of the armed forces precisely in order to minimise violence, to sabotage, to paralyse the militarist system from within. The "peaceful but armed" approach recently popularised (in an imperfect manner) by Chavez in Venezuela probably remains the most realistic and productive one. It does seem to make sense to avoid excessively alienating your opponents, and to engage with the commonly underestimated potentials of noncooperation and relatively nonviolent intervention. A need for a higher dialectical synthesis in place of the old "violence-nonviolence" dichotomy has never been greater, which is where a refined concept of "armed revolutionary nonviolence" might be helpful.

"This is the heart of my argument: We can put more pressure on the antagonist for whom we show human concern. It is precisely solicitude for his person in combination with a stubborn interference with his actions that can give us a special degree of control (precisely in our acting both with love, if you will - in the sense that we respect his human rights – and truthfulness, in the sense

that we act out fully our objections to his violating our rights). We put upon him two pressures – the pressure of our defiance of him and the pressure of our respect for his life – and it happens that in combination these two pressures are uniquely effective.(...) The more the real issues are dramatized, and the struggle raised above the personal, the more control those in nonviolent rebellion begin to gain over their adversary(...)The most effective action both resorts to power and engages conscience." (55)

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Gramsci's monumental work rightly earned him the reputation of one of the great dialecticians of the 20th century. One of the most definite lessons it could teach us lies in the general lucidity of his methodological example. The construction of material and ideological counter-hegemony, of material dual power and a "revolution of consciousness" - the transformation to socialism - will require an unprecedented level of historical creativity. Despite certain ambiguities and mistakes, as well as numerous misappropriations, he enriched the tradition of socialism from below committed to the creation of a democratic Republic of workers' and citizens' councils, an association of self-governing producers. Throughout his suffering life, the early battles and disappointments, the terrible anguish and uncertain work in a fascist dungeon, with an unbeatable optimism of will, Gramsci has always stood behind that red banner on which the motto "Never Slaves, Never Masters" has been inscribed, ushering a new democratic socialist civilisation. Notes

- 1) Carl Boggs, Gramsci's Marxism, Pluto Press, London, 1976, p.30.
- 2) Antonio Gramsci, *Sindacato e consigli 1919* in *ibid.*, p.92.
- 3) A. Gramsci, *Sindacati e consigli, 1920* in Carl Boggs, *ibid.*, p.93.
- 4) Antonio Gramsci, *Workers Democracy*, in *Political Writings-I*, p.65 in Carl Boggs, *The Two Revolutions: Gramsci and the Dilemmas of Western Marxism*, South End Press, Boston, 1982, p.82.
- 5) Christine Buci-Glucksmann, *Gramsci and the State*, Lawrence and Wishart, London, 1980, p.157.
- 6) Antonio Gramsci, *Two Revolutions, 1920* in *PWI*, p.309 in Carl Boggs, *The Two Revolutions*, 1982, pp. 106-107.
- 7) Antonio Gramsci, *The Modern Prince, Prison Notebooks*, p.198 in Carl Boggs, *Gramsci's Marxism*, Pluto Press, London, 1976, pp.74-75.
- 8) Carl Boggs, *ibid.*, 1976, p.18.
- 9) Eg. Antonio Gramsci, *Collected Works*, vol.28, pp. 455-6.
- 10) A. Gramsci in Hoare and Nowell-Smith (ed.), *Selections from The Prison Notebooks of Antonio Gramsci (PN)*, p. 188 in Roger Simon, *Gramsci's Political Thought*, Lawrence and Wishart, London, 1991, p.103.

11) A. Gramsci, *Political Writings, 1921-1926*, Lawrence and Wishart, London, 1978 in Anne Showstack Saso, *Gramsci's Politics*, University of Minnesota Press, Minneapolis, 1987, p.364.

12) For further elaboration on this issue, see A. Gramsci, *The Occupation, 1920* in *PWI*, p.327 in Carl Boggs, 1982, op.cit., p.64.

13) A. Gramsci, *Il partito e la Rivoluzione* in Carl Boggs, op.cit., 1976, p.96.

14) *Rinascita*, 12 December 1964, pp.17-21 in Perry Anderson, *The Antinomies of Antonio Gramsci*, *New Left Review Issue 100*, p.72. This historically included such dramatic motifs like judges supportive of the Communist Party in the Kingdom of Yugoslavia having to pass death sentences on other communists in order to conceal their subversive affiliations, as they were supposedly bound to be executed anyway.

15) A. Gramsci, *PN*, pp.332-333 in Carl Boggs, 1976, op.cit., p.34.

16) Carl Boggs, 1976, op.cit., pp. 56-7.

17) Wilhelm Reich, *What is Class Consciousness* in Carl Boggs, *ibid.*, p. 57.

18) Wilhelm Reich, *ibid.*, in Carl Boggs, *ibid.*, p. 59.

19) See for instance on the "Gramscian" model of municipal politics Max Jaggi, Roger Muller & Sil Schmid, *Red Bologna, Writers and Readers*, London, 1977. Also, see *Let us Take the City* by Lotta Continua.

20) A. Gramsci, *The Intellectuals*, *PN*, p.9 in Carl Boggs, 1976, op.cit., p.76.

21) Carl Boggs, *ibid.*, p. 76.

22) *The Intellectuals* in Hoare and Nowell-Smith (ed.), op.cit., p.10.

23) Quintin Hoare and Geoffrey Nowell Smith (ed.), op.cit., p.182 in Roger Simon, *Gramsci's Political Thought: An Introduction*, Lawrence & Wishart, London, 1991, p.43.

24) V. I. Lenin, [The Discussion on Self-Determination Summed Up](#), *Sbornik Sotsial-Demokrata No. 1.*, 1916.

25) See for instance A.Gramsci, *State and Civil Society*, *PN*, p.240 in Boggs, 1982, op.cit., p.140.

26) Antonio Gramsci, *Escrits politiques*, Gallimard, Paris, 1975, p.366 in Christine Buci-Glucksmann, op.cit., p.166.

27) Valentino Garratana (ed.), *Antonio Gramsci, Quaderni del Carcere, III*, Turin 1975, pp.1612-13 in Perry Anderson, *The Antinomies of Antonio Gramsci*, *New Left Review Issue 100*, p.19.

28) Lenin, *What is to be Done*, in Perry Anderson, *ibid.*, p.16.

29) A.Gramsci, *PN*, Lawrence and Wishart, London, 1971, pp.181-182 in Roger Simon, 1991, op.cit., p.32.

30) Quintin Hoare and Geoffrey Nowell Smith (ed.), *State and Civil Society, Selections from the Prison Notebooks*,

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32) Antonio Gramsci, *PWI*, op.cit., p.30.

33) Antonio Gramsci, *Il Grido*, 1916 in Carl Boggs, 1976, op.cit., p.59.

34) Carl Boggs, 1976, *ibid.*, p.40.

35) Antonio Gramsci, *Socialism and Culture in History, Philosophy and Culture*, 1916, pp.20—21 in Carl Boggs, 1984, op.cit., p.45.

36) A. Gramsci, *State and Civil Society*, *PN*, p.238 in Boggs, 1984, *ibid.*, p.48.

37) V.I.Lenin, *Marxism and Insurrection: A Letter to the Central Committee of the R.S.D.L.P.*, *Lenin's Collected Works*, Progress Publishers, Moscow, Volume 26, 1972, pp. 22-27.

38) I further explore these issues in the article *Time Factor in Insurrections*, *Strategic Analysis*, Vol. 32, No. 3, May 2008.

39) A. Gramsci, *Ordine Nuovo, Lo Stato e il Socialismo* in Christine Buci-Glucksmann, op.cit., pp. 380-382.

40) A. Gramsci in *PN*, op.cit., p. 262.

41) A. Gramsci in *ibid.*, p. 263.

42) Reuven Kimelman, *Nonviolence in the Talmud*, in Robert L. Holmes (ed.), *Nonviolence in Theory and Practice*, Waveland Press, Prospect Heights, 2001, p. 24.

43) Rosa Luxemburg expressed this humane, progressive vision brilliantly:

"During the four years of this slaughter of the peoples, blood has flowed in torrents. Today, each drop of that precious fluid ought to be preserved devotedly in crystal urns. Revolutionary activity and profound humanitarianism - they alone are the true breath of socialism. A world must be turned upside down. But each tear that flows, when it could have been spared, is an accusation, and he commits a crime who with brutal inadvertency crushes a poor earthworm."

(Rosa Luxemburg, [Against Capital Punishment](#), *Die Rote Fahne*, No. 3, 18 November 1918)

44) Friedrich Engels, [Introduction](#) to Karl Marx's *The Class Struggles in France 1848 to 1850*, *MECW*, Volume 27, p. 506-24.

45) A.Gramsci, in Chris Harman, *Gramsci versus Reformism*, *Socialist Workers' Party*, London, 1977, p.8.

46) Friedrich Engels, [Introduction](#) to Karl Marx's *The Class Struggles in France 1848 to 1850*, *MECW*, Volume 27, p. 506-24.

47) *Ibid.*

48) Antonio Gramsci, *Prison Notebooks, State and Civil Society* in Paul Le Blanc (ed.), *From Marx to Gramsci: A*

Reader in Revolutionary Politics, Humanity Books, New York, 1996, p.317.

49) Although Gramsci quite certainly didn't express interest in nonviolence as such, the "elasticity" or open nature of his theory offers many divergent and possibly creative paths of theoretical and practical development.

50) Antonio Gramsci, *ibid.*, p.317.

51) [On The Hague Congress](#), in K Marx, F Engels CW, Vol 23, London 1988, p.255

52) VI Lenin CW Vol. 24, Moscow 1977, p.120; VI Lenin CW Vol. 25, Moscow, p.23; VI Lenin CW Vol. 25, Moscow 1977, p.55 in *ibid.*

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54) Friedrich Engels, *The Force Theory in Bernard Semmel* (ed.), *Marxism and the Science of War*, Oxford University Press, 1981, p.54 in Martin Shaw, *Dialectics of War*, Pluto Press, London, 1988, p.51.

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This article first appeared in *Inprecor*, n°541-542 and is published here with a few minor corrections by the author.

► *Dan Jakopovich is the main editor of Novi Plamen, a left-wing magazine on the territory of former Yugoslavia. He was a member of the National Committee of the Socialist Party USA, and the chair of its Labor Commission, in 2007 and 2008.*

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## France

# Toward the Foundation of a New Anticapitalist Party

*Pierre Rousset*

**The political impact of the NPA process is quite important. In a number of places, this new political party**

**in constitution is already de facto replacing the LCR and is very active.**



The NPA meeting earlier this month in La-Plaine-Saint-Denis

In June 2007, the French Revolutionary Communist League (Ligue communiste révolutionnaire or LCR) launched an appeal for the constitution of a New Anti-Capitalist Party (Nouveau Parti anticapitaliste or NPA). In June 2008, one thousand delegates met in Paris to give a national dimension to a process which had started from the bottom. Beginning of November 2008, delegates from some 400 committees gathered again to discuss three documents: programmatic references, political orientation, statutes and functioning of the NPA. Around 10,000 activists are presently engaged in the founding process of the NPA – three times more than the total membership of the LCR – however we shouldn't put too much faith in round figures. There are undoubtedly many people who have shown an interest in the NPA but it is too soon to know how many of them will get involved in a lasting way and how many committees function well enough to integrate them. It is also likely that there will be a new wave of people joining after the founding conference.

The political impact of the NPA process is quite important. In a number of places, this new political party in constitution is already de facto replacing the LCR and is very active. On November 6, 2008 it held its first public rally in Paris with more than 2,000 participants. On November 15 there were 1500 at a public meeting in Montpellier, in the south of France. These are big numbers, sometimes bigger than the meetings during the LCR presidential campaign in 2007. Of course, the process is not moving forward at the same speed everywhere and is slower in some regions.

The procedure that has been decided is that on January 29, 2009, the congress of the LCR will decide its dissolution. The founding congress of the NPA will be held in the following days, January 30-February 1, 2009.

So far, so good. What is striking is how fast this overall process proceeds. It obviously answers a political need. This need, this opportunity, has been felt for some time already, but in the last ten years all previous attempts to build a qualitatively broader anti-capitalist party in France have failed. To overcome these failures, the LCR decided to try something new – so new it had never even

envisaged it before. What then is “new” in the process of constitution of the New Anti-Capitalist Party?

### After all other scenarios failed...

Because of the key role played by the LCR in the launching of the NPA, it maybe useful to look back on how this organisation envisaged in the past the building of a socially broadly rooted revolutionary party. I speak here from the experience of my “fading away” generation (the May 68 one), which is no longer “in command” in the LCR or the NPA, but which historical legacy has to be taken into account precisely to analyse what is “new”.

I’ll present our past “visions” it in a very brief, simplified and schematic way. My generation created new, dynamic, radical organisations in the 1960s – but, in France, we remained small: starting with few hundreds members, the new organisations peaked at 5,000 or 10,000 maximum. In the late 60s-early 70s, we thought we had no choice because key class confrontations were to come soon: the new revolutionary party had to be built quickly, in the heat of the crisis, through intense activism. In the mid-1970s, we had to admit that the pace of History would be much slower than expected. We therefore had to rethink the building of mass-based revolutionary party as a long-term process (a mental revolution for our generation).

The LCR never thought this party would simply be the result of its own quantitative growth. It had to be the outcome of a much broader process of “recomposition”, restructuration, of the left and labour movement. We envisaged three main scenarios:

1. First schema: the radicalisation of whole sections, of wings, of existing mass working class parties (SP and CP). We can maybe say that this schema took shape in Italy with the creation of the Party of the Communist Refoundation in reaction to the shift to the right of the PCI, which has replaced a not very solid social-democracy. But it was not the case in France. The main split from the SP (around Jean-Pierre Chevènement) became “left-nationalist” and declined, becoming irrelevant. The long lasting crisis of the CP never gave birth to anything that looked like what happened in Italy.

Our “old left” proved incapable of rejuvenating, even in part. The recent departure from the SP of Jean-Luc Mélenchon has only confirmed this. We envisaged the formation of a new mass workers’ party, moving radically to the left. Mélenchon has left the SP with fewer members than the LCR on the programme of a “republican left”. He has founded the “Parti de Gauche” (Left Party) which from the outset is aiming to be in government – an ambition that is impossible without an alliance with the SP.

2. Second schema: the launching of a new radical working class party by trade unions with the participation of existing revolutionary groups. That is the “Brazilian schema” – the original foundation of the PT – or, more recently, the South Korean process: the KCTU trade union centre has backed the creation of the Democratic Labour Party (DLP) – although there has been a split this year with the formation of the New Progressive Party. In both cases, the TU

movement was still “young”, having reorganized itself after a period of military dictatorship. In France, the main TU centres (CGT, CFDT, FO) show no such dynamism.

Let us think for a moment about these first two scenarios. They were “ambitious” and implied broad splits within the workers’ movement, of which the tiny far left could not be the (only) driving force. They weren’t far-fetched hypotheses as is shown by the fact that they happened in certain countries. The fact that the PT has become social-liberal should not make us forget what it was (a big class-struggle party) and the significance of its creation in 1980. In the same way, the failure of Rifondazione in the Prodi government should not make us forget that in its time it made possible a broad “recomposition” of the Italian left with the participation of the far left. But such examples are very rare, they are the exception and not the rule. (I will not deal here with what are or will become the parties coming out of the old Eastern European regimes I do not know enough about them.)

3. Third schema: two or three significant political groups call together for the building of a new party. This happened in Portugal (Left Bloc) or Denmark (Red-Green Alliance). It was the simplest and the most “credible” of all scenarios – being a lot more modest than the previous ones. But it was never even tried in France, although the political opening has existed for a long time as was shown by the electoral score of the LO candidate Arlette Laguiller in 1995 and the extraordinary joint score (10%) of Arlette Laguiller and Olivier Besancenot in 2002.

There is a first reason for this French failure: the LCR is the only far left organisation originating directly from the radicalisation of the 1960s and 1970s that wanted such a scenario. The two other main “survivors” of that period (Lutte Ouvrière – LO – and the Lambertist current) are quite simply not interested in such a perspective. (The other currents from the “classical far left” are much smaller.)

An important political opening existed nevertheless after the victory in 2005 of the “no” in the referendum on the draft European (neoliberal, anti-democratic and militaristic) Constitution. A powerful aspiration for political unity in the “left of the left” was then expressed – but failed after two years of intense negotiations involving the local committees and a range of currents going from the CP to the LCR.

The failure of the unitary process which followed the “No” victory provoked a lot of bitterness and harsh polemics between components of this two year process on who bore the responsibility for its ultimate failure. But rather than looking for culprits, it is better to reflect on why the three above mentioned scenarios have always failed in France in spite of decades of successive attempts. In, again, a very schematic way, I would like to underline the following factors:

The “old” political and TU labour movement no longer has the potential to rejuvenate the radical left. As far as the political parties are concerned, the social roots of the SP have changed and its “social-liberal” orientation

expresses the depth of its integration into the bourgeois society. As for the CP, it has never truly addressed the issue of its Stalinist past and now finds itself electorally and institutionally hostage of the SP: for years now it is in crisis – and it is unfortunately a “crisis without dynamism”... The three main TU confederations (CGT, CFDT, FO) are too bureaucratized.

This does not mean that individuals (even many) or local activist teams from the “old” labour movement will not join the NPA or another radical left party – indeed, quite a number are and will! But it means that, unlike what we hoped in the 1970s-1980s, it will not be enough to “recompose” (“re-structure”) the traditional labour movement. It has to be remoulded in a broader way — which is something that is much more complex!

A “new” trade-union and social movement has emerged in the last fifteen to twenty years with the birth of the SUD and Solidaires unions, of the FSU trade-union federation for teachers, the associations of the unemployed, homeless, undocumented workers and others, the different components of the global justice movement. Although it is to varying degrees they have a much more promising radical potential. Today many of their activists are sympathetic to the call for the NPA, indeed are joining. In 2005-2007, some members of their leaderships did engage in the attempts to build political unity in the “left of the left” (in general in opposition to the LCR). This showed a positive desire to overcome the gap between the obvious evolution of the social movement and the immobility of the French political scene. The stagnation and then the failure of the negotiations put a stop to this involvement.

More broadly, the relationship between social movements and political parties remains in France very uneasy. The independence of TU and mass organisations is today a very “sensitive” issue – this is for some bad reasons (movementist illusions), but mostly for good reasons given past experiences of instrumentalisation and manipulation.

To overcome this blockage, to ensure that there is a reciprocal dynamic in the future, it is the responsibility of radical parties like the NPA to show in practice – and in a consistent way – their usefulness and their readiness to respect the independence and internal democracy of the social movement.

It is difficult to describe what the French “left of the left” is made of, because few of its components are politically well delineated. The CP is by far its biggest component but is in deep crisis. The LCR is by far the biggest component of the “far left” involved in unity processes. Then there are smaller political organisations, informal networks, local teams, individual activists or “personalities”... the whole constituting a “milieu”, broader than a coalition of parties.

Why, in 2005-2006, did attempts to build unity around common electoral candidatures fail? Why did the aspiration to unity end in fragmentation? There are many reasons for this. But there is one major political issue that has to be kept in mind to understand what happened: the relationships with the Socialist Party, electoral alliances and governmental participation.

The question of alliances with social-liberalism or the centre left is a key issue in a number of countries where governmental participation has been or will be a concrete choice for the radical left: Brazil, West-Bengal, Italy, Germany, Portugal, The Netherlands... In France, the electoral system is very undemocratic: to have any chance of being elected to the Parliament, one needs the backing of the SP (on the left) – which is not given for free. Weakened as it is, the CP needs even more to negotiate an agreement with the SP to save its electoral positions. Those who want to ally with the CP have to accept this. They are thus de facto accepting the perspective of an electoral alliance with the SP, even if sometimes they refuse to admit it.

The LCR – as well as other components of the far left – reject this perspective. The LCR considers that in the current relationship of forces any governmental participation will end up by a thorough compromise with social liberalism and managing the capitalist order (see the disastrous balance sheet of the PRC’s participation in the Prodi government in Italy). The LCR’s perspective is that we have to build the broadest united front of social resistance to the Sarkozy presidency. But at a strictly party level, the priority is to strengthen a radical pole that is able to embody a left alternative to social liberalism and to the right – which implies total independence from the SP.

The question of electoral alliances and the SP has thus been – and remains – a major political line of demarcation.

In late 2006, the LCR seemed very isolated within the “left of the left”. In early 2007, for the presidential election, Marie-George Buffet stood for the CP, Dominique Voynet for the Greens, Olivier Besancenot for the LCR and José Bové for some other components of the “left of the left”. Besancenot’s campaign was politically very dynamic and he got more than 4% of the votes. There was no such dynamic in Buffet’s campaign and she got less than 2% (a historically low figure for the CP!). The failure of Voynet’s campaign was obvious (1.5%) as it was for Bové’s campaign who, despite his own personal notoriety, got only just more than 1%, thus coming bottom of the class.

After two years of intense debates on orientation, the presidential election was a real political test for the “left of the left”. It gave new responsibilities to the LCR.

### **The new responsibilities of the LCR**

With the success of its political initiative and electoral campaign, the LCR found itself at the centre stage of the “left of the left”. The question was thus: what to do of this success? The LCR had the responsibility to take an initiative quickly, if the existing momentum was not to be lost (as had happened in the past).

In mid-2007, even after the political test of the elections, there was no possibility of reaching an agreement with other significant organisations for launching a new anti-capitalist party. With no “top-bottom” unity call possible,

the LCR decided to impulse a “bottom-top” process. Everyone ready to participate in the creation of such a party was invited to join local committees for the NPA. The network of committees would constitute the foundation of the new party.

It was clear that there was an open political space for a radical party qualitatively broader than the LCR to emerge. This was in part shown by the extraordinary popularity of Olivier Besancenot. Olivier is a very good candidate and spokesperson. This is not mainly a “media” but a political phenomenon. As a postman who gets paid and goes on strike, he is not seen as a professional politician but as a “co-worker” (“one of us”). He is young, and the youth can also identify with him. Last but not the least, he is politically very consistent: when at 27 years old he first run in a presidential campaign (in 2002), he was totally unknown but already a member of the political bureau of the LCR. In a TV forum, he usually politically smashes professional politicians and members of the government. People love it!

One reason for which the LCR has been able to take the initiative of launching the NPA is often overlooked. Its leadership has been renewed. Today, all the historical “figures” of the LCR have left the political bureau (but remain active!), and the national leadership is now mostly composed of cadres in their 30s or 40s. This seems not to be the case for most other organisations. It is a very important issue because of the radical change of political generation that has occurred since the 1990s.

On the one hand, the LCR has been able to renew its membership and cadre network. On the other, it remains an organisation shaped by its origins – the 1960s-1970s experience. So it both can and must impulse the creation of a new party, expressing the political experience of the present generation.

### **The NPA as a NEW party**

For the LCR, the aim is not only to build a bigger, stronger party. It is to help the creation of a truly new one. There has been a radical change of period, with the disintegration of USSR and with capitalist globalisation. And there has been a radical shift in generation: present activists do not have the same references, the same collective experience and the same background of historical experiences than the “1968” ones.

The combination of the two radical changes (period and generation) has deep consequences in the way politics and activism are lived.

Of course, it is important to keep alive the political experience of the past decades, the many lessons of the past century (imperialism, Stalinism...). How then to build a new party without losing our past? By passing the legacy of the LCR on to a new party. By bringing also into this new party the best of other revolutionary traditions of the past century – from various Marxist or libertarian traditions, from feminist, eco-socialist and global justice movements, etc. By “giving” to the new party the social roots of trained mass cadres, while broadening its social implantation to new areas and sectors so that it represents popular society as a

whole, by assimilating the radicality of the fightback by workers and others to capitalist globalisation, and wave of resistances in popular suburbs, among migrants, the struggles against discrimination... And also by allowing the new party to speak the political language of the present generation.

The will to build with others a broader anti-capitalist party is not new for the LCR, it has had this goal for several decades! What is new is the decision to impulse a “bottom-top” process AND to fully integrate the change of period and generation in the vision of the new party (this second point being perhaps the most important).

Unfortunately, the LCR is presently the only “big” (everything is relative) component of the “left of the left” engaged in the NPA process. The other political groups involved are much smaller. The danger then was that the LCR would remain “the party within the party” after the foundation of the NPA. To avoid that, drastic decisions were taken. LCR members are usually in a minority in the steering bodies of the de facto existing NPA. And the LCR should dissolve itself the days before the founding congress of the NPA.

The NPA has to become a political and social melting pot, to shape its own identity. It is presently easy to reach political agreements within the NPA process. Once the question of relations with the SP agreed, there is nothing as divisive today as the “nature of USSR” (to take an example) was for the “left of the left” in the 1970s. But there is less theoretical education than in the past and there are not many answers to strategic questions (how to disarm the bourgeoisie?). The NPA will have to consolidate its programmatic foundations through its own experience. It will take time. The road ahead is unknown.

The main difficulty the NPA has come up against is the question of its name! This is not a small question. In the 1960s-70s there were words that incarnated a sort of “common political capital” with all the “left of the left” identified: the word was “communist” in France or “socialist” in Belgium. It was the same for the word “proletariat” or “workers”. This is not the case today. All these words have been polluted. No collective experience has yet reconstituted “identifiers” that are shared by all (or almost). That is what is reflected by the indecision on the name.

The decision to dissolve the LCR is of course a risky one. But it would be even more risky not to take this risk. We have to seize the present opportunity: to miss it would probably be very costly for the whole “left of the left”. The NPA must not be seen as – and must not be – an “enlarged LCR”, but a qualitatively newer party.

The process is well engaged. Thousands of people who have never been a member of a party before are getting involved. Many coming from the CP or other organisations are joining too, as well as grassroots activists. If the launching of the NPA at the end of January 2009 is a success, some political forces from the “left of the left” which are presently not ready to unite with the LCR may change their mind.

But it may be better to wait for the end of January 2009 and the founding congress of the NPA to evaluate the long way we'll have come – and the long way still ahead.

*This article will appear in a future issue of [Amandla](#).*

► *Pierre Rousset is a member of Europe Solidaire Sans Frontiers (ESSF). He has been involved for many years in Asian solidarity movements*

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## Review

# The Communist Manifesto 160 years later

On Pluto Press' new edition

*Michael Löwy*

**What remains from the Communist Manifesto in 2008, one hundred and sixty years after its publication? As David Harvey observes in his brilliant preface to this edition, the present financial crisis corresponds in an astonishing way to the predictions of Marx and Engels: “the society of the ‘too much’, of ‘overproduction’ and excessive speculation, has plainly broken down and reverted, as it always does’ to a ‘state of momentary barbarism’.**



Cover of the Communist Manifesto's initial publication in 1848 in London.

Of course, certain arguments in the Manifesto had already become obsolete in the lifetime of their authors, as they recognised themselves in numerous prefaces. Others have become so in the course of our century, and require critical re-examination: Euro-centrism, the idea of an “inevitable” victory of the proletariat, the absence of ecological critique. But the general tone of the document, its central nucleus, its spirit – something like the “spirit” of a text does exist – has lost none of its strength and vitality.

This spirit results from its simultaneously critical and emancipatory quality, that is the indissoluble unity between the analysis of capitalism and the call for its overthrow, between the study of the class struggle and engagement with the class of the exploited, between the lucid examination of the contradictions of bourgeois society and the revolutionary utopia of a society based on solidarity and equality, between the realist explanation of the mechanisms of capitalist expansion and the ethical demands to “overthrow all relations in which man is a debased, enslaved, abandoned, despicable essence”. [1]

In many respects, the Manifesto is not only current, but more current today than 160 years ago. Let's take for example its diagnosis of capitalist globalisation. Capitalism, say the two young authors, is in the process of forging a process of economic and cultural unification of the world under its leadership: “The bourgeoisie has through its exploitation of the world market given a

cosmopolitan character to production and consumption in every country. To the great chagrin of Reactionists, it has drawn from under the feet of industry the national ground on which it stood. (...) In place of the old local and national seclusion and self-sufficiency, we have intercourse in every direction, universal inter-dependence of nations. And as in material, so also in intellectual production."

It is not only about expansion but also domination: the bourgeoisie "compels all nations, on pain of extinction, to adopt the bourgeois mode of production; it compels them to introduce what it calls civilisation into their midst, i.e., to become bourgeois themselves. In one word, it creates a world after its own image." Indeed, in 1848 that constituted much more an anticipation of future tendencies than a simple description of contemporary reality. It is an analysis which is much truer today, in the epoch of "globalisation", than 160 years ago, at the time of the editing of the Manifesto.

In fact, capital has never succeeded as it has in the 21st century in exerting a power so complete, absolute, integral, universal and unlimited over the entire world. Never in the past was it able, as today, to impose its rules, its policies, its dogmas and its interests on all the nations of the globe. International financial capital and multinational companies have never so much escaped the control of the states and peoples concerned. Never before has there been such a dense network of international institutions - like the International Monetary Fund, the World Bank, the World Trade Organisation - devoted to controlling, governing and administering the life of humanity according to the strict rules of the capitalist free market and of capitalist free profit. Finally, never at any time prior to today, have all spheres of human life - social relations, culture, art, politics, sexuality, health, education, sport, entertainment - been so completely subjected to capital and so profoundly plunged into the "in the icy water of egotistical calculation".

Add to this that the Manifesto is much more than a diagnosis - now prophetic, now marked by the limits of its time - of the global power of capitalism : it is also and above all an urgent appeal for international combat against this domination. Marx and Engels had perfectly understood that capital, as a world system, can only be vanquished by the world historical action of its victims, the proletariat and its allies.

Of all the words of the Manifesto the last is undoubtedly the most important, that which has captured the imagination and the heart of several generations of socialist and worker militants: "Workers of the world unite!" It is not by chance that this interjection has become the flag and the password of the most radical currents of the movement over the last 150 years. It amounts to a cry, a summons, a categorical imperative both ethical and strategic, which has served as compass through wars, confused confrontations and ideological fogs.

This call was also visionary. In 1848, the proletariat was only a minority in society in most European countries, not to mention the rest of the world. Today, the mass of wage workers exploited by capital - workers, employees, service

workers, temporary workers, agricultural workers - is the majority of the population of the globe. It is by far the main force in the class combat against the world capitalist system, and the axis around which other struggles and other social actors can and should be articulated.

In fact, the stakes do not only concern the proletariat: it is all of the victims of capitalism, the set of socially oppressed categories and groups - women (rather absent from the Manifesto), dominated nations and ethnic groups, the unemployed and excluded (le "povertariat") - of all lands who are interested in social change. No t to mention the ecological question, which does not affect this or that group, but the human species as a whole.

After the fall of the Berlin Wall, the end of socialism, the class struggle and even history was decreed. The social movements of recent years, in France, Italy, South Korea, Brazil or the USA - in fact, everywhere in the world - have brought a stinging refutation of this kind of pseudo Hegelian elocubration. What the subaltern classes dramatically lack, on the other hand, is a minimum of international coordination.

*This review of [Pluto's edition](#) will appear in the next issue of *Socialist Resistance*.*

► *Michael Löwy is Research Director in Sociology at the CNRS (National Center for Scientific Research) in Paris. He is the author of many books, including *The Marxism of Che Guevara, Marxism and Liberation Theology, Fatherland or Mother Earth?* and *The War of Gods: Religion and Politics in Latin America*.*

## NOTES

[1] K. Marx, Contribution to the critique of Hegel's philosophy of right, <http://www.marxists.org/archive/marx/works/1843/critique-hpr/intro.htm>

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## France

# Where is the radical left going?

Diverging paths

*Alex Callinicos*

**In the past couple of years the fortunes of the radical left have diverged sharply. The most important case on the negative side was provided by the Partito della Rifondazione Comunista in Italy.... Fortunately, there are more positive experiences. The most exciting of these has been the initiative taken by the Ligue Communiste Révolutionnaire to launch a New Anti-Capitalist Party (NPA).**



Logo of the NPA

In the past couple of years the fortunes of the radical left have diverged sharply. The most important case on the negative side was provided by the Partito della Rifondazione Comunista in Italy. The party of Genoa and Florence moved from 2004 onwards sharply to the right and joined the centre-left coalition government of Romano Prodi that held office briefly in 2006-8. PRC deputies and senators voted for Prodi's neoliberal economic programme and for the participation of Italian troops in the occupation of Afghanistan and in the United Nations 'peace-keeping' mission to Lebanon. They were punished in the general elections of April 2008 with the loss of all their parliamentary seats.

The radical left also suffered reverses elsewhere. In Britain first the Scottish Socialist Party and then Respect split: when the rival fragments ran against each other, both sides predictably suffered electoral eclipse. In the Danish general election of November 2007, the Red-Green Alliance lost two of the six seats it had previously held.

Fortunately, there are more positive experiences. The most exciting of these has been the initiative taken by the Ligue Communiste Révolutionnaire to launch a New Anti-Capitalist Party (NPA). In Germany, Die Linke, officially constituted as a party in June 2007 and the result of a convergence between dissident social democrats in western Germany and the Party of Democratic Socialism (PDS), the heir of the old East German ruling party, continues to make electoral inroads into the base of the German Social Democratic Party (SPD).

And even in Italy, the country that has seen the most catastrophic collapse of the radical left, the trend isn't uniformly negative. In reaction to electoral eclipse, the PRC national congress, when it met in July 2008, moved left.

Bertinotti and his allies were defeated by a coalition of left-wing currents led by Paolo Ferrero. The delegates, elected by meetings attended by 40,000 members, voted for a document calling for 'a shift to the left' and declaring an end to 'organic collaboration [with the centre-left Democratic Party] in governing the country'.

### **The primacy of politics**

Nevertheless, the sense of participating in a general forward movement that prevailed a few years ago has been replaced by a marked divergence. What has caused this shift? To answer this question we need to understand the driving forces behind the rise of the radical left, particularly in Europe. Two main objective coordinates were involved. First, the emergence of mass resistance to neoliberalism and war, starting with the French public sector strikes of 1995 but gaining momentum after Seattle. Secondly, the experience of social liberalism – social-democratic governments, brought to office all over Europe in the second half of the 1990s by popular opposition to neoliberalism, proceeded to implement neoliberal policies, and in some cases – New Labour under Tony Blair in Britain and the Red/Green coalition headed by Gerhard Schröder in Germany – to go further than their conservative predecessors had dared.

The rightward shift of mainstream social democracy opened up a space to its left. Furthermore, the revival of resistance created a pressure to fill this space. Various political formations, of very diverse origins and history collectively took on the role of trying to fill it. Generally they didn't do so on an explicitly revolutionary programme. In some cases this reflected a tactical decision by far left organizations to attract allies and a broader audience, but as often it was a consequence of the fact that many of the leaders of the new formations were themselves reformists, often seeking to restore a more 'authentic' social democracy that, as they saw it, had been corrupted by the likes of Blair and Schröder.

The emergence of this radical left marked an extremely important, and positive development. It represented an opportunity to remake the left on a much more principled basis than had prevailed in the heyday of the social-democratic and Stalinist parties. But this, while a step forward, generated its own problems. The political field has its specific logic, which subjects to its hazards and contingencies all those who try to grapple with it.

After an initial period of forward movement, bounded roughly by the years 1998 and 2005 the various radical left formations were confronted with the question of how to continue in an environment that was somewhat less favourable – for example, because the tide of mass opposition to the war in Iraq was receding. A similar problem confronted the altermondialiste movement, which has failed to address it effectively and hence undergone a significant decline.

The response of the radical left formations was, of course, conditioned by the politics prevailing in them. This proved in the case of two key figures – Fausto Bertinotti in Italy and George Galloway in England – to be a

reformism that began to shift rightwards. Bertinotti reacted to the decline of the Social Forums that had spread throughout Italy after Genoa and driven the mobilizations for Florence and the anti-war protests by turning back towards the centre-left, with the disastrous consequences already noted.

In the case of Galloway and the circle around him, the decline of the anti-war movement from the peak it achieved in 2003 combined with pessimism about the capacity of organized workers to mount effective resistance to the attacks mounted by New Labour and the bosses to generate the conclusion that the way forward for Respect lay in sustaining alliances with local Muslim notables who could deliver votes. But this reasoning – and the split that it produced in Respect – was overlain by a growing reconciliation between Galloway himself and New Labour. This was reflected first in his support for Ken Livingstone's unsuccessful re-election campaign for Mayor of London in May 2008 and then in his rallying to the aid of Gordon Brown's beleaguered government during the Glasgow East by-election that July, when a Blairite candidate was defeated by a massive swing to the Scottish National Party.

Elsewhere the politics has played out better, so far. Amidst general disarray on the French left, the majority in the LCR leadership seized the initiative – running Olivier Besancenot in the first round of the French presidential elections in April 2007 and then capitalizing on his relative success to launch the NPA.

Die Linke is a much more solidly reformist formation than anything envisaged by the LCR. It is, however, defined by the struggle between two tendencies – a right-wing, powerful both numerically and in the apparatus, constituted largely by the ex-leadership of the PDS, and a more left reformist current that is dominated by the ex-SPD trade-union officials clustered around the figure of Oskar Lafontaine, who is pursuing a project of reconstituting German social democracy on a more left-wing basis.

### **What kind of party?**

The recent advances of Die Linke and the LCR show that the objective coordinates responsible for the initial rise of the radical left remain. But the experiences of the PRC and Respect highlight the political dangers faced by these formations. How can these dangers best be addressed? The response of the LCR is particularly interesting. It is influenced by the negative examples of centre-left governments, not only in Italy, but in France itself and in Brazil.

Determination to avoid any repetition of a situation where the radical left could be integrated into a social-liberal coalition government shaped the attitude of the LCR majority towards the attempt to make the collectives that had driven the No campaign against the European Constitution in 2005 the launching pad for a unitary 'anti-liberal' candidate in the 2007 presidential campaign. The LCR's scepticism about the project of a unitary anti-liberal candidate led to a negative and sometimes ultimatum attitude towards the collectives, which caused its temporary

isolation. But the Ligue was at least partially vindicated by the behaviour of José Bové in the presidential campaign.

It is to ward off this kind of danger that the LCR insists that the new party must be anti-capitalist, and not simply opposed to neoliberalism. It is to be 'a party for the revolutionary transformation of society', but yet not a revolutionary party in the specific sense in which it has been understood in the classical Marxist tradition. In that tradition, particularly as a result of the experiences of the Russian Revolution of October 1917 and the early years of the Communist International (1919-24), socialist revolution is assumed to take a particular form, involving mass strikes, the development of dual power counterposing institutions of workers' democracy to the capitalist state, an armed insurrection to resolve this crisis by establishing the dominance of the workers' councils, and, running through all this, the emergence of a mass revolutionary party with majority support in the working class.

On the LCR's view, the NPA should not commit itself to this specific understanding of revolution, but simply to the necessity of 'a rupture with capitalism'. If this notion may seem vague, its political significance lies in what it rules out: more specifically, the Ligue correctly argues, it's not enough to oppose neoliberalism as a set of policies, but capitalism as a system. Failing to draw this distinction can lead participation in centre-left governments in the hope (usually the illusion) that they will produce a more benign mix of policies.

There is much to commend the LCR's conception of the NPA. The political experience of the 20th century shows very clearly that, in the advanced capitalist countries, it is impossible to build a mass revolutionary party without breaking the hold of social democracy on the organized working class. In the era of the Russian Revolution it was possible for many European Communist parties to begin to do this by splitting social-democratic parties and winning substantial numbers of previously reformist workers directly to the revolutionary programme of the Communist International. October 1917 exercised an enormous attractive power on everyone around the world who wanted to fight the bosses and imperialism.

Alas, thanks to the experience of Stalinism, the opposite is true today. Social liberalism is repelling many working-class people today, but, in the first instance, what they seek is a more genuine version of the reformism that their traditional parties once promised them. Therefore, if the formations of the radical left are to be habitable to these refugees from social democracy, their programmes have not to foreclose the debate between reform and revolution by simply incorporating the distinctive strategic conceptions developed by revolutionary Marxists.

All the same, navigating between the Scylla of opportunism and the Charybdis of sectarianism is never easy. On the one hand, drawing the dividing line between anti-liberalism and anti-capitalism isn't necessarily straightforward. Given that, as the LCR would put it, anti-capitalism has 'incomplete strategic delimitations' – i.e. it

leaves open how the 'rupture with capitalism' would be achieved, there is plenty of room for debate about what concrete steps are necessary. There are perfectly respectable left-reformist strategies for achieving a break with capitalism that presumably would have a right to a hearing in these debates. But these strategies merge in with proposals that seek to target neoliberalism rather than capitalism itself.

On the other hand, while the LCR are entirely right to oppose as a matter of principle participation in a centre-left government, they can't assume that everyone attracted to the NPA will share this attitude. On the contrary, many of them may want to see Besancenot in government. 18 per cent in a poll in August 2008 said the PS should come to an understanding with him.

### The role of revolutionaries

The underlying problem at work here is that it is the breach in reformism that has given the radical left its opening: how then does it try to draw in people from a reformist background while avoiding the betrayals of reformism – betrayals recapitulated in a highly concentrated way by Bertinotti's trajectory? The LCR's solution to the problem seems to be to install a kind of programmatic security lock – commitment to anti-capitalism and opposition to centre-left governments. But this is unlikely to work; the more successful the NPA, the more it is likely to come under reformist pressures and temptations.

When it first became involved in the process of left regroupment at the beginning of the present decade, the Socialist Workers Party came up with its own conception of the nature of the new radical left formations. This was articulated by John Rees when he argued: 'The Socialist Alliance [the precursor to Respect] is thus best seen as a united front of a particular kind applied to the electoral field. It seeks to unite left reformist activists and revolutionaries in a common campaign around a minimum programme.' It is extremely fortunate that we refused to liquidate the SWP, since in that case the crisis in Respect would have led, not just to the temporary electoral eclipse of the radical left in Britain, but to a far deeper fragmentation and weakening of the organized socialist left.

The idea that the NPA should be conceived as a united front of a particular kind has recently been criticized by one of the project's main architects, François Sabado:

*There isn't a linear continuity between united front and party, just as 'politics' isn't a simple continuation of the social. There are elements of continuity but also of discontinuity, of specificities, linked precisely to political struggle ... It is from this point of view that it is incorrect to consider the new party as a kind of united front. There is then a tendency to under-estimate the necessary delimitations, to consider the NPA as merely an alliance or a unitary framework – even of a particular kind – and therefore to underestimate its own construction as a framework or a mediation for building the revolutionary leaderships of tomorrow. There is the risk that if we consider the NPA as a kind of united front of making it wage only united front battles. For example, we don't make the*

*unity of action of the entire workers' and social movement conditional on an agreement on the question of the government; but is this a reason for the NPA to relativize a struggle over the question of government? No, we don't think so. The NPA makes the question of government – refusal to participate in governments of class-collaboration – a delimitation of its political fight. That shows, self-evidently on this issue, that the NPA isn't a kind of united front. Our aim to construct it as a confluence of experiences and activists doesn't mean that we must give up seeing this party as one of the decisive links of a global political alternative and of an accumulation of class-struggle and even revolutionary cadres for future crises.*

Sabado is right in two important respects. First, successfully building the radical left today is a step towards, not away from, the construction of mass revolutionary parties. Secondly, the fact that radical left formations intervene in the political field shapes their character. Even if their organizational structure is that of a coalition, as that of Respect was, they need to define their global political identity by means of a programme, and function in many ways like a conventional political party, particularly when engaging in electoral activity.

But what the formula of a united front of a particular kind captures is the political heterogeneity that is characteristic of the contemporary radical left. This is more than a matter of the specific history of individual formations: the particular form taken by the crisis of social democracy today has created the conditions for a convergence among elements from the reformist and revolutionary lefts in opposition to social liberalism. The fact that this political convergence is only partial, and in particular doesn't abolish the choice between reform and revolution, demands organizational structures that, if not explicitly those of a coalition, give the different currents space to breathe and to co-exist. But it also helps to explain the programmatic basis that Sabado seeks to give the NPA, which is essentially against social liberalism rather than against reformism altogether.

It's very important not to take fright at the political ambiguities that inherent in the contemporary radical left. Any revolutionary worth his or her salt should throw themselves enthusiastically into building these formations. But this doesn't alter the fact that these ambiguities can lead to a repetition of the kind of disasters to have overtaken the PRC and Respect. More positively, if the NPA is really to see what Sabado calls 'an accumulation of class-struggle and even revolutionary cadres for future crises', then this isn't going to happen automatically. It will require a considerable effort to train the new activists won to the NPA and its like in the revolutionary Marxist tradition. But who is going to undertake this task? Some political education can occur within the framework of the party itself. But this can only be within well-defined limits; otherwise the revolutionaries in the NPA can justifiably be accused of violating the political openness of the party and seeking to exploit its structures to put over their own distinctive politics.

It is right to build the radical left on a broad and open basis, but within the resulting formations revolutionary socialists should organize and fight for their own politics. Both parts of this sentence deserve their proper emphasis. It is a mistake to try to define the boundaries of radical left parties too narrowly. But, while building on a broad and open basis, revolutionary socialists should maintain their own political and organizational identity. The precise form this may take will naturally vary – sometimes an independent organization participating in a coalition, as the SWP did within the Socialist Alliance and Respect, sometimes a current in a larger organization. A revolutionary socialist identity within the broader radical left is necessary not for reasons of narrow sectarian loyalty but because the theory and politics of revolutionary Marxism matter.

They matter because they provide an understanding of the logic of capitalism as a system and because they recapitulate the accumulated revolutionary experiences of the past two centuries. Of course, the relevance of such a tradition to the present isn't something that can be taken for granted. On the contrary, it has to be shown in practice, and this always involves a process of selection, interpretation, and creative development of the tradition. But, because of the importance of practice, revolutionaries must retain the capacity to take their own initiatives. In other words, they should maintain their identity within the broader radical left not as a theoretical debating club but, whatever the circumstances, as an interventionist organization.

Of course, the presence of organized revolutionaries can be a source of tension within a radical left formation. They can be targeted and denounced by the right within the party. This can be a particular issue if the revolutionaries have a relatively substantial weight, as the SWP did within Respect and as the former LCR will in the NPA. The far-left elements who broke away with Galloway have sought to justify their actions by accusing the SWP of seeking to dominate Respect. This was the opposite of our intention: we would have been very happy to have been a relatively smaller force within a much larger radical left coalition.

The problem was that despite the enormous political upheaval surrounding Britain's participation in the invasion of Iraq, Galloway was the only leading Labour figure who was prepared to break with the party over the issue. This meant there was a structural instability built into Respect from the start. The coalition was dominated by two forces – Galloway and the SWP. This was fine so long as they worked together relatively harmoniously. But a conflict between a revolutionary organization and a reformist politician was all too likely to develop sooner or later, and, once it happened, there were no other forces powerful enough to contain it.

This structural imbalance is a consequence of the particular form taken by the decline of social democracy today. The social base of reformism shrinks, not thanks to organizational splits, but through a gradual process of attrition. This doesn't alter the fact that there is a space that the radical left can fill, but it will probably take the form of quite a long-term process of electoral interventions and other campaigns that gradually attract voters and activists.

And the erosion of the old reformist social base gives the extreme right an opportunity to appeal to working-class people who feel disenfranchised and unrepresented, as is shown very starkly by the ugly racist forces unleashed by the victory of Berlusconi and his allies in Italy. Hence the importance of the case of Die Linke, where a real crack has taken place in the SPD monolith.

This is one reason why it would be unwise to claim that reformism singing its swan-song, as the LCR sometimes implies, as, for example, when it declares: 'Social democracy is completing its mutation. After having explained that socialism can be built step by step within the framework of the institutions of the capitalist state, it henceforth accepts its conversion to capitalism, to neoliberal policies.' This seems to posit a unilinear trend for social-democratic parties to transform themselves into straightforwardly capitalist parties like the Democrats in the United States. As such, it is mistaken.

Reformism can't be identified simply with specific organizations but arises from workers' tendency, as long as they lack confidence in their ability to overturn capitalism, to limit their struggles winning improvements within the framework of the existing system. This tendency finds political expression despite the development of social liberalism.

Understanding this is important for immediate political reasons. The attractive power of reformist politics means there is no programmatic or organizational magic bullet that can exclude its influence from the new formations of the radical left. It is precisely for this reason that revolutionaries need to maintain their identity within these formations. The radical left has to be open to reformists if it is to fulfil its potential, but the examples of Bertinotti and Galloway should serve as a reminder that left reformists can move right as well as left.

This is important to bear in mind in the case of Die Linke. Lafontaine has been a bulwark of the left, but, should he decide the time has come to cut a deal with the SPD, he is quite capable of turning on it brutally. But revolutionaries preserving their political and organizational autonomy shouldn't be seen as a form of sectarian defensiveness. On the contrary, this autonomy should give us the confidence boldly to build the radical left on the broadest and most dynamic basis – but preserving an instrument that will be needed to wage the political battles that any real success will bring.

*This article appears in 'Critique Communiste' alongside "Toward the Foundation of a New Anticapitalist Party", a contribution by François Sabado, a central leader of the Fourth International.*

► Alex Callinicos is a professor at King's College London, where he heads the Centre for European Studies. He is secretary of the International Socialist Tendency and a central committee member of its core organisation, the Socialist Workers Party.

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## France

# The NPA, a new experience of building an anti-capitalist party

A reply to Alex Callinicos

*François Sabado*

**Alex Callinicos's article shows well the changes that have taken place in the radical left in recent months. The characteristics of the situation, and in particular the deepening of the crisis of the capitalist system and the social-liberal evolution of social democracy, confirm that there is a space "to the left of the reformist left".**



François Sabado  
 Photo: JMB

This space opens up possibilities for the building of new political formations or for initiatives like that of the Conferences of the anti-capitalist left, a process which requires clarifications. Certain experiences involve a diversity of currents. Although the political frontiers between these currents do not always appear clearly, on the other hand, in order to go forward, the question of support for or participation in centre-left or social-liberal governments is a fundamental dividing line in the politics of alliances or regroupment.

There are not only "paths that diverge", but different politics and distinct projects. When [Callinicos evokes](#) "more positive experiences" in connection with Die Linke in Germany and the NPA in France, it is in fact a question of two different projects.

In the case of Die Linke, we are dealing with a left reformist party: a party integrated into the institutions of the German State, a party the great majority of whose members come from the ex-PDS - the party of the bureaucracy of the former GDR -, a party which has come out in favour of a common government with the SPD, lastly a party whose project of society comes down to the "return to the Welfare State". Admittedly, this party also reflects, in the west of Germany, a movement of radicalisation of certain sectors of the social movement, a step forward for the workers' movement. But revolutionaries should not confuse these processes with the leadership of Die Linke, its reformist policies, its subordination to capitalist institutions, and its objectives of participation in government with the SPD.

The NPA on the other hand presents itself as an anti-capitalist a party. A party whose centre of gravity is centred on struggles, on the social movements and not in parliamentary institutions, a party whose founding characteristic is the rejection of any alliance or any participation in government with the centre-left or with social-liberalism, a party which does not stop at anti-liberalism but all of whose politics is directed towards a break with capitalism and the overthrow of the power of the ruling classes.

In all these cases, we are confronted with political formations: there are delimitations, programmes, policies, but they are not the same ones.

### Anti-capitalist party or united front of a particular kind?

Also, we cannot share the approach of Callinicos on the characterization of the new formations of the radical left as "a united front of a particular kind"... The SWP's conceptions were formulated by John Rees, one of their leaders, in the following way: "The Socialist Alliance [the precursor of Respect] is thus best seen as a united front of a particular kind applied to the electoral field. It seeks to unite left reformist activists and revolutionaries in a common campaign around a minimum programme". [1] This conception, originally linked to the British experience, was generalized as "the SWP's conception of the nature of the new formations of the radical left". We disagree with this conception.

To use the term "united front" for the building of a party or a political formation really is an innovation.

The united front is a response to the problems that are posed by the united action or the unification of the workers or of the social movement and of their organizations. The united front and the building of a party are two distinct things. An anti-capitalist and/or revolutionary workers' party – over and above its precise definition - is a delimited political formation, on the basis of a programme and a comprehensive strategy of conquest of power by and for the workers. An anti-capitalist party cannot be the organic expression of "the whole class". Even though it must seek to constitute "a new representation of the workers", or the convergence of a series of political currents, it will nevertheless not

make the other currents of the social movement or even the organizations that are "reformist or of reformist origin" led by bureaucratic apparatuses, disappear. The question of the united front remains posed.

Why should we not regard anti-capitalist parties as frameworks of the united front? Because if that were the case, it would amount to regarding these parties as a simple alliance or unitary framework - even of a particular kind - and thus to underestimating building them as a framework or a mediation necessary for the emergence of the revolutionary leaderships of tomorrow. To consider the NPA as a united front framework would amount to "toning down" its political positions to make them compatible with the realization of this united front. For example, we do not make the unity of action of the workers' and social movement conditional on an agreement on the question of government. Is that a reason for the NPA to give up or even relativise a battle on the question of government? No, we do not think so. The NPA made the question of government - the refusal to participate in governments of class collaboration - a decisive delimitation of its political combat. This example obviously demonstrates, but we could also evoke other examples, that the NPA is not a united front framework. We want to build it as a coming together of experiences, activists and currents but especially as a party. To regard it as a "united front of a particular kind" amounts to underestimating the battles that are necessary in order to build a political alternative. This conception of "a united front of a particular kind around a minimum programme" led the leadership of the SWP to reproach the leadership of the LCR with having "a negative and sometimes ultimatum attitude towards the collectives", when the LCR was putting at the centre of its political battle the refusal to take part in a government with the leadership of the Socialist Party (PS). With hindsight, does the leadership of the SWP still think that these reproaches were well-founded?

And today, when Jean Luc Mélenchon, one of the organizers of the socialist left, leaves the PS, while maintaining the continuity of his reformist conceptions, his positions on participation in or support for the Mitterrand and Jospin governments, and declaring that he wants to build a French "Die Linke", what should be the attitude of revolutionaries? To support him and join in his proposals and projects for alliances with the French Communist Party, which maintains the perspective of governing tomorrow... with the PS, or to take into account his break with the PS, have a positive approach to unity of action with his current, but not confuse the building of an anti-capitalist left with the building of a left reformist party... Once again, yes to unity of action - as we engaged in at the time of the No campaign in the referendum on Europe - and to debate, but knowing that the differences on the relationship to representative institutions and the attitudes concerning the question of government separate the electoral alternatives and the projects of building parties. The building of a French Die Linke, in relation to the history of the revolutionary movement and to what has been accumulated by the NPA, would constitute a retreat for the building of an anti-capitalist alternative. Whereas a whole sector influenced by

the anti-capitalist left has taken its distance from the leaderships of the traditional left, to constitute a new left reformist force would represent a step back for the workers' movement. We would once again involve all this sector in "reformist manoeuvres". Conceptions of the type of the "united front of a particular kind" could then disarm us in defining a clear policy vis-à-vis this type of current.

This conception, which underestimates the strategic range of the differences on the questions of government and representative institutions, throws light on some of your international positions. It can thus explain, in the policy of the comrades of the IST in Germany, a relativisation of the critique of the policies of the leadership of Die Linke on the question of participation in governments with the SPD.

In the same way, we can also note the indulgence of the comrades towards the new leadership of bloc Rifondazione Comunista in Italy. At the last congress of Rifondazione, a "left" reaction by its members put the partisans of Bertinotti in a minority. However the policy followed by the new leadership is in continuity with the historical positions of Rifondazione Comunista, and continues to endorse the policy of alliances with the Democratic Party in all the regional executives governed by the centre-left.

Lastly, didn't this conception of "a united front of a particular kind around a minimum programme" contribute to disarming the leadership of the SWP vis-à-vis Galloway, for whom Respect had to "[sustain] alliances with local Muslim notables who could deliver votes"?

Your browser may not support display of this image. Your browser may not support display of this image. Your browser may not support display of this image. To consider an anti-capitalist party as a united front framework can also lead to sectarian deviations... If the united front is realised, even in a particular form, might we not be tempted to make everything go through the channel of the party, precisely underestimating the real battles for unity of action? Because the anti-capitalist party must combine the party activities of a party and an orientation of unitary action... because we have not forgotten, contrary to what Callinicos suggests, that reformism continues to exist, that the movement of the workers has divisions, differentiations, and that it is necessary to intervene to draw it together, to unify the workers and their organizations.

Once again, the united front, in all its varieties, is one thing. Another thing is the building of a political alternative, which is the choice of the NPA.

### **What kind of revolutionary party?**

Alex Callinicos tries to catch us out by explaining to us that, although the NPA is an anti-capitalist party, it is "not a revolutionary party in the specific sense in which it has been understood in the classical Marxist tradition". We can discuss the classical Marxist tradition, extremely rich in its diversity.

Depending on the history, the degree of strategic clarification, on principles and organizational tactics, without forgetting the various interpretations of this or that revolutionary current, there are several models. It is true that the NPA is not the replica of the revolutionary organizations of the period after May '68. Anti-capitalist parties like the NPA do not start from general historical or ideological definitions. Their starting point is "a common understanding of events and tasks" on the questions that are key for intervening in the class struggle. Not a sum of tactical questions, but the key political questions, like the question of a programme for political intervention around an orientation of class unity and independence.

In this movement, there is a place and even a necessity for other histories, other references coming from the most varied origins.

Does that make it a party without a history, a programme and delimitations? No. It has a history, a continuity: that of class struggles, the best of the socialist, communist, libertarian and revolutionary Marxist traditions. It situates itself in the revolutionary traditions of the contemporary world, basing itself, more precisely, on the long chain of French revolutions from 1793 to May '68, via the days of 1848, the Paris Commune and the general strike of 1936.

The NPA is also a type of party which tries to answer the needs of a new historical period – which opened at the end of the 20th and the beginning of the 21st century - and to the need to refound a socialist programme faced with the combined historical crisis of capitalism and of the environment of the planet.

Faced with such challenges, the NPA affirms itself as a revolutionary party rather in the sense given by Ernest Mandel in the following lines. *"What is a revolution?"*

*A revolution is the radical overthrow, in a short time, of economic structures and (or) political power, by the tumultuous action of broad masses. It is also the abrupt transformation of the mass of the people from a more or less passive object into a decisive actor of political life.*

*A revolution breaks out when these masses decide to put an end to conditions of existence that seem to them unbearable. It thus always expresses a grave crisis of a given society. This crisis has its roots in a crisis of the structures of domination. But it also expresses a loss of legitimacy of governments, a loss of patience, on the part of broad popular sectors.*

*Revolutions are, in the end, inevitable – the real locomotives of historical progress - precisely because domination by a class cannot be eliminated by the road of reforms. Reforms can at the most soften it, not suppress it. Slavery was not abolished by reforms. The absolutist monarchy of the ancien regime was not abolished by reforms. Revolutions were necessary in order to eliminate them."*

*"Why are we revolutionaries today?"*

*Ernest Mandel, La Gauche January 10, 1989.*

It is true that this definition is more general than the strategic, even politico-military hypotheses which provided the framework for the debates of the 1970s, which were at that time illuminated by the revolutionary crises of the 20th century.

Anti-capitalist parties like the NPA are "revolutionary", in the sense that they want to put an end to capitalism - "the radical overthrow of economic and political structures (thus state structures) of power" - and the building of a socialist society implies revolutions where those below drive out those above, and "take the power to change the world".

They have a strategic programme and delimitations, but these are not completed. Let us recall that Lenin, including against part of the leadership of the Bolshevik Party, changed or substantially modified his strategic framework in April 1917, in the middle of a revolutionary crisis. He went from the "democratic dictatorship of the workers and peasants" to the need for a socialist revolution and the power of the workers' councils... Certainly, Lenin had consolidated over the years a party based on the objective of a radical overthrow of Tsarism, on the refusal of any alliance with the democratic bourgeoisie, and on the independence of the forces of the working-class allied with the peasantry. And this preparatory phase was decisive. But many questions were decided in the very course of the revolutionary process.

Many things have changed compared to the period after May '68, and more generally compared to a whole historical period marked by the driving power of the Russian Revolution. It is more than thirty years since the advanced capitalist countries experienced revolutionary or pre-revolutionary situations. The examples that we can use are based on the revolutions of the past. But, once again, we do not know what the revolutions of the 21st century will be like. The new generations will learn much from experience and many questions remain open.

What we can and must do is to solidly base the parties that we build on a series of "strong" references, drawn from the experience and the intervention of recent years, which constitute a programmatic and strategic foundation. Let us recall them: an anti-capitalist transitional programme which combines immediate demands and transitional demands, a redistribution of wealth, the challenging of capitalist property, social appropriation of the economy, class unity and independence, a break with the economy and the central institutions of the capitalist state, the rejection of any policy of class collaboration, the taking into account of the ecosocialist perspective, the revolutionary transformation of society...

Recent debates have led us to make more precise our conceptions of violence. We have reaffirmed that "it was not the revolutions that were violent but the counter-revolutions", as in Spain in 1936 or in Chile in 1973, that the use of violence aimed at protecting a revolutionary process against violence from the ruling classes.

So in what respect does this new party constitute a change with regard to the LCR? It must be a party that is broader than the LCR. A party which does not incorporate the entire history of Trotskyism and which has the ambition of making possible new revolutionary syntheses. A party which is not reduced to the unity of revolutionaries. A party which dialogues with millions of workers and young people. A party which translates its fundamental programmatic references into popular explanations, agitation and formulas. From this point of view, the campaigns of Olivier Besancenot constitute a formidable starting point. A party which is capable of conducting wide-ranging debates on the fundamental questions which affect society: the crisis of capitalism, global warming, bio-ethics, etc. A party of activists and adherents which makes it possible to integrate thousands of young people and workers with their social and political experience, preserving their links with the backgrounds they come from. A pluralist party which brings together a whole series of anti-capitalist currents. We do not want a second LCR or an enlarged and broader version of the LCR. To make a success of the gamble we are taking, this party must represent a new political reality, follow in the tradition of the revolutionary movement, and contribute to inventing the revolutions and the socialism of the 21st century.

### **To avoid reformist temptations, really build an anti-capitalist party!**

In spite of these delimitations, Callinicos remains sceptical: "The LCR's solution to the problem seems to be to install a kind of programmatic security-lock – commitment to anti-capitalism and opposition to centre-left governments. But this is unlikely to work: the more successful the NPA, the more it is likely to come under reformist pressures and temptations".

Why such fatalism? Why would the development of the NPA automatically lead to reformist temptations? It is necessary from this point of view to make the difference between a "spontaneous trade-unionism" [2], to take up a formula of Lenin, and reformism as a political project and organisation, and even an apparatus... And this "spontaneous trade-unionism", although it can constitute an environment that is favourable to reformist ideas, can also, faced with the increasing alignment of the reformist apparatuses on capitalist politics, move towards radical anti-capitalist, even revolutionary, positions, especially when the capitalist system is entering a phase where it is reaching its historical limits. It is logical, if we build a popular, pluralist, broad, open party, that this party will come under all sorts of pressures. If it did not, that would be abnormal. But why should these pressures be expressed in crystallized reformist positions? There is and there can be a tension between the anti-capitalist character of the new party and the fact that workers, young people, even a series of personalities, join the new party quite simply because they seek a real left party, starting in particular from the interventions of Olivier Besancenot.

These new members can indeed be combative but full of illusions. This is the case with every mass party, even one that is in a minority.

That is when it will be necessary to discuss and educate. That implies even more giving a "strong" content to the political responses of the NPA and carefully maintaining the radical character and the independence of the party.

In the same way, if these parties want to play a part in the reorganization of the social movements, they must be pluralist. Many sensibilities must find their place in their ranks, including "consistent reformist" activists and currents, but that does not automatically mean that the problem is posed in terms of struggles between the revolutionary current and crystallized reformist currents which would have to be fought. The key question is that all the currents and activists of the NPA, over and above their positions on "reform and revolution", put "the class struggle" at the centre and subordinate their positions in representative institutions to struggles and social movements. Of course, we cannot exclude the hypothesis of a confrontation between reformists and revolutionaries. But it is not very probable, with the present political delimitations of the NPA, that bureaucratic reformist currents will join or crystallize... In a first historical phase of building the party, the role of revolutionaries is to do everything they can so that the process of constitution of the party really does give birth to a new political reality. That implies that revolutionaries avoid projecting the debates of the former revolutionary organization into the new party. As soon as the NPA has taken off, there will of course be discussions, differentiations, currents. Perhaps certain debates will correspond to cleavages between revolutionary perspectives and more or less consistent reformism. But even in these cases, the debate will not take the form of a political battle opposing a bureaucratic reformist bloc to the revolutionaries. Things will be more mixed, depending on the experience of the new party itself.

### **Is it necessary to organize, in a separate way, a revolutionary current in the NPA?**

There too, there is no model. In many anti-capitalist parties, there are one or more revolutionary currents, when these parties are in fact fronts or federations of currents. This is the case of the militants of the Fourth International in Brazil, in the framework of the "Enlace" current. Without organizing themselves as political currents related to the national political life of these parties, certain sections of the Fourth International can be organized in ideological associations or sensibilities. This is for example the case of the ASR within the Left Bloc in Portugal, and of the SAP within the Red-Green Alliance in Denmark. We can also find this type of current in other broader organizations or parties. This schema does not work for the NPA.

First of all for fundamental reasons, namely the anti-capitalist and revolutionary "in the broad sense" character of the NPA, and the general identity of views between the positions of the LCR and those of the NPA. There are and there will of course be political differences between the LCR and the NPA, a greater heterogeneity and a great diversity of positions within the NPA, but the political bases under discussion for the founding

Congress of the new party already show political convergences between the ex-LCR and the future NPA.

Also, even though the NPA already constitutes another reality than the LCR, even though it is the possible crucible of an anti-capitalist pluralism, it is not justified today to build a separate revolutionary current in the NPA.

There is also a specific relation between the ex-LCR and the NPA. The ex-LCR represents the only national organization taking part in the constitution of the NPA. There are other currents, like the Fraction of Lutte Ouvriere, the Gauche revolutionnaire, communist activists, libertarians, but there are not, unfortunately, at this stage, organizations of a weight equivalent to that of the LCR.

If that had been the case, the problem would be posed in different terms.

In the present relationship of forces, the separate organization of the ex-LCR in the NPA would block the process of building the new party. It would install a system of Russian dolls which would only create mistrust and dysfunctions.

Lastly, the NPA does not start from nothing. It results from a whole experience of members of the ex-LCR, but also of thousands of others who have forged an opinion in a battle to defend a line of independence with respect to social liberalism and reformism.

There is thus a militant synergy within the NPA, where revolutionary positions intersect with other political positions coming from other origins, other histories, other experiences. Only new political tests will lead to new alignments within the NPA, not former political attachments...

It is an unprecedented gamble in the history of the revolutionary workers' movement, but the game is worth the candle.

We will advance as we walk...

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► *François Sabado is a member of the Executive Bureau of the Fourth International and of the National Leadership of the Revolutionary Communist League (LCR, French section of the Fourth International).*

## NOTES

[1] John Rees, "Anti-capitalism, reformism and socialism", International Socialism, second series, number 90 (2001), p. 32

[2] A formula of Lenin's evoking the spontaneous trade-union reaction or feeling of workers to defend their conditions of work and existence and their demands

## Fourth International

# Taking the measure of the crisis

*François Sabado*

**From the beginning of the "subprime" crisis of September 2007, we noted that this banking and financial crisis was the forerunner to a total economic crisis, that marked a historical turning point in the world economy and situation. Today, for all commentators, the historical bench mark for estimating the extent of the crisis is "the crisis of 1929", with differences... but it is of this breadth.**



Evening Standard, London, headline in October 2008

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In fact, this crisis of 2007-2008, is at the crossroads of several historical changes.

### 1. Generalized systemic crisis

A new depression of the recessionary long wave which started at the end of the 1960s has, combined with the world ecological crisis, reached the "historical limits" of the capitalist system. Immanuel Wallerstein is correct to locate this crisis at the crossroads of a systemic crisis and a historical phase of capitalist decline which started nearly forty years ago, but we cannot speak, as he does, of an "end of capitalism", because there is no "situation without exit for capitalism"... until its overthrow. This crisis

is not a crisis of short cycle, an economic crisis, it is a structural crisis. It illustrates well the historical limits of the capitalist system. For the first time in history this system covers the whole planet: there is a world market of generalized commodity production and a world market in labour power. No sector of the economy escapes not only domination but integration into the capitalist system. And this extension/generalization of capitalism occurs in a world economy marked by a recessionary wave which has lasted for nearly 40 years. It is a system where "production for production" runs up against the limits of the solvent demand of millions of employees, peasants, and workers, and where its logic of search for capitalist profit rather than the satisfaction of the social needs of the peoples leads to ever stronger crises of over accumulation of capital and overproduction of goods. The explosion of fictitious capital, of a financialisation of the world economy, a generalized debt can up to a certain point push the limits of the system, defer the reckoning, but sooner or later its major contradictions lead to crises.

They succeed each other, at increasingly close intervals. Six crises in fifteen years: the Mexican crisis in 1994, the Asian crisis in 1997, the Russian crisis in 1998, the Argentine crisis in 2001, the Internet bubble crisis in 2001, the subprime crisis in 2007... The current crisis is qualitatively more important because it is no longer the periphery but the centre of the capitalist system which is affected. More importantly, something new in history is the conjunction of an economic crisis with multiple dimensions like the food crisis, that of raw materials and a major ecological crisis in which global warming is one of the most serious dimensions. The ecological crisis will worsen because it combines with a capitalism in crisis. "Green capitalism" is the response of the dominant classes to this crisis. But the logic of the search for profit above all else combined with the capitalist mode of management and the destruction of the public services can only lead to new catastrophes as in New Orleans or in poorer countries.

From this point of view, you do not have to be a catastrophist to envisage catastrophes...

I do not know if we are or are not at the end of the recessionary long wave that started at the beginning of the years 1970, but in any case we are in a systemic generalized crisis ... A crisis which will last.

Because to exit from the recessionary wave factors exogenous to economic logic are needed, in general political factors, wars and/or revolutions... These big breaks are not yet on the agenda, immediately, this will last, will get worse and while waiting, the cost of capitalist domination is likely to be ever higher, with increasingly significant recurrent crises, situations of stagnation and economic and social degradation, ecological or human disasters, in particular for the poorest countries and people. The productivist choices of a capitalist economy in crisis, with recession, devalorization of capital, reduction of public budgets, will also worsen the world ecological crisis.

## 2. Exhaustion of the neoliberal model of accumulation

This historical change is expressed in the crisis and exhaustion of the global neoliberal model of accumulation which has been exploded by the US economy. The origin of this crisis is the Washington consensus, a series of defeats and social setbacks of the 1980s and the early 1990s, a clear degradation of the overall relation of forces between the classes to the detriment of the world of labour. There has been a considerable fall in real wages and the share of wages in wealth produced, generalized deregulation, privatizations of the public services. Between 1980 and 2006 the share of wages went from 67% to 57% of wealth produced in the majority of the fifteen OECD countries. It thus lost 10 points and the share of profits increased by the same amount. According to the International Labour Organisation (ILO) in its 2008 "World of Work Report" "The largest decline in the share of wages in GDP took place in Latin America and the Caribbean (-13 points), followed by Asia and the Pacific (-10 points) and the Advanced Economies (-9 points)". It is an "exceptionally low level by historical standards", according to Alan Greenspan, former director of the US Federal Bank.

Profits thus increased considerably but they were not reinvested in production, they went where there were more "profits", namely the financial markets. This logical mechanism led to a durable fall in investment: in 2005, for the United States, Europe and Japan the rate of profit increased by 5.5% and the rate of investment by only 2%. This mass of profits not reinvested in production flooded the financial markets: in the USA, in 2005, financial investment increased by 21% and financial profits by 150%. In 2006, at the apogee of the financial markets, the transactions on these markets represented 50 times the amount of the gross domestic product (GDP) of all the countries of the world! Whereas world GDP rose to 45,000 billion dollars, transactions rose to the astronomical sum of 2,100,000 billion dollars. These differences between wages and profits as between profits and investments were thus filled by the explosion of finance, the luxury goods industry and the search for new markets in China and in the ex-eastern bloc countries. In the United States, generalized debt substituted for the fall in wages: household debt went from 62% of disposable income in 1975 to 127% in 2006. And the trade deficit - 700 billion in 2008 - was financed by the investments of Chinese capital or "sovereign" funds which replaced the decline of US industry... of which a good part relocated to Asia.

This approach to the crisis is important because it does not counterpose a "financial capitalism" predatory on the economy to a healthy "entrepreneurial" capitalism. It is the internal logic of capitalism which seeks maximum profit, punctures wages and leads financial capital (which, for decades, already amounts to the merger of industrial and banking capital) into ever more speculation.

This model is today exhausted. The billions of the Paulson Plan have contained the banking and financial

crisis... but until when? We will know only in several months the breadth of "toxic" products throughout US and world banking structures, especially after the last modifications of the Paulson plan which consist in leaving the "toxic" credits on the banking markets.

The Stock Exchanges have broken down: down by 50% on the main markets, or 25,000 billion losses in stock exchange capitalization. The injection of thousands of billions into the banks and the fall in interest rates have not restarted the economic machine. The hypothesis of an acceleration of the fall of the British pound can lead to a situation where Great Britain cannot continue to borrow and thus refund its debt. The Icelandic bankruptcy is today the nightmare of the dominant classes in the world. The economic deceleration, recorded before the financial crisis, and maintaining the contraction of credit (the "credit crunch"), transforms the crisis into generalized economic recession: lower activity, lower consumption, restructuring, dismissals. Unemployment is rising in all the advanced capitalist countries. The International Monetary Fund (IMF) envisages for 2009 world growth of around 3%, even less, which would pan out in the form of growth of 0% in the United States and in Europe and 6% in the rest of the world. It estimates the number of unemployed at 25 million. In the United States nearly 1.2 million jobs have been destroyed since the beginning of the year, including 240,000 in October alone. The cars sector has broken down. General Motors and Ford require public funds to start again! Thousands of dismissals are envisaged at Renault, Volvo, Seat as well as among equipment suppliers and subcontractors.

We referred previously to the crisis of 1929: there are many common points in the extent of the current crisis but also great differences. The first is that, fortified by experience, states and the governments have intervened to contain it. The second – as we have already indicated, and we cannot measure all its consequences - is the interpenetration of the national economies in a globalized world capitalist economy. This internationalization amplifies the crisis. The global commodity economy has penetrated all the sectors of the economy, the rural world, the countries of the ex-third - world and, because of the restoration of capitalism, what was known as the "second world" (the ex-USSR and its "bloc", China, Indo-China). The shock waves of the crisis are global. But this "internationalization" can also absorb the shock and defer its effects. It is within this framework that a question arises: can capitalist development in China and the BRIC countries (Brazil, Russia, India and China) limit the effects of the world-wide crisis?

There are already the elements of a response. The growth of the BRIC countries cannot avoid the crisis. The theory of "decoupling" between the world recession and China has not been confirmed. Growth in China and Asia is also affected by the world recession: the dependence of Chinese exports on the capacity of absorption of the US and European markets weighs directly on their economic equilibrium. The forecasts for Chinese growth have gone from 11% to 7%. It is a significant reduction. In recent months more than 3,000 factories have been closed in the

area of Canton. Will this growth, even reduced, be sufficient to absorb the shock of the world-wide crisis? That raises another question: will the Chinese domestic market have developed sufficiently to restart the world economic machine? That supposes a certain level of wages, a certain development of infrastructures and public services in China. Political questions which relate to the class struggle and the political struggle inside society and the ruling party (the CPC).

But beyond the questions on the place of China in its relationship with the world economy, the crisis in the United States and in the Euros zone has only begun. We are in its first phases. The bourgeois economists are themselves in panic. Pessimistic forecasts abound. The cumulative effects of the crisis are difficult to envisage. But in the coming months, activity will be increasingly reduced, credit conditions will harden, company bankruptcies will multiply, dismissals and unemployment will explode, and consumption will be reduced. This will be also the occasion for the great capitalist groups to restructure, intensify productivity, lay off employees and lower wages. That will have effects on world trade with greater competition. The transformation of the recession into deep depression is not excluded. We cannot envisage the rhythms, the comings and goings, but the prospect for the months ahead is crisis.

### 3. Decline of the United States?

The USA remains the dominant power in the world economy and politics. But a series of factors have degraded this position. The crisis at the very heart of the Empire, the evolution of the relationship between the USA and China, and the weakening of the dollar pose a central question: is US hegemony over the world called into question... Is the political cycle opened in the 1980s-1990s, around the fall of the Berlin wall, now being closed again?

The victory of Obama is a historic event. It is necessary, from this point of view, to distinguish two things, the immense significance of the victory of Obama for African-Americans, for black people and more generally the poorest, for the whole world, and the policy which he will carry out, that of the capitalist class and the US political-military machine. The latter, as well as the leadership of the Democratic Party, chose Obama because the US position was so weakened that what was needed was not only a new face but a new team which in a certain way reflect the new relationship of forces and again takes the initiative. It is too early to measure all the consequences of Obama's coming to power, but this historical event - the election of a black president in the USA - can be understood only by recording the US retreat in the world. This retreat required a significant change - this is what explains the choice of Obama rather than that of Hillary Clinton within the Democratic Party. It is also the reason for the support of the main sectors of the dominant classes for Obama. The crisis did the rest... Because for millions of Americans, to vote Obama was also to sanction the Republican right and the Wall Street elite. What will Obama's policies be? He has spoken a lot

about social security, a new tax policy, new environmental policies, withdrawal of the troops from Iraq. On withdrawal, the timescales are being diluted over time. On the economic and social questions, it is probable, in the continuity of his support for the Paulson plan, that he will make wage earners and the popular classes pay for the crisis.

But beyond the US elections, there is a decline of the US share in world GDP, a decline accentuated by the current crisis (let us recall that the IMF envisages zero growth for the United States, Japan and the Euro zone in 2009). A decline expressed by the inversion of flows of capital on a world scale: the latter now come from China, the emergent countries and their "sovereign" funds towards the United States.

The weakening of the US position is also reflected when we discuss the hypothesis of accompanying the dollar as currency of reference by other currencies, the euro or the yuan. At this stage the dollar is holding up well, supported by the value of the investments made in the USA. But the crisis is likely to weaken the position of the US currency. Because, beyond these monetary discussions, there are new relations of economic forces which are emerging in the world economy. The economic crisis will also lead to a new phase of competition which will sharpen relations between the United States, Europe and Asia. Multipolar relations are restructuring the world. The US position is weakened, in particular from the economic point of view, but let us not forget that it remains decisive on the political-military plane. Even if the United States meets sizeable obstacles in Iraq and Afghanistan and their capacities of intervention in other parts of the world are weakened (as in Latin America or on the borders of Russia), they remain hegemonic at the military level.

And they will make use of it. The sharpening of economic competition, the fight for control of the oil resources or the production of raw materials, the strategic requirements in relation to China and Russia, and the control of Latin America in relation to Cuba and the "progressive regimes" (Venezuela, Bolivia, Ecuador) can lead them into new military interventions. The Georgian crisis is a good example of US military adventurism in a context of accentuation of inter-imperialist contradictions. The situation in Iran will be, from this point of view, decisive in the months to come.

#### 4. "Return of the State"?

Behind this question, there is the discussion about the assumption of a change in bourgeois economic policies, of a certain break with neoliberal policies. The dominant classes will try to respond to the historical changes produced by the crisis. Their "model" and even more, the political and ideological representation of the model, do not function any more. But at this stage, it is necessary to distinguish discourse from facts. The discourse can be very "regulationist", but to our knowledge, none of the US or European government decisions call into question the hard core of neoliberal policies. The only initiative which deserves to be stressed is the renationalization of pensions

in Argentina, even if it also helps the Argentine authorities to manage debt servicing. As for the nationalizations of the Banks, these are partial and temporary nationalizations which only serve to socialize the losses.

We are very far from the political relations which had dominated, for example, the situation in the post-war period. There are, indeed, a series of official interventions, in particular on the banking level, where the State comes to the aid of the capitalist economy, or in some way "socializes the losses" but there is no return of the state... because the State never left. There were changes in the modes and functions of the state but it always remained an instrument of neoliberal policies. All the theories of Negri and Hardt on the "disappearance of states in the Empire" are again invalidated by the facts. What is true is that neoliberal policies pushed back "the social state" notably to the benefit of "the penal State", but the hard cores of the state remained and the return of "the social State" is not on the agenda.

To our knowledge there is no Keynesian revival, in the sense where priority would be given to increasing demand through wage increases or a policy of defence and extension of the public services. On the contrary the pressure on wages, employment and public services will continue.

Therefore, no "New Deal", no recovery plan in Europe, no neo-Keynesian return! The dominant classes, beyond speeches or gesticulations, remain committed to their neoliberal policies. No significant measure to "re-regulate" either. It is true that the "New Deal", like the Keynesian changes, resulted from waves of struggle in the United States at the beginning of the 1930s, or in Europe. To exit from the capitalist crisis of the period, the Second World War was needed... thus enormous changes in socio-political relations... There will be no changes without broad social struggles. That relativizes all the discourse on this "return of the State".

On a more general political level, the crisis will accentuate class polarizations and could put on the agenda, for the dominant classes, authoritarian solutions which will take immigrants in particular for their target,

Another question about inter-state relations concerns Europe. We have heard and above all seen a number of gesticulations, in particular from Sarkozy, on the revival of political Europe. We have seen many European meetings, but not the equivalent of a Paulson plan on the scale of the European Union and above all a revived competition, for example between France and Germany, on the level of operations of banking reorganization and concentration. Each state apparatus takes care of its own interests.

#### 5. New configuration for the labour movement and the social movements?

Here again it is too early to analyze all the consequences of the crisis on the labour movement. The dominant classes have just undergone a political and ideological defeat. That gives new space for anti-neoliberal and anti-

capitalist ideas, but this is within an overall relation of forces which remains unfavourable to the world of labour. It is necessary, now, to follow in detail what will occur at the level of social struggles in the societies affected by the crisis, in the cars sector for example. But also more broadly in all the sectors of the world of labour. In general in the first months of the crisis, there is fear, paralysis, disorganization. But then the accumulated potential, the existence of a strong public sector can give points of support to resistance to neoliberal governments of the right or the left. The existence of partial struggles against dismissals in France, like the exceptional mobilization of youth in Italy show that in countries which have until now had combative social movement, there is social resistance. The two month strike by the mechanics of Boeing in Seattle goes in the same direction.

We said that there was no change of course for the dominant classes but nor is there any change of orientation by social democracy and its allies. The crisis will involve upheavals throughout the left and the labour movement, and the gap between the elementary defence of the living and working conditions of millions of wage earners and the adaptation by the apparatuses of social democracy and its allies to the management of liberal capitalism will deepen. There may be some oscillations to the left but at this stage social democracy will maintain its overall social liberal orientation, in relation to privatization, wage increases and relations with financial capital. The confirmation of the social-liberal orientation of the leaders of social democracy could deepen the internal crisis of certain social-democrats, indeed cause the emergence of left currents of left and even of small left splits as in the PS in France. This evolution is often presented a return to a traditional social democracy. Some of these currents take a step to the left but they have as reference the policy of Die Linke and in particular its policy of alliances with social democracy to govern.

The crisis also will strike the global justice movement: some currents will be radicalized while orienting towards a break with capitalism, others to centre on "realistic" proposals. This is the case of the president of ATTAC-Germany who recommends new regulations of capitalism through the governance of a "G23", i.e. a "G20" extended to the new powers of Asia and Latin America.

In the same direction, that of adaptation, it is necessary to underline the extent of the process of integration of the trade-union leaderships in the economy and the institutions, in particular in Europe. The strategy of the ETUC and the trade-union leaderships is confined, faced with the crisis, with proposals which are presented more in the form of good intentions than as concrete measures: less credit for speculation, better control of the banks, control of tax havens, reform of the rating agencies, changes in accounting standards, regulation of speculation funds. As the leaders of the European Union have just rejected any plan for economic recovery and any mechanism constraining the financial markets, the trade-union leaderships remain stuck within the neoliberal framework.

## 6. Some programmatic axes in relation to the crisis

The situation requires a "programmatic redeployment". With the crisis neoliberal policies have undergone a stinging failure. Two questions are again central, the distribution of wealth and the question of ownership. In the coming social struggles, there is a formidable point of support: thousands of billions of dollars granted to the banks... in a few hours or a few days... whereas the coffers are always empty for wage earners, the unemployed, and the people. It is necessary to reverse the tendency taken for 25 years in the distribution of wealth, to devote this wealth to employment, wages, social security, public services and not to financial speculation. The management of the crisis, the bankruptcies of banks and companies place on the agenda the problems of organization of the economy: by whom? And at the service of who? Will we leave the fate of millions of people in the hands of the profiteers, speculators, and the creators of mass unemployment? We need public and social intervention, public ownership or the nationalization of the banks and companies under the control of the workers.

Many questions, topics and demands can pass from propaganda to agitation, from general explanations to specific proposals, to objectives of mobilization or struggle.

a) The starting point on the social emergency: defence of employment against dismissals, creation of public employment, wage increases, a halt to privatizations. It is not the workers who should pay for the crisis, it is the capitalists. "Save the people, not the banks!"... This is the approach which must be ours: to defend the working and living conditions of millions of workers who are hit by the crisis and to state this policy in concrete demands which will mobilize in unity the whole of the labour movement and the social movements.

b) On the financial and banking crisis, there are a series of documents which can be points of support: the Caracas declaration, interventions and documents from left economists in Argentina, the Beijing appeal. These documents stress demands against financial deregulation, for taxes on financial transactions and tax havens, non-payment of the debt, control of capital, the lifting of bank and commercial secrecy, the nationalization of the banks without compensation and their creation as state and para-state bodies, like the Bank of the South supported by Cuba and the progressive regimes. We must support this programme of demands and partial rupture with imperialism and globalized financial capitalism, in particular by the expropriation of the imperialist trusts which have appropriated the natural resources and the key sectors of the economy in many countries of Eastern Europe, Africa, Asia and Latin America.

This program must be counterposed to nationalization or state control of a "temporary" or "partial" kind. It must be accompanied by a questioning of the private ownership of

banking, by full nationalization of the whole banking, financial and credit structure. This nationalization, so as not to revert to the "old" nationalizations, must be accompanied by the control of the workers, employees and people.

c) Facing the bankruptcy of the banking structure or the collapse of certain sectors like large companies, if it is necessary, to save employment, to make incursions into the private ownership of these large companies, we should not hesitate to go in this direction by defending their nationalization under workers' control.

In the discussion between reformists or regulationists and anti-capitalists or revolutionists there is the question of challenging property. We do not defend only a new distribution of wealth but also a change in the relations of ownership. We want to replace the private ownership of capital and the big companies by the public and social appropriation of the economy through control or management by the workers. That must impel us to restore life not only to a series of transitional measures but also to the actuality of socialism, with the taking in charge of the economy by the workers.

In this socialist combat, there is an ecosocialist dimension, in connection with another economic model, based on the struggle against global warming, another organization of transport policy, energy policy, the struggle against pollution and the degradation of neighbourhoods and the countryside. It is necessary to start from the demand for durable development in the ecological area to restore some meaning to the idea of economic planning. Here too the crisis will lead to clarifications.

The implementation of these programmes requires governments at the service of the workers, relying on the mobilization and self-activity of the popular classes. This battle - and it is a central battle today - implies the rejection of any participation or any support for social liberal governments managing the business of the state and the capitalist economy.

More than ever, this crisis must lead us to combine the social emergency plan, measures of radical transformation of the economy and socialist solutions around the management of the economy by the workers and the people, it is the content which we give to the socialism of the 21st century

*François Sabado presented this introductory report at the debate on the international situation at the meeting of the Executive Bureau of the Fourth International on November 15, 2008.*

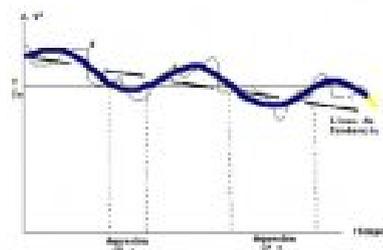
► *François Sabado is a member of the Executive Bureau of the Fourth International and of the National Leadership of the Revolutionary Communist League (LCR, French section of the Fourth International).*

## Economy

# A crash course in capitalism

*Claudio Katz*

**The seism on Wall Street has surprised the world Establishment. At the summits of power, panic and alarmist declarations dominate. Everyone is absorbing an event which could be the beginning of a change of epoch. The comparison with the fall of the Berlin Wall gives some indication of this historical dimension.**



The present crisis started to incubate in June 2007, with the collapse of the insurance funds managed by Bear Stearns, and demonstrated its force with the nationalization of the British bank Northern Rock. From this gestation we moved on to events the profundity of which is obvious to everyone.

### Dimension and costs

The rapid conversion of problems of liquidity into insolvent deficits illustrated from the beginning the enormous dimension of a crisis which could not be contained by partial patching up. The reduction of interest rates proved to be useless, just like the attempt to form rescue funds managed by the banks. Nor was making large sums of money available or the assistance of the external sovereign funds sufficient.

The government of the United States undertook several contradictory initiatives to attenuate the explosion. By allowing Lehman Brothers to go bankrupt it opened up the possibility of a brutal cleansing of the banks which were failing and tried to place certain limits on rescue operations. It thus granted the Federal Reserve full powers to judge who should be saved and who could be drowned. But since that sowed terror among financiers, it quickly backtracked.

The opposite alternative, aiming at nationalizing all the losses, was consolidated by the nationalization of AIG. The official support granted to the largest world insurer (and to its gigantic portfolio of pension funds) thus supplemented the previous rescue of Fannie Mae and

Freddie Mac, which finance half of housing in the United States. The fact that these semi-public institutions were contaminated indicates to what point the initial problems of bad quality debts (subprimes) had already been surpassed.

The new series of nationalisations came to the aid of the latest victims of the hurricane: hedge funds, venture capital funds (which operate with highly speculative financial products) and money market funds (which accumulate investments that are less audacious and not without government guarantee). But in fact it was the commercial banks that constituted the critical point.

The bankruptcy of Washington Mutual inaugurated the collapse which threatens to extend to 117 minor entities surveyed by the FDIC (the official guaranteeing body). Certain estimates forecast that the last rites will be said over half of the 8,500 US banks. In any case, the crisis has already reached the investment banks (which raise money directly in the financial circuits) and is affecting the entire system, with interbank operations becoming paralysed and insinuations of deposits being in danger.

We are also seeing a vertiginous wave of acquisitions within this framework. Merrill Lynch was captured by Bank of America, Bear Stearns was taken over by Morgan Stanley, Wachovia passed into the hands of Citigroup (or Wells Fargo) and Goldman Sachs put its package of shares up for sale. This virulent change of owners extended on an international scale, with the acquisition of Britain's HBOS by Lloyds and the absorption of subsidiaries of Bradford and Bingley by the Spanish bank Santander.

Some buyers (Barclays) are pocketing the small change of their old competitors (Lehman) or foraging among their leftovers. The result of all that will be a new level of banking concentration. Those who will survive their gambles (possibly the trio JP Morgan Chase, Bank of America and Citigroup) will take the leadership of the whole of the American financial system. This centralization is being preceded by a furious devaluation of the capital concerned, handled up until now in the financial sphere.

Another option underway is that of the nationalization of toxic mortgages, an option that Congress is examining in a climate of blackmail by the Stock Exchange. The financiers (presented as "the market") demanded government aid to stop the economy going under ("restoring confidence"). They asked the government to purchase the depreciated securities in order to revalorize them before reselling them.

This rescue resembles that obtained by Mexican financiers in 1995. There too the state bought the devalued securities, thus cleansing companies' balance sheets, and marketed bonds at a pure loss for the state budget. The speculators had created a climate of panic so that this new swindle would come as a blessed relief.

But this time the shameless aid brought by the state to those responsible for the collapse produced an indignation against the bankers which called into question their sacrosanct rules of the free market. This rejection of Wall Street - which had not been seen since Roosevelt's time - obliged the legislators to incorporate some restrictions on

the blank cheque initially asked for by the Federal Reserve. The amendments thus include tax reductions of various kinds, to create the illusion of a more equitable distribution of the load.

The widespread malaise expresses, moreover, a massive intuition that there has been a useless waste of resources. If the future confirms that two thirds of mortgage credits are completely irrecoverable, a mountain of money will have been frittered away. It is obvious that no financial engineering can resist the continuing collapse of property prices, nor the unending deterioration of the income of house-buyers.

For this reason Congress is also sponsoring a certain form of renegotiation of mortgages between those in debt and the banks, with the mediation of the state. But only a context of economic recovery - which appears distant - could provide support for such an initiative.

For the moment, what predominates is a crisis without an foreseeable solution, which has put into question all the neo-liberal principles. In a climate of state intervention and subsidies, the regulator is welcome and the market is challenged. But as the rescue is not free, it will be necessary to resort to an operation whose cost is unknown. The emission of securities on securities was so sophisticated that nobody is in a position to calculate the amount concerned. In July 2007 the Federal Reserve estimated the losses at around 50 billion dollars. At the beginning of the year 2008 the figure leapt to 512 billion dollars and current evaluations turn around 1,000 to 2,000 billion dollars. How will such a bill be paid?

The great banking crises of recent decades had colossal costs for the underdeveloped countries. They represented 55.1 per cent of the Gross Domestic Product (GDP) of Argentina (1980-1987), 55 per cent of that of Indonesia (1997-2004) and 34 per cent of that of Thailand (1997-2004). But this percentage hardly reached 3.2 per cent of GDP at the time of the last great financial rescue operation in the United States (1981-1991). This is the first time in decade that the leading world power will have to face a full-scale financial loss.

### **Global recessionary impact**

The outbreak of the crisis transformed the economic slowdown into a clear recession. Braking is already perceptible in the fall in investment, the stagnation of consumption and the fragility of US exports. The discussion between the optimists and the pessimists with regard to the future level of economic activity has already been settled by a common diagnosis of a drop in GDP.

There are already no more margins making it possible to act by reductions in the interest rate, while the financial operation aiming to take over losses and purge portfolios precipitates the contraction of credit and a deflationary escalation. Since the 1960s all recessions precipitated by collapses of the property market have been long-lasting.

Consumption on credit, which held up the US economy, has been hit head-on and we are headed for a profound social crisis. The desperate debtors who abandon their

homes to avoid liquidation are the first victims of this nightmare. The disorder in the housing market threatens a population already irritated by the rise in the price of petrol, and which fears unemployment in a country that does not have significant social protection. This climate increases indignation against the executives of Wall Street, whose revenues have, over the three last decades, gone from 40 to 344 times the wage of the average worker.

The international role of the US economy is determining the accelerated transmission of its recession. Wall Street alone handles a volume of funds higher than that of all the European Stock Exchanges. The United States concentrates 20 per cent of world GDP, but its imports determine world trade and its transnational corporations set the tone for the production of the whole of the planet. Moreover, the leap that globalization represents has increased the international synchronization of business cycles.

The initial hope of a cyclical decoupling led by Europe was abandoned following

The nationalisations which followed the US wave (Fortis in the Benelux countries, Bradford and Bingley in England, Glitnik in Iceland...). The old continent is confronted with the same problems of irrecoverable debts as the United States, while carrying out, moreover, a tough monetary policy which is trying to homogenize different national situations around the euro .

The crisis has not only undermined this attempt but divided the governments, between the partisans of a general recovery fund and the promoters of rescues taken in charge by each national budget. This rupture obviously indicates that the health of the banks is very differentiated across the region. Moreover, any European attempt aimed at supporting the project of neo-liberal unification through high interest rates is seriously threatened by the slowing down of economic activity which it would impose.

For its part, Japan did not resist the recession either, having furthermore to face up to its own depression. The Japanese economy has less autonomy than that of Europe to exert pressure outside its own narrow field of influence. It had hardly started to recover when it was hit head-on by the US collapse.

The compensatory role that some were hoping would be played by China and India has been diluted, because there is no locomotive capable of pulling a train which has completely derailed. There has been much discussion as to whether China would be able to resist the world slowdown because of the expansion of its internal market. Certain economists have put forward this possibility, whereas others ruled it out, pointing out the dependence of the US market on growth in Asia. But in any event the possibility of China acting as a counterweight was only conceivable in the case of a moderate slowdown in the centres of the world economy and not in the case of the brutal recession which has taken place. This is why the decoupling that was announced is tending to be transformed into a recoupling of Asia to the general crisis.

## Comparisons

Many analysts are seeking in preceding crises a guide to imagining the possible developments of the current shock. The initial analogies with the stock exchange crash of 1987 or the bursting of the technological bubble in 2001 have already been completely left behind. In both cases it was shares that were involved and not housing, and none of these crises led to banking collapses. They precipitated only recessions of limited intensity and duration, which the reactivation of consumption absorbed within a relatively short time.

The fact of ruling out the resemblance to these declines in economic activity, whose impact was weak, has led to generalized comparisons with the depression of the 1930s. Many economists underline the points of coincidence with this traditional antecedent of generalized collapse. But they are comparing the possible depth of the fall and not the modalities of the crisis. Will the intensity of the drop in production and of social regression attain this scale? For the moment this is an unknown factor. But the dynamics of the process that is underway show many differences with the road which led to 1929.

The measures which were applied eighty years ago after the crash were this time implemented in an anticipated way. The injection of liquidities that has been carried out over the last few months would have horrified Hoover [1], and provoked applause from Keynes. Similarly, at present they are limiting the fall of the banks and not envisaging increases in interest rates. It will have to be seen whether these measures attenuate economic collapse or if, on the contrary, they worsen it. But they are being employed in an international context that is very different from the past.

During the 1930s the present-day intertwining of capitals did not exist. Nor was there any coordination between the Federal Reserve and the central banks of Europe and Asia. Instead of there being international currency of reference, a conflict then reigned over who would inherit the primacy of the pound sterling and it was in function of this aspiration that the great powers devalued their currencies. The protectionist context of commercial sectors engaged in a struggle with each other is also very far removed from the present-day interconnection that is imposed by the transnational corporations.

The Great Depression led towards a military confrontation and to war between the principal powers, something which no one any longer envisages at the beginning of the 21st century. A military confrontation between the United States, Europe and Japan is unimaginable.

Another fashionable comparison presents the stagnation of the Japanese economy as a mirror of what is waiting for the United States. This Asian economy experienced a very similar property bubble: prices tripled (1986-1991) before collapsing by two thirds. But Japan hesitated to implement the measurements that have been quickly orchestrated by the United States, thus confirming the distance which separates a subordinate power from a dominant power. Moreover, the Japanese economy has

never acted as the locomotive of the world economy and, depending on US military protection, it re-modelled its economy by commercial and monetary measures (reevaluation of the Yen and opening up of its economy). Measures that nobody dares to suggest in the United States.

Perhaps the most adequate comparison with the current economic collapse would be with what happened in 1975-1976. This crisis put an end to a stage (the boom of the post-war period) in the same radical fashion that the collapse of 2008 could put an end to neo-liberalism (founded by Thatcher and Reagan). In taking into consideration this historical reference it is necessary to take into account the measures which lead to significant modifications. Three decades ago these sharp turns were the inconvertibility of the dollar (1971) and the increase in interest rates (1978). The current crisis will certainly include transformations on this scale and we will know fairly quickly whether these measures, which have already been adopted, will attenuate or on the contrary exacerbate the intensity of the upheaval.

### **The barometers**

Rather than trying to guess the future extent of the crisis, it is more productive to characterize its tendencies. Their contours are concentrated in the weaknesses and the resources accumulated by the leading world power.

The indicators of American fragility are visible, in particular in the political field. Bush is a corpse of the neo-conservative project, undermined by the adventure in the Middle East. This military adversity limits the capacity of American imperialism to transfer the crisis to its competitors.

But the sudden loss of presidential authority to act in the face of a banking collapse is more significant. It is not the proximity of the elections which have eroded his power, but really the division in the United States elite faced with the seism on Wall Street. There has not been such a volatile scenario since the time of Nixon.

The economic weaknesses of the United States are also well-known. A trade deficit of 6 per cent of GDP does not make it possible to turn towards an export-based model, after so many years of buying euphoria. The country has the biggest debts in the world, half of its Treasury bills are in the hands of foreigners and it is approaching a record tax deficit.

But the other face of this reality is the ability shown by the Federal Reserve to protect the dollar and the Treasury bills from general collapse. Up to now it has proved capable of conducting a controlled fall in the American currency, preserving a rate that is attractive for the inward flow of capital and at the same time stimulating exports. Since the two levels are contradictory, for them to maintain the equilibrium requires a great predisposition of the creditors to maintain the monetary primacy of the United States. This subordination has continued up to now, in spite of the economic and financial collapse.

During the fall of Wall Street the predisposition of capital for quality favoured the currency which was in great danger. The capitalists of the whole world paradoxically took shelter by acquiring the dollar and its Treasury bills, i.e. the currency and the bills which were formally the most threatened. No other economy could provoke such a reaction, which obviously flows from the central role of the United States in the reproduction of world capitalism.

This reaction of complicity is based on the protection which the Pentagon guarantees to all the ruling classes. This is a decisive guarantee which modifies all the conventional models of evaluation of the economic process. It is important to point out this characteristic, in order to avoid analyzing the US economy with parameters identical to the analysis of any other nation's economy.

The dollar serving as a refuge also illustrates the increasing internationalization of exchanges around a currency which monopolizes 70 per cent of world trade and 65 per cent of world reserves. By supporting the dollar the majority of the world's creditors are defending their own skin.

After the tsunami that we have seen over the last few weeks it is difficult to imagine a simple continuity of this monetary hegemony. If it manages to maintain itself as the world reserve currency, the dollar will have to adapt to the new relationships of forces which emerge from the crisis. The acceptance of a greater presence of foreign banks in the United States (by reducing old restrictions on it) could be part of this adjustment. The transfer of the shares of Morgan Stanley to China Investment and to Mitsubishi, the sale of Goldman Sachs to Sumitomo Mitsui and the transfer of the external operations of Lehman to Nomura anticipate this tendency.

However the possibility of a rupture of the monetary system, which would oblige the dollar to share its domination with other currencies, cannot be excluded. In this case we would see the appearance of geographical monetary zones, similar to the competitive model of the inter-war period. Until now the indices of such a possibility do not exist, because contrary to the past no country is aiming to establish its power by crushing the dominant imperialism. But the candidates for the division of power in the world will not accompany the dollar to the point of suicide, if the US currency collapses. The various scenarios that are possible thus depend mainly on one factor: the extent of the crisis.

### **The orthodox and the heterodox**

Interpretations of the crisis are more important than descriptions of it or forecasts. The orthodox economists have remained devoid of arguments, confronted with a collapse which refutes all their principles. They maintain a low profile while waiting for the storm to pass, and even find certain justifications for their approval of the nationalisation of the banks. But as the hypocrisy of neo-liberalism has been revealed to the light of day and its spokesperson are discredited, we can expect the

ideological retreat of the right-wing ideas that have been the most influential over the last several decades.

We can still hear voices which explain what has happened by "insufficient control over credit" and the granting of "bad loans" to "doubtful customers". But the generalized impact of the housing bubble indicates that it was not a question of occasional errors. The bad quality loans became massive because of the competition that the banks were engaged in, taking advantage of permissive legislation.

The financial collapse also calls into question orthodox confidence in the sophisticated ("securitised") debt packages. As these constructions included debts of very varied consistency, they imagined that diversification reduced the risk. The crisis pulverized this belief, producing the typical scenario of everyone seeking to save their own skin.

The eclipse of the talibans of the market brought into the foreground their heterodox rivals. Krugman, Stiglitz and Soros have been endlessly repeating their theory that the crisis was caused by insufficient control, attributing the disease to deregulation and postulating its treatment by the application of a dose of supervision. They question the weakness of the control exerted by federal agencies, criticize the elimination of the compartmentalisation of banks that was imposed after the 1930s and propose governmental measures aimed at evaluating the estimates of risk and controlling international movements of finance.

But deregulation was not a whim. It was generalized in order to restore profits and it will be again if this variable is seriously affected. Under capitalism controls are articulated by profitability. They are reinforced or decrease according to profits.

Regulationist fantasies are inspired by the way bankers are being presented as the only people responsible for the crisis. We must suppose that they act independently of their colleagues of industry and agriculture, being particularly and perversely inclined to speculation.

But to bet on a fast profit in the financial sphere is an intrinsic characteristic of capitalism. It is the product of the competing constraint which governs a system characterized by blind rivalries and periodic bubbles. The effects of these movements remain occult in periods of prosperity and become sharply obvious only in times of crisis.

The novelty of the present period lies only in the scale and the sophistication of speculative activity. Unwonted forms of packaging and marketing debt were introduced, as were operations with derived financial products whose prices are established depending on another financial product.

We have witnessed the expansion of securitization (getting rid of portfolios by the emission of securities that are acquired by other investors), credit derivative swaps (CDSs) (separation of the creditor's risk in order to negotiate it separately) and Collateralised debt obligations (CDOs) (fragmentation of debts into segments with differing degrees of risk).

This type of operation was extended at a frenetic rhythm, especially after 2001, between the investment banks, in which the relationship between the credits that were being offered and the patrimony (capital) reached an alarming level. The traditional relationship of 1 to 8 between the banks' own capital and the loans provided was amplified by 25 or 30 times.

The dynamics proper to capitalism stimulated these actions and what happened to Wall Street offers us a crash course in this system, in its web of complicities (Paulson running the Federal Reserve under the auspices of Goldman Sachs) and its contradictions (Bush nationalizing the banks).

### **A particular crisis of over-accumulation**

In the face of the heterodox simplifications it is necessary to turn again to Marxist interpretations which explain the crisis by the intrinsic contradictions of capitalism. These imbalances erupt periodically and cannot not be eliminated as long as a system governed by the supremacy of profit subsists. But what are the singularities of the present crisis?

The present shock has several specific causes. First of all, it expresses the tensions created by the capital that has been over-accumulated in the banks at the end of a long process of fictitious expansion of funds, free from any real counterpart in the productive sphere. This atrophy developed during the years of the expansion of credit and the generalization of derived products and is the result of the strengthening of the power of the financiers.

But the promotion of this banking elite to the summit of capitalism took place in support of a regressive project shared by all the oppressors. It made it possible to impose the social discipline that the ruling classes demanded, by shareholder management of companies, pressure aimed at maximum profitability and the empire of the Stock Exchange. The explicit purpose of these transformations was to increase profits to the detriment of popular revenues. The supremacy of finance was an instrument for the flexibilisation of work and served as a guarantee of the increase in exploitation.

This financial hegemony put in place a veritable time bomb, which exploded in Wall Street. The expansion of "personal finance" transformed the worker into a customer anguished by debts. American workers were imprisoned in a network of compromises with the banks in order to be able to pay their costs of housing, education, health and retirement.

This house of cards started to collapse when insolvency invaded it. The impossibility of reimbursing subprime credits - granted to those whose incomes were not regular or sufficient enough to acquire a home - was the spark for the present collapse.

This crisis of over-accumulation was delayed by refinancing by means of a mountain of securities on securities, offering high yields. The skein of emissions was so complex that it effaced the trace of the debts

themselves in a generalized environment of ignorance of the nature of the credits. The bankers themselves no longer know what contracts they own, because by abandoning the traditional estimates of risk they have lost contact with their clients.

Faced with fictitious valorization on such a scale the present collapse was inexorable. What nobody had imagined, in spite of the many warnings which had announced it, was the impressive scale of this crash.

All the collapses which had since the 1980s shaken Latin-American, European, Japanese and Asian finance announced the cyclone which was about to reach Wall Street. The most explicit signal was given by the bankruptcy in 1998 of the big Long Term Credit Management (LTCM) hedge fund, which operated with the same derived products as those which have rotted the US financial system. Since the hunger for profit does not cease because of warnings, the crisis of over-accumulation finally reached the centre of the system.

### **National and world overproduction**

To avoid financial phantasmagoria it is important to analyze the productive contradictions which underlie the banking crisis. These imbalances correspond to a cycle of production and are the result of the periodic inequality between the increasing expansion of production and the restrictions on purchasing power which characterize capitalism. Competition aimed at increasing the rate of exploitation widened the breach of surpluses.

Overproduction openly manifested itself in the property sector (housing) which had experienced strong growth over the previous decade. The big rise in property prices and the multiplication of high-risk credits generated the present surplus of housing in relation to solvable demand. Financial speculation certainly reinforced this tendency, but the most significant bubbles have all related to the commodities that were most in demand at the time. The valorization of these investments awakens the hope of increasing profits, which collapses when the tendency is inversed. The recession demonstrates the same mechanism for other goods whose prices have taken off.

The present overproduction nevertheless has a large international dimension, which derives from competition to lower wages. This schema stimulated the opening of frontiers to the advantage of the corporations, which competed to multiply production while seeking to lower their costs, leading to a plethora of commodities. These surpluses were nourished in particular by the Asian manufacturing pole, which flooded the world with its exports, favouring the general depreciation. Since the crisis of South Korea and Thailand (1997) this deflationary tendency has affected many industrial goods.

Overproduction is also the result of the internationalization of production that is stimulated by the transnational corporations. The application of micro-electronics in industry and the fall in the prices of transport and communications contributed to multiplying surpluses. In the anarchistic competition aimed at reducing costs, no

company asked itself the question: who will be able to acquire the new goods?

The fight for production at low cost ended up by encumbering the shops. This is the result of the restriction of purchasing power which is still the case in the periphery and of the instability of consumption inflated by debt that the flexibilisation of work imposed in the central countries. The United States is the epicentre of this mercantile artifice based on the extension of working time and on putting all family members to work.

As long as the capitalist class maintained its optimism - produced since the 1980s by the recovery in the rate of profit - these tensions remained in the background. But surplus goods overflowed, indicating the absolute limits of United States consumption, provided by Asia and financed by the whole world.

### **Under-production of raw materials**

The increase in the prices of raw materials was the third pillar of the present crisis. The rise in the price of oil (which in a few years went from 10 to 120 dollars a barrel) affected the central economies, and the rise in the price of raw materials (+114% since 2002) troubled the world economy. This rise reversed the downward tendency that had been in progress since 1997, but it went beyond cyclical variations, both by its duration and its scale.

The rise in the prices of raw materials reflects the weakness of investment in the sector of production of natural resources. But it was reinforced by speculation by financiers who, faced with potential losses in other sectors, sought refuge in oil and raw materials. The bankers introduced into the raw materials market all the derivative engineering of Wall Street, so much so that the purchase of fuel or corn has been transformed into a sophisticated mathematical operation.

But the rise in the prices of raw materials also influenced the structural process of destruction of the environment after several decades of capitalist competition for control of essential supplies.

This combination of conjunctural, structural and historical tendencies exerted an inflationary pressure on raw materials, which many specialists think will be more lasting with regard to fuels (few discoveries, rise in the costs of extraction, conflicts in the production zones) than with regard to food.

This rising cycle confirms that the relative prices of raw materials are not subject to systematic and permanent deterioration. They experience periodic oscillations and when they increase the modalities are abrupt because they are less sensitive to the increase in productivity, in comparison to the products of industry. The imminent world recession will impose a ceiling on the inflation of raw materials. But we will have to see if this fall in prices will reach the level of the preceding cycle. For the moment we are dealing with indices of a fall in these prices, but not with their collapse.

Consequently, the current crisis is the confluence of three processes: under-production of raw materials, financial over-accumulation and industrial overproduction. In that it presents similarities with what occurred in 1975-1976 and will have a very unequal regional impact.

### **Periphery and semi-periphery**

The peripheral countries were the main victims of the neo-liberal stage and they are candidates to suffer from the worst effects of the present crisis. They suffered from the degrading effects of the world polarization which marked the 1980s and 1990s. Certain areas, such as Africa, were crushed by the foreign debt, trade liberalization and capital flight. They face the tragedy of emigration, refugees and massacres because of local wars.

The recent beginning of famine constitutes another example of this impact. Following financial speculation, trade deregulation and forced specialization in crops for export, the rise in the price of food threatens the survival of 1,300 million people.

If during the period of consumption-led prosperity in the United States the impoverished economies of the planet suffered from a massive drain on their resources, the imminent recession foreshadows major sufferings. The Third World countries which are driving out their desperate inhabitants will face new financial restrictions and serious trade difficulties.

The panorama is more contradictory in the semi-periphery. An intermediate layer of non-central countries - with autonomous ruling classes and which play their own game on the world market – have limited world polarization over the last few years. This group of economies concerns in particular China, India, Russia, South Africa and Brazil. The capitalists of these nations benefitted from the rise in the prices of raw materials and developed their own industrial activity, in partnership with the transnational corporations. They even forged “emergent multinationals” which operate on a world scale.

The change of the financial cycle also reduced the weight of the debt in various medium-sized countries. Growth associated with continuing social inequality produced sufficient profits to remove the foreign debt. This is the reason for the emergence of Asian and Arab sovereign funds.

The crisis that is underway can prolong this promotion of semi-peripheral countries, as already occurred in 1975-1982 during the period of petrodollars, of a rise in the prices of raw materials and the United States’ defeat in Vietnam. This process could even be consolidated if forms of growth, similar to those observed during the world instability which followed the crisis of the 1930s, made their appearance. At that time the stagnation of the central economies opened up a space for the industrialization of certain underdeveloped countries.

But the current recession can also precipitate opposite dynamics, brutally putting an end to the forward march of the semi-peripheral economies. We would then witness a repetition of the scenario of 1982-1990, when the neo-

liberal offensive precipitated a fall in the price of raw materials and asphyxiation by debt, which spread distress across the planet.

It is premature to anticipate which of the two tendencies will prevail, or whether it is a combination of both which will emerge. Capital flight - which affects Russia and Brazil – is so far coexisting with the affirmation of the sovereign funds which are taking part in the rescue of American banks and which will be able to be paid for their assistance.

Contrary to all the financial collapses of the last two decades, Latin America is the recipient and not the originator of the present crisis. But the unequal dependence of its various countries towards the United States produces differentiated effects from the recession that is underway. Whereas Mexico and Central America are very much linked to this epicentre, the Southern Cone maintains a greater degree of autonomy. The financial transmission of the crash is also unequal according to the importance of the external refinancing of each country. The peripheral and semi-peripheral economies of the region have followed divergent paths.

But in the immediate future the difficulties for US imperialism to intervene in its back yard will be accentuated. This limitation reinforces the room for manoeuvre for the implementation of economic policies in rupture with these countries’ creditors and for carrying out the nationalization of natural resources. Such orientations could reduce social inequalities and benefit the popular majority, if they are implemented in opposition to the local ruling classes.

### **Socialism as the objective**

The crisis in progress will be solved on the political level. To examine the significance of this event in exclusively economic terms does not make it possible to grasp what is at stake between the contending forces. Without understanding the capitalist nature of the financial tsunami we cannot seek effective remedies for its consequences. The struggle against the social regime which is at the origin of current misfortunes is the only way to prevent sufferings from coming down on the popular majority.

In the struggle to clarify the capitalist character of the crisis we should not enter into competition with the press with regard to the forecast of even bigger collapses. The fear that the media propagates tends to provoke paralysis rather than indignation. Instead of predicting dark scenes it is advisable to work with proposals which open up popular alternatives.

This attitude is at the antipodes of conformism or the resigned belief in the eternal duration of capitalism. It is false to suppose that this system will always be able to find a way out, whatever the tragedy that it imposes on the majority of society. To imagine that capitalism is immutable is as fatalistic as to disregard action and strategy for its eradication.

Certain thinkers on the left formally accept these premises, but make the point that now is not the time to work in an anti-capitalist direction. They justify this attitude by “the absence of favourable conditions” or “the weight of accumulated defeats”.

Such an attitude blocks any appreciation of the political and ideological transformations that are taking place. Socialism is not an anthem for special days, nor is it a nostalgic dream. It is a project to be established at critical moments and energetically diffused when capitalism exhibits its most nefarious visage.

The new conjuncture can be felt in the brutal change in the language of the press. From despair or confusion the mass media are no longer singing the praises of capitalism. With panic and stupor they write ironically about the “socialism for the rich” which accompanies the rescue of the bankers. They do not know that real socialism is the antithesis of this rescue, that it aims at helping those who are abandoned and penalizing the rich. At the beginning of a great political turning-point this simple message can once again become as popular as ever.

*Buenos Aires, October 4, 2008*

► *Claudio Katz is an economist, and researcher. He is a Fellow at the International Institute for Research and Education, in Amsterdam, and a teacher at the University of Buenos Aires. Katz is involved in the Argentine network 'Economistas de Izquierda' (EDI, 'Economists of the Left').*

## NOTES

[1] Herbert Hoover was president of the United States from 1929 to 1933

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