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The Economic and Social Crisis: Contemporary Capitalism and Class Struggle

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One of the most important and yet most neglected determinants of the outcomes of the economic crisis and resultant deepening of social inequalities and immiseration is the 'class struggle'. In one of his most pithy metaphors, Karl Marx referred to class struggle as 'the motor force of history'. In this essay we will analyze the central role of class struggle, its impact and reflection in economic decisions and, most especially, the different methods and forms, according to the particular classes engaged in class struggle.

Having clarified the types and methods of class struggle, we will turn to the specific results of class struggles in different regions and countries: the different policies adopted as a result of class struggle reflect the balance of class power at both the national and regional level.

In the last section, we will compare and analyze a series of case studies of class struggles, highlighting the particular class configurations of power, the changing nature of class struggle (CS) and the concrete contingencies, which need to be taken into account in order for the 'class struggle from below' to effectively counter-act the class offensive from above.

The Two Faces of the Class Struggle: 'From Above and Outside' and 'From Below'

Too often writers conceive of class struggle as actions taken by workers for working class interest, overlooking the equally significant (and in our epoch even more important) class struggle organized and directed by the ruling classes via the state.

The entire panoply of neo-liberal policies, from so-called ‘austerity measures’ to mass firings of public and private employees, to massive transfers of wealth to creditors are designed to enhance the power, wealth and primacy of diverse sectors of capital at the expense of labor. To paraphrase Marx: class struggle from above is the motor force to reverse history – to seize and destroy the advances secured by workers from previous class struggles from below.

Class struggle from above and the outside is waged in boardrooms, stock markets, Central Banks, executive branches of government, parliaments and Congresses. Decision makers are drawn from the ruling class and are ‘in their confidence’. Most strategic decisions are taken by non-elected officials and increasingly located in financial institutions (like the International Monetary Fund, European Central Bank and the European Commission) acting on behalf of creditors, bondholders and big banks.

Class struggle from above is directed at enhancing the concentration of wealth in the ruling class, increasing regressive taxes on workers and reducing taxes on corporations, selectively enforcing regulations, which facilitate financial speculation and lowering social expenditures for pensions, health and education for workers families. In addition, class struggle from above is directed at maximizing the collective power of capital via restrictive laws on labor organizations, social movements and public workers’ collective bargaining rights.

In other words, class struggle penetrates numerous sites besides the ‘workplace’ and the strictly ‘economic sphere’. State budgets over bailouts are sites of class struggle; banks are sites of class struggle between mortgage holders and households, creditors and debtors.

The fact that ‘class struggle from above’ usually precludes public demonstrations is largely because the ruling class controls the decision-making institutions from which to impose its class policies. Nevertheless, when institutional power bases are fragile or under siege from labor, ruling classes have engaged in extra-parliamentary and violent public activity such as coups-d’état, ‘appointed technocratic regimes’, and engaged in lockouts, financial intimidation and blackmail, as well as mass firing of workers and cooption of collaborators within the political class.

In time of severe crisis, the ruling class nature of political institutions and policies becomes transparent and the class struggle from above intensifies both in scope and depth. Trillions of dollars are transferred from the public treasury to bailout bankers. Hundreds of billions in social cuts are imposed on workers, cutting across all sectors of the economy. During depressions, the class struggle from above takes the form of an all-out war to save capital by impoverishing labor, reversing decades of incremental income and benefits gained in previous class struggles from below.

Class Struggle from Below

Working class struggles from below range from workplace strikes over wages and social benefits, to general strikes to secure social legislation (or to defend past gains) or to prevent assaults on living standards. In critical moments, struggles from below lead to social upheavals in the face of systemic breakdowns, destructive wars and autocratic rule. The methods, participants and results of class struggle from below vary greatly, depending on the socio-economic and political context in which class conflict ensues. What is striking in the contemporary period is the uneven development of the class struggle between countries and regions, between workers in the imperial creditor countries and those in debtor neo-colonial

countries. The class struggle from below is especially intensifying among some of the more dynamic capitalist countries in which workers have experienced a prolonged period of intense exploitation and the emergence of a new class of ruling billionaires linked to a dominant one party elite – cases of China and South Africa.

The Class Struggle, Capitalist Crisis: The Ruling Class Offensive

In time of capitalist crisis with declining economic wealth, growing threats of bankruptcy and intense demand for state subsidies, there is no basis for sharing wealth – even unequally – between capitalist, bankers, creditors and workers, debtors and rentiers. Competition over shrinking resources intensifies conflict over shares of a shrinking pie. The ruling class, facing a life and death struggle over survival, strikes back with all the forces – state and private – at its disposal to ensure that its financial needs are met. The public treasury exclusively finances its debts and stimulates its recovery of profits. Ruling class warfare defines who pays for the crisis and who benefits from the ‘recovery ... of profits’. The crisis is, by turn, a temporary threat to the capitalist economic system and then, in the course of recovering from the crisis, a political economic and social pretext for a ruling class general offensive aimed at reversing labor and social advances over the past half century: Capitalist class warfare dismantles the social safety net and undermines the entire legal and ideological underpinnings of ‘welfare capitalism’. ‘Austerity’ is the chosen term to mark the ruling class’ seizure of the public treasury on its own behalf – without any regard for its social consequences. ‘Austerity’ is the highest form of class struggle from above because it establishes the arbitrary and unilateral power of capital to decide the present and future division between wages and profits, employment and unemployment and the returns to creditor states and the interest and principal payments of neo-colonial debtor states.

As crisis deepens among debtor nations so does the ruling class intensify its class war on the workers, employees and small business classes. First, the creditor imperial states, (in Europe the Troika -the European Commission, International Monetary Fund and European Central Bank) overthrow the constitutional order by seizing control over state power. Then they proceed to decree macro and micro socio-economic policies. They decree employment, wage and fiscal policies. They decree the present and future allocation of state revenues between imperial creditors and local workers. Class warfare goes ‘global’: Regional organizations, like the European Union, which embody formally equal members, reveal themselves as imperial organizations for concentrating wealth among the dominant banks in the imperial centers.

Class Struggle from Below in Time of Crisis

The organizations of the workers – trade unions, pensioners’ associations, etc. – are ill-prepared to confront the open and aggressive all-out war of the ruling class. For decades they were accustomed to ‘collective bargaining’ and occasional strikes of short duration to secure incremental improvements. Their parties, labor or social democratic, with dual loyalties to capitalist profits and social welfare, are deeply embedded in the capitalist order. Under pressure of ‘the crisis’, they abandoned labor and embraced the formulae of the ruling class, imposing their own versions of ‘austerity’. Labor was abandoned; the working classes were on their own – without access to the state and without reliable political allies. The trade unions, narrowly focused on everyday issues and their immediate membership, ignored the mass of unemployed, especially the young unemployed, workers. The class struggle from below lacks the leadership, vision, organization and state resources, which the ruling class possesses, to launch a counter-

offensive. Class struggle from below was, at first, entirely defensive; to salvage fragments of labor contracts, to save jobs or reduce firings. The fundamental problem in the ongoing class struggle is that the trade unions and many workers failed to recognize the changing nature of the class struggle: The 'total war strategy', adopted by the ruling class, went far beyond pay raises and profit reports and embraced a frontal attack on the living, working, housing, pension, health and educational conditions of labor. The politics of 'social pacts' between labor and capital was totally discarded by the ruling class. It demanded unconditional surrender of all social demands and seized the executive prerogatives of the state to enforce and implement the massive re-concentration of income and political power.

Under these conditions, prevalent throughout Europe and the US, what can be said of the 'class struggle from below'? More than ever the class struggle has developed unevenly between the new imperial creditor centers and the debtor working class regions. The most advanced forms of struggle, in terms of scope, demands and intensity, are found in Greece, Portugal, Spain, Italy and, to a lesser degree, France and Ireland. The least advanced forms of working class struggle are found in the United States, Canada, Germany, England, Scandinavia and the Low Countries. Among the BRIC countries, class struggle is intensifying in China and South Africa and, to a lesser degree, in India, Russia and Brazil.

The issues raised in each region are significantly different: In China the working class is demanding socio-economic changes and is securing positive improvements in wages, working conditions, housing and health programs via 'offensive' class struggles. In Brazil, the working class has lowered poverty levels and unemployment. In South Africa, mining workers, despite bloody massacres by the state, have increased wages and salaries.

For most of the rest, the class struggles are defensive and, in many cases, unsuccessful efforts to defend or lower the loss of employment, labor rights, social insurance and stable employment. The most intensive militant working class struggles are taking place in countries in which the offensive of capital – the 'class struggle from above' – has been most prolonged, widest in scope and deepest in terms of the cuts in living standards.

The working class struggle has been weakest among the Anglo-American countries where traditions of class struggle and general strikes are weakest. Their trade unions have shrinking memberships; the trade union leaders are closely linked to capitalist parties and there is a very weak or non-existent political identification with class solidarity, even in the face of massive transfers of state revenues to private wealth, and earnings from workers to capital.

Class Struggle: Case Studies

The most sustained and successful advances in social welfare and public services over the past decade have occurred in Latin America where the crisis of capitalism led to militant, broad-based class movements, which overthrew neo-liberal regimes, and imposed constraints on speculative capital and debt payments to imperial centers. Subsequently, nationalist resource-based regimes re-oriented state revenues to fund employment and social legislation. The sequence of popular revolts and political intervention, followed by the election in most cases of nationalist-populist regimes, ameliorated the crisis and sustained policies incrementally advancing working class interests.

In Southern Europe, in contrast, the collapse of capitalism led to a capitalist offensive, led by imperial creditors. They imposed the most retrograde neo-colonial regimes, engaged in savage

class warfare – while the organized working class fell back on defensive strategies and large scale social mobilization within the institutional framework of the existing capitalist state. No political offensive, no radical political changes and no social offensive ensued. Movements that do not move forward, move backward. Each defensive struggle, at most, temporarily delayed a new set of social reversals, setting in motion the inexorable advance of the ‘class struggle from above’. The ruling classes have imposed decades of debt payments while pillaging budgets for the foreseeable future. The result will be the lowering of wage structures and social payments. New employment contracts are designed to concentrate greater shares of wealth in the hands of the capitalist class for foreseeable future. The policies, imposed via the class struggle from above, demonstrate that welfare programs and social contracts were temporary, tactical concessions – to be definitively discarded once the capitalist class seized exclusive prerogative powers and ruled through executive decrees.

The financial classes of the West have been bailed out and profits have returned to the banks, but the stagnation of the ‘real economy’ continues. The working classes have, in thought and via militant action, realized that ‘collective bargaining’ is dead. The state, especially the foreign/imperial creditor-banking state, holds power without any electoral mandate or claim to broad representation. The façade of parliamentary-electoral parties remains as an empty shell. Trade unions, in the most militant instances, engage in almost ritualistic mass protests, which are totally ignored by the imperial ruling class bankers and their local political collaborators. The Troika dons ear plugs and blindfolds while chanting for ‘greater austerity’ for workers; in the streets, the mantra of the destitute — ‘Basta’ — echoes in executive palaces.

Final Reflections on the Two Faces of Class Struggle

Unfortunately the ruling classes, especially of the imperial countries, have taken Karl Marx’s dictum that ‘class struggle is the motor force of history’ in a much more consequential manner than the labor movement and its bureaucratic officials. They are better students of Marx.

Taking up class struggle from above and the outside as their main strategic weapon, the ruling classes have launched the most comprehensive, intensive assault on the working class in modern history. They have reversed decades of social legislation and wage and employment gains. They have dramatically lowered living standards and established a new framework to perpetuate and deepen the transfer of wealth for decades to come.

Those, namely labor and the left, who refused to recognize class struggle as the central pivot for political action, have been struck dead on the head. The sustained class-struggle from above shows no limits and no constraints: every social right is denied and every economic resource is subject to large-scale, long-term pillage. A new radical ruling class ideology has emerged proclaiming that everything of value should be taken and will be taken and relegates the peons to eat crow.

Despite being confronted by this new extremist ideology and practice, the practitioners of class struggle from below continue to engage in the same methods appropriate to other ‘pragmatic’, ‘consensual’ times of limited struggles with incremental gains or losses. The failure to recognize the radical changes is structural and congenital. The labor movement refuses to face new class/realities, ones they had failed to anticipate and a reality they have categorically rejected. ‘Class struggle’ according to the most up-to-date speeches of the ‘labor bureaucrats’

was superseded by ‘modern pragmatic understandings of the common interests of labor and capital’.

What is radical and dramatic is the massive entry of decisive new social class actors. They include the rise of non-elected officials to decisive positions of power, forming the “Troika” (the European Central Bank, the IMF, the EU), the equivalent of imperial viceroys, engaged in pillaging the economies of debtor countries; a mass of unemployed youth representing over 50% of workers under 25 years of age; a large sector of low-paid temporary workers not covered by social or labor legislation; a majority of downwardly mobile middle classes, especially among public sector employees and professionals – in the process of being ‘proletarianized’ – losing job tenures, pension benefits, facing rising retirement ages; bankrupt small business people (‘petty bourgeois’) facing unemployment, loss of assets and savings; and downwardly-mobile skilled and semi-skilled workers facing firings, cuts in salaries and wages as well as social benefits.

The deteriorating conditions of these social classes cannot be altered by workplace trade union activity or by ‘collective bargaining’ – only a political solution- a change of political regime – can shift economic resources from debt payments to productive job-creating investments. The so-called ‘Eurozone’ is, in reality, a mini-empire of tributary vassals and imperial states – reforming empires has been historically demonstrated to be a futile enterprise.

The political class, as currently constituted which supports or operates as opposition within the imperial framework, is organically incapable of reversing the changes resulting from the ruling class offensive. The historical legacy of the ruling class offensive and the emergence of new systemic ‘fault lines’ demands new political movements reflecting the weight of the new dispossessed classes: the specific demands of the downwardly- mobile middle class, businesspeople and workers; the desperate demand for jobs by the vast army of unemployed youth with no future. What is to be done? Clearly parliamentary dissent and electoral politics provide no answers to those millions losing homes, to those losing businesses.

There are tens of millions who have never known any employment. Only action directed at mobilizing the unemployed to paralyze the circulation of goods and services; only collective action directed at preventing foreclosures of mortgage holding households; only demands for public works to provide jobs; only factory occupations can save jobs; only worker takeovers and running of factories can provide alternatives and build support for regime change, a political revolution and a break with the tributary empire.

In the short run there can only be international solidarity among the workers in the vassal states: the workers in the imperial states – the U.S. , Germany , the Nordic states and the UK are still bound and tied to their respected ruling classes. The future lies in building bridges within and between the millions of exploited, excluded and dispossessed who have lost everything and have finally recognized that only via the class struggle can they recover their humanity and a dignified standard of living.