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Analyzing Capitalism: The Left's Crisis

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A common response of the left to the financial crisis that broke out in the USA in 2007-08 was often a kind of Michael Moore-type populist one: *Why are you bailing the banks out? Let them go under.* This kind of the response was, of course, utterly irresponsible, with no thought given to what would happen to the savings of workers, let alone to the paychecks deposited into their bank accounts, or even to the fact that what was at stake was the roofs over their heads. On the other hand, the even more common response was all about asserting state responsibility: *This crisis is the result of the government not having done its duty: governments are supposed to regulate capital, and they didn't do so.* But this response was in fact fundamentally misleading.

The United States has the most regulated financial system in the world by far if you measure it in terms of the number of statutes on the books, the number of pages of administrative regulation, the amount of time and effort and staff that is engaged in the supervision of the financial system. But that system is organized in such a way as to facilitate the financialization of capitalism, not only in the U.S. itself, but in fact around the world. Without this, the globalization of capitalism in recent decades would not have been possible.



It was indicative of the left's sorry lack of ambition in the crisis that its calls for salary limits on Wall Street executives and transaction taxes on the financial sector were far more common than demands for turning the banks into public utilities. It was, of all people, the mainstream LSE economist Willem Buiter (the former member of the Bank of England's monetary policy committee, appointed in November 2009 by Citibank as its chief economist) who in his [Financial Times blog](#) on September 17, 2008 a few days after Lehman Brothers' collapse endorsed the “long-standing argument that there is no real case for private ownership of deposit-taking banking institutions, because these cannot exist safely without a deposit guarantee and/or lender of last resort facilities, that are ultimately underwritten by the taxpayer.” And he went further: “The argument that financial intermediation cannot be entrusted to the private sector can now be extended to include the new, transactions-oriented, capital-markets-based forms of financial capitalism... From financialisation of the economy to the socialisation of finance. A small step for the lawyers, a huge step for mankind.”

Credit in the Hands of the State?

Well, this sounds a little bit, if you've ever read *The Communist Manifesto*, like the call that Marx made – among his list of ten reforms – for the centralization of credit in the hands of the state – which just goes to show that in a crisis you don't have to be a Marxist to have radical ideas if you have any sort of ambition or self-confidence. Most Marxists don't have that ambition and self-confidence today. But you do have to be a Marxist to understand that this is not going to happen by bringing some lawyers into a room and signing a few documents. What Buiter was putting forward was the technocratic notion of how reform happens. But fundamental change can only really happen through a massive class struggle, which would involve a massive transformation of the state itself.

Even in terms of calls for better regulation, with a working-class that is not mobilized to put pressure on, you can't expect this state to simply follow policy guidelines that come from technocrats, progressive liberals or social democrats. So we at least ought to be using our opportunity to do more than offer left technocratic advice to a policy machine; we ought to be trying to educate people on how capitalist finance really works, why it doesn't for them and why what we need instead is a publicly owned banking system that is part of a system of democratic

economic planning, in which what's invested and where it's invested and how it's invested is democratically decided.

The sort of bank nationalizations undertaken in the wake of the fallout from the Lehman's collapse – with the lead of [Gordon Brown](#)'s New Labour government in the UK being quickly followed by Bush's Republican administration in the U.S. – essentially involved socializing the banks losses while guaranteeing that the nationalized banks would operate on a commercial basis at arm's length from any government direction or control. All they asked was that these nationalized banks seek to maximize the taxpayers returns on their 'investment.' As sagely put in the *2010 Socialist Register* essay on "Opportunity lost: mystification, elite politics and financial reform in the UK," this really represented "not the nationalisation of the banks, but the privatisation of the Treasury as a new kind of fund manager."

The most important reason for taking the banks into the public sector and turning them into a public utility is that you would remove thereby the institutional foundation of the most powerful section of the capitalist classes in this phase of capitalism. That's the main reason for nationalizing the banks in terms of changing the balance of class forces in a fundamental way.

Build Socially Useful Commodities

A second socialist reason for nationalizing the banks would be to transform the uses to which finance is put. Let's take an example. Where I come from in Canada, the backbone of the southern Ontario economy, apart from banking, is the automobile industry. With the layoffs that occurred and the plants that have been closed (this has been going on for three decades, but it was heightened during this crisis very severely) you are not just losing physical capital you're losing the skills of tool and die makers. A banking system that was turned into a public utility would be centrally involved in transforming the uses to which credit is put, so those skills could be put to building wind turbines, so they could be used to develop the kind of equipment we need to harness solar energy cheaply rather than expensively.

We cannot even begin to think seriously about solving the ecological crisis that coincides with this economic crisis without the left returning to an ambitious notion of economic planning. It's inconceivable. It can't be done. We've run away from this for half a century because of command planning of the Stalinist type, with all of its horrific effects – its inefficiencies, but even more its authoritarianism. But we can't avoid any longer coming back to the need for planning. The allocation of credit is at the core of economic planning for the conversion of industry. When we on the left call for capital controls, we can't just think about that in the sense of capital controls that would limit how quickly capital moves in and out of the country. We need capital controls because without them we can't have the democratic control of investment. It's not just capital controls at the border that matter; what matters all the more for socialists is control over capital to the end of directing, in a democratic fashion, what gets invested, where it gets invested, how it gets invested.

Now, people often say that socialists in the last 20 or 30 years have not laid out a programmatic vision. I don't think that's true. As the *Socialist Register 2000* volume on Necessary and Unnecessary Utopias showed, there were more writings on what a future socialism would look

like in the last two decades of the 20th century than probably ever before. But the detailed pictures of a socialist order they painted – whether involving some combination of plan and market or participatory economic planning – have been exceedingly sketchy on two crucial things. One is immediate demands and reforms. And the other is how the hell would we get there. What are the vehicles? What are the agencies? How are the vehicles connected to building the agencies?

It is certainly very true that, whatever the vehicle or the agency, you are never going to mobilize people simply on the basis of the need to nationalize the banks for economic planning, when they know that can't come for decades, given the lack of political forces to introduce it. People need to be mobilized by immediate demands, as they were by the demands for trade union rights, a reduced workweek, a public educational system a welfare state, etc.

Some 15 years ago, when the FMLN in El Salvador after the settlement of the civil war turned itself from a guerrilla army into a political party, I was one of the people invited to help them set up a party school. And I had a conversation there with Fecundo Guardado who had been subcommandante on the San Salvador Volcano, and who later ran for president under the FMLN banner. He said to me, everybody thinks that the long term is the next election, (which since this was in 1995 would have been in 1999 there). He said: they're completely wrong – in fact, that's the short term. What we have to hope is that by 1999 we will be strong enough, have a strong enough base, to be able to make a decent showing in the next election. The medium term is 2010, when we have to hope that we will have a broad enough representation and a deep enough development of our members' capacities that we actually could have an influence on the direction of the country. The long-term is 2020, when we will be able to get elected as a government that can actually do something, that can transform the state. Angela Zamora who as the head of party's educational program was hosting me, sat there and listened to this and suddenly said, in that case I'm leaving the party. I can't go back to the people who I've been leading in struggle for 15 years and tell them they have to wait for 2020 for immediate reforms. It's impossible. I can't do it.

Immediate Demands and Longer-Term Vision

So one needs to figure out how to combine a clear, ambitious sense of immediate demands with this longer-term vision. But in the current crisis the Left's *immediate demand* could and should have centered around bringing the banks into public ownership. The case for this could have been made in terms of the need for a massive program for public housing. After the Great Society program in the 1960s left-wing Democrats, rather than calling for more public housing to rebuild America's cities instead called for the banks to lend money to poor black communities – in other words, for the problem to be solved by letting black people, who had been largely excluded from the banking system, into it. It was similar to liberal feminism's demand that women should be able to get credit cards, which they were largely not allowed to do by the banks until the 1970s.

Well, you should be careful what you hope for. One of the effects of winning those demands was a channeling of those communities more deeply into the structures of finance, the most dynamic sector of neoliberal capitalism. Clinton carried those reforms much further in the 1990s,

appealing to the Democratic Party constituency (Clinton was known as ‘the black President’ for this) on the basis of we're going to let you succeed at the capitalist housing game. And then Bush, of course, let every crook that he could find into the mortgage business. Of course, there's no reason why black people or women shouldn't want the same rights as everybody else – why shouldn't they look forward to their homes appreciating in market value? But you need to understand the dynamics and contradictions that are involved in trying to win reforms for people through integrating them more deeply into capitalist credit relations. And the results are now clear.

We should be also demanding universal public pensions, as the private pension plans won by trade unions now are coming unraveled for both public sector and private sector workers. And that would contribute to strengthening the working-class, because it would eliminate the kind of competition amongst workers that employers have played on with their private pensions. Indeed, increasingly we see that even the unions in largest corporations today as well as unions of public employees cannot sustain their member's pension plans.

We should also be calling for free public transit – to be available like public libraries, public education and public health care. All of this involves trying to take a crucial portion of what we need for our livelihood, our basic needs, and decommodify them as far as possible within capitalism.

People respond positively to such demands even in North America. The trouble with them, however, is that there's not that much room for manoeuvre left for reform in today's capitalism, because in order to have a major program of public housing, in order to have free public transit, you very quickly run up against *where are the funds going to come from?* It's possible to argue, given how cheap public bonds are today, that you can go to the bond market, but that also means that you become subject to the kinds of pressures from bondholders that is requiring the Greek and the Portuguese and the Spanish states to do what they're doing to their public sector in order to guarantee that they won't eventually default on those bonds. So you come back fairly quickly to the need to at least begin a process of socialization through taking the banks into the public sector.



We need to try to see this moment of crisis from the perspective of what openings it could create. The limitations of a purely defensive response to the crisis lie in not taking advantage of the opportunity that the crisis creates. Despite the ‘Another World Is Possible’ rhetoric, the left has been more oriented to attempting to hold on to things than to taking things in a new direction. Whether the struggle has been to prevent water privatization, or whether it's been to protest at G-

7 and G-20 meetings, however militant the action, it's often primarily defensive in the demands that are articulated.

This is, oddly enough, one of the limits of a perspective that says you can change the world without taking power, without engaging on the terrain of the state, without transforming the structures of the state. What is on the agenda is mainly to prevent the state doing certain things and what is off the agenda is to change the state in such a way that ensures that when new progressive reforms are won they lead on to further structural reforms. We need to appreciate the reasons for the anti-statism that is so on the Left today; the suspicion of talking in terms of building new parties or transforming the state is understandable. But we need to go beyond protest, or we will be trapped forever in organizing the next demo.

And as this current crisis is transferred down to the regional and local levels, which every central state will try to do, we will run up against the limits of what can be secured in struggles at those levels. We have to learn how defensive and localized struggles can be linked up, and how they can be transformed so they are directed into a struggle for state power. Otherwise, all the protests will run up even more quickly against the kind of limits of the immediate reforms that don't lead on to more fundamental ones.

This is enormously important because we probably are facing the destruction of public sector trade unionism unless there's a shift in the balance of forces in the context of this crisis. Capitalism can only go on so long with the private sector being as limited in its unionization, its density being so low, in terms of collective bargaining rights and recognition, and the public sector being almost universally unionized. It can't continue. Part of the onslaught on state expenditure that is taking place now is to destroy public sector trade unionism. The ability of public sector unions to resist in this crisis is being very severely tested. That's how serious this is.

Speaking more generally, it is increasingly clear that trade unions, as they evolved through the 20th century, not only in the advanced capitalist countries, also in most of the countries of the South, are no longer capable of being more than defensive. They are not able to win new gains, and they are not able to organize in ways that develop the capacities of their members. The challenge now is to build a trade unionism that is actually a class organization, one that goes beyond organizing people by the workplace alone and organizes people in relation to the many facets of their lives touched by this crisis. •