Critical Sociology

Article

Good for Capitalists, Not So Much for Capitalism

Critical Sociology
37(3) 259–262

DOI: 10.1177/0896920510396439
crs.sagepub.com
SAGE

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We live in truly bizarre times. In the midst of what everyone routinely refers to as a major economic crisis, with the unemployment rate hovering near 10 percent and ever more people leave the ranks of the unemployed discouraged and resigned to never finding another job, and when fiscal austerity is the word of the day because governments at all levels are reeling under the burden of declining revenues, we receive startling news. Quarterly profit figures for corporations are once more at pre-crisis levels. The Obama Administration conceded major tax benefits to the wealthy over the next two years while getting a meager concession to extend special unemployment benefits for another 13 months. Wall Street is giving out record bonuses and partying like, well, like it is 2007.

So what do we make of all this? Is there really an economic crisis, or are we just in the grips of unrestrained greed at a time when politicians are either unable to confront those forces, or are emboldened to lie and shamelessly advance the interests of a few over the good of the many? As Warren Buffet recently pointed out, the rich want ever more. It is the nature of being rich, it is the sense of entitlement and deserving the fruits of success which justifies expecting more—a tradition rooted in Weber's notions of the Protestant Ethic leading to the Spirit of Capitalism. But perhaps the question should not be whether or not we are still in an economic crisis (after all, we are told the Great Recession ended a while back—based on quarterly growth data), but instead ask exactly who or what is in crisis. That is, we gain new insight when we consider that the 2008 crisis in capitalism, centered on Wall Street and the financial sector, has now become a crisis for labor. How else can we understand the evidence that capitalists are doing quite well even as the basic underlying economy is still weak? It is the rhetoric of this weakness that propels the anti-tax and anti-government movements resulting in a conservative political shift in both the US and the UK, a shift that promises to solve our economic woes by cutting government spending, a shift that harkens back to the Reagan and Thatcher eras.

The pronouncements of this new UK government are a window revealing what may well soon be happening in the US. Proposed 25 percent cuts in overall government spending—with the first move in December 2010 with the announcement of increases in school fees for students and revelation of plans to dismantle the National Health Service—is creating a climate of shock and awe not seen perhaps since the IMF's restructuring of the Mexican national debt. That even resulted in the destruction of Mexico's middle class. In one stroke, the IMF made Wall Street bankers holding Mexico's debt (at risk of default) whole, and implemented austerity measures that slashed social services, froze wages and caused widespread immiseration among mid-level state workers. The short form: capitalist assets were protected and the pain of restructuring was felt by those at the middle and bottom. One might wonder what Mexico's middle class thinks now, watching as the storm clouds of "austerity" are finally gathering over the US and UK and inflicting or promising to inflict the same pain many times over.

At the risk of oversimplifying a complex set of events, it is clear that we are in a period in which the needs of capitalism are clashing with the desires of capitalists. As Marx shows us, capitalism is a complicated system that routinely shifts the loci of tension which can spin out into a crisis. It is not whether but where, how long and how deep of a crisis will occur. The nodes of these crises can be traced to the various juntures of the system. For instance, our recent financial crisis of 2008 was caused when the dual functions of Wall Street—assembling the money to invest (Marx's M) and providing the credit to consume (generating Marx's M')—got out of control as financiers sought outrageous profits without regard to the smooth functioning of the capitalist system as a whole. This is not to say capitalism is well managed. Rather, capitalism is a system of checks and balances that ensures—perhaps through a competitive process—that no one gains an upper hand for too long. The outcome of the last great financial crisis, the Great Depression of the 1930s, was a system of checks and restraints of finance. These restraints were lifted at the end of the 1990s and the full benefit of that lifting unfolded throughout most of the 2000s leading to excess and eventually a financial freeze. The unsustainable debt levels financed by Wall Street needed the infusion of massive public funds, and we are now experiencing the result.

Similar crises emerge at different points of the cycle of capitalism…to grossly summarize, capital (M) is used to acquire labor power and the means of production that uses technology in order to produce commodities (C), which embodies surplus value realized by the sale of those commodities generating new levels of capital (M'). As I mentioned above, finance serves to provide the front and back end capital by combining small pots and put it into the system by creating loans (finance the home construction, then finance the home purchase!). But each point in this generalized circuit is a point of contention that could lead to a crisis. Periodically, labor organizes or has a structural advantage due to limits on the supply of labor. As a result the costs of that labor power increases thereby putting a squeeze on the level of M' that is possible. At times the means of production controlled by what Marx calls the rentier class demands (some my say extorts) higher prices (a recent historical example is the actions of OPEC raising the price of oil) or limits the available supplies forcing prices to rise (we are currently in a global land grab of epic proportion, lead in part by China's rapidly expanding economy—more on that in a moment). And so it goes, cycles of crisis and tension move through the system and, as we have seen of late, move around globally as well (witness the turmoil in Greece, the collapse of Ireland, the unrest in France, worries about Italy and Portugal, and lest we forget, the impending changes in the UK). So what is happening now, how do we reconcile the news of prosperity in some corners (higher profits and bonuses) with continued pain in others? Whose crisis is this now?

We can gain some understanding if we look more closely at what is being stressed in this crisis, and who is being stressed as a result. The problems, we are told, stem from excessive government spending for all sorts of unnecessary or unwarranted programs and services. The easy expansionary periods under Keynesian policies creating or boosting effective demand through public sector spending has led to bloated government agencies and needless drag on the economy to the detriment of the profitability and growth potential of the economy. If only government were smaller, it would require less of our capital (via taxes of all manner) leaving us with more to invest and engage in the business of business (and with that the return to prosperity). But this only makes sense if we have a singular view of how the system works, and we are willing to accept the failed assumptions rooted in the trickle down philosophies of Reagan and Thatcher so many years ago. Instead, we can view the relentless drum beat of Neoliberalism as a call to pulling in the limits on capitalist profits through the introduction of fiscal austerity to reign in governments and cut back on what it provides.

We can see the recent and not so recent events tied to a concerted assault by capitalists trying to undo the concessions labor after the Great Depression and subsequent smaller crises. To wit, it can be viewed as a long term strategy to end the social programs that provided supports to workers and their families even as they imposed constraints on capitalists' activities. Capitalists, it would seem, strain at the fetters designed to hold them back in the interests of capitalism in general, and once again we are at one of those moments when what is important for the system comes into conflict with what is desired by individual capitalists. And capitalists now are seeking a complete reversal of 80 years of gains in social reproduction and protecting the environment (crudely, to redress and reduce the costs of acquiring labor power and the means of production). The drive is to externalize the costs of production and the neoliberal project is to end the liberal accords providing social safety nets and safeguarding natural resources. The current assault is made possible by the decline of the traditional Left (rooted in unions and tradition party politics more clearly represented by Labor Parties in Europe and to some degree the Democratic Party in the US), a decline that started with the successful emergence of coalitions and movements (Women's Movement, Anti-War Student Movement, Civil Rights, Gay Rights, etc) unwilling to wait for the traditional anti-capitalist forces to achieve victory that will lead to addressing grievances. As a result, in most Western industrial nations, the conservative agenda has taken hold in the name of Neoliberal competitiveness and austerity.

I suppose this sort of logic might make sense, but only if there were no counter trends and processes from which we can gain some insight into this current madness. Not only do crises shift to different moments within the capitalist system, but they also shift geographically—and in some cases operate differently geographically. The obvious shifts are the events (and oppositional movements in response) in the countries mentioned above. We have witnessed the response by citizens throughout Europe (mass demonstrations in France and Greece, outcries in the Netherlands, and most recently student actions in opposition to the first salvo from the Conservatives in the UK). But we also should not ignore events in Latin America as it organizes regional opposition to the Neoliberal agenda (see recent articles in the pages of this journal by de la Barra 2010 and Figueroa Sepúlveda 2010), and on the general question of opposition to a failed program (Dello Buono 2011 and Fuchs 2010). China and to some extent India are thriving economies with high growth rates as they reject Neoliberal austerity measures. In the case of China we see a full embrace of what can only be called Keynesian government expansion with massive infrastructure investments (at the level of the US TARP bank bailout) expanding roads, building high speed rail networks, and undertaking an extensive urban construction initiative.

If we choose to look, we can see that Neoliberal austerity measures are not good for the economy or the system, just ensuring that capitalists are properly situated to reap massive profits. If there are any questions about the social consequences of such policies, just look at Mexico and any of the other countries that have "benefitted" from IMF intervention. In the meantime, we must understand that what is going on now in this and other capitalist countries is a crisis for labor, and open class warfare conducted by the wealthy against the rest.

The articles in this issue carry these themes forward. Gunnoe and Gellert tackle an issue that intersects finance and factors of production. Specifically, their article explores how a shift in ownership to institutional investors and resulting dividend and financial bottom line emblematic of financialization impacts on social and ecological relations. Their research agenda is to develop an ecological political economy to track and understand capital's role in the development and management of our natural resources. Carrying forward the theme of nature and industry, the article by Fridell demonstrates the folly of applying an uncritical and overly political lens to the market for resources. Specifically, a neoliberal agenda dismantled a trade agreement (in this case the EU-Caribbean banana agreement) on the grounds that any market manipulation will have a negative impact on "economic efficiencies" and paid no attention to the socio-economic and ecological underpinnings of the original agreement. The "restoration" of free trade resulted in harm to local communities of producers.

If the first two articles deal with the front end of the M-C-M' cycle (the acquisition of the means of production) then the next two focus on the end of the cycle, consumption and the realization of surplus value. The articles by Comor and Ivanova come at these questions by interrogating how consumption is changing. Comor explores the increasing role of consumer as producer, what he calls the prosumer. Early forms of this can be seen through the increased focus on DYI, the emergence of chains like Home Depot catering to our inner craftsperson, and automated tellers (ATMs) and self-service checkout at the discount store. Comor's article looks more closely at Internet applications and what is known as Web 2.0 to see if there are opportunities for radical changes in the realm of consumption. Ivanova turns to an examination of the emergence of consumerism under Fordism and its evolution under Neoliberalism as a way of uncovering the roots of the present crisis. For Ivanova, this crisis represents the end of a cycle of mass consumption related to wealth creation through rising asset values yet it is not clear if a post-consumerist future is possible or what it might look like. Indeed, while the current crisis is systemic, it may not portend an end to the capitalist mode of production. The issue ends with a look at what Wan calls a systems approach that transcends both the holism of planning and the individualism of capitalism to understanding how human actors can participate in the structural agenda of designing, maintaining, and repairing social systems (and under the right circumstances dismantling and replacing them). In this attempt, Wan seeks to restore human agency within a framework of systems analysis.

So, it is small comfort to know that the greed of individual capitalists and their desire to externalize the costs of social and environmental reproduction may in the end be harmful to capitalism as a system. It is unlikely to lead to a dismantling of this system without concerted efforts coordinated on all levels, but it may result in the end of a hegemonic period for US capitalism and global power. There is reason to hope, however, as models of social democracy in places like Sweden, the anti-Neoliberal efforts in regions like Latin America, and Keynesian policies carried out in East Asia all demonstrate the failure of Neoliberalism and unmask its true agenda of reversing the range of programs that make up the social safety net fought for by workers over many decades.

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