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**Overcome the systemic crisis of
capitalism**

**What are the social-economical dangers
and opportunities?**

transform!europe
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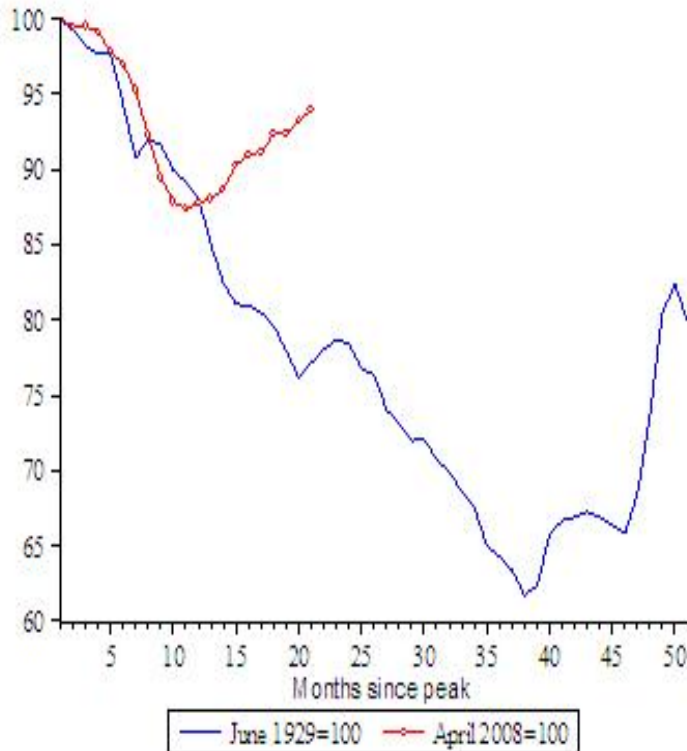


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Interpretation: systemic crisis – hegemonic crisis



- The current crisis is a break with the past - constitutes a new situation in economy, society and politics
- The reason is not the depth of the economic slump (figure world industry Eichengreen/O'Rourke, 3/2010)
Release from the logic of a Great Depression: success of stimulus packages
This proofed the flexibility of the conservative bloc: from neoliberalism to „soft conservatism“
- This crisis deals with systemic contradictions:
 - a crisis of the accumulation regime (financial market driven)
 - a crisis of the model of regulation (Shareholder value, privatization, market state, US-hegemony)
- Crisis of the model of regulation in Europe means
 - crisis of unbalanced competition (Germany's export oriented model)
 - crisis of the monetary system and the stability pact (Euro, ECB – coming out with the Greece-crisis)
 - crisis of social integration (European Social Model)
 - crisis of EU-enlargement



Challenges

- This crisis has not come to an end – it just has begun. This means: we need politics for a long run
- Even the bourgeois bloc does not have a unifying new hegemonic „idea“ of systemic reforms

After World War II this was:

- Fordism
- Welfare state (Beveridge Plan, Scandinavian Model, „corporatism“)
- World currency system (US-hegemony)

There is no equivalent political programme in these days

- Rescue and stimulus packages are designed only for the short run without new dynamism of a new accumulation regime
- Effect: redistribution from the state (i.e. the people) to the banks: speculative „accumulation by dispossession“ (David Harvey)



II. European capitalism in transition



We have to consider different regimes of capitalism

Germany: „corporate negotiated capitalism“ based on high competitiveness and conservative welfare state – shift to fragmented economy (external/internal) – industrial relations now: from social partnership to corporatist crisis management

– challenge: transforming a export oriented capitalism

UK: for long flagship of „liberal market economies“ – big financial market + deindustrialization – inequality/segmentation in labour market – but: public spendings in the framework of „market state“ (NHS, education etc)

- challenge: future beyond finance driven capitalism (City of London)

Spain/Italy/Greece: fragile manufacturing sector (E: construction sector – IT: industrial districts) – family based welfare regime – large informal sector – high fragmentation of labour markets

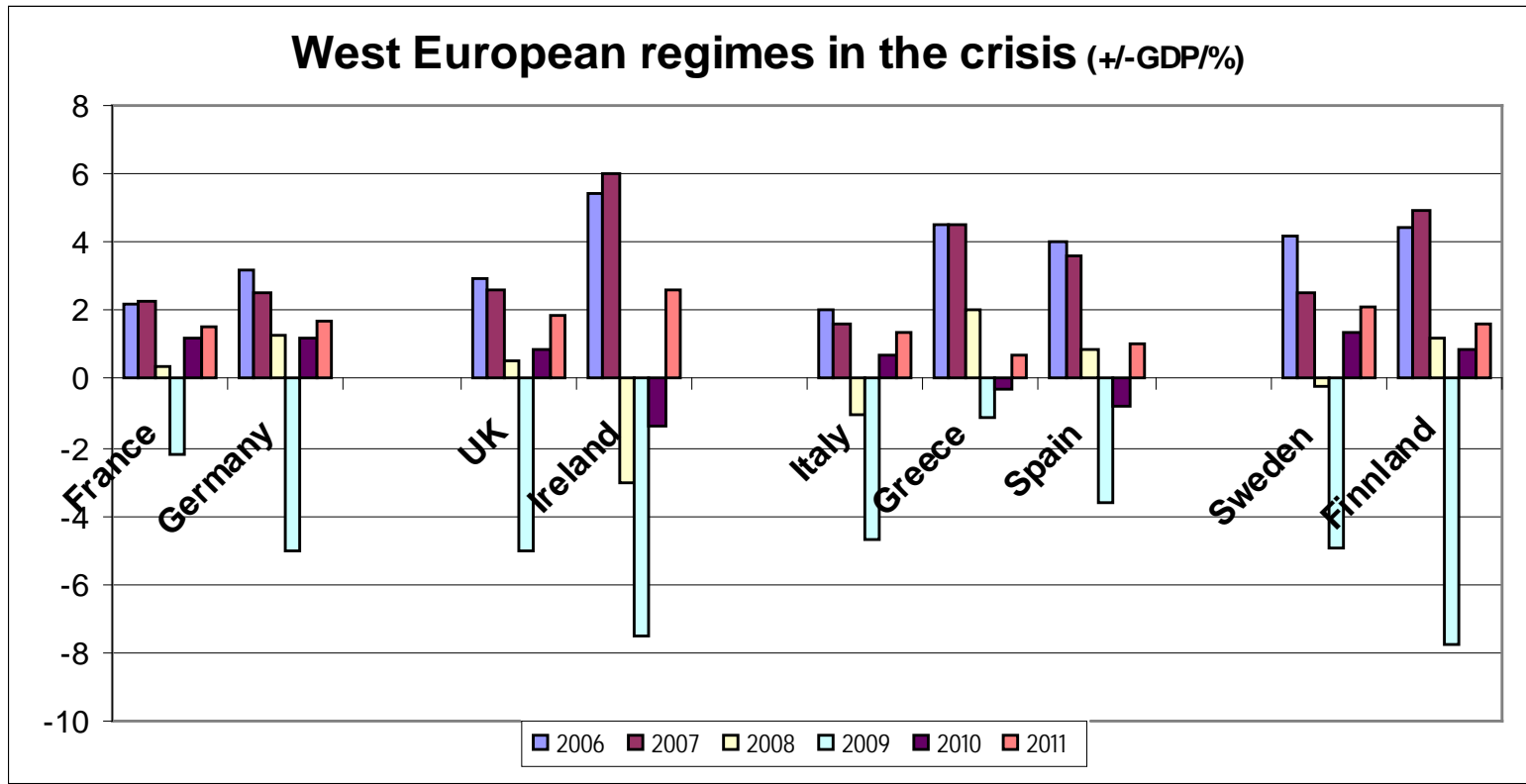
- challenge: how to cope with competitiveness and public deficits?

Scandinavia: high competitiveness + social-democratic welfare state – strong pressure to exclusive welfare (populist right)

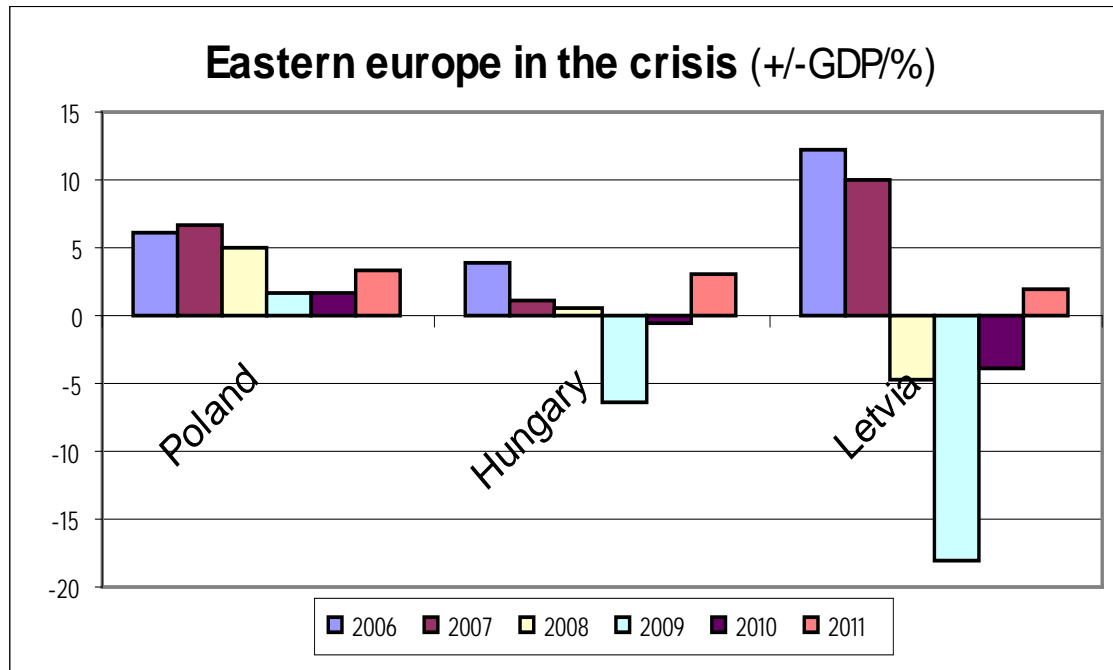
– challenge: how to cope with growing unemployment?

Central Europe: challenge: delinking after enlargement?

Caution: crisis have never been great levellers



- financial market economies are worst – export oriented economies are not better (Greece better than on financial markets)
- perspective: stagnation (GDP less than productivity)
- Germany will proceed with beggar my neighbour policy – more pressure on competitiveness
- Growing ditch between North and South – how to deal within a monetary union?
- **A shift in hegemony: from constraints plus leadership to a regime of fragmentation, rivalry and chauvinism?**



- **Poland:** preventing recession with internal growth
- **but: is this a perspective within Europe?**
- **Hungary:** almost unregulated market economy (deregulation/privatization) - FDI-driven trajectory (eg. car industry) on low road – strong expectations on welfare state
- **how to survive as a dependend workbench?**
- **Latvia:** credit-financed (foreign currency) growth-regime
- **how to get out of a deflationist spiral?**



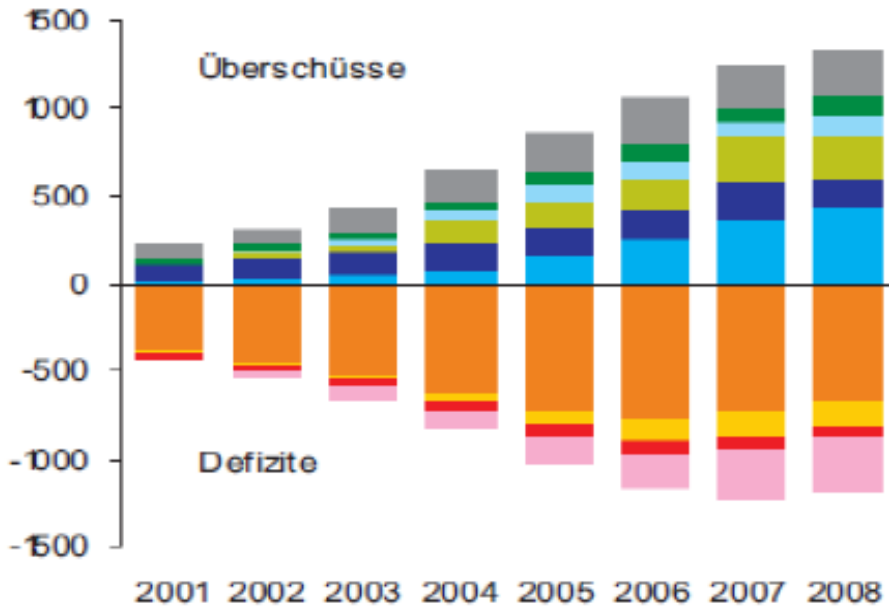
III.

5 arguments for a long run



1. US-hegemony and global imbalances

Globale Ungleichgewichte
Leistungsbilanzen in Mrd. Dollar



- Rest*
- Russland
- Saudi Arabien
- Deutschland
- Japan
- China
- USA
- Spanien
- UK
- Rest*



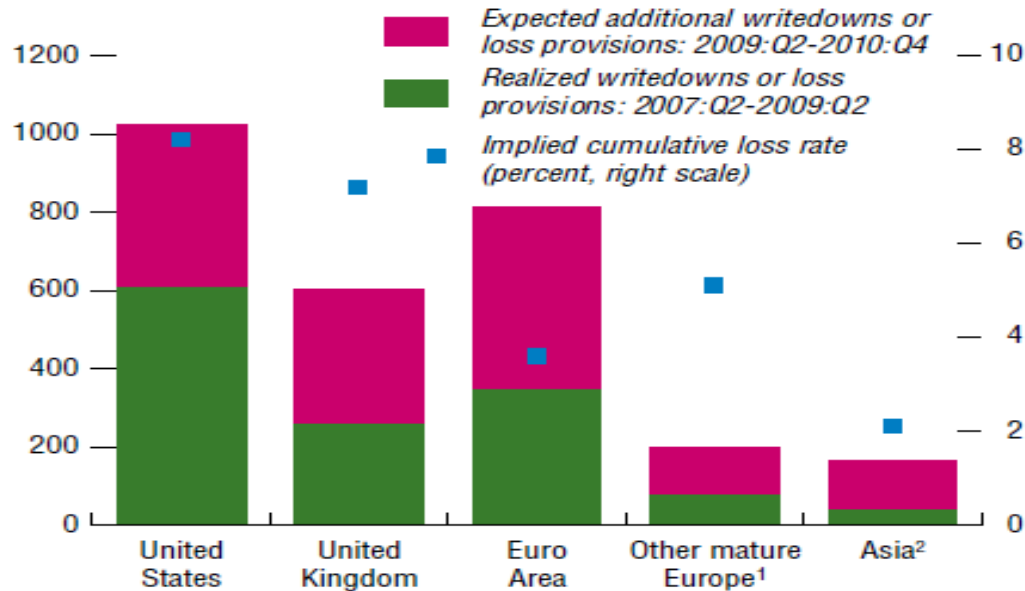
Quelle: Reuters-Ecowin: IMF WEO.

- US-economy: 20% of world GDP – locomotive during the previous business cycles
- Financed by three deficits:
 - deficit in balance of payments (2007: 731 billion \$)
 - public deficit
 - credit financed private consumption (loans, credit cards, car credits etc.)
- **Neoliberalism: a regime fueled by dept**
accumulation by dept: this growth regime is gone (more or less)
- BRICs cannot compensate this
- Perspectives:
 - turbulences in the world currency system (Dollar – Renminbi)
 - stagnation
 - chance for Europe with balanced trade (a big internal market)



2. Financial risks and credit crunch

Figure 1.9. Realized and Expected Writedowns or Loss Provisions for Banks by Region
(In billions of U.S. dollars unless otherwise shown)



Source: IMF staff estimates.

¹Includes Denmark, Iceland, Norway, Sweden, and Switzerland.

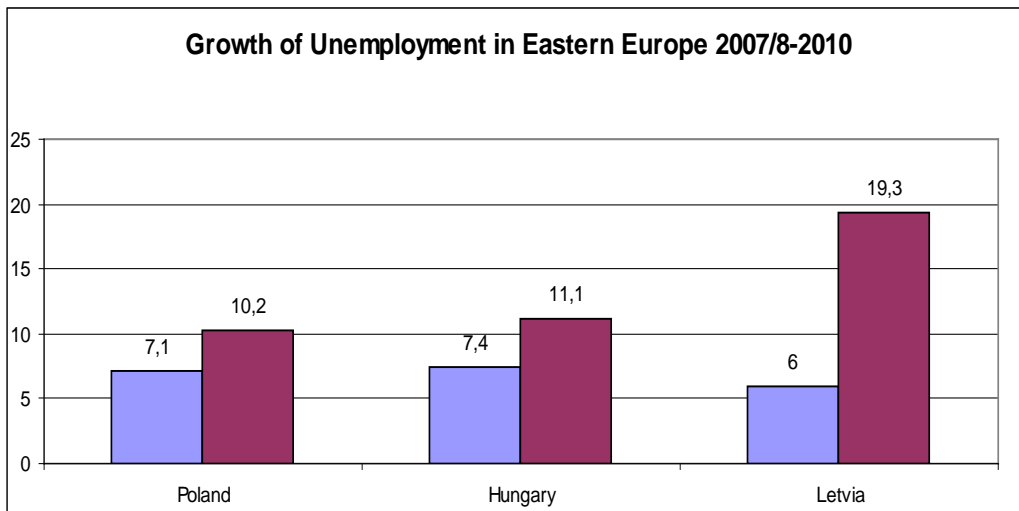
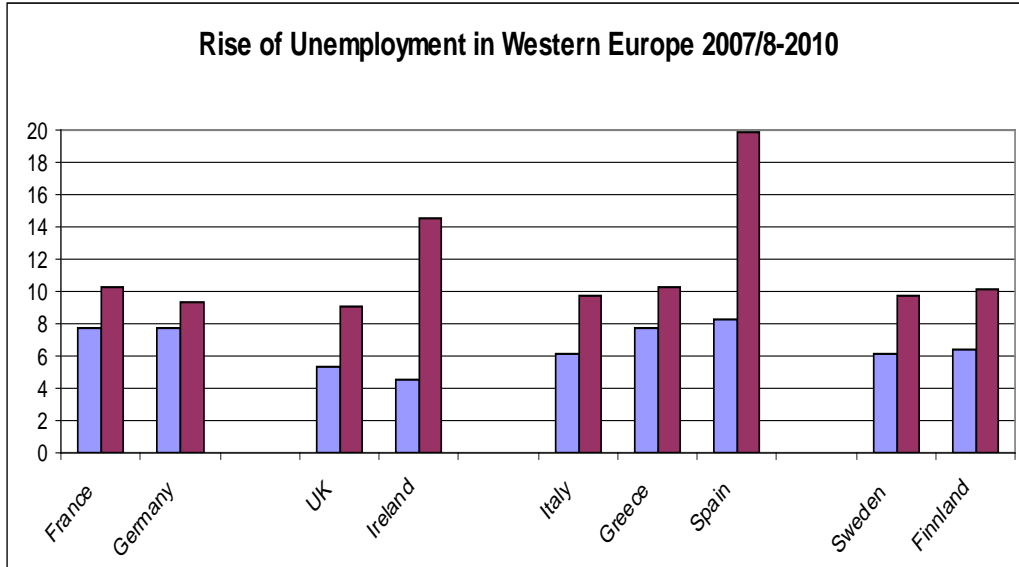
²Includes Australia, Hong Kong SAR, Japan, New Zealand, and Singapore.

■ up to now: no new regime of regulation

destruction of the shadow bank system, socialization or dismantling of financial institutes relevant for the whole system, public control of the entire financial system, public rating agencies, control on CDS, ban of CDO, regulation of Hedgefunds and Private Equity, etc.



3. Higher level of unemployment – weakening of internal market



If stagnation-szenario is plausible

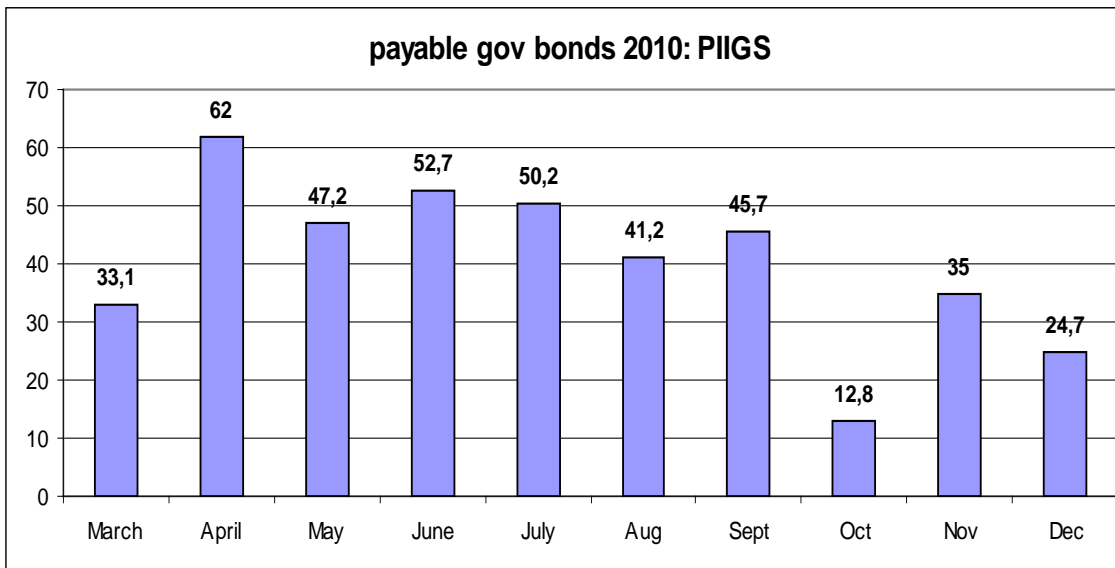
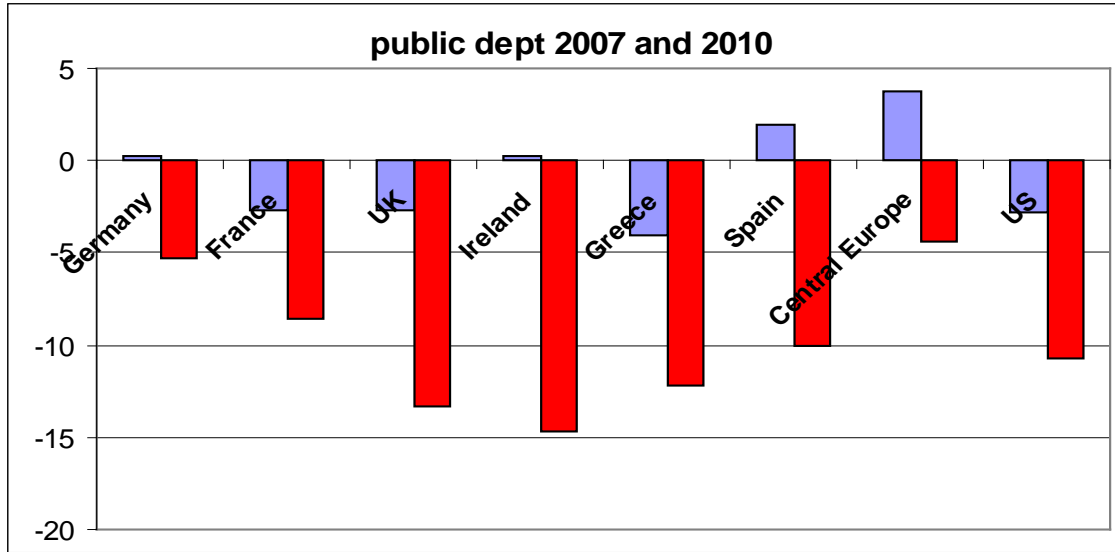
than productivity > growth = higher rate of unemployment

- effect 1: pressure on wages
- effect 2: bad jobs
- effect 3: less purchasing power in the internal market
- effect 4: undermining welfare state
- effect 5: shrinking tax revenues

Deflation can be the result for Europe



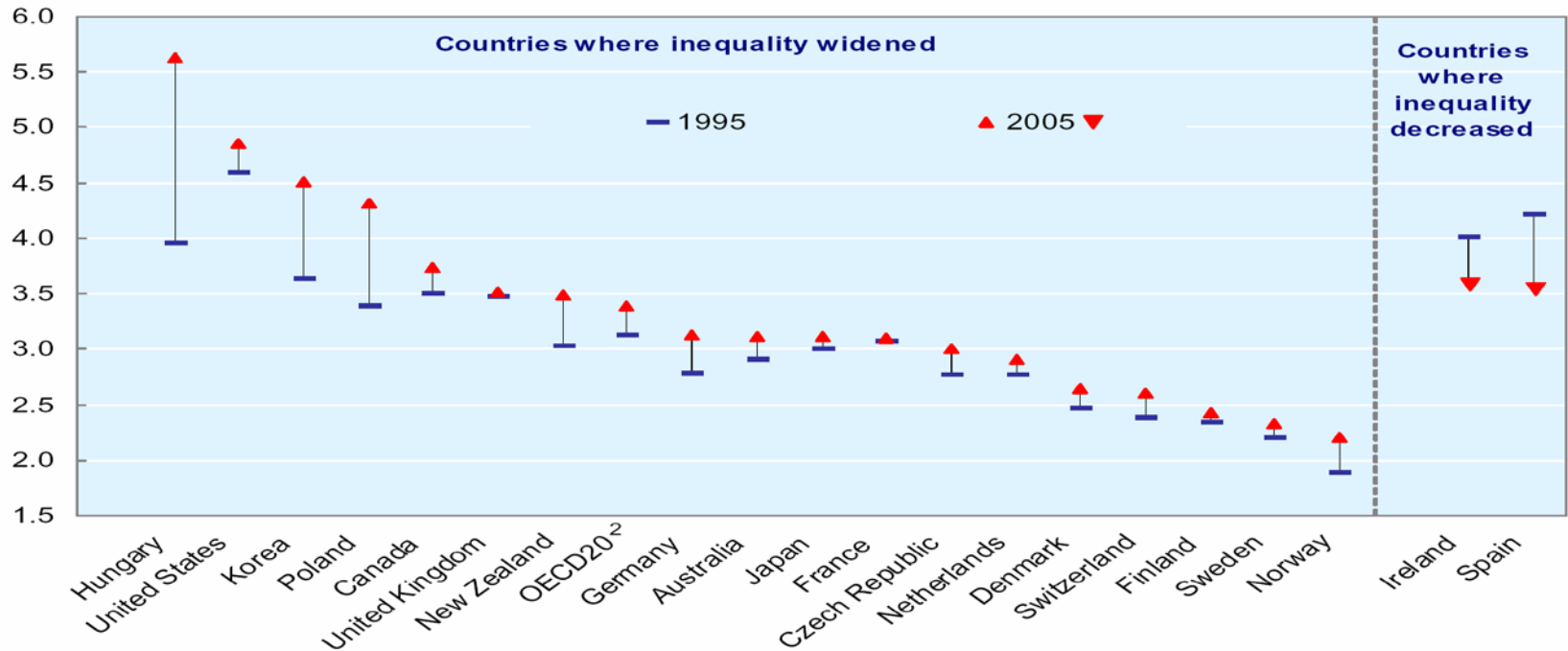
4. Exit-strategy: from fiscal stimulus to deflation policy



- shift to austerity in nations fiscal policy and in europe: after Baltic states, Hungary and Rumania now Greece
- de-democratization:
 - governed by financial market speculation
 - Budget control by Commission and IMF
- „deflationary shock“
- deepen the ditch within Europe - new chauvinism
- big redistribution of costs of crisis:
 - from the states to the banks (2 times: to safeguard them and for high interests)
 - from state to the people



5. Social inequality



Note: The figure shows that in all countries except Ireland and Spain, the earnings of the 10% best-paid workers increased more than the earnings of the 10% least-paid workers, over the 1995-2005 period (i.e. earnings inequality widened).

1. Full-year, full-time workers. The data shown are consistent over time, but not entirely comparable across countries owing to differences in pay reporting periods and coverage of workers.
 2. Unweighted average of countries shown in the figure.
- Source: OECD database on Earnings Distribution.

■ Bringing this together with austerity in Europe: end of the European Social Model?

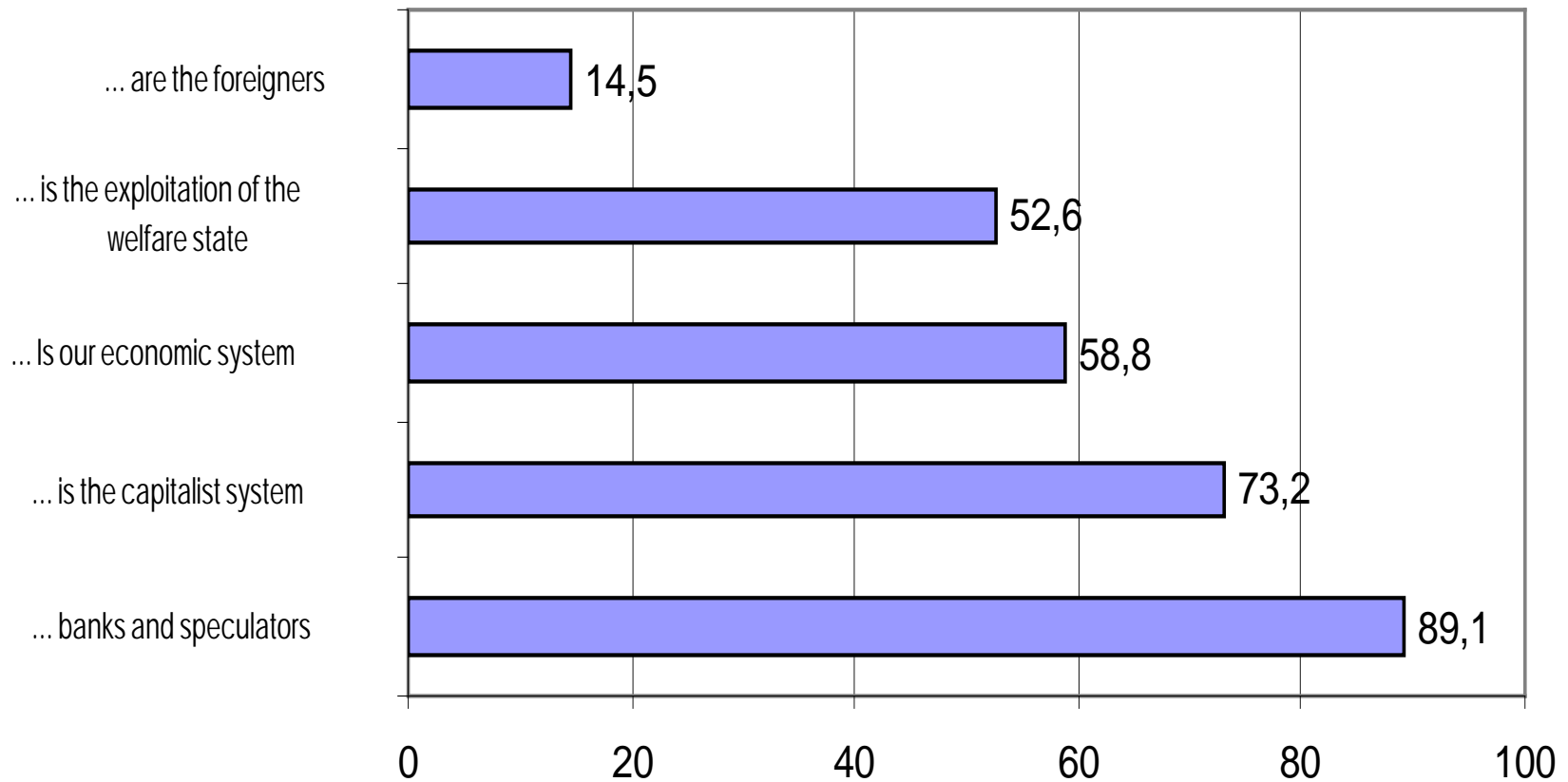


IV. Crisis and day-to-day consciousness

(in Germany, but perhaps similar in other
countries?!)

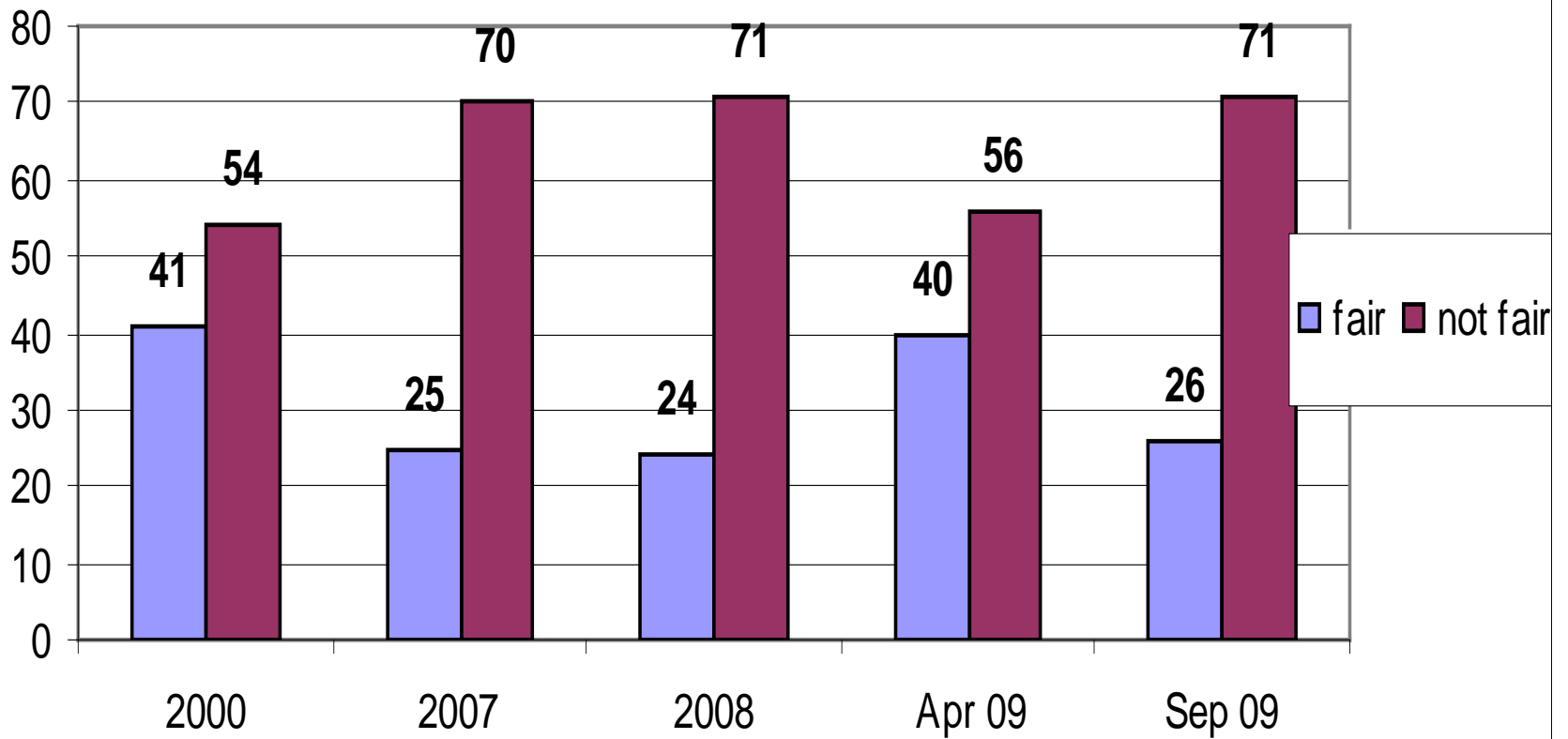


The reason for the financial and economic crisis is...



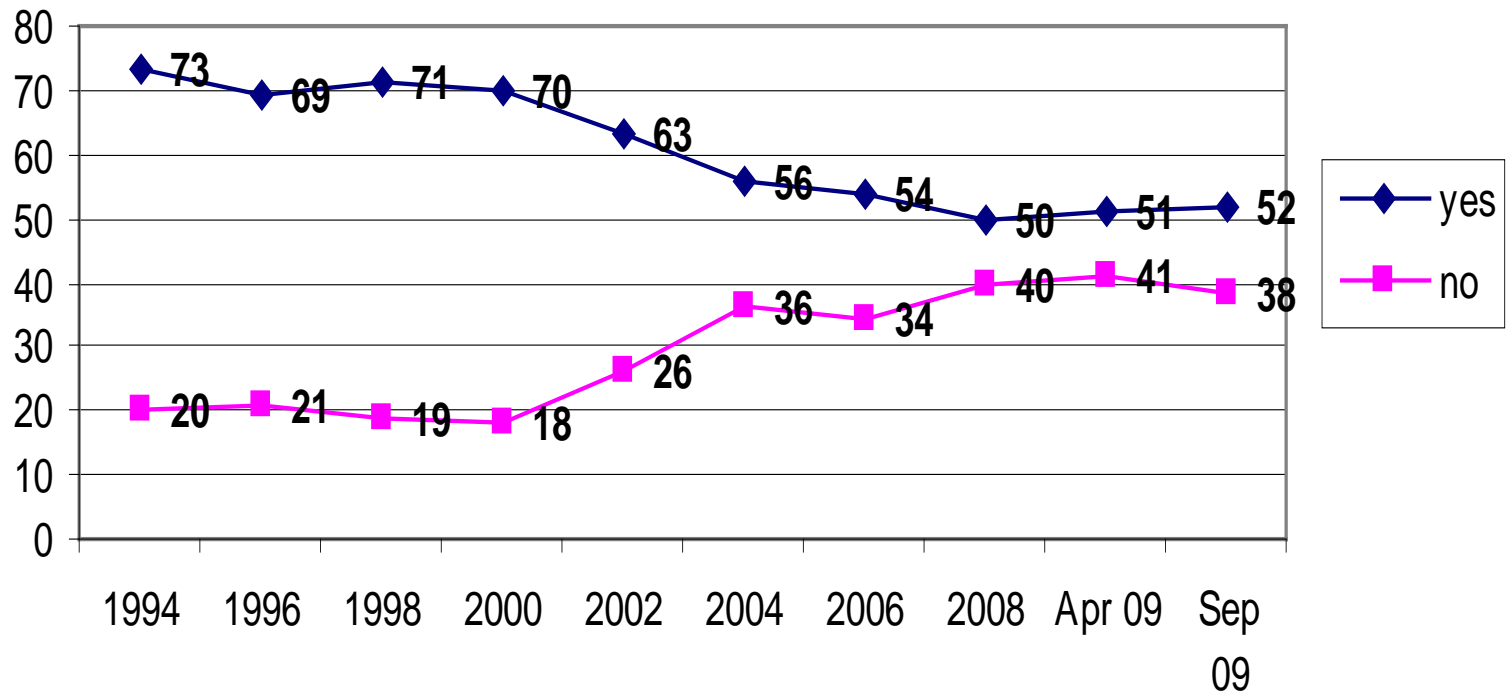


"Our society is more or less fair/unfair"





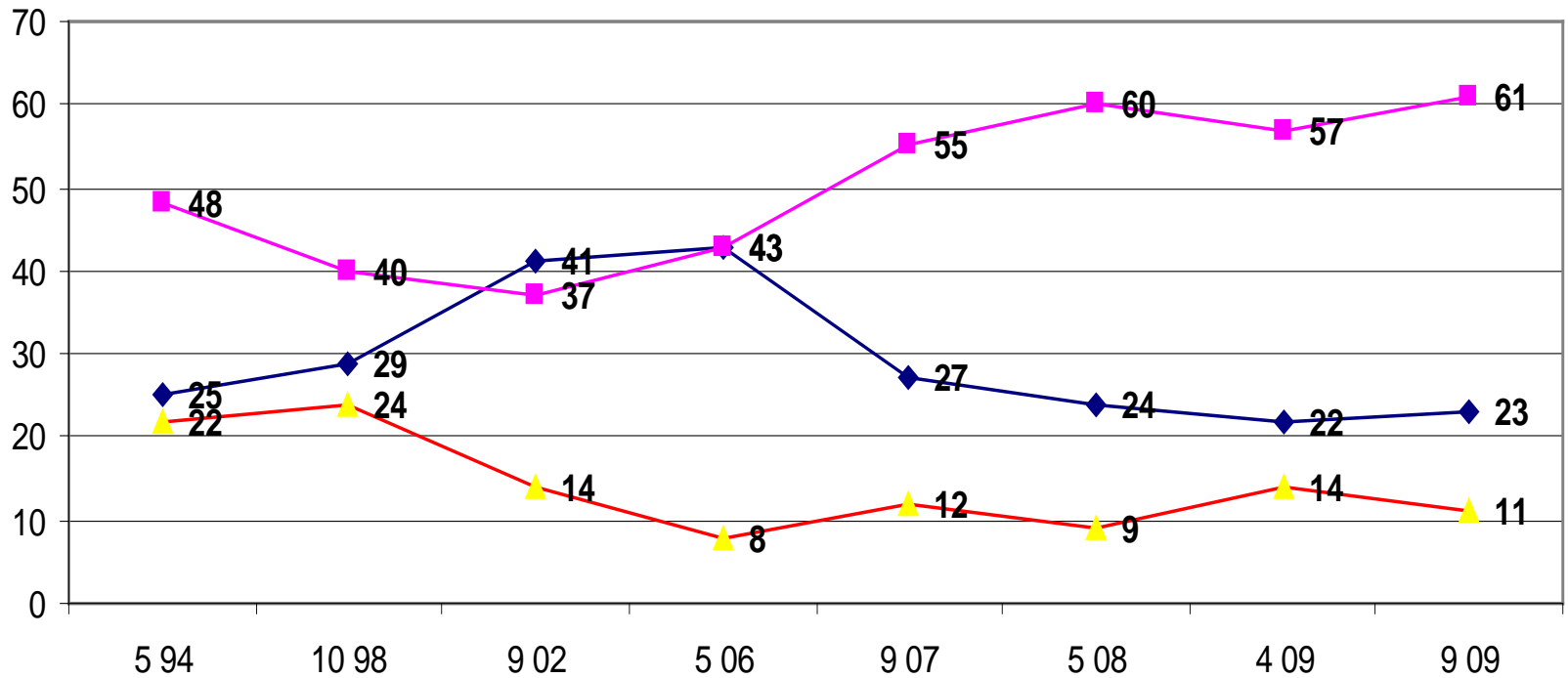
"The social market economy has proved to be successful"





"For the future of the economy we need ... "

◆ more market ■ more social security ▲ don't know





The polls show:

- although the economic crisis has been absorbed on the labour market: there is an understanding of systemic risks („capitalist system“/“our system“)
- although even conservatives realized the necessity of the „automatic stabilizers“ of the welfare system: there is a growing criticism of social injustice, social splitting and comeback of class society
- therefore: the economic system is called into question by a growing minority
- therefore: desire for more social security and active role of state intervention (but a socially reformed state)

But: this criticism does not mean social mobilization for social emancipation

- the most vulnerable social classes are fragmented and splitted
- the most vulnerable social classes have a feeling of fatalism: „we do not have the power for change“
- there is the danger of the growing prejudice and resentment against „others“ (foreigners etc.) – this is what Rober Castel means talking about the comeback of the „dangerous classes“)

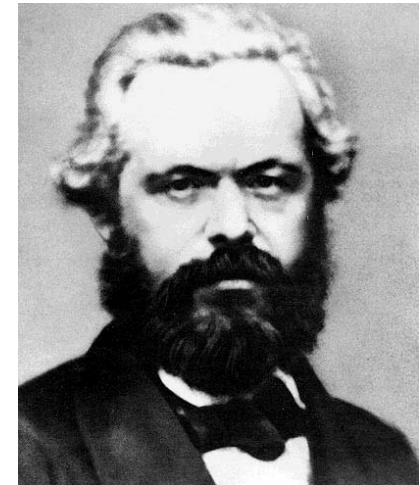
This should make clear the importance

- of collective intervention by alliances out of the civil society
- of trade unions with political mandate
- the „party question“, i.e. the reform of the concept „party“



V. Strategic projects

„Hegel remarks somewhere that all facts and personages of great importance in world history occur twice. He forgot to add: the first time as *tragedy*, the second as *farce*.“



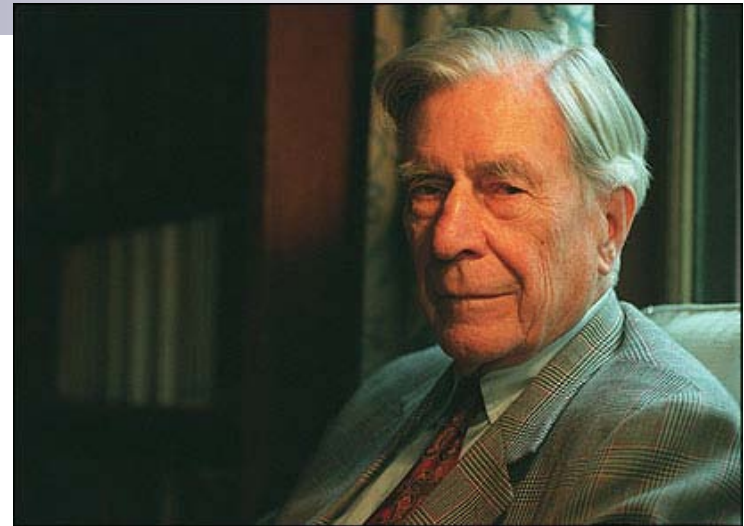
Karl Marx: *The Eighteenth Brumaire of Louis Bonaparte* (1852)

tragedy and farce

Can a big crisis happen again?

John K. Galbraith 1954: No! The political and economic elites have learned:

„Without any doubt: a lot of weak spots, which occurred 1929 and later, have been wiped out.

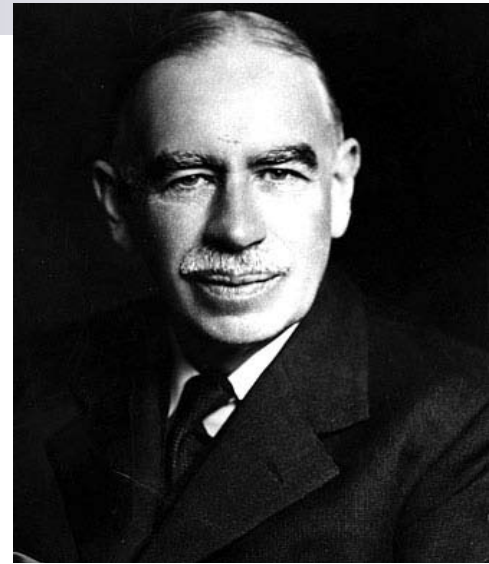


- The distribution of income isn't as top-heavy as it was ... [in 2007: as worse as it was]
- The omnipotence of investment-trust was very much cut down in the years following 1929 [in 2007: restored]
- Unemployment insurance ... for the workers. Together with the other parts of the social security system – pensions and public aid – this helps to protect the wages and to safeguard the purchasing power of big parts of the population [Reagan said: starve the beast]
- The tax-system we have today guarantees more stability than that from 1929.“ [in 2007: distributed from below to the top]

(John Kenneth Galbraith: Der große Crash 1929 (1. edition 1954), pp. 230)

An old approach – with new thinking

- „Our argumentation comes to the conclusion, that in our times the growth of wealth doesn't any longer depend on the abstinence of the rich, as it is normally thought. Indeed, it is delayed by them.“
- This means: we aren't any longer living in a world of shortage, but in a world of plenty – hegemony of finance markets is the capitalistic form of this.
- What is necessary (according to Keynes):
 - death of the property manager – low interest rates
 - socialization of the investments
 - progressive taxes for strong public investments and work programmes
 - radical reduction of working time





Concepts for today: two transform! initiatives

■ renewing concepts of economic democracy

reorganizing industry - initiatives for sustainable growth – workers democracy (against the iron rule of competition of all against all) – draining the financial markets

and reshaping the world of labour:

a european initiative for good work to stop the precarious fragmentation of the working classes (against workfare policy – bringing solidarity back in)

and giving a progressive answer to post-democracy

■ initiatives for a new european social model

reshaping the fabric of society: abolition of poverty – social security and social justice – bringing the fights against austerity politics together – preventing the comeback of the „dangerous classes“ (R. Castel)



Thanks for listening

