

'The Crisis' and the Crises of Global Capitalism
Challenges for, and Alternatives from 'The South'

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Anti-capitalist analysts of the current global crisis argue that this is a crisis of “neoliberal financial-market capitalism” [Preface to Rosa Luxemburg synopsis paper for this conference] and that it “is not a crisis of the neoliberal variant of capitalism but the crisis of capitalism” [Walden Bello, *ibid*]. Left analyses also point out that “the financial crisis is only the visible tip of the structural crisis of globalised capitalism” [Mamdou Habashi, *ibid*], and ‘the’ crisis is in fact a “combination of various crises which are all the fruit of capitalist logic” [Francois Houtart, *ibid*]; but with a further observation that “the current crisis is neither a financial crisis, nor the sum of multiple systemic crises but the crisis of imperialist late capitalism of generalised and financialised oligopolies” [Samir Amin, *ibid*]. These differing perspectives or emphases require deeper discussion and fuller clarification on the sources and interaction of these forces and dynamics, as well as on the nature and main location of their multiple effects. There are, however, further perspectives that need to be included with these observations and in these discussions.

1. Financial and productive capital

In the first instance, further observations and elaborations are required on the respective role(s) and relationship between financial and productive capital:

1.1 It is certainly correct to point out that financial forces and agencies have become vastly more powerful over recent decades and have down-graded and to some extent side-lined productive capital from its formerly dominant position. But the latter (in manufacturing, mining, agriculture, forestry, fisheries and services etc) have not thereby ceased to exist and operate. They have, in fact, continued to actively argue for and impose their own particular demands and specific needs in governmental policy-making (eg on foreign trade and investment liberalisation) and actions (eg oil companies and the gulf war). And it is such international investors and production companies - largely transnational corporations, TNCs - that are the main ‘face’ of internationalised capitalism in the South, and that impose the main direct impacts in the countries of the South (see 2.3 below).

¹ This paper is a combination of two presentations made at the Conference in Brussels, October 28 – November 1st 2009, sponsored by the Rosa Luxemburg Foundation in cooperation with the World Forum on Alternatives and the Transnational Institute, on “The World Crisis and Beyond – Alternatives and Transformation Paths to Overcome the Regime of Crisis-Capitalism”.

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1.2 At the same time, it is not correct to posit a sharp line distinguishing financial from productive capital because the latter depend to a considerable degree on the former in order to function. Conversely, productive (eg auto-manufacturers) and services (eg supermarket/retail) enterprises have created their own financial/credit devices similar to those supplied by specifically financial institutions. Such production and service enterprises have, therefore, also contributed to the escalating financial crisis – through individual/family debt - and hence to the ‘decline in consumption’ in ‘the real economy’. They have, in this way, contributed directly to the broader and deeper economic and social dimensions of the current crisis, especially in the richer ‘more advanced’ countries and high consumer societies, but with implications also for the lesser and least developed countries in the South [see 2.1 below].

1.3 This inter-penetration and interdependence of financial and productive capital is manifest at an even more fundamental level. Although financial and productive capital have differing operational modalities and requirements, and although there are therefore differences in their priorities and their respective immediate demands on governments and other public authorities, and inter-governmental institutions [see 2.3 below], they also have common interests and commitments to the essential values/philosophy/ideology of capitalism. And, in this way, they seek to assure their own continuing role(s) and status, and the functioning and survival of the capitalist system as such.

2. Multiple dimensions of the crisis .

With regard to the multifaceted nature and multiple dimensions of the global crisis/crises of capitalism – the financial and ‘real economy’ crises, growing unemployment and poverty crises; food supply/price crises and related hunger and health crises; energy and other resources extractions and environmental damages, ecological destructions, climate change and ‘natural’ disasters - it is necessary to note that:

2.1 The more explicitly and specifically financial dimension of the crisis is primarily and fundamentally located in the advanced economies, in the heartlands and at the core of globalised capitalism. But this financial crisis impacts in the peripheral economies in the South directly - such as tighter and more costly trade credits from northern banks precariously holding onto their cash reserves. The crisis also impacts indirectly - such as through governments in the North committing major proportions of their financial resources towards dealing with ‘national’ financial, economic and social needs and away from ‘aid’ to the South, on which the latter have been made structurally dependent.

2.2 The other dimensions of the global crisis/crises emerging from the very functioning of globalised capitalism will gradually become more strongly evident and will be manifest in all countries and economies. But the scale and impacts of these multiple crises will be uneven from country to country. This will be largely commensurate with the degree to which, or the ways in which countries have opened up ('liberalised') their economies and are exposed to the full functioning and effects of globalised capitalism. For many, this is effected through the structural orientation (or 'extroversion') of their economies to import/export trade with the richest economies, now in recession; although affected also by other internal/domestic structural and conjunctural (political, social and cultural) factors.

2.3 For many countries in the periphery of globalised capitalism, the economic and social effects of the functioning of 'the global economy', and the international 'policy' requirements in support of transnational corporations and capital - largely imposed through the IMF, World Bank and the WTO - have already been emerging and experienced over many decades. These effects include, amongst others:

- de-industrialisation and the massive growth of unemployment and soaring rates of urban concentrations and poverty in weaker economies;
- the undermining of small-scale agriculture, adding to rural-urban population flows; the decline in domestic food production and growing dependence on ever more expensive food imports;
- the latter aggravated by commodity speculators in the North, especially in the context of the increasing value of crops for the production of agro-fuels.

The concomitant internal land, water and environmental pressures and stresses, and the national and international effects of global warming and climate instabilities - resulting massively from the functioning of industrialised capitalism over a century and more - are also already being felt most directly and heavily in countries of the South. These effects will continue and deepen for such countries - large and small, strong(er) and weak(er) - although also threatening the entire planetary ecological-system(s) and all of humanity.

3. Systemic dynamics intrinsic to capitalism

Transnational production and service corporations, international exporters and investors located in the more highly industrialised economies of the North have, in recent decades, pressurised their governments to impose bilateral and bi-regional economic agreements on the countries and regional groupings of the South, and/or to utilise major multilateral institutions to force the opening up of

all sectors in all economies across the world. This intensified drive arises directly from the systemic dynamics and the dilemmas intrinsic to capitalism, namely:

3.1 The ever-increasing productive capacity of industrial capitalism, expanded and intensified with each new technological advance, results in escalating over-production relative to domestic levels of consumption or 'under-consumption'. Despite intensive social conditioning and persuasions/pressures towards greater mass consumption in the richest countries - and utilising easy credit/debt for this purpose - ever-expanding over-production (now frequently referred to, in business terms, as 'excess-inventories') continues to outstrip even the exaggerated levels of consumption and outright waste within these societies. Furthermore, the continuing disjuncture between production and consumption in the richest economies is constantly exacerbated by downward pressures on the wages of the employed and semi-employed, as well as through unpaid (mainly womens) labour, and deliberately entrenched 'reserves' of unemployed.

3.2 Within the class compact in the advanced economies after the Second World War, the still dominant industrial capital in the richer countries was, for decades, faced with unacceptable levels of taxation and other social responsibilities (such as welfare contributions, pension funds etc). This 'social contract', reflecting the class balance of forces at the time, even included the legal(ised) rights and power, and some accommodations to organised labour in those years. But, the vast investments entailed in the new unfolding technological revolution from the later 1970s and into the 1980s were not – yet- yielding commensurate returns for capital. These factors combined to create unsatisfactory rates of profit for capitalist enterprises in these economies in these years. And, what is more, this was at the same time that new manufacturing competitors were emerging in the national corporatised economies of East and South-East Asia 'unburdened' by such social obligations and organised popular counter-forces.

3.3 Thus, an intensified thrust was pursued from the 1980s and into the next decades by industrial, agricultural and service companies in the most developed countries. It was necessary to off-load or export their 'excess' production/capacities and to find better rates of profitable investment abroad. It was also very useful to outflank and 'discipline' labour at home through access to 'more amenable' conditions abroad. This entailed the 'liberation' of capital from regulatory controls and other political and policy constraints within their own countries. But it also required the removal of other governments' constraints upon their exports into and investment operations in other economies. This, in turn, entailed exerting bilateral and multilateral pressures on other countries to 'liberalise' their national trade and investment regimes. The 'debt obligations' of many such countries provided further useful enforcement mechanisms in this regard. The inevitable effect – and the deliberate aim

- of these instruments and impositions was further vast capital outflows from such economies in the South. This added yet further to the over-accumulation of capital in the home economies of globalised corporations in the North.

3.4 While many banking and other corporations and companies from the more advanced economies were reaping rich returns from their operations in the ex-colonies/neo-colonies in the South, and through major new opportunities opening up throughout the world (most notably China, of course), these ventures carried their own complexities and even faced some continued regulatory and operational constraints in such countries. Thus, many major holders of accumulating capital – both institutional and individual – opted not to venture onto the choppy waters of foreign direct investment (even though it was highly lucrative) or even take on the practical, political and economic challenges of real investment at home. They chose rather to by-pass productive investment altogether and to use their capital to directly create more (money and paper) capital in a self-reinforcing upward spiral of escalating accumulation. The ever-greater financial concentration and centralisation has exacerbated the ‘financialisation’ of late capitalism.

4. Crises from the neoliberal version of capitalism, or crises from capitalism *per se*?

In light of the above, the inter-relationship between the role/functioning and effects of neo-liberal globalised capitalism in creating the current crisis/crises, on the one hand, and on the other hand the role of the intrinsic dynamics within capitalism, *per se*, in creating the current - and recurrent - crises is thus clear. These processes are intricately inter-related and mutually reinforcing. In sum:

4.1 Neoliberalism - in practice and as a theoretical rationalisation - is clearly itself a direct outcome and requirement for Capital to be able to break out of the dilemmas of overproduction and limitations on their profit-maximisation in their home economies. This outward drive was also important as an offensive strategy to try to outflank and pre-empt effective productive competition advancing further from within other economies in the world (particularly, but not only, in Asia).

4.2 The dilemmas of Northern capitalist enterprises and investors are, however, accentuated because some of the more adept governments of the South, separately and collectively [see 6 below] manage to retain certain national ‘policy space’. Thus, some economies in the South are able to make some (small but significant) financial and technological gains from the operations of international capital in their countries. Many such governments also contrive to provide (direct/indirect) supports to domestic enterprises to enable them to continue growing and even

take advantage of the consumer markets, the financing needs and other economic opportunities/acquisitions in the richest countries (most notably the US of course).

4.3 At the same time, the processes of capital over-accumulation and concentration in the financial centres in the North are also accentuated by the 'foreign reserve' strategies of governments in the South, largely focused on Northern-based banks, and on the purchase of rich country government bonds. These capital flows are augmented by the legal/illegal capital transfers to the North by the (small but very affluent) economic and political/rentier classes in the more economically successful (or richly resource-endowed) countries of the South. These add yet further to the accumulating resources and power of financial institutions in the North and the ever-higher levels of financialisation of these economies. [as in 3.4 above].

5. Oligopolistic and imperialistic late capitalism

What also emerges clearly from the above is that the inherent dynamics of capitalism demand the unceasing expansion of capitalist production and unlimited consumption throughout the world.

5.1 The 'opening up' of all countries and all sectors to the operations of capitalist forces, and competition between them for control over markets and resources throughout the world, is promoted by their 'national' governments through all the economic/financial, and political/legal means required. This includes recourse to military means when necessary. This expansion/penetration and control has, in recent years, also been promoted through formally 'multilateral' institutions, above all the IMF/WB and the WTO, but this has not ended the plurilateral, bilateral and unilateral exercise of force by the more powerful governments around and even within these very institutions. Thus, the expansionary and imperialistic nature of capitalism continues in both the political/military and economic/social (and cultural) dimensions.

5.2 At the same time, there is an ever-increasing concentration of ownership and control within ever-fewer banks and other financial institutions and within ever-bigger globalised sectoral corporations and conglomerates. The financial corporations are now considered 'too big to fail', and feel they are too big to be controlled or even regulated by governments. The conglomerates are being combined, willingly or forcibly, through cannibalistic mergers and acquisitions (M&As) in each and every sector. The overwhelming financial, economic, political, ideological, social and cultural power exercised by such gargantuan financial and other economic entities/agencies is creating an unprecedented oligopolistic concentration of power over, and overriding, the formal processes and institutions of political 'democracy', even where they exist.

5.3 At the same time, however, the erstwhile hegemony of one global superpower now faces a future of multiple challenges in an emerging multi-polar world. The question for anti-capitalist analysts, governmental and non-governmental, and all labour and social movement activists is whether – and how – capitalist concentration and control can be countered by global socio-economic diversification and socio-ecological transformation and genuine democratic power. This is now both a crucial need for social equity and justice and a survival necessity for humanity and the planet.

6. Fuller socio-economic, and political, effects of neo-liberal capitalism in the South

Certain of the emergent/aspirant capitalist, and bureaucratic, technocratic and political elites in the South - especially those that are strategically placed within their countries - are able to take some individual/family/socialgroup/class advantage of the technological resources and financial opportunities available within globalised capitalism. Such participation – or co-option - is even tactically promoted by the more self-enlightened promoters of globalised capitalism. But the fuller picture includes the following :

6.1 The other side of the coin is the (doubled) exploitation by both national and transnational capital and the impoverishment of vast numbers of the populations of the countries of the South. This includes mass subjection to ever-deeper wage exploitation, virtual slave labour conditions, massive physical displacements and dispossessions, poverty and starvation, social stresses and environmental pressures, the ravages of disease pandemics, ‘natural’ disasters, and survivalist social conflicts and resource wars.

6.2 However, the political or practical challenges to South-based collaborationist or comprador capitalists is that - unlike their counterparts and ‘partners’ in the North - it is much more difficult for them to totally evade the social and political implications and turn a complete blind eye to the dire social, economic and environmental situations immediately surrounding them. They can, of course, retreat (as many do) into protected residential enclave/fortresses. Or they can withdraw their business operations from their own countries (as many do) but that could mean losing their access to the official financial, economic and physical resources they enjoy as ‘national capital’ within their countries, and their political utilisation of ‘their’ national states as necessary.

6.3 Although much smaller in number than the new economic classes, some members of the bureaucratic/ technocratic/ professional elites and political ruling forces in countries of the South

not only have to face the volatile socio-economic situations immediately around them, and threatening them politically and even physically. Some within the bureaucratic/technocratic layer are also pragmatically concerned and professionally critical - and even personally resentful - of the ways in which such conditions have been created through the policy conditionalities and international agreements imposed upon their countries - and largely through themselves! - by powerful corporate interests from the North and/or through 'multilateral' institutions dominated by them.

7. Strategic responses in and from the South against globalised capitalism

Organised mass responses to their extreme exploitation, dispossession and oppression is growing - although unevenly - in the countries of the South, and this will undoubtedly continue, especially as they are hit most forcefully by the climate instabilities and ecological crises threatening the whole world. What is more, the 'market' modalities and levels/forms of economic activity and policies still being pursued will contribute further to the looming climate and ecological crises now and into the future. And, in the period immediately ahead, the crises in the 'real economy' will not disappear. Even if the financial sector is 'stabilised', all the indications are that

- the banks continue to retain enormous financial, economic and political power, even if some precautionary national and international regulatory ground-rules are eventually devised to make their operations more sound and less prone to risk-taking, destabilising miscalculations, and extreme excesses in many directions;
- the 'stock markets' (financial operators) continue their established *modus operandii* and continue to exploit whatever opportunities they find/foresee in the real economies and, in fact, are manipulating to their immediate advantage the struggles within and between corporations, and the fluctuations in different sectors and in national economies the world over;
- the perceived 'improvements in the business climate' and the apparent return to investment and revived production will not necessarily entail a return to employment for the hundreds of millions of unemployed - as business, characteristically, will take advantage of the current crises to reduce their employee numbers and labour costs, and the labour rights and conditions that have been established over the years.

In short, over and above the long-term environmental and climate threats, the established features of oligopolistic late capitalism and the immediate crises that have been created in the key economic and social sectors are set to continue for years ahead. The most likely scenario is a period of marked instability and unpredictability, of fluctuations in investment, production and 'consumption', the 'double dip' or the 'W' economic pattern predicted even by mainstream analysts. Above all, the

period ahead will see further shifts within and between economies, and in the global distribution of economic and political power.

The full potential of mass reactions and actions in the countries of Latin America and the Caribbean, Asia and Africa would achieve direct global impact towards the shifting the balance of global power if mass movements in the countries of the South are able to win over more 'amenable' sectors within the national contexts [as in 6 above] to more determined anti-globalisation stands and strategies; or, failing that, if popular forces manage to control or sideline their respective ruling elites as a whole. This potential for pushing/shifting the ruling forces in the countries of the South is already evident in the various current positions and emerging possibilities for effective anti-globalisation state strategies by governments of the South; even if these are not all - yet - consciously anti-capitalist. These state strategies include, for example

7.1 Overlapping tactical alliances by groupings of developing country governments, led by the more determined amongst them and propelled by national and global social movements over the past decade. Even though basically reformist, these have together succeeded in blocking the further trade, services and investment liberalisation agenda of the major powers in and through the WTO. The 'developing country' alliances in the WTO have even posed counter-demands within the Doha Development Agenda for changes to the 'imbalanced and unfair', and 'anti-developmental' multilateral trade regime dominated hitherto by the 'developed' countries. Such political alliances of the countries of the South are also expressed within and through the very wide G77+China cooperation in the context of the current global climate change negotiations. They have been putting counter-proposals on global climate change 'mitigation' through the substantial reduction of greenhouse gas emissions by the highly industrialised countries; with demands for financial and appropriate technical resource commitments and compensations by the richest countries to assist the developing countries in their 'adaptation' to the effects of climate change, and as a pre-condition to their own appropriately measured and gradual greenhouse reductions in the period ahead. The challenge is whether the G77+China alliance will hold together in their own common interest and the needs of the planet.

7.2 In addition to such political alliances, practical initiatives for cooperation and mutual strengthening between the economies of the South are evident within rapidly expanding South-South trade, joint production and infrastructural investment, technological and scientific, health and educational cooperation, and much else. Which countries benefit the most from such relations between very unevenly developed and resourced countries will, of course, depend fundamentally on the framework terms/conditions for such South-South cooperation. The cooperation between Cuba,

Venezuela, Bolivia, Ecuador and other countries in Latin America and the Caribbean are illustrative of the different modes of South-South relations that are possible. Such actual and potential economic (and other) relations could reduce the dependence of countries of the South on the 'donor' governments and corporations of the rich North. This would open up much greater room for manoeuvre for such governments vis-à-vis the global system and regime. If consciously conceived and skilfully utilised, this could even contribute towards altering the global balance of economic and political power against governmental and corporate forces in the capitalist North.

7.3 There are also various established and emerging political-economic regional groupings between countries in the South to deal with direct cross-border relations between neighbouring and intricately inter-linked countries [such as MERCOSUR in South America or the Southern African Development Community, and many others]. For example, cooperation and coordination is essential for existing/future cross-border transport and communications systems, and many other technical and social services (especially regarding public health and safety). These direct and dense cross-border interactions also include formal and 'informal' intra-regional trade flows and other cross-border human migrations and familial relations. In the context of the global food crisis there are urgent needs for more self-sufficient food production, and thus for mutually supportive regional agrarian and industrial strategies. Furthermore, under conditions of global economic crisis and emerging climate change pressures, equally vital importance attaches to direct regional cooperation over shared water resources (rivers, lakes and underground aquifers), forests and biodiversities, fisheries and wild-life and other natural resources. These are, by their very nature, not confined within political borders and cannot be effectively managed, protected and promoted within essentially artificial (and often arbitrarily created) political boundaries. Such cooperation is also essential on renewable energy resources and for the organic creation of appropriate energy generation systems and technologies.

7.4 Thus, the long-standing rationale for all these crucial regional arrangements for more effective cooperation/coordination between neighbouring and deeply interdependent countries is made even more pressing within the context of the imperatives imposed by looming climate change instabilities and insecurities and in view of the creative initiatives and transformative counter-measures so essential for peoples' security and human survival. However, the enormous challenges of such essential measures are rendered even more complex in view of the different levels of development and resource endowments of such interlinked countries, their differing sizes and economic/financial and technological capacities; and thus the potentially uneven inputs into and benefits from their joint programs. Such asymmetries are used opportunistically by various of the current ruling elites in the respective countries as arguments for their continued control over 'their' national resources

and processes. However, there are also other more justified popular concerns about existing and increased imbalances within and between countries. Thus, the programs to emerge from practical regional cooperation and coordination will have to be collectively and democratically negotiated and based on principles of mutual support and solidarity, and with differentiated responsibilities and roles according to resources and capacities. The 'give-and-take', 'mutual benefit' and equity modalities demanded in regional cooperation programs would have to be informed by the enlightened recognition of directly shared immediate problems and the longer-term common threats they face. These could not be resolved effectively within relations driven by power and competition. Such stability and survival imperatives would demand and presage entirely different systems and relations to those that drive competitive, mercantilist and exploitative globalised capitalism.

7.5 At the same time, the creation of regional alliances are also perceived to serve political purposes in relation to external forces and international processes. These extra-regional pressures have long posed the necessity for the creation of coherent political frameworks for closely interdependent countries as political bases from which to engage more strongly and effectively in an extremely difficult political and economic global environment. Such political alliances are premised on the adage that 'unity is strength' and that the 'united whole is greater than the sum of its parts'. However, such joint socio-economic and concerted political strategies by groupings of otherwise weaker, lesser 'developed' and/or smaller countries - but even including some that are large(r) and/or 'emerging' – are, yet again, not straightforward to devise/negotiate. Such strategic alliances require a level of political far-sightedness that also focuses on identifying - and consciously prioritising – the interests they hold in common and in relation to negative outside forces. Even if not entirely motivated by 'higher principles', such closely interdependent neighbouring countries have immediate and powerful pragmatic incentives to work together. Hard experience shows that if one country descends into crisis, all the immediate neighbouring countries and peoples will suffer inescapable negative consequences as well. The same, of course, applies globally ... but at that level the dangerous illusion is easier to cling onto that distance provides some buffer and protection against crises happening 'elsewhere'.

7.6 Most broadly, the negotiation and creation of more self-sustaining models and more diverse modes and modalities within sub/regional politico-economic groupings of developing countries can – by design and through deliberate intent, or as a *de facto* outcome of their autonomous decisions – effect an **incremental erosion of the 'single integrated/liberalised global economy'**. This is what Walden Bello terms "deglobalisation". Regional frameworks and terrains for distinctive and diverse socio-economic and environmental programs within geo-political 'spaces' for innovative

experimentations will not be easy to secure intra-regionally [as above] or internationally. Many national/unilateral initiatives, and apparently 'bilateral' programs emanating from the North, and multilateral interventions are underway to undermine the potential or redefine the nature and purpose of such regional strategies between developing countries of the South. However, once secured and expanded, such strategic regional groupings and active economic and political cooperation could constitute a gradual narrowing of the literal physical and economic scope for the operation of capitalists and capitalism. At the same time, such alternative development models could provide practical demonstrations of workable alternatives to globalised capitalism that are feasible within sizeable, viable and effective regional blocks. 'Living alternatives' at local/community levels are also useful for their demonstration effect but are probably too 'small' and 'slow'. In the face of increasingly threatening global crises, such localised, or even independent 'national' strategies would be too piecemeal and gradual, too dispersed and too lacking in strategic concertation. Above all, such local and/or autonomous strategies of individual countries would simply be insufficiently powerful politically and economically - apart from China and possibly India - compared to the possibilities within and through the combined regional(ised) strategies required to change the international balance of economic and political power.

8. Broader South-North anti-capitalist perspectives

If such regional groupings of countries and peoples of the South are able to negotiate and implement amongst themselves alternative socio-economic strategies, they could not only be advancing alternatives between and for the countries and peoples within their own regional groupings, but also from their putative regional economic and political power bases for and towards alternatives to globalised capitalism .. and for the whole of humanity. Such shifts in the global balance of power against the active pro-capitalist and powerful corporate powers of the North would also be of great benefit to the anti-capitalist forces in the countries of the North. Progressive forces in the countries of the North have their own direct needs and interests in combating capitalist and pro-capitalist forces in their own countries and regions (such as the European Union). But this, of course, also requires understanding by such allies in the North about the strategic aims and political potentials in and from the South and essential and active mutual support and solidarity between them.