

Background to the Current Crisis and Recession /  
Reports on Crisis: England /  
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Financialisation Primer /  
Analysis from Silvia Federici & George Caffentzis,  
Mario Tronti and Alain Badiou  
Our Introduction



**GOOD TIMES!  
BAD TIMES!!**  
An Introduction to the  
Capitalist Crisis and  
what it means for us

# **GOOD TIMES! BAD TIMES!!**

An Introduction to the Capitalist Crisis  
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sation (water, healthcare, education etc), globalised workforces, anti-unions, cuts in social spending and basic subsidies (fuel / food), bringing in private investment, etc. Basically more robbery in disguise!

- **New Deal** : US measures taken in 1933 to combat the Great Depression. Massive public works and large-scale loans to bring down unemployment and stabilise the economy.
- **Partito Democratico** : Italian Democratic Party, a centre-left coalition.
- **Polanyi** : Interesting Hungarian political economist. Google him for details. No space!
- **Primitive Accumulation** : Basic capitalist robbery of land, resources and so on via introduction of free market economies, creation of new workforces (eg. in the Third World) or by running existing business into the ground (eg UK or US).
- **Standard & Poor** : Financial services company providing credit ratings (and more) to business and government. Influential on world investment and risk.
- **Subprime** : Essentially predatory mortgage lending to people with not enough to pay back the loans. These debts are then sold on to others in an obscure cycle of circulation and profit.
- **Trotskyist Parties** eg. In the U.K, Socialist Worker Party, Workers Power etc. Vanguard parties that will lead the revolution for us without even asking first. No thanks, chaps!

## BLOODY HELL IT'S OVER!

The bubble has finally burst! The illusion of an endless expansion of virtual money making more virtual money is over. In the U.K, we face a situation where from a financial investment point of view (i.e is there money to be made here still?) no-one now looks upon here as being a sound investment. From being one of the financial capitals of the world, we have become a place where the currency is ever more worthless and the economy is an illusion of hyped-up value and profits. (A friend of ours suggests that we replace virtual money with “mythological’ money”?). He’s dead right, does this money even exist in any meaningful sense?

In the space of only a few months we have gone from a time of seeming prosperity for all to a new time of economic recession. Although the attacks by the capitalist class on workers had never stopped in this period, the next round of attempts to squeeze more money from the poor to pay for their crisis will definitely be vicious and, if we let it be, horribly divisive. Recession is a time when the capitalist class increases its attack on our living standards to try and clawback money for itself through wage cuts, benefit cuts, price rises, pension cuts etc. As one of the articles says: Capitalism is nothing but robbery!

If this increases social antagonism between them and us (and we hope it does), then all their new laws on public order, surveillance, anti-terrorism and control will be pitted against it. This isn’t even mentioning the new toys of the police and the surveillance industry!

NEOLIBERALISM IS DEAD!  
LONG LIVE THE CLASS WAR!

Of course it’s portrayed in the media as if we were all guilty of enjoying the wealth of the bubble but this was never the case. What has this globalised finance economy meant in reality? It’s simple, the rich got richer and the poor got poorer, as if it was ever any different! This is true whether you’re a service sector worker in a PFI hospital in Sheffield, a short-term contract web-designer in Milan,

a coffee grower in Mexico or a miner in the Ukraine (to varying standards of poverty!).

With this in mind, we find ourselves doing something that feels old-fashioned: talking about the class war. But we can't avoid it and nor do we want to. When we talk about the rich getting richer and the poor getting poorer, well that's the very foundation of class war there in a simple to understand nutshell.

So where is the class war and what is it doing? Simple, it's remembering itself and working out what the hell is going on? We face a time of new struggles for our basic survival as poor people. Yet these struggles must remain collective if we are to avoid the abyss of individualised survival strategies. This fight won't be put on any kind of platter for us - ideological or otherwise. In our collective struggles as workers there will be will be contradictions, confusion and messiness (as can be seen by the Jan/Feb '09 wildcat strikes in the UK).

So where do we stand? If it seems old-fashioned to talk of 'workers struggles', ask yourself where most of your time is probably spent? At work! Why? Because you have no choice. The point for workers is not defend work as we experience it under capitalism but to struggle for a society where work is well and truly abolished and we live and produce directly for ourselves. Along the way this means standing in genuine solidarity with all workers struggling against redundancy, wage cuts, lay-offs. Why? Because from this stems the more revolutionary questions. If workers occupy a workplace then the possibilities are there for dialogue, discussion and an opening up of the dispute to more radical action. In a sense any occupation (school, factory, college) presents a space like a social centre for interaction to create new social relationships between us all. Although we are 'workers' that is the least of what we are. In these struggles, we go forward as humans once more.

## IT'S OVER! BUT WHAT COMES NEXT?

Capitalism lurches from crisis to crisis every decade or so, what is different and fascinating about this crisis is the global scale and depth of it. So what does come after neo-liberalism? That's a really good question. For some of us who are a bit older, it seems like a miracle that the neoliberalism has finally crumbled. As revolutionaries over the last 25 years we have witnessed the crushing of the life-

## Some terms used in the texts :

- **Arcobaleno** : Italian 'Rainbow Left' coalition that failed spectacularly in the 2008 elections
- **Capital** : Money invested to make more money. Money is the highest value-form. 'Value-form'? Sorry, ya gonna have to explore that one: the basic principle of capitalist social relations.
- **Embourgeoisement** : Theory of workers moving up into a more prosperous middle class (bourgeois) realm.
- **Gerontocrats** : Older people in positions of power within Government.
- **Fictitious Capital (Virtual Money)** : Money that is thrown into circulation as capital without any material basis in commodities (i.e stuff) or productive activity (I.e making stuff).
- **Immiseration** : Marxist theory of steady declining conditions for workers
- **Keynesian** : Economist J M Keynes notion of the State stimulating economic growth via means such as cutting interest rates and funding public projects (roads etc)
- **Negrian Perspective** : Autonomist Marxist theory that what the capitalist class does is in response to the fightback of workers (as opposed to the other way round!) as popularized by Tony Negri.
- **Neoliberal** : Globalisation of free market capitalism – privati-

the management of unemployment, if any doubt remained, is the use of 'lie detector' tests on claimants, which has already been underway for a while in some areas, to be 'rolled out' nationally if the 'trials' [sic] are 'successful'. Surprise surprise, they were a great 'success', and the introduction of the system everywhere was announced late in December in the 'Queen's speech', which sets out the government's policy agenda for the coming year. The lie detector software is used on phone calls from benefit claimants: it supposedly picks up anomalies in speech patterns, so that those who talk the wrong way (such as... callers who for some reason find life on £60 a week 'stressful' and can't hide it in their voices? Or...foreigners with strange ways of pronouncing English words?!) can be called in for further interrogation. (For some time now claimants have been forced to contact benefits offices by telephone, regardless of whether they actually have one. This may or may not suggest that the lie-detector was a longstanding plan).

[6] See a series of articles by Aufheben at <http://libcom.org/aufheben> , in particular the pamphlet 'Dole Autonomy Versus the Re-imposition of Work'.

[7] Thus the aptly-named 'Crisis', a charity that helps state agencies harass the homeless into job training, advertises using the slogan, "we see the person, not the homelessness". It's hard to think of a more succinct way of stating where the state and its 'voluntary sector' allies assume the problem lies.

spirit of class struggles. It hasn't been an easy time moving from a time of continuous combat against the capitalist class (strikes, riots, refusals, bloody-mindedness) to something docile and barely political. It seemed like the neoliberal economic re-structuring of the world would never end despite its inherent contradictions. Now we stand at the point of rupture. It could move quickly to being an all out revolutionary situation or we could be at the edge of a feral dog-eat-dog abyss. It would not be unknown that the capitalist class moves us towards war and fascism to get itself out of its crisis.

It is with all of the above in mind that we thought it would be a good idea to put something out that's a basic introduction to Crisis – what it is and what it means for us. We do this to re-ignite a better understanding of capitalism. That understanding always seemed a bit wishy-washy in the late 90's 'anti-capitalist' movements In the U.K. It often seemed like capitalism was seen as some external or symbolic 'thing' elsewhere in the world and not the obvious experience at the heart of our daily lives. So in one sense we are trying to prepare for what is undoubtedly ahead by talking again about class, work, workers struggles and the class war. It's good times and bad times now! Things might actually go somewhere we want them to go! Or we might end up hungry, homeless, in jail or work camp or dead from the battle.

## WE WON'T PAY FOR THEIR CRISIS

Here for your delight then is a quick selection of interesting articles about what has come to be called the 'credit crunch' but which must more accurately be called the 'capitalist crisis'.

We start the collection with four basic summaries of where the crisis comes from, what is meant by financialisation and what the crisis means for us. After that comes three more analytical and theoretical pieces that we liked. Caffentzis & Federici's text paints a clear global historical picture of debt as has been used to contain third world struggles and how debt has been used more recently in the US and UK to decrease wages but still pacify workers. Tronti situates his text where we situate this Introduction, with the notion that finally work and politics is 'the real theme behind the crisis of civilisation' and that if we don't put it in these terms, 'we

will not be able to orient ourselves in the open seas of world-capitalism' towards revolution (although we disagree with his conclusion of 'a mass party!'). Badiou's essay presents the finance economy as a kind of 'show' that many were entranced by. He then tries to elaborate a new political subjectivity that is bound by practical solidarity, a subjectivity that refuses the lie of democracy and electoral politics. This would be a subjectivity informed by the past but it will not take the forms of the past: mass parties, worker's councils etc. The past is with us now but it is not the future. The crisis gives us a chance once again to use the past as a tool to invent new forms of political organisation now.

Finally, it's worth pointing out two things: we aren't experts on capital, crisis and revolution. We are learning through reading and talking to people. These seven articles helped us understand things a lot better. Secondly, we know that the articles by Caffentzis/Federici, Tronti and Badiou are not entry level texts for they assume a level of familiarity of some terms. What they are though are concise, exciting (and beautiful) accounts of particular crisis themes (all with very good class analysis). If you don't understand parts of them, well learning takes time! Be patient!

So crisis again! Something is happening – things are moving fast!  
See you on the picket line, on the barricades, in the occupation.  
See you on the other side of all this.

*Some anarchists and communists, London - February 2009*

## LINKS :

MIDNIGHT NOTES / CAFFENTZIS + FEDERICI : [www.midnightnotes.org/](http://www.midnightnotes.org/)

LIBCOM : [www.libcom.org/](http://www.libcom.org/)

CRISIS : [www.sites.google.com/site/radicalperspectivesonthecrisis/](http://www.sites.google.com/site/radicalperspectivesonthecrisis/)

WILDCAT : [www.wildcat-www.de/en/eindex.htm](http://www.wildcat-www.de/en/eindex.htm)

Some BADIOU TEXTS : [www.lacan.com/frameabad.htm](http://www.lacan.com/frameabad.htm)

Some TRONTI TEXTS : [www.classagainstclass.com/](http://www.classagainstclass.com/)

these has been explicitly crisis-related, but striking for wages at this time nonetheless stakes an implicit claim against those of the abstract 'economy' and returns on capital. For ongoing coverage of strikes at all levels see <http://libcom.org/> and [www.wsws.org/](http://www.wsws.org/). See [libcom.org](http://libcom.org/) in particular for coverage of events in Greece, and see <http://www.wsws.org/articles/2009/jan2009/latv-j16.shtml> for an article on anti-austerity rioting in Latvia.

[4] Glasgow, West Midlands, Greater Manchester, Norfolk and Lambeth (South London)

[5] The most widely-reported aspect of the attack on the 'economically inactive', as proposed in December in the report of Professor Paul Gregg and now on the legislative agenda, is a massive acceleration of the push to move claimants off 'incapacity' (i.e. sickness) and single parent benefits onto Job Seekers' Allowance, which would mean a substantial cut in benefits to £60.50 a week and much heavier pressure to grovel actively for and accept any kind of work going, regardless of things like physical unsuitability or availability of childcare. Less well-publicized but equally explosive is the regime proposed for 'job seekers', based on what Professor Gregg calls 'work-equal activity', i.e. nine to five attendance at privately-run dole offices in order to apply for jobs by computer, under supervision and with regular interrogation by employees of the PFI contractor (who are paid according to the number of people kicked off the dole). Aside from the matter of how few low-wage jobs are found or offered through this kind of formal process, rather than by physically turning up where work is available and/or through informal social contacts, what's really striking is the way treatment of claimants is equated with punishment more openly than ever, just when unemployment is starting to increase out of control. In his mildest language, Prof. Gregg says recalcitrant claimants, e.g. those who show up late for interviews, should be sent 'written warnings', a term borrowed from workplace 'disciplinary' procedure; for repeated offences they should be fined. Even more telling is that Gregg wants 'work-equal activity' to be 'like school detention': i.e. the whole condition of being a benefit claimant should be equivalent to that of a child being punished at school, and the experience should be similar. And furthermore the term now used instead of 'workfare' for forced labour imposed on dole claimants is 'community service', which until now was confined to criminal sentencing. Reinforcing the impression that criminal justice machinery is being imported into

supply 'its own' Italian and Portuguese workers for construction jobs not advertised locally. This action in support of the unemployed would already have been 'illegal' as a 'political' strike, but the Lindsey workers were joined by others at 11 sites UK-wide in doubly 'illegal' solidarity strikes. The strike appropriated Gordon Brown's slogan 'British jobs for British workers', allowing virulently anti-worker newspapers to 'support' it, turning the issue into one of 'nationality'. Strikers insisted otherwise, but after the Lindsey dispute was settled with a deal to hire 100 'British nationals', it's not clear how far their voice was heard. So it's worth repeating that what they said was true. Disastrous as the 'British' slogan was, the conflict is about the undercutting of wages during an income crisis. Collective agreements are not legally binding in the UK, so European workers 'posted' under the European directive need not be paid at the going rate. The Lindsey strikers voted not for exclusion of foreigners, but for identical protection for local and foreign workers, and for international (union) solidarity. Hundreds of Polish workers joined a solidarity strike at Sellafield nuclear plant. Also: employers now say they were provoked into hiring foreigners by ongoing '70s-style walkouts' by workers.

*Notes:*

[1] Predictions of the scale of economic collapse correspond strikingly to the scale of the last decade's financial asset-driven 'growth', eg. the Chartered Institute of Personnel and Development forecasts approximately 750,000 job losses over the next 18 months: "equivalent to the total net rise in employment in the preceding three years". Oxford Economics attributes the fall in per capita GDP from the top to the bottom of the rankings of "major" economies to "the bust in financial markets". (For more in this vein see: [www.wsws.org](http://www.wsws.org)).

[2] For an account of how this works see David Morrison, 'PFI: is Gordon Brown "financially illiterate"': [www.david-morrison.org.uk/pfi/pfi.htm](http://www.david-morrison.org.uk/pfi/pfi.htm)

[3] Exceptions in the UK have included small-scale strikes over wages by London bus drivers, Glasgow 'community service officers', Merseyside council workers, Southampton care home workers, Wembley (West London) pharmaceuticals workers and 'further education' college staff at a number of sites across England. None of

## A Concise Background to the Current Financial Crisis and Recession

However it may seem, the current crisis didn't come out of nowhere. Following WWII, the government and employers were keen to appease a population weary from years of war and rationing. The NHS was founded in 1948, and the opportunity for a reconstruction boom created the possibility of 'productivity deals.' These were agreements between employers and the unions for workers to implement productivity improvements in return for a share of the profits in the form of higher wages.

This settlement lasted up until the late 1960s, when two factors converged to derail it. Firstly, there was a growing wave of industrial unrest with strikes and other forms of action rippling out around the world. Many of these took the form of wildcat action outside of union control. Workers were fed up with years of producing more and more while their lives were still reduced to work, as all that extra productivity hadn't led to shorter hours.

The second factor was the end of the post-war boom, which saw economic growth slow dramatically – making productivity deals unaffordable if profit levels were to be maintained. It also saw rising inflation eat away at the wage improvements over the last decade, adding fuel to the fire of workers' militancy. The struggles of this period were highly successful, with workers winning large concessions. However, this set the stage for a concerted counter-attack.

At the end of the 70s, Margaret Thatcher came to power in the UK on a mission to break the working class. Reagan soon followed in the US. Both of them isolated and took on workers sector by sector, doing deals with some unions while attacking others in a divide and rule strategy. The decisive defeats were the miners' strike of 1984/5 in the UK, and Reagan's attack on the air traffic controllers in the US in 1981. These are defeats from which we've yet to recover.

With workers broken, Thatcher and Reagan set about a series of reforms which set the scene for today's crisis. Firstly, old centres of workers' militancy (mining, manufacturing) were systematically dismantled and outsourced to low-wage economies overseas. Whereas in the UK in 1971 over 70% of people were employed in primary industries (like mining) or manufacturing, today over 70% of workers are in the service sector. Secondly, the banking sector was massively deregulated, allowing the creation of all sorts of complicated 'derivatives' markets, which ultimately resulted in the credit crunch as it proved impossible to know what all these pieces of paper were really worth.

An effect of breaking workers' militancy was of course to keep wages down, and we've all got used to sub-inflation pay rises every year (in other words pay cuts). While this boosts profits, the problem with this is that it keeps consumer spending - and thus economic growth - down, since you can't buy lots of things when you're skint. Unless of course you get a credit card. So this problem was 'solved' by extending massive consumer credit, based mostly on rising house prices, to provide the spending power to purchase all those commodities coming out of the new manufacturing centres in the Far East and elsewhere.

Parallel to this, without primary industries or manufacturing the economy came to rely more and more on the banking and financial sector, with the 'square mile' of the City of London alone accounting for around 5% of the UK's economy. This sector was also now heavily reliant on rising house prices, with complicated 'mortgage derivatives' being one of the major assets held by the big banks. Of course when the housing bubble burst, everything started to unravel. Household name banks teetered on the brink of collapse, as did the entire financial system. Credit dried up, and with it the economy swung into recession.

There is much talk comparing it to the collapse of 1929, except nobody knows how bad it's going to get, and this time it's global. Already there have been riots by workers laid off from thousands of factories in China, and food riots across the globe as food prices rise much faster than incomes. This then is the context for the coming 'claw back' attacks on our living standards that are set to try and make us pay for a crisis that was not of our making.

*Written for the Tea Break bulletin in December 2008.*

will the arrival of thousands/millions of workers unused to such humiliation mean?

Opportunistic employers seizing on the crisis as the chance to finish off long-running labour disputes and recalcitrant workforces. Of course this could also just mean quick capitulation by the blackmailed workers, but might a strike like last year's at the Post Office be taken further in the absence of the illusion of anything to lose?

New redundancies, wage and benefit cuts and shutdown of basic services in areas where strong collective memory of struggle over similar things during or since deindustrialization exists, eg. the North-East (miners' strike, 1984-85), Liverpool (dockers' strike, 1995-98).

Ever-increasing regulation and policing of social reproduction (biometric ID database, Anti-Social Behaviour Orders, state intervention in parent-child relations, etc). This is presented by middle-class campaigners as a 'civil liberties issue', but it really has more to do with attacking the semi-legal or illegal means of survival of the 'socially excluded': 'benefit fraud', informal labour, small-scale drug trade etc. Policing of these things has been used quite successfully so far to provoke division between the 'respectable' mostly-working class and the so-called 'sub-proletariat'. But will it still work this way if a lot more people suddenly find themselves depending on these 'grey markets', or officially 'anti-social' forms of social collaboration, in order to survive?

Based on what I can see right now I'm quite pessimistic in the immediate term, but this doesn't necessarily apply at all to the situation in a year's time. A class confrontation that looks like a damp squib from the proletarian side at one moment might become explosive not long afterwards as 'objective' conditions come to be experienced 'subjectively' in a more collective way.

*January 2009*

Update:

At the end of January collective anger and its contradictions burst out in wildcat strikes across the energy industry. At the Lindsey Total oil refinery, workers struck against the EU-mandated decision of Sicilian sub-sub-contractor IREM to

ment, semi-employment and pressure on the wages of those still employed throw large numbers of workers into the condition known until recently as 'social exclusion'? In the present context of fear and retreat, this can only be considered the future tense (near as that future may be), or in the form of very open questions.

A crucial general factor must be the development or otherwise of some kind of solidarity between the newly 'excluded' and the so-called 'underclass' already in that position. Closely related to this question is that of the relation between 'permanent' and temp workers. Also, any emerging sense of common interest will have to deal with complex forms of individual and micro-communitarian competition existing on both sides of the line between the (former) 'respectable working class' and the (perpetually) 'socially excluded'. For instance, will shared material experience tend to dissolve or exacerbate animosity around immigration (or the hallucinatory 'common sense' idea of it) and 'ethnic identity'? Could the willingness of many proletarians to fight the state as well as each other over 'race' issues conceivably be turned into class hostility as more people find themselves in the same position across 'ethnic' lines, or must it be manipulated by state, media and 'community leaders' into intra-class sectarian disaster?

More broadly, will drastic change in material conditions be enough to undo a deeply ingrained ideological-cultural assumption that 'getting out' (as in 'out of the ghetto') or 'moving up' individually and competitively (whether as a business owner or a professional) is the only rational aspiration for proletarians? This assumption has been strengthened over decades by real factors: the withdrawal of the basis for survival for the 'working poor', eg. , state pension; relentless official emphasis on 'training' and 'personal development' as the solution to all problems<sup>7</sup>; disappearance from collective memory of any instance of material improvement on a collective basis.

If the stakes and complications of any near-future class confrontation can be conceived this way, perhaps it's possible, even more tentatively, to imagine some factors which might contribute to its outbreak:

New unemployment on a massive scale, coinciding with the introduction of the most punitive dole regime ever. Dole offices are already fraught, violent places; what

## “The real crisis-effects are only just starting...”

### Reports on Crisis : England Wildcat

Wildcat asked people in several countries to write down observations about social effects of the crisis. The following is a report from London, written in November 2008 with an update at the end.

#### *1. What are the social effects of the crisis in your region?*

Electricity, gas, water supply and public transport prices in particular, along with land prices and rents, had been rising at much more than the official inflation rate for years before the same happened with basic foods earlier this year. Simplistic supply-shortage reasons, often in environmentalist or geopolitical language – peak oil/nasty Russians hoarding their gas – were given for the energy and food increases, but of course the user charges didn't fall back when the underlying commodity prices did. It's also important that these price rises, which affect the poor disproportionately, didn't appear officially as 'inflation' – and consequently didn't influence wage bargaining – for a long time, generally until the food/commodity price shock this year. This was partially because these things are excluded from 'core' inflation indices because of their 'volatility', and partially because within these indices they're offset by falling prices of less essential things like consumer electronics and telecoms services.

So ongoing social effects, such as people being pushed out of central London as the proportion of their wages spent on rent and utilities rises, have kept getting worse, but this was definitely already going on during the 'boom' phase. I suspect that the real crisis effects are only just starting, and will really begin to be noticed by workers in 'service' sectors like the one I work in (press cuttings agency)

over the next couple of years, in two or maybe three waves. The first part, which is already underway, will be mass redundancies, job-competition and downward pressure on wages/conditions in the 'services' that until now have fed off financial flows into the country which (Left-Communist writer) Loren Goldner proclaimed "the most decadent in the world". A very simple example: my employer's biggest clients were Lehman Brothers and Merrill Lynch. A lot of workers in entry-level clerical jobs like mine who imagine themselves as 'skilled professionals' are going to have to reconsider their position. Not that I'm laughing, given the proportion of part-timers' income in these jobs that essentially comes from piece-work. But the worst impact will probably be in jobs where wages, conditions and security have already been 'traded' down to a minimum against relatively easy availability of employment, so that there's nothing left to 'sacrifice' while staying above subsistence level: retail, table-waiting, removals, cleaning etc. It's also likely that the damage already done in these sectors has been obscured by statistics, given the amount of informal work and the immigration irregularities involved. The second wave will come a bit later when the 'emergency' public borrowing and spending is 'paid for' by the state and fiscal restrictions are reapplied. In official terms no 'new' spending has been authorized: the money is simply being spent earlier, to be made up for by cuts or taxation (highly unlikely unless through regressive taxes like Council – i.e. poll – Tax or VAT) within the next few years. This will hit the very same people who have already lost the ability to subsist adequately through wages and/or credit, as state benefits are cut and access to public services is reduced.

The possible third wave I referred to, which could come at any time, would occur if, as seems likely, the highly leveraged private contractors to which so many state services have been outsourced, suffer their own private funding crisis. This would be particularly dramatic in 'public' housing, where most of the state sector has been transferred to private 'social' landlords (see answer to question 2), who have to obtain credit commercially. Problems of this kind are just starting to emerge in France, where rent-controlled landlords bought 'interest rate swaps' from the protection rackets of Calyon, Natixis, etc. It's not just housing, though: almost all of public transport and much of the medical system, the benefit system (including 'workfare' enforcement), education, sundry municipal infrastructure (even parts of the military!), is run through the same 'Private Finance Initiative' scheme, whereby the state indebts itself for decades (thus keeping immediate 'spending' off the

debt of £9,600 excluding and £59,670 including mortgages, with the total amount just above GDP at £1,456 billion.

Private capital (apart from banks) has so far deflected hostility by pleading helplessness. In the meantime the state has been asserting itself along all the lines of class confrontation, acting as planner, financier, 'employer' and unemployment/'exclusion' manager. The government's approach to imminent mass unemployment amounts to a buildup of outright war on the unemployed, with new legislation to be passed in spring, pilot programmes in 'socially excluded' areas<sup>4</sup> before the legislation, and full implementation in 2010-11.<sup>5</sup> Private and 'voluntary' sector dole policing and the attack on incapacity benefit, which absorbed hundreds of thousands of unemployed during earlier attacks on the dole<sup>6</sup>, are longstanding but until now slow-moving policies. The decision to legislate now, so that the new regime comes into force over the next two or three years, may indicate state planners' idea of the time-frame for the arrival of depression-level unemployment. This timing ensures that full implementation of the new dole policy will more or less coincide with generalized 'austerity' (i.e. shutdown of state-funded reproduction services, users charges for those remaining, regressive taxes), as required by the Treasury insistence that the recent bailout borrowing and deficit spending should have zero fiscal impact in absolute terms, with the budget to be fully balanced again by 2015-16.

All this raises the question: what kind of 'strategy', if any, could be underlying an all-round attack on real wages and the unemployed during a recession in which circulation is atrophied and there is no work available to impose? Is the argument of George Caffentzis and Silvia Federici that the 'Western' proletariat is being prepared for 'Structural Adjustment' applicable, given the difference between (in the case of the UK) a bankrupt ex-industrial economy and those where agricultural/mineral-exporting debt peonage was imposed before full proletarianization ever took place? In this respect the term 'Structural Adjustment' may not fit, but certain capitalists and their intellectuals have been demanding for a long time that the expectations of 'Western' proletarians should 'catch down' with those of the low-wage world.?

What kind of class response can be envisaged, then, if mass unemploy-

North-East at the top of the list. As the Daily Mail commented, “the government has based agencies and set up Quangos such as One North East in the region to tackle unemployment caused by the decline of traditional industries such as coal mining”. Which is to say, it’s not just a matter of adding to overall job numbers: many of the jobs are directly concerned with processing and policing the unemployed, or otherwise administering coercive ‘care’ to a disorderly low-income class. The ‘public sector’ designation here does NOT mean the workers are directly employed by the state, with protected wages, conditions and pensions. The ‘public sector’ has been drastically overhauled over the last 10 years under the Private Finance Initiative (PFI) system, which installs private contractors (actually often chains of contractors, with one hiring another for each particular function) as ‘service providers’ in the medical, welfare, transport, housing, education, waste disposal, policing/courts, immigration control and military sectors. The contractors put up the initial capital, which they borrow privately, and they hire employees on typically ‘flexible’ private sector terms. The state contracts to pay the money back over several decades, thereby indebting itself more than it would otherwise, but keeping public borrowing and spending officially off the books<sup>2</sup>, as well as avoiding responsibility for the workers and for any damage done to infrastructure or ‘service users’. This arrangement means the myth of relatively safe ‘public sector’ jobs is likely to disappear quickly, along with a lot of existing ‘public services’, as the PFI contractors struggle to refinance their private debt. It was reported on January 14 that contractors have failed to raise the initial money for major projects in the last year, with the number of new PFI deals almost halved. On the same day Deloitte published a report calling the crisis an opportunity for ‘radical transformation’ of the public sector in a ‘market-savvy’ direction.

Thus the whole configuration of the deindustrialized ‘boom’ economy, which detached returns on capital from labour income, making the whole edifice dependent on complex financial claims, now ensures that neither profitable manufacturing nor the ‘state sector’ is any refuge from the crisis. So far there has been almost no sign of a confrontational class response to the crisis as such, either through strikes rioting of the kind seen in Greece and Latvia or even symbolic protest through the ‘official channels’<sup>3</sup>. Unions volunteered for wage cuts to save jobs at JCB and Corus; JCB accepted the offer then sacked the workers anyway. This kind of fear and demoralization surely has something to do with average household

books) to a private service provider, which obviously has to arrange and rearrange its own credit. In all these areas, tougher credit and commercial conditions for the private contractors will mean cuts to ‘public’ services and higher user charges, once again disproportionately affecting those who can’t afford to buy their own private alternatives.

## *2. Are people indebted? What is happening now?*

A lot of what is happening to people now, or what they fear is starting to happen, in terms of indebtedness and insecurity looks like the inevitable outcome of the way consumption and individual upward social mobility have been maintained by credit expansion during deindustrialization and flat/falling real wages since the 1970s. Maybe that’s a banal observation, but I’m thinking in particular of two things consistently pushed by UK state policy since 1979: the demographic shifts towards home ‘ownership’ and private pensions. Even leaving aside the more recent phenomena of mortgage securitization and borrowing against rising house prices to supplement wages, a bank-lending crisis would not mean impending homelessness and total dependence on maintaining existing ‘career tracks’ for so many wage-workers if the proportion of the population in state-owned rented housing had not fallen from something like 60 per cent to around 20 or 25 per cent, with the difference made up almost exclusively by mortgaged ‘ownership’, long before any importation of full-scale ‘subprime’ scams. Probably more so than other ‘crisis’ phenomena, this is clearly a matter of political policy, engineered since the Thatcher period through a subsidized ‘right to buy’ for state tenants, with municipal councils banned from using the proceeds to replace the public housing sold, along with a drastic reduction of entitlement to tenancies and, more recently, transfer of remaining state housing to private sector landlords, effectively threatening tenants with much worse conditions if they still won’t exercise the ‘right to buy’. The situation is similar with pensions, where the deregulated explosion in the range of ‘investments’ offered has been accompanied by the reduction of state provision to the barest subsistence level.

The present government also plans ‘compulsory saving’ (i.e. gambling) through forced transfer of a portion of wages to market-invested ‘individual pension accounts’. It seems worthwhile, given recent debates about the degree of ‘capitalist

agency' involved in 'crisis' phenomena, to emphasise these ways in which workers' individual interests have been bound to those of financial markets as a matter of long-term public policy.

*3. Are there any debates about the increase of cost of living and crisis? What are your perceptions in regards to that? Do you observe common developments?*

Hard to say in general terms. People I know well are hardly a representative sample: a few are attempting quite detailed analysis or criticism, while others tended to regard the long-running 'credit crunch' story as just another ideological/media sideshow, or in any case something mainly affecting 'owners' of things like houses and credit cards. The idea that falling house prices are a terrible thing met with an unsurprising lack of sympathy among those constantly struggling to stay in inner London in a context of rising rents, gentrification, public housing bureaucracy, crumbling squats etc. More widely there seems to be some nostalgia for social-democratic 'common sense' (although this has been an ongoing theme since I grew up in the Thatcher / Reagan period), and some vilification of 'a few greedy bankers and hedge fund managers'. One of the most depressing things, although it's also nothing new, is the widespread assumption – and not just among the middle class – that proletarian status without the redeeming prospect of personal upward career mobility is essentially something shameful and/or disastrous. This premise is shared both by 'left-leaning' social democrats, community activists etc., who lament that the 'socially excluded' and 'training'-deprived are denied the opportunity to 'better themselves', and by outright reactionaries (mostly young and 'aspirational' themselves, it seems), who blame 'failure' – i.e. lack of individual upward mobility – on the laziness, lack of 'initiative' or stupidity of those concerned. Another ugly development was the attempt by a government spokesman to use the crisis as a pretext to propose even tighter restriction of non-EU immigration, despite evidence of a mass outflow of those migrants whose numbers have actually risen in recent years, i.e. those from inside the EU. It remains to be seen whether this kind of idea will pick up much popular support outside the minority who object to immigration for national/cultural/racial reasons rather than because they misconstrue the causes of real pressure on wages, jobs and state services.

*4. Are there actually already struggles happening on this front?*

meaning it ever had. Behind all the state agencies' efforts to pathologize it, 'exclusion' essentially means having no realistic individual hope of 'prospering' individually as a rentier, a business-owner or a professional in a financialized economy. This hopelessness is clearly no longer exclusive : it can happen to anyone (it always could have done, but until recently 'anyone' wouldn't have believed it), and it is happening on an enormous scale right now. The near future of class conflict will depend on the reaction of those workers who find themselves flung into this condition, together with that of those have never known anything else.

The nature of the crisis in the UK follows directly from that of the 16-year 'boom' that preceded it. The role of rising financial asset prices (i.e. expanding claims on value produced elsewhere or in the future) as the 'engine of growth' was not just a matter of the portion of 'GDP' attributed directly to financial services (officially 33 per cent in 2006): this hypothetical revenue, i.e. credit, flowed into the much larger business and consumer services market, paying almost incidentally for the low-wage, quick hiring/firing jobs of the local 'employment boom'. In this context, 'wealth creation' in the UK was not primarily dependent on surplus value from labour in the 'services boom' jobs. Rather, claims on flows of value from elsewhere in the globalized economy, refracted and magnified through 'complex financial instruments', flooded the economy, temporarily funding something like a giant job-creation scheme (or workhouse). The meagerness of real wages from the jobs 'created' this way forced those workers with access to mortgage or consumer credit into systematic dependence on it. (Meanwhile of course, for many others, state benefits and/or high-risk income from the 'criminal' economy remained the only options.) Of course these phenomena were by no means unique to the UK, but the precocious development of the system in this country, the unusual dependence of 'national' and household incomes on the bidding-up of financial assets, corresponds to the relative seriousness of the crisis here <sup>1</sup>.

The role of the state in supplementing 'employment growth' through the financial boom in this most deregulated or 'Anglo-Saxon' of economies may be less well known. On November 23 the FT reported that two thirds of the jobs created between 1998 and 2006 'would be classified by most people as being in the public sector'. State employment rates were significantly higher among women and in the regions hardest hit by manufacturing job losses over the last 30 years, with the

## Reports on Crisis

### 4 : England

We asked people in several countries to write down observations about social effects of the crisis. The following is a report from England, written in January 2009, updated in February 2009

#### »Anti-social solidarity«

On January 8 Nissan sacked 1,200 of the 5,000 workers at its Sunderland car plant (Wearside, North-East England). Some reports said 800 permanent and 400 temp and 800 'permanent' jobs would go, others that it would be 'mostly' temp jobs. The Nissan plant, which began cutting production and hours in October, had introduced round-the-clock shifts to meet demand in January 2008; it was 'widely regarded as the most efficient in Europe' (Financial Times), and had supposedly 'revitalized' local business (Nissan's own supply chain, where at least another 5,000 workers are now threatened, plus petrochemicals, paper and 'high quality' call centres) through the example of its kaizen/'lean production' model. The case was the most prominent in the UK so far of mass layoffs by a profitable and solvent 'lean' employer. In a sense Sunderland is unusual among the parts of Britain affected by industrial shutdown in the 1980s, in that the 'replacement' for the shipyards and coal mines involved at least an element of new (i.e. downsized and 'flexible') manufacturing. Outside its reindustrialized outposts, though, Sunderland, along with other historically working class parts of the country (including much of London, eg. ex-Ford Dagenham and pre-Olympic Hackney/Tower Hamlets), has experienced the same things more or less uninterrupted throughout the financial/services boom: persistently high unemployment, state and EU-funded 'urban regeneration' projects bestowing a few fragile retail and hospitality jobs along with real estate gains and 'creative' fees for a micro-minority, and prodigious growth of government agencies administering 'social exclusion'. The Nissan layoffs show that 'social exclusion' is something no-one is safe from now, to the point that the term loses whatever

Very little so far in the way of struggle against specifically new developments. This may not be surprising at this stage, with the wave of redundancies only just beginning - 25 percent of bosses surveyed by the FT said they were planning to lay workers off within the next year, far fewer had already done so. A lot of the job losses (or just reduction in intake) so far seem to have been in casual, sometimes informal, 'service' work, where chances of collective struggle are very low, and the lay-offs themselves may not even be reported. There's been some indication of a lot of casual workers returning to the new EU states, however short-lived any labour shortage there may be.

It remains to be seen what will happen when the cuts and redundancies really get going, and the prospect of individual solutions starts to evaporate. Some workers may be more willing to act when the concrete effects of what are still presented as quite abstract financial events are unmistakable, but of course it may also be that the threat of redundancy is used successfully to force through pay cuts. Yesterday's 'Financial Times' has a panel of bosses and academics discussing the best way to combine these enticing options. The question of below-inflation wage increases was raised earlier on, before the 'inflationary' stage of the crisis had really even struck, when Gordon Brown demanded that public sector wage increases be kept below inflation (then fraudulently – see above – calculated at something like 2 per cent) as an anti-inflationary precaution. A series of feeble and unsuccessful symbolic strikes ensued. In one of the only exceptional cases, where non-teaching workers in the education system had insisted on an inflation link rather than a higher percentage offer, the state employer was held to the deal when inflation rose above the percentage offered earlier, but vowed that so such link would be agreed to ever again. More serious strikes, eg in the postal service and public transport, have generally also regarded the restructuring and attacks on conditions that never stopped throughout the boom and crisis periods. Some of the transport strikes were successful in these terms, but in the post office a compromise by the employer on the wage claim was used to push through most of the (EU-mandated) restructuring. I don't think the lack of overt struggle so far is necessarily just a matter of ignorance or even automatic-reflex individualism, although these things are also no doubt involved. Outside the Trotskyist parties, who probably imagine the crisis to be a great recruiting opportunity, it could be that a lot of people feel in some vague and belated way that it's difficult to struggle retrospectively now against the decades

of local and global restructuring that have led to the present situation. This may be especially true of social-democrats (like my parents and those of other people I know) who think we might still have a nice healthy, 'humane' capitalism if it hadn't been for thirty years of Western deindustrialization and financialization. (Of course others who vote for the same parties would just like to see pay cuts for bankers and better 'expert' regulation of markets, but I already acknowledged the role of ignorance above.)

One final thing worth mentioning is that groups doing a kind of politicized self help work, often but not always from a class-struggle-anarchist background such, as the London Coalition Against Poverty (intervening in the benefits and housing systems), Hackney Independent/Independent Working Class Association, the older Solidarity Networks, Advisory Service for Squatters and various community/housing/anti-gentrification groups, seem aware that, although their action predates the crisis, they will increasingly be responding to crisis-related conditions. The Hackney Solidarity network has called a wider meeting to discuss what to do about this. It will be important to see whether they are able to overcome what can sometimes be a limiting contradiction in this kind of community-based working-class activism, i.e. that the focus on the local community (sometimes with the implication: settled local community) can be so intense as to tend to exclude those who, precisely by virtue of the conditions in work, housing and migration over the recent years, are unable to 'settle' into any 'community' throughout their lives.

#### *Afterword (9/1/09)*

There hasn't been much sign of more assertive class struggle since the answers above were written, although that may not be so strange given that already at the time it was mostly a matter of long-term tendencies starting to show their ugly face. The most dramatic developments have been unhappy (unless you buy the idea that immiseration automatically = antagonism) and unsurprising. As has been widely reported in mainstream media, the wave of business insolvencies and pre-emptive redundancies has spread from banking into retail chains and what was left of manufacturing (such 'National Champions' as Royally-approved makers of decorated porcelain crockery). Most media coverage and government spin continues to

institutional system that keeps them alive. It will invent the new discipline of those who have nothing, their political capacity, the new idea of what their victory will look like.

The second aspect is ideological. We must overthrow the old verdict according to which ours would be the time of "the end of ideologies". Today we can clearly see that the only reality of this supposed end lies in the slogan "save the banks". Nothing is more important than recovering the passion of ideas and countering the world such as it is with a general hypothesis, the anticipated certainty of an entirely different state of affairs. To the nefarious spectacle of capitalism, we oppose the real of peoples, of the existence of all in the proper movement of ideas. The theme of an emancipation of humanity has lost none of its power. Undoubtedly, the word "communism", which for a long time served to name this power, has been debased and prostituted.

But today, its disappearance only benefits the advocates of order, the feverish actors of the disaster movie. But we will resuscitate communism, in its new-found clarity. This clarity is also its oldest virtue, as when Marx said of communism that it "breaks in the most radical fashion with traditional ideas" and that it will bring forth "an association in which the free development of each is the precondition for the free development of all".

Total break with capitalist-parliamentarianism, the invention of a politics on a level with the popular real, sovereignty of the idea: it's all there, everything we need to turn away from the film of the crisis and to give ourselves over to the fusion between live thought and organised action (everything we need to turn away from the film of the crisis and rise up).

*\*In French: ballali. In English, the nearest equivalent is 'mort', the note sounded on a hunting horn to announce the death of a deer.*

that, by dangling miraculous credits before their eyes, people devoid of the means to afford them were browbeaten into buying flashy houses. These people's IOUs were then sold on, mixing them, as one does with sophisticated drugs, with financial securities whose composition was rendered as scientific as it is opaque by battalions of mathematicians. All of this then circulated, from sale to sale, its value increasing, in ever more distant banks. Yes, the material measure for this circulation was to be found in the houses. But it was enough for the real estate market to go bust and, as this measure became less valuable and the creditors demanded more, for the buyers to be less and less able to pay their debts. And when finally they couldn't pay them at all, the drug injected into the financial securities poisoned them all: they were no longer worth anything. But this only seems to be a zero-sum game: the speculator loses his wager and the buyers their homes, from which they are politely evicted. But the real of this zero-sum game is as always on the side of the collective, of ordinary life: in the end, everything stems from the fact that there exist millions of people whose wages, or absence thereof, means that they are absolutely unable to house themselves. The real essence of the financial crisis is a housing crisis. And those who can't find a home are by no means the bankers. It is always necessary to go back to ordinary existence.

The only thing that we can hope for in this affair is that this didactic power may be found in the lessons drawn from this grim drama by people, and not by the bankers, the governments who serve them, and the newspapers who serve these governments. This return to the real has two related aspects. The first is clearly political. As the film has shown, the "democratic" fetish is merely the zealous servant of the banks. Its real name, its technical name, as I have argued for some time, is capitalist-parliamentarianism. It is advisable, as several political experiments have begun to do in the past twenty years, to organise a politics of a different nature.

Such a politics is, and no doubt will be for a long time, at a great distance from state power, but no matter. It begins level with the real, through the practical alliance between those who are most immediately available to invent such a politics: the newly-arrived proletarians from Africa and elsewhere, and the intellectuals who have inherited the political battles of the last few decades. This alliance will grow on the basis of what it will be capable of doing, point by point. It will not entertain any kind of organic relationship with the existing parties and with the electoral and

attribute these business failures and job losses in a disingenuously direct way to consumers' alleged sudden unwillingness to spend: reference to the leveraged leverage through which even small businesses are 'owned' and which can no longer be 'rolled over', and to supply chain breakdowns (eg. the bankruptcy of the Woolworths chain bringing down ex-Virgin retailer Zavvi because Woolworths was its main wholesale supplier) are restricted to the financial pages, and 'credit crunch' debate is almost all framed in terms of lending to consumers and mortgagees. It's hard to get a general idea of how widely this skewed focus is accepted. One micro-example: the small (a few hundred workers), private equity-owned press cuttings agency where I work stages occasional 'employee forums', announcing business results and taking pre-submitted questions; my question about the chances of refinancing debt incurred in the recent private equity buyout was refused on grounds of private equity privacy, then the forum was cancelled. Meanwhile there's quite a bit of concern expressed among workers about the chances of the business surviving, but almost always in terms of how much work is coming in from clients, rather than vulnerability to financial events elsewhere. One thing that does seem clear though is that the job losses have barely started, so the media emphasis on passing phenomena like Christmas sales is misleading. Of course statistics from ratings agencies are not the point, but it's still worth noticing that in November 2008 Standard & Poor's calculated the 'speculative grade' corporate debt default rate for Europe at 3 per cent, but the forecast for all of 2009 and 2010 is 8.7-11 per cent.

Perhaps the most depressing news in terms of implications for class struggle has been that of large bodies of industrial workers volunteering (through unions of course) for substantial wage cuts in desperate bids to save their jobs. This happened late last year at JCB, then the company laid hundreds of workers off anyway; the GMB union still tried to claim it as a victory on the grounds that more workers would have been sacked otherwise. Shortly afterwards (December) the Financial Times reported that GMB workers at steel maker Corus (Tata group) had offered to take a 10 per cent wage cut to keep their jobs; the union denied this at first, then it went through on a plant-by-plant basis. Meanwhile Tata is asking for a state subsidy to 'save jobs' at Jaguar-Land Rover, the Midlands car maker it recently bought at a premium as a 'trophy asset'. Reports this week of business complaints about the cost per worker of imposing outright redundancy suggest that more moves to sidestep the problem by cutting wages and/or hours could be on the

way, although this hasn't happened yet on the same scale as in some other countries. Nissan had already been cutting shifts back at its 'most efficient in Europe' etc Sunderland plant, which had moved onto round-the-clock work in January 2008 and was still running on that basis in June; just yesterday though it announced 1,200 redundancies: 400 temp and 800 'permanent' workers. There have also been some signs of use of crisis conditions as a pretext to attack recalcitrant groups of workers: thus Peter Mandelson, an unpopular member of Blair's inner circle, was brought back from Brussels as a sort of crisis-toubleshooter, upon which he immediately decreed the part-privatization of the strike-prone Royal Mail, something which has been a policy goal for years but had until now been impossible to push through. The 'return to Keynes' (Man of the Year in Rupert Murdoch's Times) continues to be proclaimed everywhere, in a way that's puzzling unless 'demand management' is to be understood so literally that desperate repumping of a lending and asset price bubble counts: base interest rates have been cut so far below inflation as to wipe out middle class pensioners' paltry income from savings accounts: the solution proposed tentatively by the government and loudly by the pensioners' Tory 'defenders' is to cut taxation of said savings, thereby adding to the 'necessity' for qualitative (i.e. public provision) austerity in a few years to pay for quantitative (i.e. helicopter money) 'stimuli' now.

As predicted above, what debt crisis means for private sector 'social' housing is starting to emerge. One private 'housing association', Ujima, has already collapsed, and the sector regulator is trying to get the more solvent landlords to lend to the weaker ones in order to bypass banks. In particular the 'strategy' of selling housing in order to fund 'affordable' rental provision is unravelling. An anonymous 'housing expert' is quoted in yesterday's FT to the effect that the government "will have to consider recapitalizing the biggest, weakest social landlords". (Yes, social, as opposed to 'antisocial', landlords. As head-spinning an oxymoron as I can imagine.) A little-noticed state move (legislated pre-crisis) to ensure the continued expulsion of the working class from urban centres where land prices might be expected to rise, notwithstanding a burst real estate bubble, is just getting underway now: housing benefit (i.e. state subsidy of inflated private rents) is to be paid based on average rents across large, mixed-income swathes of territory, rather than according to rents on particular properties, as was the case until now. So that even in a 'market downturn', claimants receiving a 'Housing Allowance' calculated based on the 'average'

last two in any case corrupt the first: in their crushing majority, the objects produced by this type of machinery – being aimed solely at profit, and at the derivative speculations which form the fastest and most considerable part of this profit – are ugly, cumbersome, inconvenient, useless, and it is necessary to spend billions to persuade people otherwise. This presupposes that people be transformed into spoiled children, eternal adolescents, whose existence merely consists in changing toys.

The return to the real cannot be a movement leading from bad "irrational" speculation back to healthy production. It is the return to the immediate and reflective life of all those who inhabit this world. It is from that vantage-point that one can observe capitalism without flinching, including the disaster movie that it is currently inflicting upon us. The real is not this movie, but its audience.

So what do we see, if we turn things around in this way? We see, and this is what it means to see, simple things that we've known for a long time: capitalism is nothing but robbery, irrational in its essence and devastating in its development. Its few short decades of savagely unequal prosperity have always been at the cost of crises in which astronomical quantities of value disappear, bloody punitive expeditions into every zone that capitalism judges either strategically important or threatening, and world wars that brought it back to health.

Here lies the didactic force in looking at this crisis-film. Faced with the life of the people watching it, do we still dare to pride ourselves in a system which delegates the organisation of collective life to the basest of drives – greed, rivalry, unthinking selfishness? Can we sing the praises of a "democracy" whose leaders do the bidding of private financial appropriation with such impunity that they would shock Marx himself, who nevertheless already defined governments, a hundred and sixty years ago, as "the agents of capital"? The ordinary citizen must 'understand' that it is impossible to make up the shortfall in social security, but that it is imperative to stuff untold billions into the banks' financial hole? We must somberly accept that no one imagines any longer that it's possible to nationalise a factory hounded by competition, a factory employing thousands of workers, but that it is obvious to do so for a bank made penniless by speculation?

In this business, the real is to be found on the hither side of the crisis. For where does this entire financial phantasmagoria come from? Simply from the fact

banks, I tell you, and the rest will follow. For the film's immediate protagonists – the rich, their servants, their parasites, those who envy them and those who acclaim them – a happy ending, perhaps a slightly melancholy one, is inevitable, bearing in mind the current state of the world, and the kinds of politics that take place within it.

Let us turn instead to the spectators of this show, the dumbstruck crowd who - vaguely unsettled, understanding little, totally disconnected from any active engagement in the situation - hears, like a far-off noise, the mort\* of the cornered banks. This crowd can only guess at the exhausting weekends of our heroic small team of heads of government. It sees, passing before it, numbers as enormous as they are obscure, automatically comparing them to its own resources, or even, for a very considerable part of humanity, to the pure and simple non-resource which is the bitter and courageous basis of its very life. That's where the real is, and we will only be able to access it if we turn away from the screen of the spectacle in order to consider the invisible mass of those for whom this disaster movie, its saccharine ending included (Sarkozy kisses Merkel, and the whole world weeps for joy), was only ever a shadow-play.

In these past few weeks we have heard a lot about the “real economy” (the production and circulation of goods) and the – how should we call it? unreal? – economy which is the source of all evils, in that its agents had become “irresponsible”, “irrational” and “predatory” – fuelling, first rapaciously, then in a panic, the now formless mass of stocks, securities and currencies. This distinction is obviously absurd, and is generally immediately contradicted, when, by way of an opposite metaphor, financial circulation and speculation are presented as the ‘circulatory system’ of capitalism. Are heart and blood perhaps subtracted from the living reality of a body? Is a financial stroke indifferent to the health of the economy as a whole? As we know, financial capitalism has always – which is to say for the past five centuries – been a major, central component of capitalism in general. As for the owners and managers of this system, by definition they are only “responsible” for profits, their “rationality” is to be measured by their earnings, and it is not just that they are predators, but that they have to be.

Accordingly, we do not find anything more “real” in the engine-room of capitalist production than on its commercial decks or in its speculative cabins. The

across a wide area will be priced out of gentrifying enclaves where rents are above that average, whereas the previous system, with the benefit paid according to the particular rent, slowed the class purge somewhat even during the real estate ‘boom’. More generally, the institutional expectation of long-term mass unemployment is probably most evident in the unprecedented punitive measures (FULL TIME supervised job-search; explicit comparisons to ‘school detention’ and to ‘community service’ sentences in the ‘criminal justice’ system) against dole and sickness benefit claimants announced in the ‘Queen’s speech’, i.e. scheduled to be legislated into force some time within the next two or three years.

## What recession means for us

An analysis of the likely impact of the coming recession on workers' lives and a rallying call for collective action to mitigate that impact.

The recession is here. We're told to tighten our belts and brace ourselves for redundancies, wage and service cuts. Politicians and business leaders are united in saying we should pay for a crisis not of our. A recession is simply when the economy shrinks for 6 months in a row. What this means for individual firms is a squeeze on profits, and we can be certain that unless we do anything about it, that's going to mean a squeeze on us, as our employers try to protect those profits.

Even public sector workers will feel the squeeze as the government tries to recover the billions already spent on bailing out the banking system, and to make 'efficiency savings' in the face of falling tax revenues. But wait, isn't Gordon Brown going to make the rich pay with higher taxes? You'd certainly think so from the press. The Times, on its front page no less, even pictured Brown waving the red flag of communism. Alas, reality is rather different.

The Financial Times reassured its affluent readership with a more honest take on matters. Of £104bn worth of clawbacks the government is expected to make, just £2bn is expected to come from taxing the rich. That's less than 2 percent of the total, and even that doesn't take into account that the rich will try and pass on their burden by increasing their incomes at the expense of our wages. It's also quietly forgotten that the top rate of income tax is still nearly 20 percent lower than under Margaret Thatcher's pro-rich government.

A further £18bn is planned to come from regressive taxes. These are taxes that affect you more the less you earn. No trouble for the rich here. The rest is scheduled to come from public service cuts and wildly optimistic forecasts for a rapid economic recovery – when the recession has only just officially started! [Jan

## Alain Badiou Of Which Real is this Crisis the Spectacle?

As it is presented to us, the planetary financial crisis resembles one of those bad films concocted by that factory for the production of pre-packaged blockbusters that today we call the "cinema". Nothing is missing, the spectacle of mounting disaster, the feeling of being suspended from enormous puppet-strings, the exoticism of the identical – the Bourse of Jakarta placed under the same spectacular rubric as New York, the diagonal from Moscow to Sao Paulo, everywhere the same fire ravaging the same banks – not to mention terrifying plotlines: it is impossible to avert Black Friday, everything is collapsing, everything will collapse...

But hope abides. In the foreground, wild-eyed and focussed, like in a disaster movie, we see the small gang of the powerful – Sarkozy, Paulson, Merkel, Brown, Trichet and others – trying to extinguish the monetary flames, stuffing tens of billions into the central Hole. We will have time later to wonder (the saga will surely continue) where these billions come from, given that for some years, at the least demand from the poor, the same characters responded by turning their pockets inside out, saying they hadn't a cent. For the time being, it doesn't matter. "Save the banks!" This noble, humanist and democratic cry surges forth from the mouths of every journalist and politician. Save them at any price! It's worth pointing this out, since the price is not insignificant.

I have to confess: given the numbers that are being bandied about, whose meaning, like almost everyone else, I am incapable of representing to myself (what exactly is one thousand four hundred billion euros?), I too am confident. I put my full trust in our firemen. All together, I am sure, I can feel it, they will succeed. The banks will be even greater than before, while some of the smaller or medium-sized ones, having only been able to survive through the benevolence of states, will be sold to the bigger ones for a pittance. The collapse of capitalism? You must be kidding. Who wants it, after all? Who even knows what it would mean? Let's save the

we used the formula 'the world of labour'. Now we sometimes say 'the world of labours': not that much has changed when it comes to the fact that whatever world we're dealing with, we need representatives and forms of representation adequate to it. To put it bluntly, so that everyone will understand, we need a great political force, a popular Left, rooted in the real country, with mass confidence – social before it is electoral – a mass party of working men and women, with the political pride to name the matter at hand in this way. Then, we might even lose some battles, but at least we'll know that we're there fighting a just war.

09] So behind the headlines the plan is clear; they want to make us pay for their crisis. So how is the recession going to affect us?

## Redundancies

One way in which the cost of the crisis is passed onto us is through redundancies. Unemployment is predicted to increase to as much as 3m in the next couple of years. This means over a million people will lose their jobs. Already the news is full of layoffs, and it's set to get worse. Obviously redundancy hits those laid off in the pocket. This is especially the case if they're agency staff or haven't been in the job long, which means they don't get much, if any, redundancy pay. But redundancies also hit those 'lucky' enough to keep their jobs as they have to work harder to make up.

## Unemployment

Not content with mass layoffs, just when the economy is proving incapable of keeping people in work, the government is planning to cut benefits bills by punishing unemployed people for not finding jobs! A recent report recommended that unemployed workers should be made to either look for work or do community service "from 9 to 5" in order to earn their £60 dole money. That works out at £1.50 an hour! A whole host of other attacks are planned, such as forcing single parents with children over the age of one and many people currently signed off sick to look for work or have their benefits stopped. Of course, the whole point of a recession is there's not many jobs to look for.

## Wage cuts

Those of us who keep our jobs can't expect to escape the punishment. Wages will be attacked directly; workers at JCB factories recently voted to take a £50 a week pay cut to avoid redundancies. The company then made some more redundancies anyway. This kind of 'between rock and a hard place' offer is likely to become more common with workers nervous about losing their jobs; although the JCB example makes it clear that bosses can't be trusted. But wages can be cut in less visible ways too. If workers can be made to work harder and faster, or longer days or

through their breaks, we end up doing more work for the same pay. This will often be making up for the work of colleagues made redundant, saving the boss cash. Whenever your boss asks you to “give 110 percent for the team,” this is what they have in mind. Of course we pay the price in stress and burnout, but at least we’ve got a job, right?

## Public service cuts

A further £35bn of the government clawbacks are scheduled to come from public sector spending cuts. This will mean cuts to public services and further attacks on public sector workers pay and conditions. Front-line services are expected to be hit, so alongside the attacks on unemployment benefit, the health service is expected to be hit particularly hard alongside cutbacks to schools, social housing, energy efficiency programmes, GP surgeries and flood defences. Of course if you can afford private healthcare and to move out of flood-risk areas, this probably won’t bother you. For the rest of us it’s bad news.

## Repossessions and evictions

Another way the recession will hit us is through a rise in home repossessions and evictions as people fall behind on mortgage repayments and rent. Repossessions are already at record levels, and set to rise further. The government is encouraging banks, including those it now owns, to go easy on repossessions, effectively tolerating squatting. No doubt they’re conscious that chucking families out on the street is not likely to be popular. But they’re in a bind. If they don’t repossess people, why should anyone pay their mortgages at all? If the government steps in to nationalise the homes of mortgage defaulters as has been suggested, this just raises the amount they have to claw back through the other means discussed above. The absurdity is we could see people being chucked out on the street while houses stand empty and can’t be sold.

## So is it all doom and gloom?

It doesn’t have to be! If we’re honest, we’re not in a very strong position and we’re likely to take the brunt of this crisis unless we set about changing that.

your own and not with others – does not stop before the factory gates, just like it doesn’t wait in front of the entrance to the home, where the holy family dwells. It enters, penetrates, invades, conquers, seizing hold of the soul – if there is no body of collective forces that pushes it back, countering it with the reasons of an organised solidarity. The material condition of subaltern labour – whether dependent or autonomous, stable or precarious – must now face up to this politically unprecedented situation, that the middle classes no longer need to be a separate social stratum, because they have become a diffuse democratic mentality. This is an illusory veil which the presence of an alternative horizon, both credible and practicable, has the duty to rend asunder.

But who today denounces the evils of society? A few precious experiences among social movements, some isolated scholarly gadflies, the odd papal homily, some praiseworthy grassroots philanthropy. What is lacking is the powerful voice of a subject that counts, and that makes its authoritativeness count, armed with consensus and thought. Work and politics is the point from which to begin once again to weave the interrupted thread of a new fabric of organisation. Around this point everything can be born, in terms of discourse and multiple experiences, but without it nothing will be born. It is first and foremost a political-cultural battle.

We are working in the furrows of a great tradition. But this is only a temporary surrogate, while we await the return of the initiative into the hands of practical politics. Of course, we need to make workers speak, even through new forms of co-research. But we must also start speaking about workers again, with programmes and projects that concern them directly, existentially. And here the forms in which practical politics is currently organised on the Left do not work, they do not respond to the command that the theme of work and politics should trigger in the operational machine. The latest disheartening events tell us as much. The Partito Democratico spoke of something else, the Arcobaleno didn’t speak to anyone, and it will not suffice to cloister oneself in a generous heretical sect of the refounders of communism in order to resolve this problem.

An alternative Left that for the time being closes ranks around the field of work is necessary, and we must therefore make it possible. But this too must be thought and practiced as a passage rather than a point of arrival. Once upon a time

social sciences exist, data and numbers are not lacking, investigations have been carried out with regularity, the latest one by the metalworkers' union, FIOM. What's missing? A political interpretation: serious, lucid, realistic, non-ideological, non-conventional, non-electoralist.

The famous transformations of work are like the equally famous transformations of capitalism: when everything has been said, nothing has changed. The storytellers of the social come and describe the state of affairs: the liquid instead of the solid, what melts into air rather than what sediments on the ground, the whole that must become flexible, the production that becomes molecular, the power that is everywhere and nowhere like the holy spirit, because it is micro and no longer macro, and then the immaterial, the cognitive, the politics that is bios, made to measure for the asocial individual – forget about women and men of flesh and bone who organise themselves for the struggle. With limitless patience we read and listen, careful not to let what we don't know slip through our fingers.

What is to be done about the exploitation of work? Do we put up with it, hiding it like dust under the carpet of good manners, or do we start once again to condemn it, showing that it is what objectively and materially unifies the current form of fragmented labour? Is it not true that today the social figure of the exploited brings together the worker in the great factory, the employee of the small service company, the precarious call-centre worker, the college graduate baby-sitter, the teacher or professor commuting while she awaits a permanent post, the labourer risking his life in one of the many thousands of subcontracted firms, the immigrant construction worker, the part-time researcher technician and the scandalously underpaid, or even not paid, contract lecturer, all the way to the self-employed worker filing his tax returns who, compared to rest, has the privilege of exploiting himself? We could go on and on. Asking what worker means after the working class is the same thing as wondering what the Left is after the workers' movement. This is well and truly an epochal problem.

If it is true that the political centrality of the mass-worker has been replaced by the political centrality of the mass-bourgeois, then a great anthropological question poses itself on the terrain of human labour. The ideological hegemony of the Right – your boss's interest is your interest, and you should do things on

There are various things we can do, ranging from simple things you're probably doing already to daring acts of collective action to win the things we need. So...

Talk to your workmates - on your breaks or in the pub after work. We're all in the same boat, just realising this is a step towards doing something about it. When you realise your problems aren't personal but social, all sorts of possibilities for mutual aid open up. Beware bosses claiming they're in the same boat too; who do you think they'd throw overboard first?

Network with other workers - in your area or sector. Do you have friends or friends-of-friends working locally in the same sector as you? Consider going for a coffee or a pint to swap experiences and find out if there's anything you can learn from each other, or ways to help each other out (like handing out leaflets at each others workplaces so the boss can't victimise you).

Consider collective action. Collective action covers a whole range of things, but the principle is that while on our own we are weak, when we act together we can achieve more than the sum of our parts. Examples include going in a group to the manager's office to support colleagues being made redundant or pressured into working longer or harder. There's safety in numbers. Or deciding with your workmates to 'work-to-contract' - taking your breaks and leaving on time in response to pressure to do more work. It's easier to say no to the boss when you know your workmates are doing the same.

More dramatically, things like occupations can win major concessions. When workers were laid off at a factory in Northern Ireland recently they occupied the plant for 48 hours demanding improved redundancy terms. They won. By acting together they turned the tables on the bosses, who expected them to go home alone and 'think things over.' Instead they showed the inevitable wasn't so inevitable. It isn't always easy to take collective action, but it starts from realising what we have in common with other workers, and what we don't have in common with the politicians and bosses trying to shift the costs of the crisis onto us. We can't fight back on our own, but together we have a chance.

*Written for the Tea Break bulletin in December 2008.*

## Ramaa Vasudevan

# Financialization : A Primer

You don't have to be an investor dabbling in the stock market to feel the power of finance. Finance pervades the lives of ordinary people in many ways, from student loans and credit card debt to mortgages and pension plans. And its size and impact are only getting bigger. Consider a few measures:

U.S. credit market debt—all debt of private households, businesses, and government combined—rose from about 1.6 times the nation's GDP in 1973 to over 3.5 times GDP by 2007.

The profits of the financial sector represented 14% of total corporate profits in 1981; by 2001-02 this figure had risen to nearly 50%. These are only a few of the indicators of what many commentators have labeled the “financialization” of the economy—a process University of Massachusetts economist Gerald Epstein succinctly defines as “the increasing importance of financial markets, financial motives, financial institutions, and financial elites in the operation of the economy and its governing institutions.”

On the left, political economists Harry Magdoff and Paul Sweezy over many years pointed to the growing role of finance in the operations of capitalism; they viewed the trend as a reflection of the rising economic and political power of “rentiers”—those whose earnings come from financial activities and from forms of income arising from ownership claims (such as interest, rent, dividends, or capital gains) rather than from actual production.

## From finance to financialization

The financial system is supposed to serve a range of functions in the broader economy. Banks and other financial institutions mop up savings, then allocate that capital, according to mainstream theory, to where it can most produc-

## Mario Tronti

# Politics at Work

It is time to engage in a new research project. Our theme is: work and politics. Yes, because it is a novelty to concern ourselves with this theme. It says a lot about the condition we find ourselves in. What until some time ago was an old conviction has today become an entirely new realisation: either the workers constitute a political force or they do not exist. And the political inexistence of the workers is of course the problem of the Left, but it is also the problem of society and the state, it is the real theme behind the crisis of civilization. If we don't put it in these terms, we will not find the compass that we seek in order to orient ourselves in the open seas of world-capitalism, once again thrown into turmoil by affairs that are entirely its own.

This is what it hurts to see today: that the class adversary is not in good shape, that it is unable to provide for the majority of its subalterns, and that nevertheless its problems are entirely relative to the relationships between its internal parts. At base, labour-power too was an internal part of capital, but when it took off the uniform of the producer of surplus-value and donned the outfit of the realiser of political value, it threatened, as we used to say, the constituted order, hinting at something other and beyond. Now instead capitalist contradictions are only ever settlements of accounts between sections of the dominant forces: financialisation against real economy, liberalisation versus regulation and vice versa, market and/ or state, world distribution of energy resources and therefore pieces of the world against other pieces of the world, but still within a single thought of social relations: the bosses – whether private or public – rule, and the workers comply.

Bringing the theme of work back on the political agenda. How? With whom? The answer to the last question seems obvious: with the workers themselves. Getting to know them again, these unknowns. Getting them to speak again, these mutes. Bringing the place of work back into the non-places of today's politics. Empirical inquiries are not lacking. We are not starting from zero. Thankfully, the

Nor do we have an anti-capitalist alternative as the Soviet Union was in the eyes of many. We also do not have the kind of solidarity that in the Great Depression led to invention of new commons, like the hobo movement and the creation of “jungle cities.”

Where to start then? This is what we need to work on in the coming months and years. There is no clear path to this kind of mobilization. But we need to start somewhere. On two things we can get people to agree with us: First, we better find alternatives, because, as things stand presently, we are so incestually connected with capitalism that its demise threatens our own existence. Second, unless we organize to resist government planning, what lies ahead for us, after a cut of more than a trillion dollars of our “entitlements,” looks much more like some variant of fascism than socialism.

tively be used. For households and corporations, the credit markets facilitate greatly increased borrowing, which should foster investment in capital goods like buildings and machinery, in turn leading to expanded production. Finance, in other words, is supposed to facilitate the growth of the “real” economy—the part that produces useful goods (like bicycles) and services (like medical care).

In recent decades, finance has undergone massive changes in both size and shape. The basic mechanism of financialization is the transformation of future streams of income (from profits, dividends, or interest payments) into a tradable asset like a stock or a bond. For example, the future earnings of corporations are transmuted into equity stocks that are bought and sold in the capital market. Likewise, a loan, which involves certain fixed interest payments over its duration, gets a new life when it is converted into marketable bonds. And multiple loans, bundled together then “sliced and diced” into novel kinds of bonds (“collateralized debt obligations”), take on a new existence as investment vehicles that bear an extremely complex and opaque relationship to the original loans.

The process of financialization has not made finance more effective at fulfilling what conventional economic theory views as its core function. Corporations are not turning to the stock market as a source of finance for their investments, and their borrowing in the bond markets is often not for the purpose of productive investment either. Since the 1980s, corporations have actually spent more money buying back their own stock than they have taken in by selling newly issued stock. The granting of stock options to top executives gives them a direct incentive to have the corporation buy back its own shares—often using borrowed money to do so—in order to hike up the share price and allow them to turn a profit on the sale of their personal shares. More broadly, instead of fostering investment, financialization reorients managerial incentives toward chasing short-term returns through financial trading and speculation so as to generate ballooning earnings, lest their companies face falling stock prices and the threat of hostile takeover.

What is more, the workings of these markets tend to act like an upper during booms, when euphoric investors chase the promise of quick bucks. During downturns these same mechanisms work like downers, turning euphoria into panic as investors flee. Financial innovations like collateralized debt obligations were

supposed to “lubricate” the economy by spreading risk, but instead they tend to heighten volatility, leading to amplified cycles of boom and bust. In the current crisis, the innovation of mortgage-backed securities fueled the housing bubble and encouraged enormous risk-taking, creating the conditions for the chain reaction of bank (and other financial institution) failures that may be far from over.

## Financialization and power

The arena of finance can at times appear to be merely a casino—albeit a huge one—where everyone gets to place her bets and ride her luck. But the financial system carries a far deeper significance for people’s lives. Financial assets and liabilities represent claims on ownership and property; they embody the social relations of an economy at a particular time in history. In this sense, the recent process of financialization implies the increasing political and economic power of a particular segment of the capitalist class: rentiers. Accelerating financial transactions and the profusion of financial techniques have fuelled an extraordinary enrichment of this elite.

This enrichment arises in different ways. Financial transactions facilitate the reallocation of capital to high-return ventures. In the ensuing shake-up, some sectors of capital profit at the expense of other sectors. More important, the capitalist class as a whole is able to force a persistent redistribution in its favor, deploying its newly expanded wealth to bring about changes in the political-economy that channel even more wealth its way.

The structural changes that paved the way for financialization involved the squashing of working-class aspirations during the Reagan-Thatcher years; the defeats of the miners’ strike in England and of the air traffic controllers’ (PATCO) strike in the United States were perhaps the most symbolic instances of this process. At the same time, these and other governments increasingly embraced the twin policy mantras of fighting inflation and deregulating markets in place of creating full employment and raising wages. Corporations pushed through legislation to dismantle the financial regulations that inhibited their profitmaking strategies. Financialization has gathered momentum amid greater inequality. In the United States, the top 1% of the population received 14.0% of the national after-tax

fact, migration can lead to the dissolution of local organizations, it can create new divisions among the locals, separating those benefiting from remittances and those deprived of them, it can boost the cost of living in the area of origin by the influx of new money and hook local economies more strongly to the international monetary system, fostering the expansion of monetary relations. These, of course, are not inevitable results. Actually, migrants have been able to use the wage against the wage, to refuse impoverishment, to create transnational networks, to move from country to country seeking a better deal and nullifying nation all boundaries and borders.

The attacks on immigrants of recent months, which have seen the most massive factory raids and deportations ever in the US, are response to this autonomy. They are part of the attempt to create a population of rightless workers, to function as a safety valve for the labor market. Only if they have no rights can immigrants function as regulatory mechanism for the labor market (in the same way as mass incarceration and expansion of unpaid labor do). The redefinition of immigrant workers as outlaws and the criminalization of working class—historically a key strategy to devalue labor power—will continue to be a tool of the world order we will see emerging from the crisis. But the crash will intensify the divisions between “natives” and migrants, attack the organizational strength of migrant organizations, unless there is strong opposition to this strategy.

### *The Politics of the Financial Crisis and Our Response.*

Crises are always a threat and an opportunity as they break down business as usual, and reveal something of the inner workings and nastiness of capitalism. This one is not an exception and we can be sure that what will come out of it will be greatly a result of what people do in response to it. If the Great Depression is an indication, it took more than ten years for capital to organize a different social order. Much can happen in such a period.

The problem for us today is that workers are only organized around electoral politics at best. And many still place more hope in a racist and imperialist stance than in working class solidarity. We certainly don’t have a communist or an anarchist movement organizing rallies of the unemployed, fight against evictions, or organizing “penny auctions” of farms as they did during the Great Depression.

up the funds the young need to build their future.

The second target of the attack is the global resistance to capital's appropriation of natural resources beginning with oil and gas extraction. The defeat in Iraq is the peak of it. To this day, despite an immense expenditure in war funding, the US has not been able to put its hands on Iraqi oil. Resistance to international capital control over global energy resources has also come from Venezuela, Bolivia, and Ecuador. Many more countries are also refusing the neoliberal packet, especially in Latin America. These refusals, not peak oil, are the true limits to capital's energy plans.

There have also been bottlenecks in the exploitation of forests, waters, minerals, and lands which structural adjustment was to remove. A new "rurban" peasant movement has been growing that is fighting independently of unions, parties, "civil society" and NGOs, using direct action tactics, to re-appropriate the lands and resources of which it has been robbed ---poaching, harvesting timber or produce in commercial plantations, mining diamonds and gold "illegally," or farming in the very lands from which they have been "legally" excluded. When they move to the cities they squat on urban land and take over land not used, private or public to farm it for their needs. It is a vast re-appropriation movement that is redefining the fundamentals of social reproduction globally. It has put globalizers and adjusters out of government, it has forced the nationalization of local resources, and has redistributed wealth and political power, putting the World Bank and IMF almost out of business in Latin America. It has defeated the attempt to completely liberalize the economies of the TW through the rule of the World Trade organization. Though not sitting at the table, the specter of the rural/urban peasants of the world has guided the refusal of TW representative to comply.

Third, global migration has developed in ways that make it difficult for governments to use it as a regulatory mechanism for the labor market. Far from being an easy device for driving wages down, migration is now an autonomous uncontrollable phenomenon, with a logic of its own that is not reducible to the needs of the labor market. It is important however to stress (against the idealization of the migrant and of Exit, Exodus, Flight as a the highest form of struggle) that the struggle of the migrants is not superior to the struggle of those who remain. In

income in 2004, nearly double its 7.5% share in 1979. In the same period the share of the bottom fifth fell from 6.8% to 4.9%.

And yet U.S. consumption demand has been sustained despite rising inequality and a squeeze on real wages for the majority of households. Here is the other side of the financialization coin: a massive expansion of consumer credit has played an important role in easing the constraints on consumer spending by filling the gap created by stagnant or declining real wages. The credit card debt of the average U.S. family increased by 53% through the 1990s. About 67% of low-income families with incomes less than \$10,000 faced credit card debt, and the debt of this group saw the largest increase—a 184% rise, compared to a 28% increase for families with incomes above \$100,000. Offered more and more credit as an individualistic means of addressing wage stagnation, then, eventually, burdened by debt and on the edge of insolvency, the working poor and the middle class are less likely to organize as a political force to challenge the dominance of finance. In this sense, financialization becomes a means of social coercion that erodes working-class solidarity.

As the structures created by financial engineering unravel, the current economic crisis is revealing the cracks in this edifice. But even as a growing number of U.S. families are losing their homes and jobs in the wake of the subprime meltdown, the financial companies at the heart of the crisis have been handed massive bailouts and their top executives have pocketed huge pay-outs despite their role in abetting the meltdown—a stark sign of the power structures and interests at stake in this era of financialization.

# Silvia Federici & George Caffentzis

## Must The Molecules Fear As The Engine Dies : Notes on the Wall Street 'Meltdown'

The breakdown of the Wall Street financial machine makes the task that we outlined in our June meeting more urgent. In June we planned to rethink Midnight Notes in view of the restructuring of the accumulation process and class relations carried out through the neoliberal turn and Structural Adjustment. We can now define this project more precisely: what do the current crisis and restructuring of the financial system imply for us as we join the rest of the world in the dog house of structural adjustment in the twilight of the American empire?

In response to these questions, it is important, first, that we realize that the so-called Wall Street "meltdown" is certainly the end, but also the completion of the neoliberal program. Let us be clear about it. To think otherwise is to ignore the lesson taught to us by the event that opened the present capitalist era: the 1973 coup against the Chilean working class experiment with socialism, that led to the victory of strong state backed market economy. Karl Polanyi's theory that the single most important cause of the rise of fascism and Nazism in Europe was the inability to control the financial market after the 1929 crash also resonates here. In other words, we should not read the restructuring taking place as a turn to socialism / Keynesianism, to the extent at least that Keynesianism was an intervention by the state into the economy aimed at increasing the state's investment in social reproduction, starting with the reproduction of the working class, in exchange for an increase in the social productivity of labor. Despite the adoption of regulatory mechanisms, the operation presently conducted by the US government bears little resemblance to the Keynesian program launched with the New Deal.

Behind the \$700 billion bail-out and the many others that will follow-- some already in the pipeline-- is a massive transfer of funds from the US working class to capital, inevitably leading to an assault on the last remaining entitlements

died out over the last two decades, workers have tried to increase their income in three ways: investing in the stock market, buying on credit, now even for everyday expenses, getting equity money through housing, and defaulting student loans. These tactics have clearly failed and now millions of workers are now to pay twice for them, in terms of their individual losses and in terms of the losses that will be inflicted on the US proletariat as a class through the bailouts. If successful, these bail-outs will in fact be conducive to a new regime of low wages and zero entitlements the like of which we have not seen since the last part of the 19th century.

The new regime will not be the end of market fundamentalism. It will be a revitalization of market investment through the injection of our social security money, and it will be a revitalization of some parts of American industry now presumably taking advantage of the fact that workers are desperate enough to accept any conditions just to have a job and a roof over their heads. A large part of capital has for a long time been lusting to bring back America to the situation before the New Deal, when employers had the upper hand. The "crisis" is giving them a chance to return to that era.

That this time Social Security is at stake is due to various factors. First, Social Security is the last pot of money available to re-launch the US market, in a context in which workers have no savings and monetary flows from the outside are drying out. It is also the last 'scandal' on the list of US capitalists who have relentlessly for years now told us it must go. Most important of all, Social Security affects primarily the old, the retired, and it is therefore an easier target than entitlements affecting the whole working class.

So far workers in the US have resisted the privatization of Social Security despite many governmental attempts. But cuts in pensions have already gone a long way in the private sector, where employers have given stocks of their companies to workers, or stopped putting any money in their pension funds. The present crisis will extend that to government backed pensions. And the road to it has been cleared by years of false statements to the effect that Social Security is unsustainable. Though it is a colossal lie, younger generations have, however, accepted it. By cutting Social Security, capital undoubtedly hopes to pit the young against the old, who (as in Africa today) are being pictured as a crew of selfish gerontocrats sucking

going to be extended to the US territory and the US working class. This time (after many beginnings and many deferrals) we too are being “adjusted.” I will discuss later what adjustment will mean at this time for us. For the moment we only want to stress that we are witnessing not only a financial meltdown, but also a great robbery, a macro-process of expropriation, an immense transfer of labor, this time siphoning funds to the US banking system not only from the Third World, as in the Debt Crisis of the 1980s, but from our households, through the classic maneuver of increasing the national debt. What we are witnessing is a capitalist coup, an example of capital’s historic readiness to destroy itself in order to regain the initiative and defeat resistance to its discipline.

### *3. Where does this resistance come from? How is the collapse of the financial systems a response to it?*

We cannot understand the Wall Street crisis unless we read it in class terms as a means to negotiate a different class deal and response to class struggle and resistance. However, in dealing with these questions, I also want to distinguish this approach and the growing tendency to view every development in capitalist planning as a realization of working class struggle and demands, the Negrian perspective on capital’s response to class movements.

This perspective is dangerous, because besides turning even defeat into a victory, (such as: we wanted globalization, we wanted flexibilization, etc), it ignores the fact that a capitalist response must use working class demands against themselves, use them to drive part of the working class out of the struggle, turn it against or away from the other half, use them in such a way as to spark off forms of development that decompose the class.

Let us look now at the crisis as a disciplinary tool and strategy. There are at least three areas of resistance to the neoliberal accumulation project that the Wall Street collapse has to respond to. I will list them without an attempt to establish an order.

First, the crash and the bail-out must defeat the attempt of the US working class to circumvent class discipline by using financial markets, rather than struggle, sweat and labor, to increase their wages. While strikes and struggles have

(like Medicare, Social Security) and a general program of austerity the like of which we have not seen yet in a long time. The fact that there is no organized response to this assault makes us fear the worst. For things would never have reached this point if over the last decade the US workers had responded to the repeated thefts of their money and benefits, through the Enron scandal and the many other “crises” that have followed it. That despite the “instability” of the market, despite its usage as a means to expropriate thousands of small/working class investors, US workers continued to trust their livelihoods and future to it is certainly a key factor in what we are presently witnessing and Washington/Wall Street confidence in launching the new austerity program. It is our argument that in the same way as September 11 served the US government to shed the last remains of “democracy” and move to a model of government where militarization is always around the corner (apparently Representatives were threatened with the proclamation of martial law if they did not pass the bailout bill), so the Wall Street crash will serve to shed the last remaining elements of working class “socialism” in the US political economy, starting with Social Security, Medicare, a thorn in capital’s flesh, but so far demonstrating a great resilience, the last shore for working class struggle in the nation.

### *2. Lessons from the Debt Crisis.*

There is an important parallel here, not sufficiently noted, between the present crash and bail-out and the “debt crisis” of the 1980s, which engulfed most Third World nations (except for China) and was the start of the globalization process. Both have been engineered in the same fashion.

The “debt crisis” was the outcome a financial campaign conducted by Washington and Wall Street, to practically force Third World nations to take cheap development loans --liberally dished out at the lowest interest rates-- at a time when capital was refusing to invest in Europe and North America in the face of the most successful working class attack to its profit-rate since the 1920s, and a new generation of Africans, Asians etc. were organizing to demand a global redistribution of wealth and a program of reparations, that is, in the language of the Bucharest Conference of 1974 : A NEW WORLD ORDER.

Through the lending mechanism, the massive flow of petrodollars that had been amassed in the aftermath of the 1974 embargo (the first attack on US wages, organized through a stiff inflationary wave) was redirected to the coffers of

Third World nations, which, attracted by the bait of cheap loans, were soon hooked to the global economy, all dreams of an independent path to development foregone. In other words, loans at the lowest interest rates were key to the creation of a global debt and the process of primitive accumulation (through structural adjustment) that was imposed on most of the workers of the world.

As we know, within less than a decade, the rise of the interest rates in the US, turned manageable debts into a long-term process of economic and political subordination. Debt became the hook for a massive restructuring of Africa's, Asia's Latin America's political economies, re-establishing a colonial dependency that for three decades has served to promote a massive transfer of funds from the Third to the First World and defeat the organizational efforts of TW nations for an independent road to development.

Under the guise of the "debt crisis," portrayed as a case of "mismanagement" by backward countries, requiring First World-style financial responsibility, countries across the world were forced to open their books to Washington--via the IMF and World Bank--accept any terms of repayment imposed on them. They were forced to freeze wages, terminate all social spending, open their markets to foreign investors and products, devalue their currencies and so forth. The consequences of these policies are well known. While Washington and NY built forests of skyscrapers, sucking on the blood of Africans, Asians, Latin Americans, Caribbean people, such levels of impoverishment and expropriation were imposed on the people of the world that millions took the road out of their countries, unable to survive in them, while those remaining witnessed epidemics, elimination of schools, famines, wars, the loss of ancestral lands, waters and forests, brutal wars of privatization, all directly related to the debt.

This is history now, though the politics of SAP have set back for decades the project initiated by the anti-colonial struggle, reformulated and reasserted, as I mentioned, at the Bucharest Conference of 1974, where TW nations emboldened by the defeat of the US in Vietnam, demanded a NEW WORLD ORDER, i.e. the redistribution, return of the wealth that Europe and the US have robbed from the colonial world.

With the debt crisis, international capital obtained three major objectives.

i) It disciplined the working class in Europe and the US, by dismantling its manu-

facturing structure and refusing for years to engage in any serious investment in these regions [remember "zero growth"?)

ii) It destroyed the attempt of the former colonial world to escape a dependent/subordinate position, as demanded by the new generation of Africans, Asians, etc., who, infused of the spirit of Fanon, were keen on import substitution schemes, were pressing for REPARATIONS, and pushing for some form of socialism (in Angola and Mozambique).

iii) In addition to defeating revolution in First and Third World, the "debt crisis" built the infrastructure for the new global economy. It forged the mechanisms by which industries and offices could be relocated, companies could run around the globe, the work process could be computerized and streamlined and the working class thereby could be flexibilized and re-divided.

Against this background, we must note some basic similarities between the engineering of the debt crisis and the engineering of the Wall Street crash and must assume these similarities will extend to the social consequences of the crash. The housing bubble was the result of loans made at very low though adjustable credit rates, redirecting the influx of capital coming from abroad (China and other countries) toward the US market.

Is it possible that investment banks, credit rating agencies, the head of the Federal Reserve all FAILED to realize what would be the inevitable result of an "easy credit," lending policy that reversed decades of regulatory principles and rules? Unless we want to revel in the nonsensical tale of a blinding surge in human greed, the answer must be a negative one. Thus, we must stop using the concept of "failure" to describe the absence of regulations and the reasons for the crash. We must rule out that the architects of the housing/mortgage crisis did not know it would end in a financial disaster and cascade of foreclosures for the home owners, in the same way as banks are partly responsible for the debt of the US working class (\$45,000 on average per capita).

Continuing with the parallel, we have to conclude that with this 700 billion dollar "bail-out," coming straight out of our pockets and hides, the "structural adjustment" that since the 1980s has been imposed on countries across the world, is