

# THE WINTER OF OUR DISCONTENT

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*Stanley Aronowitz*

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"Now is the winter of our discontent"

*Richard III, Shakespeare*

### PROLOGUE:

**2011** was a season of popular unrest and discontent. Much of Europe was roiled by protest against the relentless march of neo-liberal austerity policies targeted principally at the working class and "new" middle class of salaried professional and administrative employees' living standards. But, hopelessly fragmented, most Americans suffered quietly or internalized their anger by blaming themselves for unemployment, foreclosed homes, and wage erosion. Those who didn't blame themselves saw their anger thwarted by slow regulatory procedures, lip service from Washington, and moreover became frustrated by the lack of the political will to organize strong institutions for real change and grassroots upsurge. Many still harbored hope that the slide from comfort to poverty will be halted and reversed by their economic masters and political leaders despite overwhelming evidence that corporate capitalist and state efforts to address the crisis are directed upward toward large-scale financial institutions and manufacturing giants. Indeed, the experience of the past four decades of retrenchment of wages, social services, education and other aspects of everyday life convinced many observers of the infinite patience of the American people or their predisposition to place blame everywhere— to immigrants, blacks, Latinos, terrorists— except where it belongs.

However, in a rare moment public issues were not rehearsed as private troubles. Passivity and displacement took a back seat to the first major public outburst of opposition in more than three decades. It was a cry of resistance heard round the world and undermined the official claim that, unlike most societies, America is the exception to the rule. At least for now, there is general recognition that we are no exception. But ideologies die hard and students still march to institutions of post-secondary schooling and graduate professional training as if there are good jobs at the end of the long slog. Ideologies often precede and survive the conditions that produce and legitimate them.

It began in one of the more turbulent regions, the contradictory state of Wisconsin, home of legendary political figures such as the progressive Senator Robert LaFollette, the socialists who governed Milwaukee for decades until the 1950s, and the nefarious Senator Joseph McCarthy and his far right successors. In February 2011, public employees and their unions backed by students, other unions and progressives met Wisconsin's Republican Governor Scott Walker and his senate Republican allies' bold abolition of collective bargaining with mass demonstrations which lasted for weeks and an occupation of the state capital's senate chambers. The protest was not the usual one-shot affair; it grew in early spring to a state-wide movement which, among other actions, witnessed teacher school walkouts in many of the state's cities and towns. The university's students rallied for the public employees; as teachers, the unionized University of Wisconsin's graduate students were themselves, public employees. The Madison area AFL-CIO president openly suggested a general strike. When 14 Democratic senators disappeared in order to deny the governor the needed quorum to ban all collective bargaining by state employees; except on wages, it appeared that the general strike was imminent. But, adroit Democratic leaders stepped in to propose a recall movement directed toward four GOP senators who had won office by slim margins, and against the governor. Although some direct action persisted, the forward march of the protest was diverted to electoral channels and the strike weapon was suspended. The recall succeeded in deposing two senators but fell short of reversing the Right's senate majority. By late fall, by a two-thirds majority Ohio voters soundly repealed a similar state law.

But 2011 was not only a brief winter of direct action. The now legendary Arab Spring, begun in Tunisia, was shortly followed by continuous demonstrations and disruptions in Egypt, both for the purpose of overthrowing long-time dictators. The most notable result was the fall of Tunisia's autocrat, Zine El-Abidin Ben-Ali and Egypt's 30 year president, the dictator Hosni Mubarak. Egypt's "revolution," a trans-class struggle, shortly divided into three parts: the entrepreneurial middle class and professionals(salaried middle class) who wanted to establish a liberal/democratic regime, some of whom favored the dismantling of the country's nationalized enterprises and their return to private hands; the military which initially promised not to use the insurgency to install itself in power, but reneged and began a crackdown on the street protests; and the long suffering working class, condemned to abysmal low wages and onerous working and living conditions that were typical of the 19th century. Even as the liberal democratic movement wound down, workers seized the opportunity and launched a series of strikes for trade union rights and better conditions. These were greeted with scorn by some liberals and by military

violence. But the struggle continued and in the post-Mubarak era its outcome remains uncertain. In the aftermath of these upheavals, a rebellion in Libya against the Quedafi regime was encouraged and supported militarily by NATO which engaged in extensive bombing of government facilities, provided arms to the rebels and, under US State Department tutelage, conferred diplomatic legitimacy on the transitional council.

The Arab Spring was a complex event; on the one hand, it signaled popular determination for emancipation from oppressive regimes. On the other hand, it has raised serious questions whether its outcome will be truly democratic, whether the new and more radical popular forces will be able to overcome repressive violence perpetrated chiefly by the military, whether the US and NATO will be able to manipulate the uprisings to install a version of modern capitalism led by oil and other business interests and permit the newly founded states to suppress revived labor and peasant movements. But as the December parliamentary election in Egypt demonstrated, the ultimate beneficiaries of the revolution may be the Muslim political sects.

Autumn proved that Wisconsin was not an anomaly in an otherwise quiescent American population. On September 13, 2011 a small band of protesters occupied Zucotti Park, a privately owned sliver of land located at New York City's Broadway, just north of Wall Street. When the media asked what their demands are, they responded that they were seeking a better life from the 1% of the population that had concentrated more than half the country's wealth in their hands while 99% were steadily losing ground. Individuals said they were seeking jobs; alleviation from crushing student debt, better housing and some even spoke of the imperative of ending American wars abroad. But the collective gathered in the park refused to offer specific policy demands, a decision that reflected both a strategy of avoiding cooptation and their alienation from the prevailing economic and political system. Clearly, having experienced a lifetime of betrayal, resisting the entreaties from some of their supporters to enter the existing political discourse, the occupiers were not seeking redress within the framework of reform. Within a few weeks no fewer than 110 occupations were reported throughout the United States and Canada and soon the Occupy movement had spread around the globe. In many places, some unions declared their support; a New York march attracted 20,000 participants, many from unions. At first, media, pundits and politicians scoffed that the occupiers were nothing more than a small group of disconsolate hippies and youth who resented their own failures, or worse, were playing at disruption. But as the movement spread and deepened its base to include many older people, the media's tone became markedly

different. For some on the Right the movement was worthy of attack: the creepy shadow of red baiting filled some newspapers and airwaves. But others like *The New York Times*, *MSNBC*, President Obama and some Democratic politicians expressed sympathy for the movement and tried to integrate its message into their agenda, particularly the proposal to address America's ills by taxing the rich. Pro-Democratic websites like MoveOn.org which had played an important role in the 2008 Obama election openly identified with the occupiers but not with their "post-political" declarations. Meanwhile, as winter approached, the question was posed of how long the occupations in New York, Boston, Philadelphia, Washington DC, and Midwest cities such as Chicago and Detroit could last. By November a coordinated effort by 18 big city mayors from both main political parties had forced the occupiers to disband sometimes by violence, except in a few cities such as Los Angeles and Philadelphia where the local political establishment feared a blowback. Perhaps the most revealing official reaction occurred in Oakland, California where an ostensibly progressive mayor called out riot police to disperse the occupiers. Yet, despite questions, the Occupiers had captured the attention of the world. By year's end, *Time* magazine awarded the person of the year award to The Protester, a tribute in part to Occupy Wall Street.

## ECONOMY AS A DEPENDENT VARIABLE

The main claims of this essay might seem counter-intuitive. At a time of serious unemployment, stagnant economic growth, an electoral scene dominated by mutual accusations between the two parties that each is indifferent to the urgency of job creation, I argue that, contrary to widespread belief, that, although important in political terms, the economy is often a dependent variable in the structure of political and social life. The worldwide Occupy Wall Street movement was a protest against the richest 1% of the population and focused, among other issues, on the growing joblessness among its mainly middle class protesters. After all, most of the occupiers of Zucotti Park were either college students or college graduates; some were unemployed technical and professional workers. And the main slogan of the protest,— that 99% of the population were bereft as a tiny minority accumulated vast wealth—, seemed to validate the idea that the "economy" is *the* issue. But the protest was directed as much at government as at big banks and big investors. That the state plays a vital role in the economy is an indisputable proposition among the general population as much as it is in expert opinion. When failure looms, the large banks, insurance companies and goods production corporations turn to the state and not only during the

latest Depression. When joblessness rises to alarming proportions, the public turns its ire, in the first place, at the national government which, it expects should alleviate the suffering.

State intervention was not initiated by the New Deal; it has been a practice for as long as capitalism prevailed. The state pays for the bailout by imposing its costs on working and middle class people and "Bailout" therefore is a politically legitimated transfer of wealth from the majority to a tiny minority. Production, distribution and consumption are entwined with actions of the state, not only by regulation, but also by the proclivity of government to bail out the largest banks and industrial corporations in times of crisis and, at least since world war two by the huge volume of government-funded war and education contracts; by federal highways which have become vital means of commercial transportation; recreational facilities; and by the enormous expansion of public employment. Until the recent austerity measures imposed by federal, state and local governments, public employment was, for thirty years, effectively, the only major growth sector for decent paying jobs. For more than a decade, the emphasis upon private sector "jobs" has enlarged the size of the precarious class. It has produced work in hospitality, tourism and retail almost of all of which are low-paying and without healthcare and other benefits. Moreover, a good number are contingent on seasons, the vicissitudes of the wholesale and retail markets. And the nature of economic activity is closely linked to the cultural presuppositions that permeate everyday life. Our needs are historically conditioned, as well as biological. What we consider absolute necessity depends a great deal on how much disposable income we possess, but also on what we consider an appropriate living standard. We expect to live in a manner that corresponds to the historical level of material culture. So, for example, ownership of a single household home does more than fulfill our expectation to have a roof over our heads. It has become a measure of the "Good Life" for most Americans, except for a segment of the very rich who gravitate toward luxury apartments in the major cities, and professionals who often prefer a cosmopolitan life style to suburban sprawl. When working class people and salaried white collar workers discover they are unable, financially, to maintain their homes or to afford to buy one, this situation often produces a cultural aftershock for their families and their communities.

But the conventional wisdom about what counts as legitimate economic activity may also be challenged. The media, economists and politicians alike focus on whether the private sector is a prolific job producer. Politics is more than electing people to public office: it consists of a series of decisions that have

profound economic consequences. Since World War Two the government has been a major source of employment, especially, but not mostly, for blacks. Federal, state and local payrolls amount to more than a sixth of all full-time jobs. Since public employees are relatively well-paid they make a substantial difference in the quality as well as quantity of consumption of goods and services. A significant portion of the housing market has relied on purchases made by public employees. This was not always the case, particularly in the 1950s and 1960s when the manufacturing sector, largely unionized, paid skilled and semi-skilled labor better, on average, than those employed in government and private sector services. Today, most private sector jobs are in low-paying sectors retail chain stores like WallMart and Target and restaurants. And as production jobs have moved southward and to rural and small town areas in the United States and overseas, most of them are now relatively low-paid and non-union. Even during periods of substantial economic growth, the private sector produced far fewer jobs because a combination of accelerated technological innovations and just plain speedup vastly increased labor productivity more rapidly than the Gross Domestic growth rate.

Moreover, there is little agreement about what we mean by “the economy.” Business interests, including bankers, stock brokers and owners of industrial facilities are mostly focused on profits to the virtual exclusion of everything else. Small businesses' worries about consumption overlap with the concerns of the working people: consumption does not flourish when there are fewer jobs and lower income. Only economists seem to care about rates of economic growth because most of them still believe that growth is the key to everything economic, including job creation. But as a front page story in August 17, 2011 edition of the *New York Times* shows, government statistics have overstated the growth rates. We seem to be operating on over or under reported data because the statistical methodology is flawed. Yet policy-makers, no less than academic economists continue to act on these questionable assumptions. If the reported annual growth rate exceeds the expansion of the labor market, we are said to be in a recovery period or one of stability. “Labor Productivity” is duly reported, but its significance is rarely analyzed. Yet, economists have been mystified by the persistent high levels of unemployment because they have, in turn, assumed that job creation is a function of overall economic growth and have either discounted or ignored the impact of capital flight and, particularly of technology in challenging the traditional formulae.

Economists' contributions are mostly meager to our collective understanding of the role of technology for the production of goods and services, including

its effect on employment, let alone offering a deeper understanding of what constitutes “labor productivity.” Economic wisdom has failed to measure the impact of technological innovation on jobs, by industry and occupation. As William DiFazio and I argued twenty years ago 3 basic points: (1) technological change refers, primarily, to the introduction of machinery and processes that reduce the portion of direct labor to the production of commodities. (2) Companies introduce new technologies to improve their bottom line of profits by eliminating the part played by labor, often resulting in job destruction. I will detail some examples below. (3) And few have bothered to assess the impact of capital flight on jobs, wages and consumption. In the main they have created or accepted the notion that recession and recovery are measured by macro-economic growth rates, defined as the monetary value of aggregate goods and services, even if real wages and income decline and joblessness remains high.

Moreover, there is little clarity about the definition of a “job.” With the exception of the small coterie of economists who study income inequality, the concept of “jobs” fails to differentiate between the skilled, the unskilled and semi-skilled, employment that pays a living wage or salary and those that, increasingly, don’t. And, unlike Europe which calculates unemployment by the portion of part-time employees’ time that is unpaid, as well as full-time joblessness, United States official labor statistics, (generated largely by professional economists) counts part-time work as a “job.” Hence the disparity between official rates and actual rates; recently, some experts have begun to calculate the unpaid portion of part-time employment of workers seeking full-time jobs, thereby raising the rate by more than 40%. After the crash of the financial markets in 2008-2009, the official unemployment rate climbed to 9% or 14 million workers. But if those discouraged workers who have stopped seeking employment and part-timers who would accept a full-time job are calculated, the figure climbs to more than 20 million, more than 15%. So, when the Department of Labor releases employment figures, their predictions of an uptick are often falsified because wage stagnation and the growth of contingent and part-time work reduce income and credit worthiness of a growing sector of the workforce. Without credit one can’t buy almost any durable goods: homes, cars, furniture or, indeed, obtain money to pay college or professional and vocational school tuition.

The “economy” has a multitude of references: do we mean profits of capital? The level of wages, employment and unemployment? Gross Domestic Product? Consumer spending? The income gap between the very rich and the rest of us? The costs to capital of doing business? General living standards? All

of the above? What role does the car culture play in determining economic structure; the impact of rapid suburbanization of the majority of the population in the post-war period; the preponderance of single household homes rather than apartments? The expansion of the politically-wrought social welfare state? And, what is the economic impact of the racial divide, which has both economic and an ideological dimensions? If a majority of blacks and Latinos suffer official poverty levels (which are ridiculously understated), or are within the actual, realistic range of poverty, what effect does this have on the capacity of the economy to achieve growth? And if the current social and economic arrangements have consigned a substantial minority of the population to permanent unemployment, what does this signify for the claim that America is a democratic society?

The concept of the economy is at best ambiguous. The classical modern definition, developed by Thomas Hobbes, Adam Smith, William Petty and David Ricardo contains a modifier “political.” By political economy the founders did not refer exclusively— or even principally— to the relation of labor and commodity markets to the state. “Political” meant the terms under which the production, distribution and consumption of goods and services took place and, more specifically, the share of the social product that accrues, respectively, to labor and capital and agricultural interests. They recognized, sometimes explicitly and often tacitly, that in the capitalist epoch the shares between the two actors were structurally unequal. At the same time, Smith and Ricardo argued for the doctrine that labor was paid according to its time spent in making goods and that the wages of capital were compensation for risk-taking and advancing the means by which labor was employed. For this reason they explained profits as a function of the market, external to the labor process itself. Marx’s critique of classical political economy was that the worker produced both her wages and a surplus that was transformed into capital (profits). Marx argued that profits derived from the surplus created by labor after the time required reproducing their labor power, that is, their ability to return to work the next day. Workers’ wages therefore were only equal to a portion of the working day; surplus value, from which profits accrued, was extracted from the unpaid portion of the working day. Hence, the fiction that capital creates wealth, a tale that continues to hold sway today. For example, conservatives in both leading political parties insist that tax policy should reflect the taken-for-granted assumption that the wealthy are both wealth and job creators rather than the beneficiaries of ownership of productive property, so their rates should be lower than those suffered by the general population. Consequently, the tax code reflects this doctrine. For example, hedge fund managers pay taxes on the basis of the assumption

that their income yields capital gains, a fiction that they contribute to the national economic growth. The two parties differ only on the vague concept of equality of sacrifice; high earners should, according to the Democrats, be granted tax concessions for hiring workers in times of recession, but should also pay an enhanced share of the national debt.

The economy itself is only an aspect of a social totality which, in turn, consists of economic, political, socio-cultural, and ideological relations that are closely interconnected. And, which sphere is determining of the course of social life is not given *in advance* but, instead depends on specific historical conditions. The economy itself might, under certain circumstances, be derivative of other influences, especially politics and culture. That the state has always been an important component in economic relations should be self-evident, but ideologues persist in describing the contemporary capitalist system in terms of the “free” market. (to paraphrase A.J. Liebling, the market is free for those who own one.) They ignore as well the production sphere. Proponents of the idea of market capitalism conveniently ignore the many functions performed by the state and federal governments in almost every aspect of the economy, from job creation within the state bureaucracy to subsidies to banks, manufacturers, and incomes of individuals to the provision of infrastructure. We will enumerate these interventions below, but for the present it would be useful to recall how much tax revenues are devoted to providing the infrastructure without which economic activity as we know it would surely grind to a halt, or the role of public sector jobs that are crucial for the maintenance and growth of consumption. In short, the assumption that the economy is relatively independent and determining of social relations requires amendment at least and, at best, transformation.

Taken together, these examples show that the course of social life, even economic phenomena are, in principle, unpredictable because of the complexity they purport to calculate. More, economic prediction rarely anticipates sudden historical changes or the impact of “political” influences on economic currents. By political I do not refer exclusively to state decisions, but also to the politics of investment. That few economists anticipated the collapse of financial markets in 1987 and, again twenty years later, themselves configured by a combination of nefarious bank and state policies, is only one illustration of my point. The accumulation of hundreds of billions of dollars in bad securities drawn from irresponsible housing debt was by no means caused by market failure, but by a series of tacit agreements between lax government regulators and lending institutions that permitted many people to acquire mortgages without depositing equity; millions of borrowers

were obliged to pay only the interest of the mortgage, for a limited time period. Needless to say, when the interest rates ballooned amid sharply declining housing prices, millions were forced into foreclosure, some lenders collapsed, and the banks and insurance companies turned to the Federal Government for a bailout. The private sector had once again saved itself on the backs of taxpayers, especially wage earners, and professional and technical salaried employees.

The most obvious example of unpredictability are wars which can disrupt or reverse existing trends. The outbreak of World War Two in 1938-39, and the Roosevelt administration's political decision to massively re-arm abruptly ended a second dip of the Great Depression which ensued after the Roosevelt, like some of his recent successors, sought to balance the budget through expenditure cuts, a disastrous decision duplicated by another Democratic administration in 2010 and 2011. While leading politicians and economists expected the return of the depression in post-war America their expectations were refuted by events. The US economy profited handsomely from the war-wrought destruction of Western Europe and by the wartime domestic wage freezes that resulted in the accumulation of a huge quantity of consumer purchasing power. To these factors were added a series of executive and legislative measures to avert a new economic downturn such as the Servicemen's' Readjustment Act (GI Bill of Rights) which provided transitional income for millions of returning soldiers and, almost overnight created a major industry based in the universities, the knowledge factories; the Federal Housing program which subsidized the construction of millions of new private homes, and the foreign aid programs such as the Marshall Plan. In addition, after 1946 the Cold War against Communism fueled the establishment of a *permanent war economy* that, with tax and debt dollars, created millions of jobs and billions in profits for private corporations that produced, on federal contract, war materiel.

Classical and neo-classical economic theories are based on the unquestioned belief in the sanctity of private property. This certainty derives from the notion that the accumulation of property is tantamount to the wages for the labor of enterprise/entrepreneurship. From this idea follows that profits are the reward for private risk, initiative and investment. Remarkably, despite overwhelming evidence that, with only partial exceptions such as the dot.com bubble, social media and computer revolutions which were developed, in the main, from the ground up (although computer research and development was a wartime project of the federal government parallel to the development of nuclear weapons and energy), our largest and most powerful corporations

are oligopolies that effectively dominate the markets and are bureaucratic organizations in which innovation—technological or otherwise— play a subordinate role. Innovations are frequently suppressed if creativity gets in the way of profits or hierarchical power. Moreover, for more than a half century the largest industrial corporations depended for a considerable portion of their revenue on the federal government. Military contracts remain important for aircraft, electrical machinery and other industrial businesses and, of course, physical, biological chemical and engineering research, but Federal, state and local governments also let contracts for a variety of public functions: construction of a variety of public buildings, road building, corporate consulting to government agencies, privatized training and educational services such as textbooks, school equipment and so forth. These contracts amount to hundreds of billions of dollars to the private sector.

For example, let us take a more subtle and less apparent influence on the shape of economic life: the extraordinary accumulation of student debt of the past quarter century. In the late 1950s the annual tuition fee for elite private universities and colleges was around \$3000, Fifty years later tuition had risen by ten times to more than \$30,000, far exceeding the inflation rate. The social composition of the student body changed because few working class and lower middle class families could afford to send their offspring to these schools unless they were beneficiaries of various scholarships or were prepared to acquire huge student loans. But, even the second and third tier private colleges raised their tuition only slightly less, to \$25,000-\$28,000. State colleges and universities remained relatively inexpensive for those who qualified for admission, but only for in-state residents. And, at the dawn of the 21st century, even the public institutions raised their tuition five or six fold for in-state students. In the 1990s out of state fees for the most select among them skyrocketed. As professionalization of the workforce grew with the scientific and technological regime of production and services, the bachelor's degree was no longer a sufficient credential for obtaining a job in the new economy. Once graduate student debt was relatively modest, confined mainly to physicians, lawyers and academics. Now, many students accumulate more than eight or nine years of repayment debt in order to obtain credentials in professions such as engineering, education, social work, the health sciences, technologies, and business administration. In 2010 student debt stood at more than \$1 trillion and exceeded credit card debt.

Since World War Two, education has become big business. To the almost four million elementary and secondary school teachers we now have more

than one million teachers in higher education, only slightly more than a quarter of whom are tenured or tenure-track; scientific and technological research, much of which directly or indirectly supports the military, private industry, and the health care industry, is performed in universities, often by untenured, contingent labor. Its revenues are drawn from government grants, private endowments from alumni, “partnerships” with private companies which, in return for patent rights fund dedicated research—devoted to the development of products rather than knowledge for its own sake. And since the 1980s, income derives, increasingly, from tuition fees. Tuition is a drain on personal income. When the student is obliged to take out a loan to stay in school, banks and other lenders are the main beneficiaries. Does the “economy” demand ever-higher credentials as a consequence?

Most colleges and universities require a PhD to those seeking tenure-track academic teaching jobs. These are symptoms of professionalization as well as the overproduction of credentialed professors; they may or may not correspond to the actual job requirements in various fields. The “credentialed society” as Randall Collins terms it is as much, if not more, a reflection of the fact that good jobs are hard to find, but the labor supply is plentiful to fill them as by the requirements of the job itself.

In the wake of the current economic crisis which, in contrast to post-war recessions, has already lasted five years and may be classified as a Depression, many Americans now realize that financialization has displaced industrial production at the heart of the United States economy. Less than 1% of the population controls nearly half of all American wealth. But the financial sector, now the largest in capital accumulation produces relatively few jobs. As we learned from the bank and corporate failures of 2008-9, capital rests on tax revenues derived from the rest of the population. These revenues, largely accumulated through debt, are transferred to the banks through credit card and student debt as well as the massive stimulus packages awarded by federal and state governments. Since debt produces nothing but paper, capital may be said to rest on fiction, that is, the promise of future redemption, rather than on real assets. That the main banks and other lending institutions are permitted to withhold loans to small business, potential home owners, some students and private individuals, is a measure of the degree to which politics, not economics has taken command. In this case, the ostensible purpose of the bailouts is subverted by finance capital, but the state refuses to take action to force capital to dispense its largesse to portions of the underlying population.

Still, the massive shift in the political economy since the 1970s is reduced in the public imagination to “corporate greed” rather than systemic transformations. The implicit view is that the country’s well-being would be restored if the 1% who own huge wealth were properly disciplined. Who would perform the tasks of bringing them into line? The state, which is presumed to be a neutral series of institutions subject to public sovereignty. In this conception electoral politics would be the proper vehicle for constraining the runaway corporate tycoons. Somehow this is seen in the public imagination as a moment of economic determinism and feeds its ideological force throughout the dominant media and discussions on the Left.

## THE CONCEPT OF ECONOMIC DETERMINISM

The concept of economic determinism runs like a red thread throughout American history, but it attained the status of unimpeachable prestige in the era of the Great Depression and has not relinquished pride of place in American ideology ever since. The key idea of economic determinism is that historical events, at least in the capitalist epoch, are traceable to the relation of actors to economic factors. In its crudest version, economic “interests” dictate political decisions. Thus, in the current conversation, populists and even many progressives deplore corporate greed which, they argue is the root of our economic woes. Or at a slightly elevated level, actors are motivated by pecuniary self-interest from all sides. According to this view national interest is always a mask concealing conscious or even unconscious particular gains. At the pinnacle of the hierarchy of economic determinism stand the doctrines that attribute political decisions to underlying, not necessarily greedy factors. For instance, if the jobs picture is lousy, government is forced to find ways to intervene, although the form of intervention may vary according to different conceptions of causes and effects. Contemporary conservatives argue that since the private sector provides most jobs, imposing higher taxes on rich individuals and corporations is self-defeating. The diminishing corps of Keynesians, long ago lost faith in the wealthiest to create jobs, but even if they are so inclined are likely to choose the lowest wage sectors of the globe, not the fairly affluent countries. Therefore, the government should raise revenues by taxing the rich and, in effect, using the income to create jobs or provide income to the long-term unemployed. These contrasting solutions agree that the key political question is the state of the economy, but differ as to who should pay for recovery and how it should be done.

In fact, political news is often dominated by economic statistics. For example, political commentators routinely predict victory or defeat for Presidential candidates based on economic statistics. The party in power is likely to retain power if economic indicators such as Gross Domestic Product growth, employment and income levels are robust, and lose if, during their watch, stagnation and decline are consistent. These predictions are not always accurate, but the wisdom has become conventional. A counter-conventional illustration: During the administration of George HW Bush the United States suffered a steep economic downturn. But it is arguable that Bill Clinton who was elected with a plurality, only defeated Bush because a conservative, Ross Perot, gathered 19% of the popular vote, much of which would have gone to Bush. Or, we might cite the 1928 election of Republican Herbert Clark Hoover to the White House. Popular perception is that the March 1929 stock market crash was the beginning of the Depression, but convincing economic histories have shown that the slowdown and rising joblessness began in 1926-1927 during the Republican Coolidge administration. In these years, many employers imposed wage cuts, laid off many workers in the face of the economic slowdown, and began to shutter factories. The stock market crash was a symptom of an emerging crisis, not a cause. Hoover succeeded another Republican and was elected for reasons other than the state of the economy. We shall return to possible other reasons below.

The interplay between journalists and scholars such as economists and historians has had powerful effects. Many interpreters of the writings of Karl Marx, including a preponderance of Marxists themselves, read Marx to hold that to the view of economic determinism. This misreading was so prevalent that it led Marx's collaborator, Frederick Engels to renounce the thesis:

According to the materialist conception of history, the ultimately determining element in history is the production and reproduction of real life. More than this neither Marx nor I have ever asserted. Hence if somebody twists this into saying that the economic element is the only determining one, he transforms that proposition into a meaningless abstract, senseless phrase. The economic situation is the basis, but the various elements of the superstructure—political forms of the class struggle and its results, to wit: constitutions, established forms, and even reflexes of these actual struggles in the brains of the participants, political, juristic, philosophical theories, religious views and their further development into systems of dogmas—also exercise their influence upon the course of the historical struggles **and in many cases preponderate in determining their form.** (Emphasis mine. Engels to J. Bloch in Marx and Engels, *Selected Correspondence*, page 498) Moscow: Foreign Language Publishing House).

Economic determinism has had a major influence among a wide array of American writers and thinkers whose ideas are far from those of Marx and Engels. Among its fullest American expressions is the trend-setting work of Charles Beard's *An Economic Interpretation of the Constitution of the United States* (1913). There Beard demonstrates that the leading framers and many of those who attended the Constitutional Convention had a direct self-interest in the provisions that were finally enacted. Beard was incorrectly charged with being a Marxist; more accurately, he was a progressive Jeffersonian who believed that political actors are mainly motivated by economic interests. His views are far more consistent with the current populist belief that many of our troubles stem from corporate greed rather than capitalist contradictions, the view of the historical materialists. Accordingly, 19th and 20th centuries are marked by an inordinate concentration of economic power by the largest corporations. This concentration, according to Beard, has resulted in distortions of American democracy.

Beard influenced an entire generation of scholars and political activists as well as many socialists for whom economic determinism was self-evident. Beard helped them throw aside the "great man" theory of history (George Washington, Napoleon, Lincoln, Roosevelt, and Hitler). In 1927, Beard published his magnum opus *The Rise of American Civilization* which brought the story up to date. As with his earlier study, the main thesis is that economic self-interest, now the concentration of wealth, inevitably leads to powerful political intervention by the trusts and monopolistic corporations. Democracy is held hostage to them, regardless of which of the two main political parties is in power, or whether leaders are elected. This point gains credence in the contemporary period when the Supreme Court rules that there may be no legal limitation on the size of corporate campaign contributions, but the argument does not rely on this ruling; big business has always found a way to exercise its weight on the political process. Its huge influence was already in evidence during the post-Civil War years and intensified throughout the 20th century despite regulatory legislation aimed at restricting wealth concentration. Big business retained its ability to influence politicians through campaign contributions, corrupting eager office-holders and other forms of pecuniary sweeteners. Among these is the prevalence of "insider trading" within the halls of Congress. Members are apprised of lucrative investment opportunities in advance of official market trades. Many of them emerge rich from these tips and they are aware of their benefactors.

Beard's book became an important intellectual guidepost for the trust busters of the New Deal, particularly Thurman Arnold, who directed investigations

and prosecutions of some of the more flagrant violators of the Sherman Anti-Trust legislation of 1892 and its update, The 1913 Clayton Act. Wisconsin Senator Robert LaFollette conducted a celebrated series of hearings and studies during the mid-1930s, under the aegis of the Temporary National Economic Committee (TNEC) which exposed the extent of economic concentration. When FDR was prevented from expanding the Supreme Court in order to establish the legality of some of his key reforms which had been rejected by the “nine old men” on the Court, he lashed out against the “economic royalists” who, he claimed were subverting the political system. But after World War Two, as the economy expanded at a relatively swift pace, Congress and state legislatures were pre-disposed to accept the interventions of big business and its lobbies as the price the country must pay for its unparalleled prosperity. The historical antipathy of the general population to the very rich was partially displaced by philanthropy exemplified by steel mogul, Andrew Carnegie and the Rockefellers on the one hand, and the visibility of an enlightened segment of the ruling corporate elite, the most notable figure of which was Gerard Swope of General Electric, who vocally supported social reform, including the right of workers to organize unions. Note, with his passing GE became one of the most anti-union large corporations, despite its extensive unionization.

In July, 2011 as most of the United States broiled in near-triple digit heat, Congress was locked up in the furnace called Washington, D.C. Ordinary summers for most members are devoted to meeting voters at county fairs, malls, beaches, parks and, especially for incumbents, up for re-election at the all-important fund-raising events. Of course, money must still be raised, but this year has proved to somewhat an exception. Challenged by the specter of a threatened default, President Obama had instructed Congress to remain session until it passed a bill raising the debt ceiling. Pressed by an obdurate Tea Party caucus, the Republican-controlled House was deeply divided as to (a) whether to raise the debt limit so the government could pay its bills, (b) concur with the Executive’s demand to raise taxes modestly on the very rich as a price to enact significant spending cuts or (c) whether to raise the debt ceiling under any circumstances. Even in the face of an August 2 deadline set by the Treasury Secretary before the government would default on its debts, the Tea Party cast doubt on his claim and seemed prepared to risk the deep recession most economists predicted would result from default. For them, it was not the economy that animated their promised renegade action against the prevailing wisdom, it was “principle”: the religion of no new taxes and their skepticism regarding the administration’s claims about the consequences of inaction. Some in Congress and their Right libertarian base

put theology over pragmatism, at least for a time. In response Obama drew no line in the sand. On the contrary he proved more than willing to meet the Republicans by adopting more than 50% of their demands for deep concessions in social programs.

Liberal and Centrist lawmakers and much of the economics profession were, frankly, puzzled at this turn of events. During the fracas President Obama and his minions, and two Nobel prize-winning economists, repeated the mantra that by not raising the debt ceiling while insisting on deep cuts on social programs the economy was in mortal danger. Default would inevitably raise interest rates, induce employers to order huge layoffs, and produce negative economic growth. Even the Bush administration, which had sponsored trillions in tax cuts (more than half of which were designated for the most wealthy 1% of the population) withdrew its promise to take on what W's father, George HW Bush had failed to achieve: major reductions in social benefits, especially Social Security. Many pundits even argued that HW's defeat was due, largely, to his failure to hold to his 1988 campaign pledge to raise no new taxes.

Upon inauguration in 1993 President Bill Clinton wasted little time before urging Congress to raise taxes and went on to balance the budget by, among other innovations, slicing military spending and restricting the size of the federal bureaucracy (translation: layoffs of federal workers). Despite Clinton's conservative program, the Democrats lost their Congressional majority in the 1994 midterm elections, but the Republicans were unable to enact deep cuts in popular social programs except one: after decades of suffering a sustained Right Wing attack on programs that awarded money to the long-term jobless, in 1996, on the eve of the presidential election, Congress sent to Clinton a Draconian bill that severely slashed "welfare as we know it." Fearing the rising tide of conservatism in the country and his own reservations about liberal reform measures, Clinton—never a staunch proponent of government action to support the poor,—signed the bill into law. Since then, poverty has crept up both in times of economic expansion and contraction. Many liberals hopped on board as the President said that the poor should be trained for job readiness by working in low-wage federally funded jobs rather than prolonging their dependency on government handouts. So, as the labor movement and liberals abandoned the fight on poverty beyond solemn declarations, the emergence of the political right was prepared by the Democrats, liberals among them, as well as by previous Republican national administrations.

The eight-year George W. Bush administration was constrained by the stock market crash of 2007 that blossomed into a full-blown, but unacknowledged depression, yet the right's ideological offensive has never been muted. Barack Obama and a Democratic Congress swept the 2008 election by promising to end the disastrous wars in Iraq and Afghanistan and restoring the crippled economy. Dewy-eyed liberals read Obama's rhetoric and victory as the first strike in the restoration of the long-dormant New Deal and a return to the relatively pacific politics of the 1950s. What they forgot is that the legacy of the Clinton years was profoundly interventionist in foreign policy (witness the embargo on Iraq and subsequent bombings which led to mass starvation, the "humanitarian" military incursions, however belated, in Bosnia and Rwanda, Clinton's refusal to end the Cuban embargo and restore normal diplomatic and trade relations, and the administration's hostile response to the leftward trends in Latin America, particularly but not exclusively, in Venezuela).

Obama followed the Clinton-Bush playbook on foreign policy and, with few exceptions, his domestic cabinet and executive staff appointments were recruited from the Center—and the Center-Right of both parties. His key economic advisers were fervent advocates of the premises of neo-liberalism, according to which the market is, and should be, the ultimate authority over policy. Treasury secretary Timothy Geithner came to the administration from the Federal Reserve; Lawrence Summers was in the mainstream of neo-liberal contemporary economic thinking. And, despite the broad consensus that the crisis had been exacerbated, if not caused, by irresponsible bank loan policies Summers and Geithner promulgated the absurd idea that the answer to the crisis was to loosen credit by aiding the creditors who promptly ignored the ostensible reason they were awarded trillions in cash, held on to the money rather than lending it to small business and potential homeowners. To add insult to injury they paid their top executives handsome bonuses with taxpayers' money. Obama's principal economics advisers firmly rejected proposals from the liberal side to address the crisis by beefing up effective demand, principally with a jobs program, despite the widespread knowledge that consumption drove about 70% of the United States economy. Joining Summers and Geithner the Bush appointee, Federal Reserve chair, Ben Bernanke ignored demands for a federal-sponsored jobs program. Instead, under Obama, the administration has pursued trickle-down, a hallmark of Rightist economic philosophy: it did not hesitate to endorse, and duplicate the Bush era stimulus which awarded trillions to the largest financial institutions; it extended the Bush tax cuts for the wealthy; and it has bought the suicidal doctrine that cutting the debt takes precedence over fiscal policies to aid the working class and the embattled middle class. As a prisoner of neo-

liberalism and a reliable ally of the leading financial corporations, Obama neutered himself in the politics of the crisis.

Since 2010, the libertarian Right and a portion of their craven conservative allies have succeeded in driving the conversation and pushing it further to the right. In the 2010 midterm elections the Republicans captured the House of Representatives and reduced the Democrats to a razor thin majority in the Senate. They benefited from the failure—best described as refusal—of the Obama administration to offer a jobs program in the wake of rising unemployment. Unemployment reached an official rate of more than 9% in 2010, but was actually three to five percent higher if part time jobs and discouraged workers were counted, and a high proportion of the unemployed were out of work for six months or more. Weak unions were unable to maintain or improve the wage levels, so the employed were subject to declining wages in real terms. In a country with high levels of home ownership, much of which was financed by credit at rates that many could not afford, the administration faced a ruinous housing crash and a rash of bank and other business failures. But the Right's appeal was not to these conditions. They rode to power with a message of free market liberty, less government and a new push of social conservatism that demonized abortion, and advanced, stealthily, a new round of racist appeals, especially against Latin American immigrants and the Arab minority. What they did not offer was an economic program to fight the deepening crisis. Some among them even argued that the largest banks should be allowed to fail, that the government should disavow any economic stimulus and that there should be deep cuts in all sorts of social programs including education, leaving these services to the fate of local taxes. In this struggle, the economy took a back seat to ideology, even as the right's rhetoric remained that the administration failed to address the depression. Obama was complicitous by refusing to draw sharp contrasts with its Smithian premises, largely because his administration shared them.

The libertarian strain emerged as the leading theme of the Right's 2010 mid-term campaign. The conjunction of Obama's conservative complicity on economic matters and the brazen, largely unanswered anti-feminist and racist politics of the Right was enough to sink enough Congressional Democrats, especially in the devastated states of Ohio, Michigan and Minnesota which had experienced a steady industrial migration to points East and South of the globe. Although in 2009 the Democratic Congress had passed legislation ameliorating the effects of home foreclosures that has afflicted millions, by 2011 only 700,000 of the millions of underwater homeowners had benefited from the program. In this instance, the

ruthless cuts in federal employment were felt in the government's inability to enforce the law.

The Right's implicit message is that it isn't the economy that should drive public policy was a gross violation of a belief, enunciated forcefully by Bill Clinton during his successful 1992 presidential campaign that the "economy" drives national politics. For the Right there are fundamental principles that trumped this slogan: no new taxes, no matter whose ox might be gored; the size of government was simply too large, a legacy of the New Deal that neither previous Democratic nor Republican administrations were prepared to substantially reverse; the Republicans advocate radical privatization of social security on the view that the program is otherwise socialistic and deprives individuals of their right to choose how to spend their own money; they advanced a traditional moral objection to jobless benefits: extending jobless benefits discouraged recipients from aggressively looking for employment because human nature is naturally lazy; and some even said that taxpayers should not subsidize the undeserving poor. In short, values, not practical economics, should take precedence over public policy. It is not the fact that conservatives and their Right-wing allies ignore economic considerations. But, consistent with one of the hallmarks of economics according to neo-Smithians, The Right and their conservative allies advanced the notion that raising taxes on the rich would hamper job growth because the rich, not the government, create jobs This idea is wholly a fabrication borne of the fanciful notion that the economy is served when the market governs all economic affairs, within the framework of moral sentiments.

In fact, since the onset of the first Great Depression the private sector has lagged in creating jobs. Recall that Roosevelt was a reluctant job intervener. During the 1932 campaign he pledged to "balance the budget" against the profligate spending record of the Hoover administration. The first two years of his long tenure was devoted to implementing policies that were first crafted by Hoover: providing federal funds to business through the Hoover-initiated Reconstruction Finance Corporation; establishing an industry by industry, tri-partite structure to control wages, guarantee profits through price regulation; and, in the name of conservation of forests, urban areas and waterways, established a jobs program, financed with public funds. With joblessness about 17 million, the two million that the administration initially created only scratched the surface. Roosevelt's most notable achievement was an aggressive effort to feed the hungry, one that Hoover tried, but at meager levels. The economy did not really take off until 1938 when the United States began mobilizing for war. In fact, it was preceded by a recession that was

caused by an ill-advised federal fiscal-cutting program aimed at balancing the budget. For the past three quarters of a century, to speak of the free market is to engage in fantasy. As we shall see, the economies of the United States as well as most of the world rest on the intimate connection between the state and capital. The distinction between the two is often blurred.

During the first seven years of the 2000's most relatively well-paid new jobs were created by various governmental jurisdictions. But 2011 was the year of slash and burn. Even with union concessions, layoffs abounded at all government levels. Of course, what was not in contention from both sides of the Congressional Aisle was the huge military budget which, in 2010-11 accounted for 40% of the national government spending.

2011 was a year of steep job cuts at the federal, state and local levels. The faltering economic recovery led to diminished revenues. They combined with a history of state and local government concessions to corporations to stay in the country or the state rather than running away to other states or to China and points to the Latin American South to strap the states. Democratic as well as Republican governors responded to their local fiscal crises by demanding union wage and benefits concessions in order to avoid public employee layoffs. These measures did not stop the job bleed, only slowed it a bit. In Red, Republican-dominated states such as Indiana where unions are traditionally weak, not only were jobs and benefits slashed, but collective bargaining rights for public employees were abolished. The major exceptions to the general mood of pessimism that prevailed among public employees and their unions in the Midwest were Wisconsin where a newly elected Republican governor and legislature followed Indiana's example but ran up against massive resistance from state employees, university students and community groups which staged huge demonstrations, occupying the state capitol and for a brief period teachers left their classrooms in sympathy with state workers.

In Ohio, the unions responded with more modest protests, but prepared to sponsor a state-wide referendum to repeal the GOP assault on collective bargaining. A fall, 2011 vote succeeded in repealing the onerous law. Democratic-led states like New York and California witnessed labor's compliance, largely because Democratic governors and legislatures made no effort to abolish collective bargaining and were content to rely on the unions to bargain reductions such as wage freezes, layoffs and increased employee contributions of benefits. But in a singular act, the public workers in Connecticut rebelled and rejected a deal crafted by their union and

the Democratic governor. Whereupon leaders of fifteen unions that hold bargaining rights promptly amended their respective constitutions to make it easier for leaders to approve contract concessions without membership consent. That is, not to rely on the sovereignty of the rank and file. But shortly thereafter, the second largest New York State union, the Public Employees Federation, rejected the identical deal made by their sister union, the largest in the state.

The current crisis has its own features but in broad outline it is by no means new. Economic and fiscal crises have afflicted all levels of government for centuries. In the American 19th century's Gilded Age which was marked by the almost unchallenged rule by the emerging trusts over the private sector workplace and government at all levels, owing to the feeble condition of the labor movement, and not just the unions but also the radicals, it was relatively easy for ruling elites to address crises by shifting its burden to workers and to local communities. There were, of course, exceptions to the success of the unmitigated capitalist offensives: the great rail strikes of 1877, 1884 and 1894, the Homestead Steel Strike of 1892, turn of the century coal and copper mining struggles and, in 1886 the beginning of a half century struggle by the labor movement for the eight hour day, a sharp reduction of working hours which at the time ranged from 10 to 14 hours. Unions fought for legislation against child labor, and nefariously against women's right to work nights and operate some machinery. Many of these were lost battles for the workers but the seeds were planted for a major reversal in the relationship of political and social forces between capital and labor. Still, the administration of Herbert Clark Hoover ran and operated on some of the same ideas that animate the current Right, the exception being that he made some modest moves toward federal intervention in stimulating economic activity. But in the midst of the Great Depression that left a third of the labor force unemployed, and a significant number hungry and homeless, animated by the belief that, in his words "prosperity is just around the corner" and to coddle the jobless would not be a moral act, he refused to order massive relief and disdained a federally-sponsored jobs program.

## THE MASS PSYCHOLOGY OF LIBERALISM

Fear eats the soul

*Ali*

Presidential politics is a national sport and entertainment spectacle. One of the peculiarities of American electoral politics is the length of the presidential campaign season. While European countries devote three or four months to national elections which are largely publicly financed, the United States' privatized presidential race begins the day after the mid-term congressional results. By Spring 2011 the 2012 campaign was in full swing: most Republican hopefuls had already lined up before summer's arrival and, despite his steadfast refusal to craft a jobs program for the long-term unemployed, President Obama raced around the country, assuring us that the economic recovery, although slow, was in progress. Although not as brazen as Hoover, (he admitted things were not satisfactory), Obama professed faith in the private sector to pull the country out of the doldrums and tolerated massive job cuts in public institutions. The ideological divide between the two main parties is between the two historic branches of liberalism.

Liberalism is the dominant capitalist ideology. But like most dominant ideologies it has several variants. The 18th century doctrine of the three pillars of freedom: the "free" market, that is, private property's freedom from government ownership of productive property or regulation; individual negative liberty—free from central powers either of law or custom; and political freedom for groups and parties to organize, assemble and seek elective office under the capitalist state. Of course, the free market has never really existed. Even when feudalism was overturned, business has perennially sought and secured the financial, political and legal support of the state, but resists according the same privileges to the rest of us. Private capital does not build roads and for the most part does not own communications systems (even the air waves are actually leased to private corporations by the government); although the American hybrid of quasi-public corporations prevails in post office and in many bus and subway systems. The government produces nuclear weapons in publicly owned and operated plants. *Moreover, capital has agreed that government is the best guarantor of its military and domestic policing interests, has never hesitated to ask for the support of national guard troops to quell worker and black uprisings, although there are many instances throughout US history of private armies, especially during labor conflicts when big capital employ their own armed forces to suppress strikes. And after nearly a half century following the American Revolution of attempting to*

privatize the currency, banks and other financial interests finally conceded to the federal government the virtual monopoly over the issuance of money. In recent decades the free market liberals have been designated as “conservatives” even though, unlike the 19th and early century Republican tradition, they are no longer conservationists or environmentalists. They insist, against all logic, especially science, that the market will take care of climate change and oppose regulations aimed at slowing down the coming disaster.

In sum, the right wing version of economic liberalism is no longer conservative; it lacks a coherent body of principles. And it is blatantly opportunistic. When in power, through its control over the central government the right is prepared to impose social and military control over the population, restrict labor’s right to organize and bargain collectively with employers, and deny women’s’ sovereignty over their own bodies. The Right has become blatantly authoritarian and deploys liberal economic doctrine as a tactic, not a program and vision.

The second variant, modern liberalism, (or progressivism) has no substantive disagreement with the three pillars but with the rise of the giant trusts in the post-civil war era, insisted that small business needed the government’s protection; it also fought for the creation of a national bank which took the form of the Federal Reserve which the Woodrow Wilson administration and Congress initiated in 1913. The need for regulation was reinforced by revelations of contaminated meat produced in packinghouses and the horrendous 1911 Triangle Shirtwaist fire during which 143 women workers were killed and led to a string of state and local safety regulations that in the big cities eventually extended to tenement houses. The underlying premise of modern liberalism is that business, workers, women, racial minorities need some protection from uncontrolled market forces. But under no circumstance, except perhaps and economic crisis or wars, should the state get into the business of owning and operating productive property. The New Deal reforms of the mid-1930s introduced in the heat of the most dramatic labor upsurge in American history—social security, the Labor Relations Act, unemployment and workers’ compensation, minimum wages and the statutory 40 hour work week—represent the apex of the achievements of American modern social reform. With the exception of Medicare, and the Civil and Voting rights acts passed thirty years later in the midst of the mass black uprising social reform, the signal motto of modern liberalism, has all but ground to a halt.

The age of reform ended in 1938, but liberal reformism remains the leading edge of what must be termed a “dubious” left in American politics, dubious

because the prevailing left does not oppose the capitalist system but holds that it can be sufficiently reformed to secure a measure of social justice. In this respect, since the 1930s, the battalions of the American Left organized mainly in and around the Communist and Socialist parties, can better be described as “left-liberal” since, with few exceptions, they steadfastly refuse to openly discuss, let alone agitate for alternatives such as socialism and communism. Even most of the so-called revolutionary and radical “ultra” socialist parties and formations have, largely, confined their activities to economic struggles within the trade unions, organizing opposition to US imperialist wars, fighting racism, supporting the defense of abortion rights and civil liberties. There exist a scattering of socialist education institutions notably New York’s Brecht Forum, and in academia and among college-educated professional activists, study groups have mushroomed, mainly to read Marx’s *Capital* and Lenin’s *Imperialism—The Highest Stage of Capitalism*. What is lacking, however, is any public political perspective beyond liberal reformism. Put another way, no less than the liberals, the self-designated Left has spurned utopian thought, without which radicalism remains a series of anti-capitalist rants. In contrast to the heyday of the Communist Party (1928-1946), which intervened actively in education, housing and organized cultural institutions, the Left is largely economistic or, to be more precise, resembles syndicalist movements of the past because their interventions, at least before the occupy movement, are devoted to trade union reform and resistance.

What is going on in the United States sadly follows a pattern that marks most of Europe. In the main, the Left is, for all practical purposes, at best the party of protest and resistance. It shares with the liberals an aversion to new thinking. Therefore, we are in the historical moment of one dimensionality. Major distinctions between the liberals and the Left are purely tactical. The liberals are devoted to working within the system for incremental change and, in deadly fear of the Right, confine most of their activities to electing progressive or centrist Democrats; the left proclaims that the system is essentially rotten, but seems to have lost its taste for ideas. Deeply divided, the left has either joined the liberals in supporting the Democrats as the least evil among political choices or confining itself to the strategy of protest and resistance to corporate capitalist domination. Thus, the quest for an alternative articulation of the good life to replace consumerism seems beyond the capacity of the split left.

What marks liberalism today is that even their ostensible fealty to social reform has been relegated to nostalgia. Liberals claim the mantle of the New

Deal, but have little political will to fight for its unfulfilled programs. For example, except for a small coterie in and out of Congress, liberals found themselves siding with Obama's huge gift to the private health care insurers instead of insisting on a single payer plan that would largely put these companies out of business. On foreign policy, the best they can do is to agree with Obama's pledge to gradually withdraw from Iraq and Afghanistan but, in fear and trembling of the right's insurgency, have been reluctant to condemn the administration's constant waffling on the issue. And, as one of the leading Congressional liberals, Illinois Senator Richard Durbin, has argued, the administration should acknowledge that the US is engaged in "hostilities" against the government of Libya. This would oblige Obama to seek Congressional approval of its actions under the War Powers Act. But Durbin hastens to assure Obama and his own colleagues that he would oppose cutting off funds for the Libya war.

The liberals are today in the grip of what I call, the **Great Fear**. That fear has produced not a small quantity of bad faith: at some level of awareness, the person knows better, but manages to convince himself of positions that covertly contradict his beliefs. Their institutions—two or three major journals of opinion—women's, civil rights, and labor organizations, and a gaggle of liberal intellectuals such as Paul Krugman, Joseph Stieglitz and Robert Kuttner, nip at the edges of social and foreign affairs by, for example, urging Obama to support the confirmation of Harvard Law Professor Elizabeth Warren to direct the Consumer Affairs Bureau, and calling on the administration to address the jobs crisis. But as the campaign wore on, with exceptions such as Chris Hedges and Robert Scheer whose writing is largely on internet sites, as the election grew near, liberal commentary carefully elided direct criticism of the administration's record of capitulation to the Right. The liberals direct their fire to the Right but are in the throes of their own capitulations. They were stuck in the thrall of hope that Obama really means to change things, that his fancy foot work of compromise and parry is prologue, not definitive policy. Lurking beneath these sentiments are the twin specters of right and left. Since none entertains the possibility of a third, Left-liberal electoral party, let alone a program of extra electoral political confrontation against capital, in practice beyond Obama lays the abyss. What is the basis of the great fear of even independent electoral action within the prevailing system?

Since 1936, when a proto-fascist third party emerged in the face of the apparent Republican collapse before the dazzling success of the New Deal, the liberals have attached themselves to the Democrats as the only realistic protective shield. This trembling was reinforced during the grim McCarthy

years, an era which was initiated during the Truman administration with the Attorney General's list of subversive organizations, the Communist trials of 1949-1951, the persecution of countless radicals with jail terms and firings from "sensitive" jobs for alleged Communist affiliations. All of these outrages are conveniently forgotten. In the 1950s, the labor unions, farm, and most liberal organizations relentlessly purged their ranks of the communists and independent radicals, newspapers cleaned their staffs of Reds, and the entertainment industry became virtually cleansed of many of its major film, radio and television talents. With only a handful of exceptions, the liberals fled from their own civil liberties principles and perhaps more egregiously from politics itself. They were mostly silent during that period of wholesale trampling of liberal democratic rights because they were glad to be rid of the communists and terrified to oppose the authorities. At best, they issued solemn statements condemning the most onerous features of the anti-communist repression.

Some intellectuals such as philosopher Sidney Hook rationalized their collaboration with the CIA and other government agencies by arguing the Communists were not a legitimate political party but should be understood as agents of the Soviet Union, a conspiracy masquerading in the garb of democracy. James Burnham was somewhat less apologetic in his full-throated support of the repression. Others such as the literary critic and scholar Lionel Trilling celebrated the expansion of freedom in the 1950s, turning their heads from the spreading state terror that prompted the government to engage in deportations, forcing some radicals to leave their own country, and others to go into hiding. The state terrorism perpetrated, on a bi-partisan basis, by three national administrations in the late 1940s throughout the early 1960s era may on the surface at least, be over. (fn we will leave aside for the present the federal government's 2011 repeal of Habeas corpus and the conversion of the United States into a military battlefield) Its partial demise was hastened by McCarthy's excesses, notably his attack against the army for harboring communists and by a powerful, but brief ascendancy of an independent New Left that captured the imagination of an entire generation of youth and students. The New Left and the ant-Vietnam War movement it helped spawn was militantly inclusive and especially anti-anti communist, a stance that separated the genuine civil libertarians from the shamefaced. The passing of the New Left was tragic, but not unexpected because most of its organizations remained ensconced within the politics of resistance and could not conceive conducting struggles on the terrain of power.

Yet, the 1960s were a decade when many young people challenged the liberal consensus. However, what twenty five years of political repression that extended into the late 1960s accomplished remains as an underlying force in American politics. While red-hunting has subsided, we dare not openly debate alternatives to a capitalism that has never failed to embrace war and war preparation that has never seriously confronted mass poverty and has systematically dismantled much of the social welfare state. The word "socialism" when pinned to publicly-financed health care is enough to send many of its advocates into compromise or denial, even if a fully state funded health program has been adopted by most Western European states. Partly due to the deprivations of the Great Depression, but also the uncertainty of the economic and political situations, the idea of living a public life carries with it potential costs that few are willing to risk. The prevailing mood has become the quest for security, for certainty where tomorrow is no worse than a repeat of today. The compulsion to repeat has afflicted American liberalism no less than the general population. Under these conditions there is little tolerance for visionaries, for people who are willing to plunge into the unknown. In fact, as the epidemic of mental illness and prescription psychotropic drugs attests, millions are seeking refuge from the vicissitudes of everyday life. We want no movers and shakers to disturb our mental tranquility, even if that peace has been purchased at the price of artificial, chemically induced escape.

At the same time, many liberals are still afflicted by the memory of the emergence, in the 1960s, of a New Left that evinced as much liberal hostility as the McCarthy persecutions. The New Left directed its fire not so much on the right as on the liberals who, they perceived, had forsaken the fight for a just world. Former radicals who had drifted to the center like Daniel Bell, Arthur Schlesinger Jr. and Seymour Martin Lipset made a special project to repudiate the Left, calling its minions immature when not irresponsible. They even engaged in a bit of red-baiting when some in the student movement declared their support for the Vietnamese Communists. In fact, it can be argued that the harbingers of mass radicalism, the New Left, parts of the student movement, and the militant wing of the black freedom movement that began almost fifty years ago and ended by the early 1970s was the last concrete moment that evinced an outburst of liberal rage. For this was a moment when, for the first time since the early 1930s, there surfaced a visible Left that was not allied to the Democratic Party, except the fast declining Socialist Party that remained obdurate in its opposition to the two party stranglehold.(fn. Of course some individuals such as Tom Hayden had always enjoyed close relations with the Kennedys and went on to hold elective office on the Democratic ticket) Concepts such as Participatory Democracy,

genuine equality in sex as much as the economy— a signal contribution of radical feminism— communal living, the revolt against alienated labor, guaranteed income, and socialism, raced through the hearts and minds of young people like a contagious disease. Some liberals were not impressed, even though some of the guiding principles of the New Left were based on the unfulfilled promises of liberal democracy.

For instance when, in 1963, thousands of UC-Berkeley students protested the university's refusal to permit them to practice "outside" politics on campus, many liberal intellectuals were horrified. They contended that academia should be free of political conflict. Similarly, liberal faculty at Harvard, Columbia, Michigan and elsewhere recoiled at the rebirth of student activism which, in some instances, resulted in the occupation of university buildings and the suspension of classes. For the liberals tactics such as civil disobedience were appropriate for the Southern civil rights struggles, but had no place in the democratic North where institutional rules provided adequate procedures for the hearing of grievances. They saw little reason to support student demands for university reform, distanced themselves from the teach-ins against the Vietnam War, and turned their collective backs on black student demands for academic programs addressing their history and culture. In the main the liberals became some of the most forthright defenders of the universities even as these institutions were moving towards corporatization. The liberal intellectuals insisted the universities were bastions of liberty and the New Left was an authoritarian movement bent, perhaps unintentionally, on its destruction.

The slogan of the French Revolution, Liberty, Equality, and Fraternity, seemed to enjoy a rebirth, but many liberals were not pleased. We are now witnessing variations on traditional liberal ideology; the concept of equality has been replaced with the slogan of diversity. What R.H Tawney once termed *The Acquisitive Society* may permit a plethora of identities, but it has nullified the aspiration for more equality. Liberal ideas such as redistributive justice, a progressive tax system that imposes a heavier burden on the top layers of the economic pyramid in order to correct the inequalities of the market( liberals in the early 21st century debate over taxes ask only that the very rich part with a sliver of the accumulated wealth), and community control of key institutions such as schools, have all but vanished from liberal lexicon, even as the Occupy Wall Street movement revives some of the language of past populism. Never strong in liberal politics, the notion that the state can act to even the economic playing field has few vocal supporters among those within the conversation. And, while jobs remain on the lips

of liberal advocates, the self-evident idea that shorter hours would produce more jobs than any program of government spending has been stricken from the conversation. Even the labor movement—the folks that once brought us the weekend—has abandoned its most subversive demand: less alienated work. And there is almost no talk of guaranteed income, even as a means to bolster what Keynes termed “effective demand”, let alone representing the recognition that we are in the midst of a permanent epoch of joblessness for a significant portion of the working-age population. Liberal economists are eager to assure the wealthy that their tax proposals will not significantly disturb the status quo. But guaranteed income might arrest, even if not fully reverse, the race to the bottom

When, in the 1960s, Timothy Leary urged his young auditors to Turn On and especially Drop Out of the job market and schools, echoes of the old puritan ethic could be heard in liberal precincts. In the throes of one of the most disastrous wars of American history, the Johnson administration unveiled a war on poverty whose center piece was dead-ended jobs in the public institutions and training for private sector jobs that mostly did not exist. Undoubtedly, this program, like almost all instances of 1960s social reform was a response to the black insurgencies of 1964-1968 and to the strategic civil disobedience of the black Left earlier. Liberal bureaucrats joined the anti-poverty crusade in droves, running training programs for (mostly) black and Latino youth and women and the Federal government funded tens of thousands of summer jobs for youth. Some new leftists became community organizers and adopted the line “Jobs or Income Now”, but used their anti-poverty jobs to promote protest and resistance against bad housing, unemployment and police brutality. In 1966, the liberals in Congress retorted by abandoning federal support for community organizing and restricted anti-poverty funds to providing services to individuals. Like the unions which, in the 1950s, began to treat their members as clients rather than participants, “community action” now meant job preparation and job placement. Clearly, the liberal emphasis was on how to tame the rebellion by channeling its potential activists into becoming the cadres of the credentialed society. The 60s were a time of accelerated mass enrollment in high school equivalency and colleges. This was a period of the incipient formation of a new black middle class of professionals and managers, perhaps the most permanent achievement of the anti-poverty crusade.

Since the 1960s we can observe a steady rightward drift among intellectuals. Although most academics would consider themselves as progressives, they have refused to engage in politics, especially to support student efforts to

reform the university's curriculum and tolerance for student speech. When, in 1915, the American Association of University Professors(AAUP) formed, in a large measure, to prevent university administrations from engaging in arbitrary discharges of dissident professors such as Scott Nearing, dismissed for his opposition to the First World War, none could foresee that the eventual implementation of tenure would have unintended consequences. Today tenure has become a reward for adequate scholarship and teaching and at the lower college ranks, institutional service. Its erosion over the past thirty five years has occurred during the endless fiscal crises of education and the state, but its effect has not been to liberate faculty from the desperate plague of subordination. On the contrary, it has produced an underclass of disenfranchised part-time teachers and reduced untenured full-time faculty to silence, lest their political views and activities jeopardize tenure prospects. The cultural and political unconscious of the mostly liberal tenured faculty is to keep their collective noses to the grindstone, especially in the few hundred elite colleges and universities where the relatively ample amenities have had the effect of encouraging complacency. If there has been a rise of union activism among part-time and some full-timers in chronically underfunded institutions, the rebellion is careful to present itself in the garb of conventional trade unionism. Few are willing to step beyond the boundaries of acceptable action, at least before Wisconsin's public employees and their student allies broke the mold when their backs were to the wall.

## SURVIVAL OF THE SYSTEM?

We live in a time when all bets are off. Liberal reform, long dormant, is dead, not only because the hegemonic forces of capital have declared, and conducted a successful war on labor and on the subjects of the social welfare state, but also the legions of the "logical" opposition are fragmented, their organizations shriveled, their leadership both intimidated by the attacks, but also huddled into the corners of impotence. Despite signs of organized discontent, we are still plagued by a mass psychology of fear combined with forlorn nostalgia for the past. Given the depth of the crisis, the wish for a return to the New Deal, is not only improbable but exceeds modesty. The risk-takers have not only been relegated to the margins of society, their numbers severely overtaken by the doctrines of security, conformity and compromise, but the long decline of the radical imagination hobbles attempts at resistance, let alone alternative. Hope has become an entailment of "career", an invitation for some to make it, even in the midst of the joblessness that is now a chronic feature of a system no longer able to accommodate even its

best and brightest, let alone the millions suffering drastic economic decline. The system survives on the eclipse of the radical imagination, the absence of a viable political opposition with roots in the general population, and the conformity of its intellectuals who, to a large extent, are subjugated by their secure berths in the academy; less secure private sector corporate jobs, and centrist and center-left media institutions. We can take some solace in 2011, the year of the protester, but it would be premature to predict that decades of retreat, defeat and silence can be reversed overnight without a commitment to what may be termed a “long march” through the institutions, the workplaces and the streets of the capitalist metropolises.

At year’s end there were signs that 2012 might be a hot spring. On college campuses some students began to gather their forces in preparation for a campaign to reduce or cancel student debt and others were demanding reduced or no tuition. The occupy movement vowed to continue its amazing renegecy, even as they were swept away from their sites by a militarized police. And Richard Trumka, the AFL-CIO president, issued a series of strong statements of support, even condemning the massive police actions. He deplored their use of force against the non-violent protesters which in many instances involved felony arrests for violations of private property.

Except for a handful of unions such as the Service employees, Nurses and other health care workers, and the intrepid West Coast Longshore workers, Labor confines its support to statements; in only a few instances have the still formidable union ranks matched their talk with concerted walk. Still, as Madison and Ohio demonstrated, when Labor mobilizes, it can swing public opinion both inside and outside the voting booths. Whether its growing recognition that without alliances, the unions are doomed, will the labor movement pivot from its largely submissive stance relative to capital and its political subordinates is an open question. If the present is prologue, pessimism might be overtaken by the awakening of good sense.

The first component of good sense might be the analytic insight that the proposition that, at least at the national level, the United States is a liberal democracy and its institutions remain open to change, is a fiction with an ingredient of unstable fact, mainly at the local level. More than fifty years ago, in his monumental *The Power Elite* C. Wright Mills argued that a triumvirate of the large financial and industrial capitalist corporations, the top layer of the political directorate and the military constitute self-circulating closed elite of power that effectively relegates all other governance, at best, to the middle levels, including Congress. Thus, the fiction of representative

democracy remains a sustaining myth of US society, but the reality does not correspond in most ways to the idea of popular sovereignty. Needless to say, the liberals have clung to the ideology of pluralism which entails their belief in the viability of the political system and the inviolability of the concentration of economic power. Whatever criticisms the intellectuals grouped around the leading progressive journals of opinion may utter, in the end they tend to fall into line behind the center-right leadership of the Democratic Party. This stance is usually accompanied by the statement which invokes the American undemocratic system of Electoral College, winner-take-all rules and the requirement that an opposition cannot match the huge fund requirements for serious contenders for president, senate, and even the House of Representatives. So, we are fed a strategic straitjacket: support the Democrats even if the system is rigged, or be condemned to irrelevance. But what does relevance mean in the current environment? Relevance means action within the framework of the dominant economic and political system and the acceptance of the growing power of the military to command national resources.

Yet, if Mills is right, most crucial decisions regarding national policy are not made by representatives, but by the financial and military elites. When 18 mayors on conference call were instructed to break up the Occupy sites, it was not really their decision. The orders were issued from above and they complied. Similarly, despite Barack Obama's 2008 campaign pledge to withdraw US troops from Iraq, only the widespread unpopularity of the war and the reluctance of Iraqis to further tolerate an illegitimate occupation prompted the final withdrawal announcement, three and a half years later. But as Lawrence Kaplan argues, the United States military will still be present in Iraq. And there is no foreseeable ending of US military involvement in Afghanistan nor is there any indication that the administration intends to reduce the more than 200 US military bases abroad.

But the militarization of American society extends beyond its overtly militarized police forces and the army's influence. The schools are rapidly being transformed into proto-military institutions by the standards movement where teachers and administrators are mainly disciplinarians rather than educators, the arts, physical education and the humanities are eliminated or sharply reduced in the curriculum, for the working class and especially for schools with majority black and Latino students. Recently, we discern a movement among administrators of state colleges and universities to "streamline" general education requirements. Now science and math would take pride of place while the arts, humanities and social studies are

destined to assume a distinctly subordinate place. The science and math emphasis will be closely articulated with employer job requirements rather than offering a window to students to understand the conceptual basis of physics, chemistry, biology, algebra and geometry. And the huge, ubiquitous prison system which now incarcerates more than two million inmates and controls a million more in probation and parole is driven by the retrograde war on drugs, a major impetus for the justification for the control society. Finally with the decline of union power to restrain the employers' relentless drive for profits, the workplace is, increasingly, what Andre Gorz termed a "prison factory." Workers who protest oppressive working conditions are more likely to face punishment, including discharge. In the charged environment of stagnant wages, union leaders' collaboration with employers, and serious unemployment, even in union shops workers tend to lose their first amendment right to speak up. As Ali, a character in Fassbinder's film says "fear eats the soul."

But "good sense" has an overriding content that challenges the claims of the capitalist system to rationality: the burgeoning ecological crisis. In 2011 the United Nations convened a world conference on climate change and global warming. Nearly all of the 190 states on the planet send delegations. But as preparations for the conference became known, it was plain that nothing of great consequence should be expected from the meeting. These predictions proved to be correct: the delegates and hundreds of protesters left the week-long proceedings empty-handed; another opportunity to make genuine headway in the lethal ecological crisis afflicting the globe's seven billion inhabitants was missed. True to form, the United States and other advanced industrial states resisted proposals to materially reverse the situation, despite repeated declarations by scientists that, perhaps in five years, the environmental deterioration would be irreversible. The major powers were too concerned that the necessary steps to avert disaster would require major changes in their respective energy policies which still rely heavily on oil and natural gas and might even require a major reevaluation of the religion of economic growth as the only viable program to sustain existing living standards and the profitability of large enterprises. In turn, developing societies such as China and India, although moving cautiously toward the use of sustainable technologies such as solar and wind power are still caught up in their expansionist economic programs. They have huge poverty-stricken populations and will not risk losing foreign investment opportunities which might be the result of strict limits to growth.

Even the most extensive proposals that have been advanced by “realistic” environmentalists and public figures such as Al Gore would, at best, slow the process. They call for strict regulations on carbon emissions, mass transportation programs to gradually reduce our collective reliance on auto travel, and initiatives to accelerate the pace of environmentally-friendly energy resources such as wind, solar and hydrothermal power. These are modest proposals compared to effects of the grave tornados, hurricanes and floods that have already destroyed numerous towns and villages, and crippled the cities of New Orleans and Joplin, Mo. US government information reveals that the numbers of tornados and hurricanes have increased exponentially in the past decade and without decisive steps to arrest, let alone reverse the situation, we can expect another doubling of the number of disastrous events in the next few years. Yet, governments and the major financial and industrial powers remain obdurate in their reluctance to embrace even these diminished safeguards to the environment.

It must be said that regarding the ecological crisis not only governments and large capitalist corporations are willing to entertain the minimal steps, but the ecological movement itself is now committed to seeking relatively modest palliatives such as reductions in the carbon footprint through market mechanisms such as cap and trade provisions of federal legislation. Where as late as the 1980s, the Sierra Club and other mainstream environment organizations were advancing near-radical solutions to the crisis and Greenpeace engaged in direct action, including disruption of Naval military maneuvers that threatened marine life, the genius of liberal cooptation convinced incipient radicals to focus on influencing the Democrats by collaborating with their most sympathetic wing rather than by confrontation. The Reagan revolution that gained momentum throughout the 1980s tempered the resolve of many. In time, having learned the art of trimming their sails, the environmental movement has become a caucus within the party, joining the AFL-CIO, most black freedom groups and mainstream feminists. Some have formed partnerships with large corporations in the vain hope that change might find a way.

## EFFECTS OF FINANCIALIZATION AND, PROVISIONALLY, WHAT IS TO BE DONE?

Until the mid-1970s critics of the pinnacle of the American power structure referred to a “military-industrial” complex that ruled national and global affairs. By “industrial” Mills and others included a powerful financial services

sector, chiefly the major investment banks and capital producing giants such as General Motors, General Electric, and US Steel. But in the past forty five years of deindustrialization, technological change and the restructuring of the global economy, finance capital has overtaken industrial capital at the helm of the world capitalist system. Has finance capital become a class that has effectively relegated industrial capital to middle levels of power? Or has industrial capital become an adjunct to the financial barons? The term "monopoly capital" signified the merger between the two leading sectors that once marked the power elite/ ruling class must, therefore be further qualified. JP Morgan Chase, Goldman Sachs, Wells Fargo, Citi Group and the rest are not merely banks; they hold sway over political as much as economic structures and policies. The question raised by their enormous accumulation of power is whether the highest levels of the state still constitute the executive for the entire system or whether, with appropriate caveats, the capitalist state has, itself, surrendered its autonomy. That finance capital insists on state deregulation of its functions signals a sharp reversal of more than a century when capital itself called upon the state to intervene in the murderous competitive market in their interest. In this reprise the Sherman Anti-Trust and Clayton Acts were not only populist demands, but as William Appleman Williams has shown were also reflective of the will of a major coterie of industrial magnates.

But the effects of financialization, as Henri Lefebvre, Randy Martin and others have shown, extend further. The financialization of everyday life (Lefebvre's "bureaucratic society of controlled consumption") signifies that advanced capitalist societies have given rise to a new consumptive class for which, at least at the level of the national state has little concrete value to finance it. The spinning of finance beyond the quantity of actual production may be theorized in terms that Marx discusses in *Capital* Volume 3, in which Marx introduces the concept of *fictitious* capital. In the mid-19th century banks would advance capital to each other and to other capitalists even when the supply of productive currency was in short supply. It was an occasional device designed to keep the investment and circulation system afloat. Indeed, extending credit with which to purchase necessary machinery and labor power to viable industrial corporations is a regular feature of the contemporary banking system. What has happened in the past half century is this: beyond capital investment, debt has financed much of our collective consumption of durable goods such as homes and apartments as well as everyday purchases such as food and clothing. We live in a society where the reproduction of capitalism increasingly relies on consumption rather than production, and upon debt rather than cash. Under these circumstances,

the probability of financially-induced crisis almost takes on the character of inevitability. What we call the economy is exceedingly fragile and subject to a multiplicity of factors, each of which is capable of bringing the entire edifice down. Since so much of our economic life rests on the ability of consumers to borrow and pay back their loans when periodic joblessness or underemployment afflicts a major portion of the labor force, since they have few savings, default becomes the norm and the bad loans advanced by lending institutions produce enormous grief, for those facing home foreclosures, unpaid health, education and appliance bills and the lenders themselves. Not only small and medium sized lenders are affected, but some of the leading banks as well. In the main, finance capital is, perhaps, the only sector that benefits from the crisis. Others—workers, merchants, many professionals and small productive capitalist firms—are fated to suffer the heaviest burden of the crisis. And the state, buttressed by an increasingly powerful military, is progressively unresponsive to popular needs since it has been integrated into the financial/military complex. This merger accounts, in my opinion for the recent crisis of legitimacy that was suffered by the political system in the wake of the financial crisis. Collapse of consumer income and of the profits of many enterprises, impoverishes state and local governments who rely on tax revenues to sustain services. What is remarkable is that no major state administration has failed to submit to the religion that finance capital should be immune from prosecution or even sharp criticism.

Needless to say, my formulations require further discussion and refinement. But, it would be a serious mistake to rely for our analysis of the contemporary conjuncture on the important and still relevant theory of crisis offered by Marx or Rudolph Hilferding's *Finance Capital*, which are still situated at the apex of the industrializing era. The "anarchy of production" thesis, upon which the market depends and the sharp competition between capitals, and the power of the working class to thwart the incessant assault of capital at the points of production are still operative in the secondary sectors, but no longer govern capital accumulation. Hilferding correctly calls attention to the emergence of finance as a key, relatively autonomous element of capital and argued for the view that capitalism had vitiated its crisis tendencies through organized rationality. This assessment was proven to be overly optimistic, but contributed to the chronic reformism of the socialist movement. That the reproduction of the relations of production now relies on high levels of consumption based on generalized fictitious capital constitutes a new moment in the development of capitalism that infuses forms of social rule, economic growth, crisis, and class structure. Its elaboration constitutes a central theoretical task. Moreover, the profound acceleration

of technological innovation into the industrial and services workplaces has radically contributed to the recomposition of the labor force and together with deindustrialization and unrestrained union busting have significantly altered the scenario for generations.

As previously indicated what economists and politicians term “growth” no longer entails a significant expansion of employment within the private sector. If this analysis is correct, mass joblessness is no long chiefly a cyclical effect, but a permanent feature of the system, and the time-honored concept of the unemployed are among an industrial reserve army awaiting the inevitable resumption of production no longer holds water. The industrial reserve was composed of the recently laid off as well as a significant portion of longer term jobless who have given up looking for paid work, or are employed either in the informal economy or are engaged in part-time work. Now, we can expect perhaps a fifth to a third of the would-be labor force to be assigned outside the mainstream economy. If so we are in the first decade of the jobless future.

#### UNDER THESE CONDITIONS:

1. We urgently require a guaranteed income at a level that permits every person to enjoy a minimally decent living standard.
2. A sharp reduction of working hours with no reductions of pay. The fight for the five hour day would produce more jobs than any federal jobs program. Of course, the shorter workday would provoke further job destroying technological innovations. In this eventuality, labor would fight to further reduce the workday and increase the guaranteed income accordingly.
3. Barack Obama’s 2012 State of the Union Address and budget proposals would revive “manufacturing” under the sign of infrastructure development. Certainly if public funds were allocated to mass transit and a massive environmental cleanup, including infrastructure repair, the jobs and ecological interests would also be served. But given the relation of political forces, these proposals are likely to be taken as symbolic gestures rather than serious interventions. We do need mass transit and a real federal jobs program, especially for youth and groups suffering incredible poverty and unemployment; however, lacking an effective political opposition, they are likely to remain unrealized. We should fight for a national transportation program to replace the anti-ecological car culture and the more destructive

reliance on fossil fuels. Surely, electrification of vehicle transportation would assist in ecological terms, and before bowing to liberal optimism, it would be prudent to remember the power of Big Oil to reverse or otherwise dilute the best laid plans of those who would save the planet, especially by politeness and reason. In any case a national transportation program requires the revival of a grass roots, occupy-style direct action movement to confront this last vestige of powerful industrial capital.

To achieve this program requires education that goes beyond the necessary phase of protest and resistance, although these tactics must remain in our arsenal. A bold step would be to engage the prevailing patterns of cultural consumption that not only flatten the popular capacity for critical thought, but set an agenda for public debate that so limits the conversation that some issues are never addressed. We can see these tendencies in the recent Republican presidential debates and the media's coverage of them. That personalities, scandals and acrimonious accusation dominated the discussion was a symptom of the absence of genuine differences among the aspirants and the tacit effort to contribute to the moronization of the public, whether intended or not. What the Left and the social movements lack now is their collective ability to imagine alternatives to the current set-up and to find ways to disseminate their positions by direct action as well as propaganda. The alternatives suggested here are not cooptable reforms like token jobs programs. To install guaranteed income and shorter hours challenges the prevailing regime of accumulation by demands that cut deeply into the surplus now appropriated by capital. The political relation of forces would be significantly altered, as well, by a real transportation program that, among other benefits, challenges the priorities of Big Oil and the emerging natural gas corporations.

There is no doubt that there are many questions remaining. One key question is how to fight the mantra of jobs, jobs, jobs in the wake of their historic antiquity. We would need a dialogue on the "work ethic," a religious principle, upon which many of us have been raised. And there are many issues connected to guaranteed income and shorter hours. For example, Can these be implemented while the rest of the world is ensconced in overwork? These questions were present during the long struggle for the shorter work day begun by the labor movement in the 1880s. Recall, the fight for the eight hour day started in the United States but spread throughout the industrial societies. Eight hours remains a distant horizon in China and other "developing" countries where workers are often forced to labor for 12 hours or more, seven days. The US is crucially situated to be a beacon of change as

perhaps no other country. When France and Germany confronted shorter hours, in the 1970s and 1980s, its opponents cited the United States as a principal barrier. Maybe the time has come to remedy this embarrassment.

That the winter of discontent exploded in September, 2011 is surely a source of hope. But if it can sustain its motion its protagonists, on the line and off, must go beyond the justifiable suspicion that reform proposals could lead to cooptation. The integration of the social movements of the 1970s and 1980s presupposed their collective refusal to offer a vision of how we want to live. Such a vision would link the demand for equality with the demand for freedom from the shackles of wage slavery, and for an environment that could effectively address the perils to life itself that have been foisted upon us by aggressive capitalist industrialization. Moreover, a far-ranging concept of what we really need and want would tend to preclude the unsavory alliances past movements made with the Democrats. Would such a transition to political opposition split the movement? Maybe. But if our analysis is right, the choice is rapidly becoming identical with the old slogan "socialism or barbarism." We may not agree with prior concepts of socialism, but it is plain that this capitalist system is dangerous to our children, ourselves, and other living things and will be much more disastrous than a winter or series of winters of discontent.