The Biggest 'October Surprise' Of All: A World Capitalist Crash

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> "There will be periods of 30 years which will pass with the seeming importance of a single day, and single days with the importance of 30 years." (old Marxist maxim)

Given the fascination of the events of the past 14 months of "credit crunch", many people (myself included) have sometimes tended to neglect the "deeper" sources of this crisis in production and reproduction. Analysis of a credit crisis has now become almost banal in the mainstream media. But as Marxists we know that there is rarely, if ever, a "pure" credit crisis without a deeper dimension in the material reproduction process.[1]

We recall Hegel's three stages of the introduction of a new idea: 1) total silence and indifference, 2) great hostility and denunciation, 3) "that's what we've always believed."

It's amazing to see how the media have gone in a year and a half from 1) to 3), barely stopping at 2), a marginal pastime over the last 30 years when dealing with "skeptics." Suddenly the word "capitalism" has reappeared in popular discussion after decades of euphemisms such as "free-market economies" and Barack Obama's support for massive government bailouts of Wall Street is attacked as "socialist" when in fact it is nothing but the old capitalist refrain of "privatization of profit, socialization of costs."

Increasing media attention is being given to the difficulties of "non-financial corporations" in getting loans as credit tightens and dries up. One wonders exactly what this can mean, however, given that such "non-financial" corporations at GM, Ford and General Electric have increasingly been making ever-greater profits in financial endeavors.

Given the ever-growing prominence of finance and financial markets in capitalism since the 1970's, and the deep ideological falsification by official capitalist statistics at all levels, serious information on the "real" economy is harder to come by, since (as exemplified by the financial turn of these former pillars of US production) a fictitious dimension is present pretty much everywhere.

Note: To avoid reinventing the wheel, and under the pressure of recent epochal events, I have used fragments of other texts I have written in the past few years, making up no more than 15-20% of the following article. I ask the reader's forbearance for any annoyance.

1. Implementation of a program of technology export to equalize upward the Third World.

I would however like to throw out my own interpretation of events to stimulate some debate.

I. A CAPITALISM IN ADVANCED DECAY

Let us first sketch the overall credit and financial situation, to get it out of the way. (Most of the following figures are from 2005; I presume that many of them are being altered daily by the deflationary crash now underway.)

There is more than $33 trillion in outstanding debt (Federal, state, local, corporate, personal) in the U.S. economy, three times GDP. (No one knows how much is tied up in the international hedge funds and derivatives.) The state (including Federal, state and local levels) consumes 40% of GDP.

The net U.S. debt abroad is roughly $5 trillion ($13 trillion held by foreigners minus $8 trillion in U.S. assets abroad-2008-LG). That amount has been growing by $700-800 billion a year until very recently (before the decline of the dollar and of consumption in the US, and capital flows snapping up cheapened assets in America, improved the US trade deficit and the balance-of-payments generally). Foreigners hold an increasing percent of U.S. government debt; the four major Asian central banks (Japan, China, South Korea, and Taiwan) alone hold $4 trillion (2008). (The recent-and already how long ago it seems-bailout of Fannie Mae and Freddie Mac was taken first of all with China's $500 billion holdings of Fannie's and Freddie's debt in mind.) It is the Federal government's debt which makes possible the reflationary actions of the Federal Reserve Bank. If Doug Noland's notion of "financial arbitrage capitalism"[2] is right, the old core conceptualization of the role of the banking system (deposits and lending based on deposits) and the Fed's (apparent) ability to expand and contract credit availability through it, is superseded; increasing amounts of "virtual" credit are created by "securitized finance" "off the balance sheet" of banks. One must also consider the government-linked entities (Freddie Mac, Fannie Mae), which backed the reflation of mortgages of the past 4 years, leading to an incredible

2. Noland, a Hayekian also influenced by left-Keynesian Hyman Minsky, developed this concept in the 1990's to describe the rise of "securitized finance" (cf. below in main text) which arose after Minsky's death. In Noland's view, "securitized finance" made it possible for banks to package and sell on income flows (such as mortgage payments) in fancy AAA-rated bonds, etc. that themselves could be repackaged and further sold. This superseded the old "20th century" conception of banking as a process of deposits and loans by creating a theoretically infinite possibility of pyramiding debt, further kept "off balance sheet" and essentially unregulated. It is this whole edifice which has been savagely "unwinding" in recent months.

housing bubble, now collapsing. This entire edifice depends on 1) low inflation in the U.S., as higher inflation would scare off foreign lenders; 2) the willingness of U.S, "consumers" to go more and more heavily into debt (with debt service now taking 14% of incomes, as opposed to 11% a few years ago); 3) the willingness and ability of foreigners to go on re-lending U.S. balance-of-payments deficits back to the U.S.

Let's shift to another level altogether: the extent of unproductive labor and unproductive consumption in the U.S. and many other "advanced" economies (advanced mainly in decay). Marx defines the state debt as fictitious; he defines labor performed for revenue (as opposed to capital) as unproductive.[3] Many Marxists would agree that military expenditure performed for the revenue of the state is unproductive labor, even if it produces a profit for an individual capitalist. One can extend that paradigm, I think, much farther in terms of other goods and services commanded by state revenue, and/or the fictitious capital of the state debt. To be productively consumed, surplus-value that is concretely means of production (Dept. I) or means of consumption (Dept. II) must RETURN to C or V for further expanded reproduction; by that criterion, it would seem that unproductive consumption in the U.S. economy must be enormous.

I will sidestep theological debates on exactly what constitutes unproductive labor by pointing to the tool developed by Marx permitting us to grasp the huge amount of unproductive consumption in modern capitalism: (from Capital, vol. I, pp. 726-727, Penguin translation 1973): "Accumulation requires the transformation of a portion of the surplus product into capital. But we cannot, except by a miracle, transform into capital anything but such articles as can be employed in the labour process (i.e. means of production), and such further articles as are suitable for the sustenance of the worker (i.e. means of subsistence)… In a word, surplus-value can be transformed into capital only because the surplus product, whose value it is, already comprises the material components of a new quantity of capital."

In other words, unmanned drone bombers, tanks, police riot gear, yachts, Rolls Royces, gourmet restaurants and Louis Vuitton handbags may well produce a profit for an individual capitalist, but unlike means of production for broadly useful goods (what Marx called 'Dept. I') and means of consumption

3. Cf. the work of Seymour Melman. Melman, while eschewing a Marxist analytic framework, has analyzed the stagnation and distortion of the post-1945 US economy in works such as *Our Depleted Society* (1965) and *Profits Without Production* (1982).

(e.g. machines to make refrigerators) or producing such goods (Dept. II: let's make it simple: bread) they CEASE TO BE CAPITAL by dropping out of the circuit of capital in expanded reproduction; they cannot be productively consumed as either further means of production or as means of consumption for reproducing labor power. Such commodities constitute the unproductive consumption of the capitalist class and of that class's "servants"—civil servants, corporate bureaucrats, etc—in the vast armies (however one wishes to define them) of unproductive laborers in today's (ideologically touted) "service economy."

We must be careful to distinguish a Marxian analysis of fictitious capital from myriad theories of monetarists, Hayekians, "bankers rule the world" conspiracy theorists or the sophisticated left-Keynesian Hyman Minsky, all of whom see finance in isolation, by firmly connecting fictitious capital at its origin to the sphere of production. We can call this origin "technodepreciation," or the increment of overvalued fixed capital "f" that develops over time due to the heteronomy of capitalist social relations. Capital for capitalists means first of all a "capitalization"[4] of an anticipated cash flow. The cheapening effect of advances in productivity is constantly undermining that capitalization[5], but in a way which is only fully apparent in a deflationary breakdown crisis like the current one. Over the course of a capitalist cycle, operations of the central bank act to slow down the bursting of this fictitious bubble but must ultimately show themselves impotent against the underlying downward movement of prices.[6]

4. "Capitalization" means valuing an asset (stock, bond, real estate) in terms of anticipated cash flow and profit relative to the generally-prevailing rate of profit. When the general rate of profit is 5%, a $100 bond paying 5% interest is "worth" $100.

5. I thank a friend with long experience in Silicon Valley for the following elaboration of both capitalization and technodepreciation: "Concretely, this means that when capitalists begin a new project they estimate the future cash flows that will be generated by that project and 'discount' those flows to present value. They then issue shares or other forms of claims to ownership to some portion of that estimated present value in order to finance the project. Even if the project is to be financed out of retained earnings, i.e., cash in the bank of the firm, the capitalist will make a similar calculation in order to decide between possible investment projects or to decide whether it would be better to return that cash to the firm's owners. To give one example: a few years ago a large semiconductor company borrowed several billion dollars from a banking consortium to build a computer chip foundry based on its estimate of the present value of the proposed project. But within a few months of finishing the plant it was, in relative terms, worthless. Why? Because a competing firm had developed a new technology that allowed them to produce more powerful chips in a much less expensive manner. The value of the first company's plant had become entirely fictional in capitalist terms. The first company sold off the plant for scrap even though the equipment inside had never been used."

6. For more on this, cf. the texts dealing with fictitious capital on the Break Their Haughty Power web site at http://home.earthlink.net/~lrgoldner , in particular "Fictitious Capital for Beginners" (2007), "Once Again, On Fictitious Capital" (2003) and "Remaking of the American Working Class" (1999)

Such a view renders totally academic (if any further proof were necessary) most of the Marxist heavy lifting over the "price-value" "transformation problem" of the 1970's and 1980's. Because, over long periods of time, the market price of an individual capital does not directly correspond to its social cost of reproduction, but rather to this capitalization, in the environment set by the generally available rate of profit. Capitalist paper—titles to wealth consisting of profit, interest and ground rent—can circulate for a long time with no immediate relationship to "value" as long as adequate amounts of surplus value from somewhere sustain them. This surplus-value can come not merely from the direct exploitation of workers in production but from "free" inputs that involve either primitive accumulation (incorporation of labor power reproduced by other modes of production) or by out-and-out looting, i.e. non-reproduction, of nature, existing labor power and capital plant. These are empirical questions that cannot be settled by recourse to exercises in matrix algebra.[7]

Hence the post-July 2007 "credit crunch" is in fact rooted in a long process in the capitalist cycle of production and reproduction of recent decades, to which we now turn.

II. CAPITAL SPIRALS BACKWARDS TO SOLVE ITS CRISIS

First, a bit of history, to grasp the enormity of the social and economic RETROGRESSION of the past three or four decades.

This crisis can be traced to the end of the post-World War II reconstruction boom, which was signaled by mild recessions in 1965-66 in the US, Japan and Germany, and which had earlier been signaled by a "dollar crisis" starting in 1958. The proportions at that time, of course, seem derisory when compared with the situation today.

In March 1968, the Bretton Woods system almost came unstuck and world exchanges closed for several days to prevent a panic.[8]

7. Once again, cf. the BTHP web site.

8. For this and all subsequent reference to international monetary matters, we do well to recall Marx's formulation in the opening section of *Capital*, vol. 1 (1976 ed., Penguin, reprint 1990): "It is in the world market that money first functions to its full extent as the commodity whose natural form is also the directly social form of realization of human labor in the abstract." pp. 240-41.

A genuine corporate liquidity crisis erupted in the US in 1969-70, highlighted by the bankruptcy of the Penn Central Railroad (moreover an excellent illustration of the relationship of capitalist valuation by "capitalization" and the actual underlying value of assets)[9]. Corporate debt in 1970 was at (to that point) post-WW II highs, and investment in "real" production had already been slowing since the deep 1957-58 recession, or was sustained by military production for the war in Vietnam.[10]

At that point, going into the recession of 1969-70, corporate liquidity was at the center of concerns.

I would argue that from these late 1960's signals of the end of the previous era of expansion onward, world capitalism has been basically "running on empty," with ever increasing credit pyramiding of unbelievable and unprecedented proportions being the main "motor" of "growth," paid for by ever-increasingly social retrogression of every kind, that we can call CONTRACTED social reproduction, or non-reproduction on a world scale.

It is also interesting to note that, according to a UN study of several years ago, 1968 was exactly the turning point in post-World War II income distribution in the "advanced capitalist" world; from 1945 to 1968, the wealthiest fifth of the US population and the poorest fifth moved closer together; after 1968 they began to move apart and today are farther apart than in 1929. Similar trends are discernible, though not as extreme, in most other advanced capitalist economics.

Another fundamental index of the end of an era is summed up in the single "fact" of the disappearance of the single paycheck working-class family, beginning in the 1960's and accelerating ever since. This takes us in one step to the heart of the crisis as a crisis of social reproduction. Forty hours per week ca. 1960 reproduced millions of families of four, whereas eighty or more (often significantly more) are necessary today.

9. Penn Central was rated a "blue chip" stock paying top dividends almost right up to bankruptcy.

10. Today, in November 2008, the crisis is again spreading to corporate liquidity, despite many firms' hoarding of cash in recent years. Small and medium firms, and some large ones, are finding it harder and harder to borrow for short-term purposes, becoming illiquid while still solvent

The Bretton Woods ("gold-dollar" standard) system[11] collapsed in 1971-73 and was replaced by the straight-up "dollar standard," whereby the debt of the U.S. state became openly the anchor of the world financial system, and remains that to this day.

This was an expression at the level of what Marx called "world money"[12] of the crisis of value at work deep in the system of production and reproduction, to which I will return.

The major reflation of 1972-73 resulted in an inflationary acceleration and was followed by the 1974-75 world recession, the deepest (up to that point) since World War II. The reflation out of the mid-1970's recession led to the inflationary blowout of 1978-80, followed by the "Volcker austerity" and the triumph of Thatcher- Reagan "neo-liberalism." This was the last Keynesian (1975-79) reflation bearing that name, issuing in the late 1970's developments such as runaway inflation, California's Proposition 13[13], the US bailout of Chrysler, Carter's budget cuts and the British "winter of discontent" that preceded the triumph of Thatcher and Reagan.[14] After 1979-80, capitalism turned to what might be called "military Keynesianism," with military buildup and tax cuts for the wealthy.

We should not fail to note, when discussing the mid-1970's, the apparent slippage of U.S. hegemony in a series of world crises: the worker insurgencies in Spain and Portugal, the military defeat in Indochina, the appearance

11. The Bretton Woods system, in force from 1944 to 1971-1973, provided for fixed exchange rates between all major countries, anchored of course by the US dollar with the dollar pegged at $35 per ounce of gold. Central banks outside the US accumulated gold and dollars side by side as reserves, since the dollar was supposed to be "as good as gold." The complicated story of the unraveling of this arrangement has been told many times, but the essence was the U.S. unilateral decision in August 1971 to break the dollar-gold relationship and create a purely paper monetary standard. Fixed rates were abandoned in March 1973 and have never been restored; the world experienced the deepest recession (to that time) in 1974-1975.

12. Again, *Capital* vol. 1 (1976 ed.), pp. 240-41.

13. Proposition 13 in 1978, fueled by neo-conservative anti-tax populism, passed successfully and put a cap on property taxes in California. California public schools went in 30 years from the best to the worst in the US.

14. The workerist current in Marxism likes to point to the workers' struggles of the 1965-1977 period (or however one wishes to date it) as the main "cause" of the 1970's crisis. I would argue on the contrary, that most worker struggles of that period were more a RESPONSE to accelerating conditions of austerity.

I would be interested in hearing from any remaining workerists just where they locate the worker insurgency at the base of the current meltdown.

of "pro-Soviet" regimes in the Horn of Africa, insurgency in South Africa, further "pro-Soviet" regimes in the ex-Portuguese colonies of Africa (Angola-Mozambique-Guinea Bissau), and the seeming leftward movement in Europe in the phenomenon of "Euro-communism" (France-Italy-Spain). Further fires broke out in the Nicaraguan and Iranian revolutions of the late 1970's.

The counter-offensive of the "Washington consensus" seemed to nullify this slide of US hegemony, and its "balance sheet" should be touched on for a sense of its human cost. Social Democracy and Stalinism did their share of the work in Spain and Portugal in channeling worker revolt into bourgeois democratic channels, but in most places the reaction was long and bloody; military dictatorships were established in the Southern Cone (Chile-Uruguay-Argentina, added to Brazil's dating from 1964) between 1973 and 1976; the more diffuse challenge of the "Group of 77" of developing countries at the United Nations demanding food, fuel and debt relief through a "New International Economic Order" was defused; the various "national liberation movements" in Africa and Indochina collapsed into ignominy and stagnation, or issued quickly (as in Vietnam) in "market socialism;" the mullahs triumphed in Iran, wiped out the left and sent millions off to fight the 1981-89 Iran-Iraq war; a fifteen-year civil war between Sunnis, Shi'ites, different Christians and their international backers (Syria, Iran, Israel, the US) ruined Lebanon; Saudi money and propaganda fueled Islamic movements from the Uighurs in western China to Morocco; the US-backed Islamic insurgency in Afghanistan wore down the left-nationalist regime and the Soviet army and ultimately brought the Taliban to power; the US-funded military stranglehold brought the Nicaraguan revolution to heel; the US-China alliance against the Soviet Union solidified internationally; Reagan, Thatcher, Mitterand, Gorbachev and Teng all agreed on the superiority of the market; in the wake of the collapse of the "national liberation" movements, the IMF imposed its "structural adjustment programs" on 100 developing countries. The Soviet bloc collapsed in 1989-1991. The US armed forces killed hundreds of thousands of Iraqis in the 1990-91 Gulf War. By the early 1990's, forty wars were in progress around the world; the six-nation war in southern Africa alone killed 4 million people, more than any other war since 1945 (and there was no year without a war somewhere after 1945); into the void left by "national liberation movements" stepped the Four Horsemen of the Apocalypse seemingly without ideology or goal beyond pillage and looting and massacre in places such as the Congo, Liberia, and Sierra Leone; the ANC came to power in South Africa and quickly joined the Washington consensus; the Yugoslav wars of 1990-95 and 1999 saw the birth of murderous nationalist and ethnic bloodlines, and gave the US an opportunity to humiliate the impotent European Union; the "hermit kingdom" of Kim Jong-il in North Korea oversaw famine in one of the last standing "workers' states;" and throughout the Third World, six million children die every year from diseases and conditions (e.g. lack of clean water) with purely economic causes.

III. BALANCE SHEET OF THREE DECADES OF THE 'WASHINGTON CONSENSUS'

The 30 years of the "Washington consensus," in spite of its triumph over statist development regimes, was punctuated with "financial events," now overshadowed by the "Big One" of 2007-8, events in which the ostensibly-maligned state had to intervene again and again:

1979-82: Volcker's Federal Reserve management raised interest rates to 20%, finally introducing a positive rate of interest after the 1970's hyper-inflation, and inducing a deep recession in 1980-82; the funding of the huge Reagan deficits for military buildup was made possible by loans from the Japanese.[15] It was also in this period that "junk bonds" and "leveraged buyouts" moved to the fore.[16] A wage of "concessions" swept U.S. labor relations, with even profitable companies forcing renegotiations of unexpired contracts.[17]

1982: the first major Third World debt crisis, with Brazil and Mexico on the verge of default; the losses of the US banks were effectively nationalized; the living standard of ordinary Mexicans fell by 50% in the resulting austerity.

1984: the US moved officially, for the first time since World War I, from being the world's biggest creditor to being the world's biggest debtor; after howling for years about "deficits" from "tax and spend" policies,

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15. R. Taggart Murphy. *The Weight of the Yen*. (1996)

16. A "leveraged buyout" meant taking control of a corporation with borrowed money, then borrowing much more to force the company to rationalize to keep up its debt payments, resulting in multiple plant closings and layoffs while investors extracted "value" from the company, which they then resold a few years later at a huge profit. This is a classic example of fictitious capital at work, where credit makes profit by destruction instead of the long-term investment of earlier phases of capitalism.

17. U.S. working-class history in these years was mainly one long litany of defeats: air traffic controllers (1981), Greyhound bus drivers (1983), Phelps-Dodge copper workers (1984), P-9 cannery workers (1986), Jay, Maine pulp and paper workers (1987-88). More muddled outcomes characterized the 1989 Pittston (Va.) coal strike and the 1990 New York Daily News strike.

neo-liberals and neo-conservatives suddenly were saying laconically that "deficits don't matter."

1985: The Plaza agreement forces Japan into a 50% revaluation of the yen, meaning a 50% devaluation of their previous dollar holdings.

1986: London financial markets had their deregulation "Big Bang" opening to expanded activity in world markets.

1987: the world stock market crash, seemingly a largely "financial event," is followed by new Fed chairman Greenspan's rapid relaxation of liquidity and a gradual recovery of paper values into the 1990-91 recession;

1989-1991: the savings and loan meltdown in the US adds another $150 billion to the national debt; an official recession begins in 1990, and housing prices plummet 20% on the average. The previous decade's "junk bond" heroes were wiped out.

1990: Japanese stock market collapses from 38,000 to 12,000, and bad bank loans and real estate investments plunge Japan into more than a decade of deflation.

1994: the Mexican "tequila crisis;" the US government spends $50 billion to bail out American holders of Mexican bonds; Orange County (California) goes bankrupt on bond market losses;

1997-98: Asian crisis tips South Korea, Hong Kong, Indonesia, and Thailand into meltdown. The IMF lends South Korea $57 billion and imposes draconian austerity,[18] and huge economic and social turmoil affects tens of millions in those countries.

1998: Russia defaults; the hedge fund Long Term Capital Management was wiped out as a result and required a $13 billion dollar rescue involving various banks and overseen by the Fed.

2000: Dot.com boom collapses; NASDAQ loses 60% of value and never recovers.

[18] A key part of the IMF (and US Treasury) demands on Korea included opening the domestic market to foreign takeovers, which extended the "leveraged buyout" model there.

2001: After 9/11, a further major stock market plunge, part of a larger 2000-2003 "bear market." The Enron bankruptcy again signals a deepening crisis of "off-balance sheet" scams, followed in 2003 by World.com.

2002: The Dow Jones Industrial average hits a 7,300 low in continuing bear market; Federal Reserve Chairman Greenspan brings interest rates down to 1%. The 2000-2001 recession is followed by the most anemic recovery since World War II. The Dow recovers and begins ascent to over 14,000 by fall 2007.

2003: Asset inflation (stocks, real estate) driven by massive easing of credit accelerates, above all in the US and then European (Spanish, UK, Ireland) housing bubble.

It was coming out of the 2000-2003 bear market and 2000-2001 recession and the ensuing "jobless recovery" that the "sub-prime" phenomenon came to the fore.

IV. THEORETICAL UNDERPINNINGS OF THE BIGGEST PONZI SCHEME IN HISTORY

Capitalist finance over the previous two decades has discovered "securitized finance," which means taking a cash flow from some "underlying" income stream, packing it into a saleable form and selling it on for its "capitalized" value. The previous packaging could be packaged in turn, creating a theoretically infinite "architecture" and "gearing" ultimately resting on the original cash flow. Thus the shaky sub-prime mortgages in the US were generalized through the world financial system like a proliferating AIDS virus, often concealed in the highest ('AAA'-rated) types of paper. "Securitized finance" allowed capitalism to build a classic "Ponzi scheme"[19] of ever-more opaque instruments, announced as a "revolutionary" innovation. Underneath, however, the "leveraging" (the ratio of total paper value issued to paid-in capital or cash on hand) reached absurd levels, so that a small decline of paper value quickly spelled bankruptcy.[20]

19. A Ponzi scheme means a pyramiding of debt made possible by paying exceptional returns to initial lenders to attract more lenders, making initial repayments with money from new loans, and finally pulling the plug when debts coming due far outrun cash coming in.

20. One banker was recently quoted as saying, "What we thought was a 'wall of liquidity' turned out to be just a wall of leverage."

"Underneath" everything else in the financial sphere, the shift from the pre-2000 "dot.com" boom to the housing boom thereafter was the result of Federal Reserve attempts to keep purchasing power in the hands of the "American consumer." To the capitalist pundits, deeply oblivious to any deeper crisis of production and reproduction, this ever-more indebted "American consumer" had been the "locomotive" of the world economy for decades, in the context of ever-increasing indebtedness (corporate- government- personal) in the U.S. economy, all of it subsidized by loans from abroad which by 2007 had reached $3 billion PER DAY. Subsidizing the purchasing power of the "American consumer" became the urgent necessity of keeping the whole world fictitious edifice standing, and preventing the eruption of the deeper deflationary pull of the sphere of production.

The $1-2 trillion in the Bank of China, for example, consists of little green pieces of paper exchanged for real Chinese goods produced by the exploitation of Chinese workers, pieces of paper then re-lent to the "U.S. consumer" so he/she could buy those goods. That money will never be seriously repaid, particularly if U.S. policy makers get their way and the Chinese revalue their currency to the desired level of 4 renminbi=$1, cutting in half the value of those reserves to themselves. The Japanese, who saw their dollar holdings reduced in value by Nixon's dissolution of the old Bretton Woods system in 1971, can tell the Chinese a thing or too (and the Chinese know the stakes very well and have discussed them publicly).

This very brief summary of the 30-year history of the "Washington consensus," in reality touches on the surface of events. For what we are dealing with in reality is the latest turn in the decadence of the capitalist system as a global mode of production, a process that began in the first decade of the 20th century.

V. DECADENCE OF A MODE OF PRODUCTION

What does "decadence" in this sense mean?

Around the time of World War I in 1914, capitalism reached a certain point in history at which it ceased to be a progressive mode of production on a world scale. Historically we see that in the first century of capitalism's existence from the early 19th century to 1914, there was a steady development of productive forces, and a growth of the productive working class on a world scale,[21] in those areas that were fully capitalist. In that period, capitalism got to a stage where that kind of development could no longer happen in a peaceful evolutionary manner.[22] (To periodize capitalism in this way is in no way to overlook its historical crimes, including the centuries of the African slave trade and the pillage and depopulation of the New World.)

When America and Germany were catching up with and passing England as major capitalist powers, the productive working class was growing on a world scale, as a percentage of the active capitalist population.

And from World War I until the 1970s, no country succeeded in developing into an advanced capitalist power in the way the US and Germany did. Starting in the 1970's and particularly 1980's, South Korea and Taiwan did in fact evolve into effectively first world countries, but these were special cases permitted by the U.S. as showcases to compete with the appeal of China and North Korea (the latter being more developed than South Korea until the 1970's). Since then, Hong Kong, Singapore and later China and Vietnam have followed the South Korean and Taiwan models, but this has to be offset against decline and stagnation in the US and Europe, as well as against outright retrogression in Eastern Europe, Russia, Central Asia, the non-oil countries of the Middle East, black Africa and Latin America. So, unlike the period prior to 1914, the rise of the Asian Tigers has not been expansion on a world scale but it was growth here and decline there.

Historically, we can consider the period from 1914 to 1945 to be mainly lost decades for capitalism as a system, just more or less permanent crisis, war, reaction, destruction, and so on. There was to be sure exceptional growth in Japan, tied to its expansion into China, and some technological innovation, as in the US and Germany during the "rationalization movements" of the 1920's (always tied to historically high unemployment of 8-10%, that being the point), and even (e.g. the US auto industry) during the 1930's depression.

21. By "productive working class," what is meant here is those workers producing the Dept. I and Dept. II goods that CONTINUE the capitalist circuit, as expanded means of production or means of consumption for those same workers, as opposed to those commodities (enumerated earlier) that are unproductively consumed. Again, *Capital* vol. I (1976 ed.), pp. 726-727.

22. In contrasting 1815-1914 with the period since 1914, we should nonetheless keep in mind the countless small colonial wars fought between 1815 and 1914 in the consolidation of empires, as well as the Crimean War, the American Civil War, the wars around the reunification of Germany, the Franco-Prussian War, and Japan's wars against China and Russia. We should also not forget the huge death and destruction wrought during the Taiping Rebellion in China from the 1840's to the 1860's. Cf. Sandra Halperin, *War and Social Change in Modern Europe*, 2004.

Latin America from 1929 to 1945 built its "import substitution" populism behind high tariff walls. And we should not forget the Stalinist forced-march industrialization of the Soviet Union which killed upwards of 10 million peasants in the collectivizations, crippling Russian agriculture for the remainder of the Soviet period, and which placed factory speedup under the management of the GPU (the Soviet secret police). Quiet aside from World War I (20 million dead) and World War II (80 million dead), the "purely economic" character of the period was these local spurts of growth offset by the larger preponderance of crisis, stagnation and retrogression in the world as a whole. That local growth which did occur had to await the world reorganization after World War II to be truly effective in a general surge of accumulation.

The period from 1945 to the early 1970s, called the postwar boom, can be understood as a period of reconstruction from that earlier period of the 1914-1945 crisis. This does NOT mean merely rebuilding what existed before 1914, but an expansion that could continue until; again, socially necessary labor time of reproduction was superannuated as the "numeraire", the common denominator, of capitalist exchange at the new, higher "standard of value". The most important social expression of this superannuation was the worker rebellion in the US and Europe from 1965 to ca. 1977.

In reality, the postwar boom ended in the mid-1960s but it continued into the 1970s because of the credit expansion that created the runaway inflation of the 1970s.

In the mid 1960s, as indicated, there were important recessions in Japan, Europe, and the United States. And the US and the other major capitalist countries reflated their economies with credit and extended the boom into the early 1970s. But the dynamism was gone.

Since the early 1970s, on a world scale, the system has been in permanent crisis, trying to reestablish a dynamic equilibrium. Capitalist crisis means a plunge in production, mass unemployment, the destruction of old capital and creation of the conditions for a new expansion with a viable rate of profit. A "slow motion" crisis that never ended began in earnest in 1973, now accelerating into a full-blown crisis on the 1929 model. Marx's Capital has a description of the nature of crisis. Wiping out old competing capital that's not competitive, wiping out lots of fictitious capital, credit, and forcing prices and wages down so that a new phase of expansion can start with a rate of profit that will make capitalists invest. That is the mechanism of crisis.

In order to really adequately frame this analysis and get beyond description, it is necessary to use Marx's terminology, while trying to remain as clear as possible.

Capitalism as a system is regulated by what Marx called the law of value. The law of value means that the universal, average cost of reproducing all commodities—everything bought and sold in the capitalist system—is determined by a general "standard" which is set by the socially-necessary labor time required to REproduce them TODAY. The ultimate foundation of this standard of value, which sets the value of all commodities, is the socially necessary time of reproducing labor power, the living labor capable of using contemporary technology. Capital without living labor to exploit produces no profit, as shown in the limits of automation and robotics to "solve" capitalism's crisis.

From one cycle to the next, capitalism develops productivity and it makes commodities cheaper. It makes technology cheaper, and it makes wages (the capitalist price of labor power) cheaper, but it can compensate in many circumstances for cheaper wages because working class consumer goods also become cheaper.

So, in the whole system, "variable capital," the total cost of reproducing labor power, gets smaller because of productivity increases.

Marx called this process of the decline of the total wage bill (V, or variable capital) relative to the value today of all means of production (C, or constant capital) the rising organic composition of capital, expressed in the relationship C/V. Since capitalist profit can only come from the exploitation of living labor (V), Marx saw a general tendency for the rate of profit to fall relative to the mass of capital (C) which living labor set in motion.

Some examples of a declining V offset by a rising material content of workers' wages are in order. In the 19th century in America, England, France and Germany, the most important capitalist countries at that time, the workers spent half of their wages on food. Then an agrarian revolution happened worldwide. Canada, Argentina, Russia, the U.S. and Australia used the most modern methods of cultivation and transportation to produce and ship grain very cheaply, creating a deflation of grain prices and a crisis in other countries (mainly in Europe) still using small-scale peasant agriculture and inland transport. So, by the time of World War I, the working classes were spending less on food and had more wages to spend on other consumer goods.

The explanation for the post-World War II boom was an increase in productivity lowering the total wage by productivity gains. But, because food and other basic necessities became far cheaper, workers could buy TVs, cars, houses, things that they could not buy or which did not exist before World War I. In other words, the law of value was cheapening production but living standards up to a point, including for workers, could rise.

But, we have to see 1914-1945 as a period in which capitalism was trying to do the same thing that it had done in the classic crises of the 19th century, namely, find a new foundation for a new expansionary phase. It couldn't happen in the old way, it couldn't happen just by a crash, a couple of years of depression, and then a new expansion. In the world then dominated by the capitalist system, the total productivity of labor was too high to be contained within the capitalist form. What previously had happened by the cycle of crash, deflation, depression, recovery and boom (which involved, as indicated, the destruction of outdated technology, the acquisition of newer technology at deflated prices after which it could become profitable, and extended periods of mass unemployment) required a much larger scale of actual physical destruction, both of technology and of working people. There was capitalist capacity tied up with institutional and geopolitical elements, because Great Britain could no longer be the No.1 capitalist power. But Great Britain was not going to just graciously step aside; it had to be pushed side. And Germany tried to push the British aside and the United States succeeded in pushing them aside. So it required thirty years of, as I said previously, war and political transformation to create new conditions for capitalist accumulation on a world scale.

The above-mentioned "organic composition of capital" is again most pertinent here. The decadence of the system on a world scale is expressed in the "fact" (another face of productivity being too high to develop further in a capitalist form), that the great accumulation of capital investment (C) becomes an obstacle to further development. Any important cheapening of C by further technological innovation would destroy the value of too much existing invested capital. Hence, the need to preserve that value becomes a brake on the very dynamism that developed capitalism to a high level.

Thus the crisis is two-fold: a reduced rate of profit, systemically, from a rising C/V ratio, becoming a brake on real innovation, which is also the expression of the fact that V, the cost of reproducing labor power, diminishes to the point where it cannot be the common denominator of commodity exchange. The crisis is neither a lack of productive technology nor of labor power as such, but the restraint of their potential in a system demanding an adequate rate of profit for capitalist investment. The anarchic character of the system can only re-establish an adequate rate of profit through destruction and retrogression, the backward movement socially experienced in 1914-1945 and since 1973. A revolution taking economic and political power away from the capitalists would make possible an immediate end to the requirements of the capitalist law of value on both existing technology and labor power, and permit a rapid transition to a far greater creation of real wealth, initially freed from its capitalist form and subsequently evolving into completely different kinds of productive activity and wealth.

An obvious example of a capitalist brake on real human development is the car-oil economy which has been so central to capitalist accumulation since the 1920's and especially since 1945. The patents of the many far-more fuel efficient automobile engines invented periodically have been bought up by the major oil producers, never to be heard of again. Similarly, auto and oil producers have successfully lobbied against any serious program of public transportation in the U.S. to keep people using cars, with the billions of lost hours in traffic jams, commute time and huge oil consumption that implied, while allowing the railroad system to rot. (In Los Angeles, as merely one example, a good system of public transportation existing before 1914 was dismantled under the pressure of the auto industry to make way for the suburban commuter nightmare that exists today.)

Hence, the conventional (Malthusian) view (held by much of the environmental movement) of the current crisis as the result of "too much technology" is the perfect ideological cover for the fact of the NON-development of many technologies which has heavily contributed to it.

A process similar to 1914-1945 has been happening since the early 1970s, in the great retrogression I described earlier, where America can no longer play the role of the system's hegemon. The United States can no longer play this role, and nobody else, no other country can really replace it, but there's a struggle for reorganization of the world system that would allow a new expansionary phase to happen. And I think, like in the 1914-1945 period, this cannot happen peacefully. I don't know exactly how it could happen, I'm not sure it can happen because the underlying crisis is very deep. But nevertheless that's the problem on a world scale today.

In this situation, different regions in the world, East Asia (Japan, Korea, China, Taiwan), Russia, India, Europe, are all dissatisfied with the current world system, and would like to reorganize it. But none of them is individually strong enough to overthrow the power of the United States, and the

US has been skillfully trying to keep them from forming a powerful bloc.[23] That's the world geopolitical context for the ongoing crisis, analogous to the logjam created by a superannuated British hegemony from 1914 onward.

But nevertheless this is only one level of the problem. The deeper level is, once again, that, as in 1914, there cannot be an expanded world boom, it couldn't be within a capitalist framework because the capitalist law of value is no longer capable of expanding the world productive forces in the same way it did prior to 1914.

VI. CAPITAL ABORTS HUMAN DEVELOPMENT TO SAVE ITSELF

Let's look more closely at the balance sheet of capitalism since the late 60s and early 70s. In Latin America, there has been massive impoverishment and deindustrialization, as in countries like Argentina. In some countries, such as Brazil, this has meant the marginalization of ca. 20-30% population from participation of almost any kind in the economy. Black Africa has been even worse: almost a total disappearance of real investment in the many so-called failed states. Eastern Europe and Russia have had 15 years of so-called shock therapy and a transition to private capitalism with millions of old people dying, because their pensions became worthless with the new inflation. In the ex- Soviet Central Asian Republics, conditions fell sometimes to 30% of the living standard of pre-1991. In the non-oil producing countries of the Middle East, it was not quite as systematic, but there were similar kinds of marginalizations of populations. There was much distorted development in the countries with the oil revenues. Then in Asia itself, a certain kind of economic development I mentioned before—The Tigers, China, but in reality in India and China combined-there are one and half billion peasants who are left out of this process. I see no way that capitalism pulls them into the process. And in Europe and the US, there have been extended periods of mass employment, the deindustrialization of the US, and the deindustrialization of Britain. 1% of the US population is in prison. That, again, is the balance sheet of capitalism since the early 1970's.

23. Cf. Zbigniew Brzezinski's *The Grand Chessboard* (1997) for the quintessential statement of this strategy for staving off imperial decline.

In these phenomena, we see how capitalism continues to develop productivity[24] but cannot translate that productivity increase into real gains for society.

In other words, capitalism has created the productive ability to have much shorter working hours, and society could have a much shorter work week on a world scale. But that can't happen in a capitalist framework. Capitalism needs living labor and exploitation of living labor in order to be capital. (To be sure, the CONTRACTED social reproduction since the early 1970's has undermined somewhat the total productivity in existence—that is its purpose—but on a world scale, productive forces still exist which can be the basis for a rapid transition out of capitalism.)

From the middle of the 19th century until the middle of the 20th century, one of the main slogans of the world working-class movement was for the 8-hour-day and 40-hour-a week. And from that period and into the 1960s, capitalism was in fact shortening the work week, under the pressure of the classical workers' movement.

But then what happened? This tendency, like the tendency to greater income equality, was reversed and now the work week is lengthening in North America and Europe, and why? Not because there isn't productive capacity around but because, once again capital needs to exploit living labor in order to survive and profit as capital. Nothing better illustrates capital's inability to socially realize its own gains in productivity, and hence its need to destroy productivity to re-establish an adequate rate of accumulation and profit.

This is right in the middle of Volume III of Marx's book Capital. What did he say? Capital becomes an obstacle to itself.

Past a certain point, capital cannot realize, socially, the gains in productivity that it creates through competition. It lives from the privatization of profit and the socialization of costs.

It happened once from 1914 to 1945, and it's happening again since the late 1960s-early 1970s in (so far) a more diffuse form. Here's a thumbnail sketch of the United States since 1973, during which time "GDP" has increased

24. Productivity has continued to improve in the advanced capitalist world since the end of the postwar boom, though not as rapidly as before. Productivity increases for capital, not for society; if improved productivity does not benefit capital, it does not take place.

about tenfold. There are many aspects of the social reproductive dimension of the post-1973 crisis in the U.S., but none stands out more sharply, as indicated earlier, than the disappearance of the one-paycheck working-class family, of which millions existed ca. 1960. The recognition that most of those single paychecks in 1960 were earned by "white men" should not divert attention today, when two or more paychecks are required to maintain a working-class household, from a terrible rollback. Without for a moment denying the importance of the "feminization of the work force," the fact remains that millions of women entered the the U.S. work force after 1960, because they HAD to. Even at the individual level, the average work week has crept up from ca. 39 hours in 1970 to about 43 now. The minimum wage in the U.S. in 1973 was $3.25 per hour; today it is $6.15, and it would have to be raised to $18 to recover the purchasing power of the 1973 level. More broadly, real wages plateaud in 1965-1973 and have stayed flat or fallen (mainly fallen) for at least 80% of the population since. The cost of higher education has spiraled out of control, increasingly closing it off to the majority of people (this is overlooking, for the moment, the retrogressive dominance in much of higher education of the "post-modernists")[25]. The U.S. routinely scores 20 out of 20 among "advanced capitalist" countries in comparative testing of high school students. Under the impact of the 1978 populist "tax revolt," California's public schools fell from the best to the worst in the U.S. in 30 years. U.S. life expectancy is 42nd in the world, rivaling… Jordan, and many semi-developed countries have lower rates of infant mortality. In order to satisfy the demands of big pharmaceutical companies and insurance companies, health care takes 14% of "GDP", much higher than many other OECD countries with better (and universal) systems. 40 million Americans have no health insurance at all. 1% are in the prison system, an exponential increase from 35 years ago.

But the rollback has not merely occurred in the reproduction of labor power, as these figures show, but also in the material reproduction of the world. Current estimates of the requirements for rebuilding U.S. infrastructure are conservatively $1.6 trillion, and we need only recall New Orleans under Hurricane Katrina to grasp, in extreme form, what this has meant generally as social retrogression.

Capitalist statistics make it very difficult to isolate "productive investment" (as defined above), but at the very least productivity (in capitalist terms) has

[25]. Cf. my book *Vanguard of Retrogression* (2001) on this phenomenon of decay.

never since, not even in the mini-recovery under Clinton in the 1990's, recovered the annual average of 3% of the 1945-1973 period.

Could there be a new boom, like 1945 to 1973? Yes, but, just as the 1945-1973 boom excluded a very large part of humanity, there could be another boom but it will also marginalize populations even more than the 1945-1973 boom. That is what decadence is all about: the inability of capital to further expand the social powers of humanity.

VII. PROGRAM: FORM AND CONTENT OF A TRANSITION OUT OF CAPITALISM

We now turn to the question of program.

Program looking forward is of the utmost importance if we are to successfully discredit and overcome the reactionary programs, including those put forward by the pro-capitalist left (Obama, Nader), that will proliferate as the crisis deepens. It is essential to be able to distinguish between a program that truly challenges the capitalist system and one that merely seeks to reorganize it, even by "painting it red."

In the U.S., to a certain extent in Europe, and increasingly in East Asia, the decadence of the system creates distortions in the economy that make it more and more difficult for workers and ordinary people to think concretely about what a working class revolution could do.

So, for example, in the US, the most decadent country except for England, only about 15% of the workforce is now involved in production (which by no means implies that the other wage-workers are not also proletarians with an immediate interest in revolution).

So, of course, the United States is a parasite economy in the world economy.

It draws wealth through the international financial system from the other parts of the world, such as East Asia, Korea, China and Japan.

This has allowed it to de-industrialize and have a so-called "service economy."

But that service economy is totally dependent on the world continuing to accept the dollar standard and to finance America's ever-increasing debt pyramid.

Basically, the rest of the world produces and America consumes. And America is able to do that because the rest of the world loans America huge amounts of money. Now this arrangement works both ways. Because the rest of the world can have apparently dynamic economic development, as in China, and so they need the US markets to continue to expand. The US can have this parasite role and get its consumer goods and doesn't have to produce anything in exchange, except little green pieces of paper.

So, therefore, when you present a program for a working-class revolution in a really a decadent economy such as America, many people wonder what it can mean. In the 1960's and 1970's, when America was still a major industrial power, it was much easier to imagine what it might mean, with the creation of workers councils and soviets. Here are the factories, we take them over, run up the red flag, and that's the revolution.

But now, most of the factories are closed and people who used to work in the factories now deliver pizzas and work for McDonald's or they worked (until recently) selling houses in the real estate markets, and so on.

So, of course, on a world scale, there is still adequate production to have a transition to communism, but in countries like America, the UK, increasingly Western Europe, and, I think probably, to some extent, Japan and now Korea, it is particularly necessary to push aside the appearances of everyday capitalist production and present a program for what an actual working class revolution would do with the economy.

We don't want workers councils and soviets in banks and insurance companies and real estate companies and other unnecessary or downright socially harmful (i.e. arms production) parts of the economy; we want to abolish those activities.

And we want to take all the labor power, all the workers trapped in those unnecessary or harmful parts of the economy, so they can help make the work week much shorter and to generally establish high productivity and high material living standards without all these obstacles draining general wealth.

Take, for example, the American auto industry. In 1973, there were 750,000 auto workers in the industrial Northeast of the US.

And those workers at that time were the most militant and they were the vanguard of the working class, particularly black auto workers.

In the last 35 years, that workforce has been greatly reduced so that today, for example, in the UAW, there are only about 500,000 auto workers left and soon there will be even fewer.

Right now, Ford Motors is in deep economic trouble, GM is in deep economic trouble and so, they're trying to negotiate the best possible settlement with the group of workers who are left.

Now there is even a possibility of a merger of GM and Chrysler.

At the same time, there are still a lot of non-union auto plants in the US, particularly, in the southern states, and most of them are foreign-owned auto plants: Japanese, Korean, German, and French.

But those factories are built in carefully-selected small towns, very isolated, where there is no tradition of working class struggles, so as far as I know, there is very little worker militancy in those factories.

What does it mean from the revolutionary point of view? It means that even 40 years ago, the idea of continuing automobile production as it existed was not part of the revolutionary program.

The real revolutionary program would be pointing to the decadence of the huge resource loss from the whole social organization of the automobile and pointing to other kinds of transportation, other kind of cities, other uses of oil, and so on. Even 40 years ago, the revolutionary program was not for more cars. It was changing the whole nature of production, so that the social dependence on cars would decline, and other kinds of transportation like mass transportation could replace cars, and so cities could be organized in different ways.

That is material production which isn't decadent in a social framework. And so, the revolutionary program would not be workers' councils, soviets, workers' control for more cars (however important such institutions will be elsewhere), but it would be for whole different kinds of work, and whole different kinds of production.

This is all to answer the question about the link between program and what I see as the decadence of this system. It is simply a kind of abstract model attempting to cut through the appearances of decadent capitalism.

I propose to use the following "heuristic" device to explore fictitious capital in the world economy: imagine world production from the vantage point of a world soviet after successful world working-class revolution. This is of course heady, quasi-utopian thinking, but it is in my view a kind of necessary abstraction that interacts with the program from now until a world revolution makes such an abstraction concrete. It is not unlike volumes I and II of Marx's Capital, which abstract from a thousand appearances to isolate what capital "really is," and then, at the end of volume II and in volume III, to plunge that abstraction into daily realities closer to the visible working of the system (on this method.[26]

I think that the main reason for the eclipse of the type of struggles dominant in the 1960's and 1970's and the relative absence of such struggles today is the globalization of the stakes. There is no meaningful reformism on the level of society as a whole (in contrast to specific local and defensive struggles that can have temporary victories). That is why the word "reform" is now the slogan of reaction. If, as Marx said in 1844 "in France, it is enough to want to be something to want to be everything," today in order to be something it is necessary to become everything.

The following offers nothing more than the bare bones of a program for the expanded material reproduction of society; it does not begin to discuss the equally, if not more fundamental transformation of life, the "development of human powers as its own goal" that would be the essence of an actually communist society.

The old "imagination" of working-class revolution was a general strike or mass strike, occupation of the factories, establishment of workers' councils and soviets, the political overthrow of the capitalist class, and henceforth a direct democratic management of socialized production. This "imagination" was based on the experiences of the Russian, German, Spanish and Hungarian revolutions and revitalized by the American, British and French wildcat movement from the 1950's onward, the French May-June general strike of 1968, the Italian worker rebellion from 1969 to 1973, the worker rebellions in Portugal and Spain in the mid-1970's "transitions." We can add the Argentine "Cordobazo" (1969), the Chilean proto-soviet "cordones comunales" of 1973, and the Brazil heavy industry strikes of 1978-1982.

26. Cf. my article "Production or Reproduction" on the Break Their Haughty Power web site. Against A Reductionist Reading of Capital In the Left Milieu, And Elsewhere, on the Break Their Haughty Power web site.

I think this model has lost touch with contemporary reality, at least in the West (in contrast to China and Vietnam) because capital-intensive technological development, downsizing and outsourcing have reduced the "immediate process of production" (the "volume I" reality of capitalism) to a relatively small part of the total work force (not to mention total population), and even the production workers who remain are often involved in making things (e.g. armaments) that would have no place in a society beyond capitalism. More contemporary workplaces would be abolished by a successful revolution than would be placed under "workers' control."

As I said, a merely heuristic device, but perhaps a useful one.

On a world scale, the total number of production workers, as a percentage of the capitalist population (wage-laborers and capitalists), has been shrinking even as the total global "output" has grown. (This may appear to be contradicted by the emergence of China and India, but China since 1997 has LOST over 20 million industrial jobs and in India, workers are still less than 10% of the total work force, which remains overwhelmingly rural. The issue, in any case, is not mere quantity. What is important is the total VALUE, in the law of value sense, of the total world work force. Workers earning far less in China or high-tech workers in India eliminate highly-paid workers in the West. The whole point of integrating them into the world market is to REDUCE "V," what Marxists call variable capital, the total wage bill.)

The first task of such a soviet would be to organize the global transition out of the production of value (in Marx's sense of value). The world revolution will have presumably taken place when the ratio of C (constant capital) to V (variable capital), the organic composition of capital, is already very high, meaning that value is already obsolete. But what is the basis of value? It is the social cost of reproducing the existing productive work force of the two departments I and II. The revolution would accelerate the development of the productive forces on a global scale to truly free production and reproduction from the value form.

What we need is a basic grasp of the total resources available on a world scale, in terms of existing labor power and means of production, to effect such a transition. The cost of reproducing world society in today's terms is the "foundation" of a measure of "fictitious capital." Here the is the minimum, "first 100 days" program:

I. abolition of the dollar standard, etc. and an "organized deflation" of the world economy (which the crisis at any rate is doing quite nicely for us, in an anarchic way).

II. abolition of all socially unnecessary and noxious labor.

III. shortening of the working day, with the help of the millions of workers freed by II.

IV. global expansion to uplift the world population to an acceptable worldwide standard of living.

V. transition out of the automobile/ steel/ oil economy; dismantling of the urban/ suburban/exurban sprawl produced by the needs of that economy.

TENTATIVE FURTHER REMARKS

Here are further programmatic points, offering more detail within the above framework; for this victorious world soviet, very tentative. They amount to "Chapter 11" bankruptcy proceedings for the capitalist system.

In abolishing fictitious capital as part of abolishing capital (a social RELATIONSHIP, what Marx called the "capital relation"), we impose "global accounting standards" or "world resource accounting" to take an "inventory" of total existing means of production and labor power, in terms of use values. (The goal is pushing all production beyond the necessity of exchange, so that social "measurement" occurs neither in price nor in labortime, but is strictly in use-value terms of real goods and services produced.)

1) Implementation of a program of technology export to equalize upward the Third World.
2) Creation of a minimum threshold of world income.
3) Dismantling of the oil- auto- steel complex, shifting to mass transport and trains.
4) Abolish the bloated sector of the military; police; state bureaucracy; corporate bureaucracy; prisons; FIRE (finance- insurance- real estate); security guards; intelligence services.
5) Labor power is freed and performs socially useful work to facilitate a shorter work week.
6) Crash programs around energy: nuclear fusion power, solar, wind, etc.

7) Application of the "more is less" principle to as much as possible. (Examples: satellite phones supersede land-line technology in the Third World; cheap CDs supersede expensive stereo systems, etc).
8) A concerted world agrarian program aimed at using food resources of the US, Canada, Europe and developing Third World agriculture.
9) Integration of industrial and agricultural production, and the breakup of megalopolitan concentration of population. This implies the abolition of suburbia and exurbia, and a radical transformation of cities. The implications of this for energy consumption are profound. It is time to take seriously the Communist Manifesto's reference to the contradiction between the city and the countryside, and programmatically pose their integration.
10) Automation of all drudgery that can be automated.
11) Generalization of access to computers and education for full working-class participation in global and regional planning.
12) Free health and dental care.
13) Integration of education with production, thereby remaking the very idea of what education means.
14) The shift of R+D currently connected with the unproductive sector into productive use.
15) The great increase in productivity of labor makes as many basic goods free as possible, thereby freeing all workers (e.g. cashiers, etc.) involved in collecting money and accounting for it.
16) Global shortening of work week.
17) Centralization of everything that must be centralized (e.g. use of world resources) and decentralization of everything that can be decentralized (e.g. control of labor process within the general framework).
18) Measures to deal with the atmosphere, most importantly, the phasing out of fossil fuel use.

Once again, in conclusion, the usefulness of such a basic program, much of which can be quickly implemented by working-class power, is that is cuts through the appearances of the deep distortions of fictitious development since at least World War II. It cuts through the abstract debates about "forms of organization" (party, class, councils, and soviets). Once again, we don't want soviets and workers' councils in finance, insurance, real estate, and many of the other sectors mentioned which exist only because the system is capitalist; we want to abolish those sectors.

VIII: LOOKING FORWARD; THE BIGGEST OPENING FOR THE WORLD WORKING CLASS SINCE 1917-1921

This crisis, expressing the profound disarray of the capitalist class, offers the anti-capitalist radical left its biggest opening since the defeat of the world working-class upsurge following World War I. Then, it was a century of British world domination and a phase of capitalist accumulation that was tottering, with rising American dominance in the wings; today, it is the decades of American world domination and of the 30+ years of decay represented by the "Washington consensus" that are up for grabs, and-most crucially, and for reasons indicated by the preceding analysis-NO SUCCESSOR POWER waiting in the wings. That "fact" throws open a struggle for both a reorganization of world capital and a possible new working-class "storming of heaven." The biggest capitalist crisis since 1929 may just be preparing the biggest working-class revolt since 1919. Defeat after working-class defeat, between 1914 and 1945, were necessary to consolidate the new American era; the coming years will see a similar battle to reshuffle the capitalist deck; and it will be in this new situation where "thieves fall out," that a possible revolutionary breakthrough can occur.

Whether the 2007-2008 "financial crisis" results in merely a deep world "recession" or an outright depression, the ideological baggage of 30 years has been thrown overboard in a matter of months, if not days. At the same time, the ideological baggage for controlling the working class of the preceding period- Social Democracy, Stalinism, Keynesianism-has been greatly weakened, in the broad social organizations (Socialist, Communist and Labour Parties, or the American Democrats, unions) that previously sustained it. When, by 1921, the Russian and German revolutions, and mass strikes and insurrections in a dozen other countries had been defeated, capitalist statism had a great future ahead of it in Stalinism, fascism and the New Deal. But those "solutions," like all real historical solutions, required years of groping in the dark, factional battles among the aspirants to power and finally (as I have argued) World War II to produce the clear outlines of the post-1945 recovery. They further built on ideologies and institutions (above all the world socialist movement) which had been developing for decades before World War I.

Today, on the contrary, we see the Western bourgeoisie, disarmed by its own neo-liberal ideology, falling back in a flash on Keynesianism, injecting hundreds of billions of dollars into the banking system to stave off collapse, and dusting off forgotten laws and powers from 70 years ago to push through their emergency measures. We have hardly seen the end of this. Left-of-center figures have emerged in the past decade-Paul Krugman, George Soros, Jeffrey Sachs, Joseph Stiglitz-ready to be the architects of a newly reformed capitalism. In mid-November, the "Group of 20" (an expanded G-8) will meet in Washington DC to begin discussions for a "new Bretton Woods".[27] We can be sure that the conference will be remembered as faintly as the many highly-touted disarmament and economic conferences of the 1920's and 1930's are remembered today. Such matters are hardly settled peacefully around a conference table, as the less-important but no less potentially rancorous Doha Round on international trade, dragging out over years and repeatedly ending in collapse, has shown. We can be reasonably sure that the U.S. will not quietly cede an inch of its imperial prerogatives, by admitting any significance demotion of the dollar, any meaningful settlement of the $13 trillion external debt of the US, or America's controlling shares of the IMF and World Bank. Or, failing that, any concessions it makes will be cosmetic. In addition to the left-of-center candidates for the reorganization of the world capitalism, we can also anticipate the re-emergence of the authoritarian right, often (as with fascism in the interwar period) having essentially same program as the moderate left, ready to frighten potential insurgents into a "defense of (bourgeois) democracy."

The real issues confronting the conference, which will be played out in international confrontation and class struggle in coming years, will be at the very least the demotion of the U.S., reflecting both its economic decline and the growing economic power (first of all) of Asia, above all East Asia. Asia accounted for 5% of world GDP (bracketing for a moment the deceptive ideological content of "GDP") in the 1960's; it accounts for 35% today. One way or another, the Asian capitalists will insist on an institutional recognition of that shift.

The real issue, however, for this and future conferences will be precisely preventing the implementation of the program outlined above. Consciously or unconsciously, the superannuation of value (in Marx's sense) for the future expanded reproduction of humanity will be the true "uninvited guest." This and future conferences, before, during and after working-class insurgencies and international confrontation (and the intersection of the two, as in the

27. The expansion from the "G8" (G7 plus Russia) will include such newcomers as Peru, Brazil, India, China, South Africa, Mexico and Turkey. This "new Bretton Woods" should not be confused with the now (happily) defunct "Bretton Woods II," whereby it was imagined that the world would forever tolerate a flood of dollars from U.S. balance-of-payments deficits. In the past 14 months, "Bretton Woods II" has joined "decoupling" in the lumber room of capitalist ideologies.

Spanish revolution of 1936-1939), will be how to reorganize the world system, dealing a new hand to new players, and imposing a new system of "labor relations" on the world working class. The issue will be forcing accumulation back into a basis for an adequate rate of profit for global capital, as the system has been doing in fits and starts since the late 1960's, without (as previously argued) finding an equilibrium.

It is our task to assure that the world capitalist class fails in this reorganization, at our expense. Hic Rhodus hic salta! Here is the rose, here we dance! Comrades, history has offered us an opening which, if we fail, will not come again in our lifetimes. Ninety years ago, in the words of Rosa Luxemburg: "The revolution says: I was. I am. I will be." That future is ours to make or break.