ORGANIC CRISIS AND CAPITALIST TRANSFORMATION

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Abstract: Boom! The crisis is over. But great structural or "organic" crises run in different conjunctures and with a series of fractures. Therein lies an accumulation of molecular changes and an agglomeration of diverse elements of crisis. The crisis meanders and moves its course. By the fall of 2010 we have already seen four conjunctures: Financial crisis, global economic crisis, debt crisis, crisis of representation. A fifth and sixth act are imminent. The crisis is now entering the next round. Because even the basic economic causes of the crisis are not being faced in principle—not to mention the other dimensions of the multiple crisis. On the contrary, the form of dealing with the crisis respectively prepares a next phase of crises. Neoliberalism has lost its propulsive social function. There's a lack of expansion- and development-opportunities to come to both, the needs of accumulation, as well as the social needs of the population to improve their situation or at least their need for prospects. The promises have been broken. The active support of the people has begun to crumble. We are entering another transformation of capitalism.

Key words: crisis; neoliberalism; accumulation; hegemony; transformation

Transformation as Passive Revolution

Nothing will remain as it is. Transformation for the last 150 years has meant: a passive revolution of the modes of production and the respective modes of living. Following Antonio Gramsci, passive revolutions are one way to restore fragile power by revolutionizing all social relations—not only restoring order, but developing a bourgeois, capitalist rule, by actively pushing forward society (Gramsci Gref.I: 102). The passive element is to integrate the interests of the subaltern but to keep
these groups in a subaltern, powerless position, and to absorb their intellectuals and leaders into the power bloc, while depriving the subaltern of their leadership (Trasformismo). The neoliberal management pushed on with the globalization and internationalization of production, culture and consumption, as well as the information technology thrust, the scientification of production by including the knowledge of the immediate producers and it enforced personal responsibility and economic emancipation of women.

The first transnational wave of the neoliberal transformations weakened the power of workers, trade unions, social movements and Social Democracy; the second wave integrated their representatives into a socialdemocratic-neoliberal power bloc (Candeias 1999, 2004/09). The result was a rapid development of productive forces, of accumulation and profits at the expense of accelerated redistribution and inequality. However, neoliberalism has lost its propulsive social function. The third wave was an authoritarian turn, both with regard to international and to internal relations. There is a lack of adequate investment opportunities, profit rates in general are falling, more and more social needs are not fulfilled, the people lost their faith in individual and social progress. The consensus faded away, but yet there is no visible alternative.

**Organic Crises and Disruptions**

Structural or organic crises precede transformation. There are indications of “incurable contradictions” (Gramsci *Gef.* 7: 1557) in the structure of society. Crises are natural in societies in which the capitalist mode of production prevails. It is quite typical for neoliberalism as a hegemonic project to absorb crises by getting them organized (Demirovic 1987: 121). Economic-cyclical or “generic” crises (Poulantzas), which became more frequent in shorter intervals during neoliberalism, are causing instability, lead whole countries and regions to almost collapse; they produce unemployment, poverty, hunger and challenge the legitimacy of the rulers. While causing much individual and social unrest, “productive destruction” has a “cleaning effect” that produces or accelerates technical, economic and social innovations, as well as triggering dynamic impulses and helping to energize bourgeois hegemony. As hard as these crises hit the living conditions of many people, the destruction and devaluation of capital reduces the tendency of over-accumulation and creates conditions for the re-distribution of surplus value benefiting profits. It also improves the conditions for valorization and enforces adjustments of social regulation. This comes with changing political conjunctures during a certain period of capitalist development, e.g. the change from orthodox-conservative to social democratic and finally to authoritarian neoliberalism (Candeias 2004/09: 404ff).

It’s not the resolution of contradictions that is crucial for the power bloc, but rather
the management of them in such a way that they do not endanger power. Thus such a concept of hegemony does not ask for the stability of a certain order but rather for determining ways of dealing with the contradictions.

Organic crises are characterized by a condensation and entanglement of various crises, which cause conflicts and blockages within the bloc in power. This includes molecular changes as well as *a series of fractions* during the development. Such series of fractions occurred for example in 1929, 1933 and 1945 at the origins of Fordism and its crisis during the transformation to neoliberalism in 1968, 1973/75 and 1980. This series shows already that there are not only economic but also political crises and events, like the New Deal, Fascism, World War II and the protests of 1968, or like Pinochet’s neoliberal coup d’état, Thatcherism and the “intellectual and moral turn” in Germany. Because one can exclude the idea that the immediate economic crises produce fundamental events by themselves; they can only provide a fertile ground to reflect, ask and solve the key questions for the whole further development of the modes of production and the respective modes of living (Gramsci *Gef.* 7: 1563).

However, it is also clear that the assumption that after a “great” crisis like 2007/08 (Candeias 2009a) all will continue as before, with only slight modifications, is unhistorical, and this also goes for the assumption that everything can change over-night. The transformation from imperialistic globalization and competition to Fordism in the US took at least 13 years, in Europe even until after WWII—by then spatial asymmetry and varieties of the development began to show. The next transformation from organic crisis in the late 1960s until the actual enforcement of neoliberalism lasted until 1980. It unfolded in stages, and was dominated first by Keynesian economics, but already with a switch to monetarism and floating exchange rates. Indeed that does not happen automatically and the history of enforcement of Fordism shows how violent such a transformation can be, and in how different ways Fordism—as later neoliberalism—is realized in different contexts.

**Organic Crises and Molecular Changes**

Now, before economic or political disruption occurs, but also independently of it, there are developing *molecular changes* in social relations, which are an every-day form of movement within contradictions that are barely visible at first. We have to distinguish between “cyclical or occasional” and “organic” or structural molecular changes (Gramsci *Gef.* 7: 1557). The first type requires modifications of the mode of regulation without entailing structural changes. The second type cannot be managed sufficiently within the provided mode of regulation, although modifications may delay its critical condensation. According to the course of the social conflicts, the
first can turn into the second type. Thus it depends on the concrete analysis of the situation.

Such molecular changes as generic crisis-elements are manageable as isolated phenomena, even if they lead to shifts in the structure. Accordingly they organically belong to the capitalist mode of reproduction. Since they are permanently effective (Demirovic 1987: 118), it is not useful to see themselves as a crisis or to see them still as a teleological principle, which leads almost automatically to the “real” crisis. But this form of molecular changes always contains the possibility of a shift of contradictions and power relations and thus can lead to a condensation in “large” structural crises, which touch questions of hegemony and legitimacy. Molecular changes as cyclical crises do not ultimately threaten the existence of the mode of production, but generate social conflicts. Owing to the complexity of social relations, crises and conflicts are unpredictable.

Over-Accumulation of Fictitious Capital

The financial crash in 2007/08 and the global economic crisis are the result of a slowly growing over-accumulation—a molecular change developing over years. As is known, the volume of financial transactions of US$3,300 billion a year has potentiated in comparison to a global trade volume of only $16 billion and cross-border direct investment of nearly $2 billion in 2008. The Bank for International Settlements (BIS) estimated only the volume of derivates trading for 2008 to US$1,600 billion, the stock was estimated at about $345 billion (www.bis.org). If an average interest rate, say from a modest 3 percent is assumed, then interest claims would arise from more than US$10 trillion, roughly the entire GDP of Germany, Japan and Great Britain together. These are claims that ultimately display nothing other than the levy surplus value, which had been produced elsewhere.1

This tendency to over-accumulation2 has been addressed by different strategies, such as the constant refinement of financial instruments and the search for new investment opportunities by incorporating new areas (such as East Asia), and opening up to previously non valorized areas (e.g. genetic resources, general knowledge and intellectual property, pollution rights and privatization of public services). Another way was and still is to develop new products and means of production (e.g. information technologies). One decisive strategy is to increasingly and directly integrate the reproduction of the working class into valorization of capital, and to create more and more new consumer needs—for example, from flat screen televisions to private real-estate property. For this purpose it was important to push the working class into credit relations by financial innovations, such as installment payments, consumer loans, mortgages and building society loans with state funding, credit cards, the privatization of pensions or the so-called subprime
loans. All these strategies have not prevented a growing “plethora of capital” (Marx MEW 25: 261), of over-accumulated capital, which lacks adequate investment possibilities and is therefore “pushed on the path of the adventurer: speculation, credit fraud, stock fraud, crises” (ibid.).

The speculative bubbles, which led to the crises in Asia, Latin America and Russia in 1997/98, had for a real basis the extension of accumulation into new spaces. The dot.com bubble that burst in 2001 funded the spreading of Internet technologies, before the “exaggerations” were corrected. The housing and credit bubble that is now discharged, however, had hardly opened any new accumulation viable fields, but it had almost exclusively driven forward the financial or “fictitious” accumulation. Thus, the mortgage crisis started from the so-called subprime loans; however, the direct payment defaults that accumulated in this area at the outbreak of the crisis in 2007 only added up to an estimated $45 billion (IMF 2008). The volume of the speculation results from the complex combination of credits and their hedging with CDS contracts. Credit default swaps (CDS) are credit derivatives, which were originally used to hedge against default risks of loans and other securities. They are themselves tradable and represent objects of speculation, with a market of about US$62 trillion (Financial Times Deutschland, June 3, 2008).

The sum of the accumulated assets leads to claims on surplus value, which exceeds by far the actual surplus value production (Husson 2010). During cyclical crises modified accumulation strategies could deal with the consolidation of this molecular change for long periods and delay but not prevent it. The mortgage crisis (see Candeias 2009a) was, so to speak, the cyclical expression of this molecular change.

**The Myth of Economic Recovery**

Structurally—and this is probably economically the most problematic for the power bloc—this change has led to the fact that the accumulation on an expanded scale has not been guaranteed for some years now. The BIS speaks of “the myth of economic recovery”: “When economic performance declines, after recovery it tends to remain far below the previous levels” (Cerra and Saxena 2007: 16). Especially in countries with a strong liberalization of financial markets, economic recovery is slower. After every financial crisis long periods of recovery are to be expected, and they’re often too long to return to the old level before the next crisis is breaking. The crisis cycles become shorter and shorter, shifting increasingly from the peripheries into the capitalist centers—the progressive transnationalization leads to the synchronization of the cycles, and the crises tend to deepen and to last longer. If the recovering of the affected economies, on average, lasts for four years, but crisis comes repeatedly every four to five years, there can no longer be any talk of recovery in the sense of...
advanced reproduction (ibid.; see also Krüger 2010: 408). The global growth-trend has been pointing downward since the late 1990s.

This myth of economic recovery brings with it the belief that rising yields are only achievable through continuous redistribution at the expense of workers, the state and nationally or regionally limited capital factions, while more and more areas of socially necessary labor, of public infrastructure and social services are running dry. While over-accumulation cannot be reduced substantially, a reproductive crisis of society is aggravating, putting the basics of accumulation itself at risk (lack of infrastructure, lack of qualifications, lack of cohesion, lack of profit expectations etc.). In Germany, the investment required for infrastructure by 2020 is estimated at over €700 billion, equivalent to annual investments of about €47 billion (Reidenbach et al. 2008). In fact, however, especially local investments have been declining for years. Even in 2005 the underinvestment was approximately 20 percent. In the wake of the crisis, after the economic stimulus packages ran out, the investments keep declining because of the statutory debt brake and austerity programs. The Federation of German Industries (BDI) had already complained in 2008 of the threat to international competitiveness according to the lack of investment and called for “ten per cent more public investment in infrastructure” (Frankfurter Rundschau, May 27, 2008). The investment gap of the United States looks even more dramatic. The OECD estimates that worldwide demand for infrastructure investments will be at least $41 trillion by the year 2030. This corresponds to an annual amount of about $2 trillion. In fact there is only about $1 trillion invested—predominantly by the public sector. These calculations insufficiently include investments in social infrastructure such as nursing, health, education and training.

However, the macroeconomic investment rates of Germany continue to decrease, between 2001 and 2008 from 22 percent to 17 percent of the GDP, i.e. the contribution of gross capital investments to economic growth is –0.1 percent during the same period. The actual net investment (i.e. gross investment minus capital depreciation) even fell from 8 percent to 2.7 percent, in the US from 9 percent to 2.8 percent. In both countries there is real disinvestment in industry. Despite the investment boom in Brazil, India, China and other emerging economies, there is, according to data from the World Bank, a falling tendency of the world investment rate in relation to the (decreasing!) growth rate since 1979: after a rugged crash in the 1980s, it could stabilize itself shortly after the crisis in 1990, then remained flat until a small investment boom in the wake of the New Economy. Thereafter, investments had continued to fall, in 2008 down to 20 percent of global GDP, 4 percent below the historic low point of 1979. “Investments abroad do not compensate for the weak domestic investment dynamics” (Husson 2010). Investment and growth remain behind, despite a rising rate of surplus value. An approximation to the rate of surplus value in the bourgeois economy corresponds to the proportion of the macroeconomic
gross income, which in Germany increased by 12 percent from 1982 until 2010.\textsuperscript{3} With regard to the historically low investment also in other OECD countries, Artus and Virard (2007) had already spoken of “capitalism without a project,” even before the recent crisis had started. Low growth and low investment are, if nothing else, the result of the lack of profit opportunities and once again declining rates of profit (while capital costs increase).\textsuperscript{4}

In the US, after the crisis of Fordism, from 1982 to 1997 the rate of profit started from a low level and elevated significantly. Despite the New Economy boom, it then dropped to rise again only after the crisis. From mid 2004—even before the great crisis—it had already been falling back again on a downward movement, and more so in the ongoing crisis from 2007.

In Germany, the tendency of the profit rate continues flatter than in the US after a sharp drop in 1982 (see Krüger 2010: 464ff). Along with lowering the wage rate and improving productivity since 1982 net profits have stabilized (from 5.9 percent in 1982 to 11.6 percent in 1986). “However, this is not sufficient, not even for a compensation of the increasing weight of the advanced fixed capital with its extended turnover; the total turnover of the advanced capital, considered the average turnover of all its components, has been decreasing over the whole period” (467) since the beginning of the 1980s. At the same time the proportion of variable capital has been falling due to the accelerated transformation of “living labor” into “dead labor” (Marx) as well as the decline in real wages, especially since 2001. After the crises of 1998 onward, the rate of profit could again be increased from 8 percent to 11 percent. The increase in the rate of profit, which had been 12 percent throughout the period since 1982, strikingly corresponded to the reduction of the wage rate by 12 percent. The crisis of 2008, as Krüger suspects (466), marked the turning point for another decline in the rate of profit.

**Molecular Aggregation of Elements**

“The inherent limits of cyclical booms emerge more rapidly,” decreasing investment, resulting from lack of profit prospects, diminishes the possibilities for an intra-cyclical adjustment of economic disproportions—accordingly, there will be more violent adjustments of the proportions through crises (see Krüger 2010: 411). Against this background, other molecular changes, which themselves may not be a threat to the neoliberal hegemony, can be looked at in a different light, meaning that they can be seen as a crisis-exacerbating factor, such as the exhaustion of the new productive forces: In the last few years new forms of work organization have been repelled. Capital dismantles workers’ autonomy, tightens control, and intensifies insecurity and over-exploitation of the labor force. From the perspective of workers, this leads to demotivation and blocked creativity, both through “self-exploitation” in flexible,
less hierarchical labor relations and narrow limits of management requirements and despotism (especially in the low-wage labor market) or lack of promising perspectives. In many cases this leads to fatigue, uncertainty, burnout or lack of re-qualification. As a result, labor productivity in Germany has for the last ten years been under 2 percent—despite the New Economy boom. It usually fluctuates around 1 percent. In the US, the growth of labor productivity had been reduced from 2000 to 2007 by an average of 0.5 percent. It could only be (statistically) improved to an average of 2 percent by mass layoffs during the crisis (Bureau of Labor Statistics 2010).

Capital productivity is developing even worse: from 1980 to 1992 it had been increased significantly, but with the recession of the early 1990s, it then again fell back permanently and could only be increased once more for a short term within the New Economy boom. Following the crisis of 2000/01 it dropped significantly (below the level of 1979). The Bundesbank confirmed: “The declining capital productivity corresponds to…the long-term trend that is reflected by the disproportionately growing use of capital (substitution of capital for labor)—in the 2008 crisis the capital productivity significantly decreased by further 6.6 percent (–4.9 percent labor productivity, BuBa Wirtschaft & Statistik 1/2010, 16f). In the US capital productivity has been decreasing since the year 2000. Despite the drop in investments and the decreasing share of wages the capital intensity increases while labor and capital productivity decline and the capital output ratio (capital stock by domestic product) rises. That is a strong indicator of the rapidly growing organic composition of capital. “The rate of profit rises if the growth of real wages is less than…the weighted average of labor and capital productivity”—but “it is this double decline in labor productivity in relation to capital expenditure per head, but also in relation to the wages, that initiates the fall of the rate of profit” (Husson 2010). At the latest from 1999 increasing profit rates can neither be related to increasing growth rates nor to growing productivity. The respective stabilization and increase of profits after a slump are the result of redistribution of surplus value. The potential of new productive forces can no longer be realized under the neoliberal relations of production.

Further molecular changes, which haven’t led automatically to the crisis of hegemony by themselves, but could have been processed within neoliberal regulation, occurred—the following only cursorily: In everyday life the ecological crisis is already manifest and not only threatens the lives of millions of people (disasters with storms, floods and droughts), but also leads to massive destruction of capital. For instance, according to the Stern Review (2006), the expected costs of insufficient climate protection would reach at least 5 percent of global GDP and therefore cause an actual shrinkage of the world economy (in the worst case up to –20 percent). Furthermore, fossil energy reserves are running out. Their combustion not only promotes the ecological crisis, but also, given the expected rise in prices,
threatens many industries and growth. However, a consistent climate protection program will lead to severe adjustment-crises, capital destruction or the demise of certain industries. One must generally expect rising costs because of the growing hunger for natural resources. In view of uncertain profit prospects, the rising costs inhibit the willingness to invest.

The further tightening of precarious working and living conditions, which pushes large parts of society into growing uncertainties, the thinning of public services, the intensification of work, along with neglecting necessary education and care work, deepen the already mentioned crisis of the reproduction. Partly the related dissatisfaction, leads to revolts among those who are most affected in the outer and inner peripheries, especially the younger population. Protest and resistance are arising at all levels, rather fragmented and without clear direction, but periodically increasing. The CIA doesn’t warn for any reasons that global terrorism is no longer the biggest threat to “national security” but that it is rather the expected consequences of financial and economic crises.

Especially in the peripheries, particularly in South America, large segments of population and many governments have seceded from neoliberalism and are now searching for new ways of an autonomous development. The so-called Washington Consensus and its institutions, but also the approaches for good governance, are openly rejected by more and more states in the Global South. Those who can afford it just pay their debts in advance and make their farewells to IMF influence, like Brazil. Connected to this crisis of international institutions and Western hegemony we are facing global-political and economic shifts in the social relations of power. The so-called BRIC or the Gulf States have become new capitalist centers (in detail see Schmalz and Ebenau 2011).

In the old centers a growing part of the population turns away from parties and governments, some even from formal democracy as such. This has led to an ongoing crisis of representation which has remained unresolved (Heitmeyer 2010). Internationally, coercive and violent securitization of neoliberal globalization and the overstretch of the United States as a global monopolist of legitimate violence have reached their limits. Even within the different societies the enforcement of security measures, policing and prison fare (Wacquant) prove inadequate (and expensive) to ensure social order, let alone organizing the consent of the subaltern.

These are long-term trends, which cannot be eliminated by a few small efforts of crisis management. The changes will take place at different levels, in fragmented ways: economic inconsistencies, exhaustion of the productive forces, changes in subjectivities, the shifting of the social relations of power, political legitimacy losses, ecological and social reproduction etc. Their condensation is proceeding slowly, but then it often suddenly runs quickly, from a certain condition of aggregation on—which has to be instigated politically—when “quantity becomes quality, in other words: organic crisis, no longer cyclical crisis” (Gramsci Gef.5: 1070).

World Review of Political Economy
Conjunctures of the Crisis

The different elements of the crisis also show effects on other levels. Long-smoldering generic crisis tendencies are being intensified. Thus, the hot spot of the crisis is shifting. Crisis management is to prevent the condensation of the crisis. This partly succeeds. The way in which the crisis is being managed is already preparing its next conjuncture, the next chapter of the drama.

Financial and world economic crisis

The biggest financial crisis since 1929 was initially handled with huge bailouts and unlimited provision of liquidity by the central banks, in order to avoid a collapse of the financial system—this was the first chapter. The second chapter was intertwined with the first one and followed immediately: the credit and financial crisis uncovered a world economic crisis, which had been processed in the old and new capitalist centers. The United States is using more than $2 trillion to contain the impact of the crisis. The “rescue parachutes” of the EU and its member states are summing up to €2 trillion, and for stimulus packages another €600 billion are being spent. The Federal Reserve is trying to stimulate the US economy by all means, and to secure liquidity by purchasing mortgage securities and government bonds at the amount of over $800 billion. Since March 2010, it has invested $100 billion a month in such titles (Financial Times Deutschland, October 18, 2010). The ECB and other central banks have followed this example, but in a very much cautious and inconsistent manner.

These crises and the reactions to them led to an enormous increase in state expenditure, without having reduced the financial over-accumulation significantly: according to the Financial Stability Board, only about $2 billion of fictitious capital were depreciated in real terms and thus destroyed—whereas there is an estimated stock of $200 trillion of privately-held financial assets. The extreme current account imbalances have not been deleveraged either (data according to the IMF and UNCTAD). Despite Basel III agreements and the financial market reforms in the US constituting the largest re-regulation in the last 40 years, different governmental interests as well as strong opposition from the financial institutions are blocking coordinated actions. A serious regulation, or even a reduction of the financial assets (by controlled destruction depreciation and socialization), as in the 1930s, is not taking place (see Wahl 2010).

Debt crisis

After that the third chapter followed: a debt crisis. The budget deficit in the US rose to a record high and US debt increased to over $13 trillion (about 85 percent of GDP; Handelsblatt, April 7, 2010). Furthermore there has to be added another
$900 billion for the health care reform and some billions more for infrastructure projects. The Congressional Budget Office estimates the cumulative deficit from 2011 to 2020 at almost $10 trillion and expects an increase of the national debt of 90 percent of GDP. Not even the proposed austerity program of $250 billion throughout the following ten years could change much. The US growth-model has become history and cannot be restored: high consumption rates, financed on credit by massive capital inflows from all over the world, which made possible low interest rates—this is not going to work again. Households in the United States will never again be able to consume that much, and the “global consumer” is failing in the long term. This has enormous adverse impacts on the global economy. Now the US companies, consumers, government and financial services are indebted with about 355 percent of GDP. Inflation reached the zero-percent mark. At that point a depression can only be prevented by the state pumping huge amounts of money supplies into the economy. That’s because the economic outlook is uncertain, at least at a closer look: After the drastic declines in consumption since 2007, households have slightly increased their spending again. However, this increased spending does not correspond to increases in income. In fact income is actually decreasing, that is to say, the private debt is rising again—the savings rate is now at a point of –1.3 percent (Financial Times Deutschland, October 15, 2010). The market-based income just amounts to 68 percent of the total income—the lowest level since 1947, meaning that the state more and more guarantees the incomes. And yet, despite the huge stimulus packages, aggregate demand just rises by 2 percent. Private investments have reached, as I said, a new negative record. Without the government spending the official unemployment rate would not be at 10 percent, but significantly higher. There will be no growth without government intervention. In the situation of high public and private debts “a stable recovery is as likely to occur as the repayment of all outstanding Greek loans”—the US being “on their direct path into the next chapter of the crisis” (Financial Times Deutschland, May 4, 2010).

Let’s take a look at Europe, because the debt crisis also hits the Euro area. Greece is forming just the tip of the iceberg. The Euro area with a debt of over 80 percent and new indebtedness rates of more than 6 percent for 2010 and for 2011 (both in relation to GDP) is by far exceeding the Maastricht criteria (total debt not above 60 percent, annual new indebtedness not more than 3 percent of GDP). The worst affected are not the free-spending countries, but those who in the past vied especially with low tax rates for the timid deer called capital, and who had rather low public spending. Again there will be hundreds of billions of euros mobilized to avoid the worst: needless to say, the national bankruptcy of a member of the Euro Zone, which would lead to worse consequences than the Lehman shock. Germany, as the most responsible economy of imbalances within the monetary union, is at the same time the main profiteer of the crisis: the devaluation of the euro, which is
directly connected with the debt crisis, allowed anew an export boom of German industry: now German cars become more and more attractive for the growing rich upper class in China, triggering a boom in the automotive industry (over 130 percent increase in car demand in China in 2010). Now the governments are competing with austerity programs: pension cuts, wage cuts, cuts in child benefit and family assistance, reduction of unemployment benefits and an investment freeze, which does not even spare necessary expenses in infrastructure, child care or education. For that reason, the reproduction crisis is further deepening. Although the idea of austerity is still rooted in common sense, the solution is not convincing, given the one-sidedness of the burden on the population without making those responsible for the crisis to pay up for it. In surveys, over 80 percent of respondents think that it is actually the “normal citizen” who has to bear the negative consequences of the crisis (Heitmeyer 2010: 23). Almost half of the respondents feel threatened in their personal life planning. About 90 percent expect an increase in poverty as well as a social decline, but more than half of them hopes that the crisis would pass them by personally (25). Nine out of ten respondents argue, in consequence of the economic and debt crisis, for a new economic order with more consideration of social equality and environmental protection (www.zeit.de/2010/34/Emnid-Umfrage).

Crisis of representation

This is where the fourth chapter of the crisis is to be found: a rampant crisis of representation. In order to fix the state budget the socialist government of Hungary has already sacrificed itself. Now governing lies in the hands of right-wing parties together with national fascists. Whereas in Spain, ministers of the Zapatero government fear to have already lost the next election. The Irish government hits, upon an approval by 13 percent, its historical rock bottom. Even in Germany, the inconsistency of government policy maneuvered politics into a crisis and survey-lows. This leads to the decoupling of the representatives from the represented; decisions are now represented as imperative necessities. A clear majority of the population, especially in the vulnerable middle class, believe they do not have any influence in policy decisions anymore (Heitmeyer 2010: 27). This doesn’t lead necessarily to a re-politicization, but on the contrary to a private retreat. Colin Crouch (2008) calls this a “post-democratic” tendency where democratic procedures remain as formally intact, but are substantially emptied. Trust in politicians drops dramatically and anger about the consequences of the crisis has massively increased (see Klein and Heitmeyer 2010: 174; Eurobarometer, August 26, 2010). What is even more threatening to the government, however, is the alarming fact that at least 92 percent of entrepreneurs consider the government incompetent. The June 14, 2010 headline of Der Spiegel says: “Stop!” Bourgeois media and the economy beyond...
withdraw confidence from their own leaders, and initiate various campaigns against government policies.

The crisis of the 1930s has already been a lesson to learn from: Keynesian policies actually do prevent a depression. Whereas at the same time the power bloc sticks to neoliberal principles, such as liberalized financial markets as well as to the religion of austerity. A return to the status quo ante is intended. But without tackling the causes of the crisis nor re-regulating financial markets and reversing tax policy, there is no perspective to overcome the crisis. “The political crisis has knocked at the doors of the government apparatus of the ruling neo-liberal bloc… After the panic of 2007/8 and the satisfaction in 2009, now disorientation and striking strategic uncertainties have become obvious” (Rilling 2010: 4; see Candeias 2009b). At the same time the stabilization of old structures (e.g. “cash for clunkers”), the retreat from the emission limits, the end of the support for solar power as well as the lack of green investments, are exacerbating the ecological crisis.

The impacts of the crisis and austerity policies remain diffuse in Germany. The currently active exclusion of the unemployed and migrants is of secondary importance in comparison to broadened personal fears about job losses and social decline. Nevertheless, this exclusion is receiving strong support. 60 percent of respondents in Germany think that in times of crisis too many weak groups have to be fed by society. At the same time, disrespect of the long-term unemployed has declined because of the personal experiences of crisis (Heitmeyer 2010: 33).

Structural crises lead to the disintegration of the relation between the represented and the representatives. However, they are not directly translated into personal problems, least of all into the motivation of individual or collective action. However, the hotchpotch of protests, crashing polls, growing doubts about democracy and in particular the abandonment of bourgeois representatives by their supporters in the electorate, put pressure on the rulers. The latter are unable to bind the conflicting interests into a common political project.

The tightening monetary competition

A lack of international agreement, and especially the failure of the G-20 because of very different economic conditions and ideological orientations, promote individual national strategies and an accelerated currency competition. While Europe is implementing a turn to implacable austerity and busy with educating the budgetary “scruffy” Greek, the US is trying to impose inflation on the world, in order to prevent its economy from slipping into depression.

Wherever you look in the US, the state has its finger in the pie. The state has to create jobs and pay the unemployed, as well as having to provide investment and pay hospital bills. And since it does not have the money for this, it has to acquire it—on the capital market. US government bonds are considered safe, particularly
in times of crisis. However, the US needs to find purchasers in the short term, within the next few months, for borrowing loans of $1.6 trillion—which means an estimated total sum of $2.55 trillion in 2010. This triggers a flood of government bonds that not even China can absorb. China has been buying about $1 billion a day. But the People’s Republic recently sold US bonds on a large scale: more than $34 billion were sold off. In addition, the dollars are being spent on the purchase of raw materials, land (land grabbing), on acquisitions of foreign companies as well as on foreign infrastructures. With an amount of $755 billion China is now the second-largest owner of US Treasury bonds after Japan. Moody’s—which is itself deeply involved in the causes of the financial crisis—is already threatening with a devaluation of the rating for US government bonds. The pessimists among financial analysts are warning of a state bankruptcy of a much larger dimension than the one in Greece.

Against this background, the Fed always announces a “quantitative easing.” It keeps on buying US government securities (monthly for about $100 billion) and tries to push the real interest rate, which is now –1 percent, even further down. Thus the Fed is trying to ensure the liquidity of the domestic economy and to reduce the debt burden of companies, homeowners and consumers. This also weakens the exchange rate of the US dollar, which is supposed to stimulate exports.

The impact of this policy is hitting Japan particularly. The yen was revalued in no time, causing a drastic slump in exports and thereby threatening the minimal recovery of the Japanese economy. At the same time the Japanese central bank has little to contribute against this. The prime rates have been aground for decades and cannot be reduced any further. Even the new capitalist centers like Brazil are suffering from the rising cost of their exports as well as from the flooding of their markets with capital looking for high interests, which, without counter measures, would lead to an overheating of the economy. This actually is already threatening China, too.

So, while the US goes on inflating, China keeps sticking to its course with minimal adjustments. Since the renminbi is connected to the dollar, there are no changes to the unfavorable exchange rates between the two largest economies. For Europe, Latin America and Japan, this monetary competition means a tendency towards revaluation of their currencies. The euro revaluated from June to October 2010 by 17 percent (Financial Times Deutschland, October 19, 2010)—bad news for German exports. The reforms of the monetary system and the underlying economic imbalances have so far played no role to the G-20. As there are different conditions and interests pursued, high currency volatility is to be expected in the future. This leads to erratic capital flows in search of high interest rates and “safe havens.” This is alternating with overheating, bubbles and rapid withdrawal of capital. Let us recall the series of crises in the years 1980–90 (“the lost decade”) or 1998–2001: The Asian
crisis, the Russian crisis, the Latin American crisis, etc. Owing to that, companies need to prepare for the fluctuations with hedging on the basis of derivatives.

**Recession again**

This inconsistency of government policies and lack of financial and monetary reforms are preparing the sixth chapter of the crisis. Particularly in Europe the pro-cyclical austerity will lead to a deep recession.

Under much pressure from the EU and the German government, the socialist government of Greece made radical cutbacks, even more radical than demanded by the international creditors: the budget deficit was cut in half within a very short time; by 2014 it ought to be reduced from 14 percent of GDP to 3 percent. As a reward the rating agency Moody’s downgraded the bonds of Hellenic banks. Their explanation: the poor economic prospects, caused by the austerity measures, increase the default risk of asset-backed securities and jeopardize the consolidation of the banks. Indeed, due to the drastic cost-cutting programs and declining investments, Greek GDP sank by 4.5 percent in 2010 (at 6.5 percent in the last quarter). For 2011 it is expected to fall by 3 percent. Consumption—which accounts for at least 70 percent of the total economic output—is collapsing. According to the Greek trade association a fifth of the small shops in central Athens have had to close. 90 percent of Greek companies are facing severe liquidity problems. The banks are aware of conceding credits given the poor economic prospects. In Greece the unemployment rate exploded up to an official rate of 12.5 percent in 2010, with the estimated real rate at about 20 percent. The proportion of precarious and temporary jobs was extremely high, even before the crisis. Many people are not even able to benefit from a comparatively poorly developed social security system. The consolidation will once again fall on the backs of the population, whereas finance capital, banks and wealthy individuals are rarely considered to pay for the crisis. In the end the consolidation will be threatened by the consolidation measures themselves. The tax losses from recession overcompensate what has been saved from implementing austerity. Finally the state is financially worse off than before.

All EU member states are pursuing tough austerity measures: the United Kingdom, Spain, and Italy, even France had to bow to the pressure in the end. The EU Commission is working on a tightening of the Stability Pact. As a consequence the growth of industrial production in Europe once again arrived close to the zero-percent mark in summer 2010 (Eurostat, September 13, 2010). “The peak of industrial recovery in the Euro Zone could now be exceeded for good,” says Chris Williamson in the *Financial Times Deutschland*. He adds: “Especially in the service sector, the prospects have weakened significantly” (October 22, 2010). According to Daniel Leigh from the IMF, the consolidation of a national budget of about 1 percent causes a decline in growth of about 0.5 percent, as well as a rise in
unemployment of 0.3 percent (*Financial Times Deutschland*, October 18, 2010). The aspired consolidation rates of around 10 percent in a number of European countries imply an inevitable deep recession. If countries like Ireland, Greece, Spain, but also the United Kingdom (not a member of the Euro Zone) do not manage to escape the recession, then the debt crisis will quickly be virulent again and the European “rescue parachute” budget would be exhausted.

**The right-wing populist solution**

In the face of the diffuse threat by crises, bankers, social decline and the loss of confidence in politics a seventh chapter of the crisis is imminent: namely the right-wing populist solution—with phenomena such as the party of Geert Wilders in the Netherlands, the Flemish separatists in Belgium, neo-fascists in the Hungarian government and other countries in Eastern Europe—a general shift to the right in Denmark, the expulsion policies of the French government against Sinti and Roma, the high approval of two thirds of the population to the chauvinist and racist resentment of German social democrat Thilo Sarrazin against the unemployed, migrants and Islam.

**Interregnum: Decomposition of the Historical Bloc**

The ruling power bloc has no productive solutions to offer in the face of arising manifestations of the crisis—solutions that could induce a boost of accumulation while at the same time incorporating the interests of the subaltern, and thereby would be able to once again create an active consensus in favor of the neoliberal project. Neoliberalism is exhausted—yet, its institutions will continue to show severe impacts for a long time (similar to the end of Fordism), their position still being dominant but not hegemonic in the sense of organizing active consent (Gramsci *Gef.*2: 354). The “molecular aggregation of elements” may “cause an ‘explosion’” (*Gef.*9: 2063), or can lead to the disintegration of the hegemonic bloc and ultimately to the transformation of the mode of production and the mode of living. This would be a long and highly competitive process. The old is fading, while the new cannot yet be born.

The neoliberal forces are still strong enough to block further reforms and transformations. The blocking on the inside and at the global fringes of the transnational power bloc, as well as the different, competing and contested societal projects, will probably result in a constellation of transition (see Candeias 2009b). During this interregnum the crisis can persist for a long period, perhaps even a decade, before a hegemonic direction develops out of the competition between the different projects to dissolve the crisis. This new hegemony will encompass a certain bandwidth of different paths but the terrain and the direction of development will
be largely determined. Therefore, “post-neoliberalism” (see Brand et al. 2009) does not characterize a new period of capitalist development. Instead, it is a transition period or interregnum in which numerous search processes occur and the future organization of society is in debate. A new term must be coined as soon as a hegemonic project becomes apparent. In my opinion, at the moment there is only one potentially hegemonic project which can provide the required resources, accumulation dynamics and potential for consensus: the Green New Deal, a period of green capitalism (Candeias and Kuhn 2008; Kaufmann and Müller 2009). But this scenario is far from being definite: the reactionary and neoliberal forces are too strong so far. Furthermore, the project of the Green New Deal is in itself too contradictory. It is still a relatively open historical situation in which no hegemonic direction has been pursued up to now.

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Notes

1. This comparison is intended to illustrate only the volume of trading in derivative financial instruments; of course, direct interest demands are derived only partly from derivative supplies, rather it is mostly a zero sum game of mutual demands within the transnational bank sector. In contrast to ordinary stock transactions, the derivatives trading takes place “in the future” and therefore does not have to be funded in the present. Accordingly, a merchant is able to build up huge positions with Futures/Options for instance, at the lowest cost with minimal security deposits.

2. The height of the real over-accumulation is not determined, because rates cannot simply be set in relation to actual profits, but always reflect expectations of future profits to be realized as well as they reflect price developments. Also productive investments financed by loans, bonds or issue of shares are still speculative investments in the future. On the debate about the relative decoupling of the financial markets from production and trade see Altvater and Mahnkopf (1996: 250) and Candeias (2004/09: 144ff).

3. In the US, the gross share of profits remained relatively stable (around 10 percent below the German rate). The dramatic rise in executive pays—statistically counted as wages—compensate for the declining real wages, so that the relation of wage and profit rate remains virtually unchanged.

4. Despite the price reduction of capital goods due to the microelectronic revolution, declining capital productivity (see below) and rising commodity prices, especially the growing levy of value by financial activities (despite low interest rates, but high real interest rates) lead to rising capital costs.

References

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