

Capitalist Crisis, Radical Renewal?

An Interview with Leo Panitch, Sam Gindin, and Greg Albo

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Sasha Lilley: Liberals and leftists alike argue that the economic crisis was caused by a lack of state regulation over the banks and financial markets. Consequently, they conclude that we just need new regulation to keep the financial sector in line. Why don't you think that's the case?

Leo Panitch: Well, the cause of the crisis was certainly related to competition in the financial sector. But that competition was to some extent the product of state regulation. The American financial system is certainly the most regulated financial system in the world, and probably in history, if you measure it in terms of the number of pieces of legislation, the number of regulatory agencies, and the massive amounts of regulation to which finance is subject.

So, yes, there were changes that allowed for more competition in finance, although those changes were only a matter of closing the barn door after the horse had bolted. It was already the development of finance that made the old New Deal regulations impossible. The state then removed those limits and encouraged further competition in finance. So it's just a misunderstanding of what's really going on. There's a sense that the state didn't do its job in constraining markets. And there's a confusion about what a capitalist state is. A capitalist state responds to and sponsors and facilitates markets. The notion that it's there to restrain markets, to restrain capitalism, that if only it would do that it would remove the contradictions of competition in capitalism, is simply a cockamamie way of seeing the world. Although unfortunately it's the way in which it's ideologically presented to us.

Sasha Lilley: Much of this may appear counter-intuitive since the dominant narrative on the left is that over the last quarter century the state has retreated and let markets run unfettered. Could you give us some concrete examples of the ways the state actually facilitates markets?

Leo Panitch: At the most basic level, you couldn't have contracts. You couldn't have property without all of the things that the state does in the form of law, in order to guarantee to one side of a contract, or to one capitalist to another, that their deals can be validated. So at the most basic level the state is in there.

But more than that, states are oriented to facilitating accumulation on their own terrain. And some of them, the imperial states like the American, are oriented to facilitating capital accumulation and the spread of markets to do that around the world. They do that in a myriad of different ways. People think the New Deal regulations were brought in to constrain finance. Yet in many ways the [Glass-Steagall Act](#) that separated commercial from investment banking, for instance, was adopted in order to stabilize finance and to nurture it

back to health. Through the whole of the post-war period there was a very close corporatist relationship between the banking sector and the regulators. The regulators were oriented to nurturing finance, not only back to health, but to a new stage of development. And that's what began to happen by the 1960s.

Some of the old constraints that were put on the separation between commercial and investment banking then began to make less and less sense as finance was now very powerful and expansive and spreading around the world. And you got some removal of those. The big example was the 1975 New York Big Bang where New Deal price-ceilings on what brokers were allowed to charge for buying and selling stocks for people broke down. They were mainly broken down because pension funds and other institutional investors were buying very large blocks of them and they wanted discounts.

Another example is the removal of the Glass-Steagall Act, the separation of commercial and investment banking, which allowed commercial banks to be involved with derivatives and acting as brokers and selling insurance and so on. But that had already broken down. It was never applied internationally and it had broken down domestically in the United States since the early 1980s. So it was really changing the legislation after finance had already expanded in the way it had.

Sasha Lilley: Coupled with the notion that deregulation is the cause of our current economic woes is a belief that finance is simply a parasite on the real economy. What you argue, however, is that although part of finance is obviously speculative, finance actually plays a crucial role for accumulation in general. Can you explain why?

Leo Panitch: Finance is speculative and, yes, it is very much about trying to make money by trading on money. There isn't the kind of Marxist connection between money commodities – money in the classic sense of producing a thing, a good. I think that's where the misconception comes from.

But no production takes place with out the provision of credit. And increasingly no production takes place with out the provision of credit to consumers. And finance has been crucial to the dynamics of expanded production. Especially in terms of globalization and financing the means of integrated production right around the world.

So when people for instance speak of derivatives as simply speculation, there certainly is speculation involved, but you couldn't have somebody, say Wal-Mart, contracting with a supplier in China to produce something that will be on Wal-Mart shelves in the United States next winter, unless both parties were able to find financial intermediaries that would allow them to hedge the difference in the exchange rate between what the dollar and the renminbi is now and what it will be next winter. Or do the same with what transportation costs will be at that time. Or do the same with what interest rates will be at that time. So these derivatives are means of buying insurance in relation to fulfilling a contract for the delivery of things that are produced.

You simply couldn't have global production with out the role that finance plays just in this respect, and I'm not even getting into the role that finance plays in terms of venture capital, which was very important in terms of the development of information and technology revolution we just lived through; and for the role it plays in facilitating investment. You could do the same for the kind of role that finance plays in terms of making indebted consumers

into viable consumers. And you see that through credit cards and many, many other aspects of the role that finance plays. And that even has to do with the role that finance played in housing, which led to subprime crisis. People were taking out second mortgages in order to sustain their consumption in part. Now you can go even further to look at the role that finance plays via channeling workers savings into pension funds and the role those pension funds play in investing in stock markets, investing in derivatives, and so on, which has to be traced through how that links to production.

It's an illusion to imagine that finance is out there in some greedy Gordon Gecko world and that is "bad capitalism," rather than what GM does which is somehow "good capitalism" and why GM was in the tank was because of the Geckos of this world. Not at all. This is capitalism and both productive capital, in the sense of industrial corporations or retail firms like Wal-Mart, and the big banks are part of the totality and we need to understand them in terms of the way they link with one another.

Sasha Lilley: Various Marxist critics have argued that the financialization of the economy is capital's means of addressing the underlying stagnation of the "real economy," of industry in decline. The argument goes that the current crisis is part of a long downturn starting in the 1970s and capitalism's ill-health has been masked by a shift into profit-making through all sorts of incomprehensible derivatives and forms of speculation. You three see things quite differently. How so?

Sam Gindin: To elaborate a little more on what Leo was saying: part of the role of finance – once you see it in terms of capitalism – is to discipline and restructure the so-called real economy. It's been fundamental to that, imposing discipline on every factory to be more competitive or finance will go somewhere else, to reallocate capital across several sectors, venture capital, but much more generally. So finance has been fundamental to that.

The other way that finance has been absolutely crucial too, is to understanding capitalism in terms of its imperial dimension. It's been fundamental to capitalism actually penetrating other countries, imposing certain conditions if they want the finance, putting the United States in a position where the American state is responsible for managing capitalism more generally; and for integrating the working class – in addition to them using credit in the macro sense that it keeps the economy going – the involvement of workers in the circuits of capitalism in terms of housing and pensions and their assets rising. It's also been a socialization of workers.

Now in terms of specifically the question of decline, if you leave aside looking at specific numbers for a second and just think about what's happened over the last quarter of a century, it actually looks like one of the most dynamic periods from a capitalist perspective – not from a worker perspective, but from a capitalist perspective. It's a period in which you've penetrated China. You've penetrated the former Soviet Union. You're now penetrating the enormous potential of the Indian market. You've seen a powerful commodification of things that used to be seen as part of the Commons. Part of what government provides has been privatized as sources of accumulation. You've seen very radical breakthroughs in technology over this period in terms of that kind of dynamism.

And when you actually look at the numbers, what you do see is that profits have actually recovered from the lows that they were. They're not at the peak they were at in the 1960s,

but that was a unique period. And the restructuring of the economy has been very dramatic across sectors. If you're looking at the American economy, it has restructured geographically. It has restructured in terms of what sectors are dominant right now. The importance of business services has become a very fundamental part of the economy, especially in terms of the American global role. High tech in the U.S. has grown dramatically. The U.S. has been importing a lot but it has also been exporting a lot.

So I don't think there's been a lot of credibility to the argument of the American economy having declined. The real problem we have is that all this restructuring has gone on and workers have basically been pretty passive victims. They've accepted this. They haven't in any way been acting as a barrier in terms of putting other social goals or social values on the agenda. And that's allowed capitalism - American capitalism in particular - to restructure at will. And it's done really well in terms of accumulation.

Sasha Lilley: You mentioned that finance has allowed the U.S. to play a particularly imperial role. How does the U.S. exercise its imperial hegemony, as you see it?

Sam Gindin: The way we've been trying to think about it is, yes, there's direct involvement in terms of occupation, there's direct involvement in terms of transforming so-called failed states when there's no other mechanism of doing this. But the crucial point about the American empire is that unlike national empires of the past, which actually carved up the world, this empire is trying to create a global capitalism and is acting on behalf of global capital and penetrating through capitalist institutions. That's the important element of this empire's penetration.

If more American investment is going abroad and less is in the U.S., if the U.S. share of global production is going down, that's often interpreted as a symbol of decline. But in fact what it is signifying is the spread of capitalism, its penetration into other societies, transforming social relations in those societies, transforming the states in those societies so those states actually take on responsibility for supporting global accumulation, including American accumulation within their own borders. You're creating a global capitalism within which the American state and American capital have a structural power. The structural power comes from the fact that the U.S. is still the dominant country in terms of technology. It's increasingly playing a crucial role in terms of what I raised before - business services, accounting, legal consulting, engineering, and of course finance. There's more concentration of American power in finance than there is in other sectors. So it's very important not to see imperialism as being only about territorial intervention. And it's very important to understand that this kind of empire grows through actually spreading production, in a sense sharing production globally in a particular way.

Sasha Lilley: Clearly, the type of economic regime of the last quarter century is now in crisis. Is the neoliberal model, in which the U.S. was in some ways the lead player, now dead?

Greg Albo: I think it's very hard to claim, given the way that the crisis unfolded, that neoliberalism is over or dead. Certainly we're entering another phase of it where many of the contradictions that have been internal to neoliberalism from the beginning have compounded and are now taking on a different form. One could begin, of course, with financialization and the role of financialization in neoliberalism from the beginning and

financial crises being one of the elements of the developmental model of neoliberalism. And clearly the way that some of those characteristics of finance had developed in the last decade, some of the unregulated forms of collateralized debt obligations are mutating into something quite different and we're likely to see some new regulatory forms in and around many of those markets. But we're unlikely to see those markets abandoned. We can see the way that the regulatory reform issue in Congress is going forward that these aren't radical interventions in overturning the forms of financialization that have been central to neoliberalism. I think that's one contradiction or problem that has been present that is still there.

We see the same thing with inequalities. Wage inequalities, income inequalities, the lowering of transfers to people on welfare, and so on have been another aspect of the developmental model of neoliberalism. In many ways, that's at a crisis with the rates of unemployment higher, the rates of people on welfare are higher, and the income inequalities keep on expanding. There are some pressures from below to address those. But as a whole, without a larger political movement we can see also the way that the crisis is unfolding that that is also not fully on the agenda - it's not on the political agenda to start overturning the income distribution dynamic of neoliberalism. In fact, the way the austerity packages are moving through the various capitalist states of the world, the workers and the poor are the key people who are paying for the crisis.

Similarly, we can see some of the tensions in and around the balance of payment issues and current account differences. There are some tensions that have been always internal to neoliberalism between the current account surpluses of certain zones of the world and the current account deficits of other parts of the world, particularly the U.S., and there's some tension in and around that. There has also been no real route out of it as of yet, with Europe in problems and not being able to move into a major importing zone and the countries of East Asia not wanting to reverse themselves either. It's likely the situation of the current account deficit of the U.S. will be continuing and some of the asymmetries in the world payment system, those are likely to continue. So in many ways, we're definitely in another phase of neoliberalism as a result of this crisis. Certainly, it's clear that the political forces in no part of the world have been able to break out of the neoliberal political policies or the balance of power that has backed neoliberalism, that is, the way that finance and industry have supported neoliberal policies at the level of the state.

Sasha Lilley: So is this, then, an impasse based on a crisis of ideas on the part of elites? Or has neoliberalism still not yet run its course as a viable engine of accumulation?

Greg Albo: Neoliberalism is linked to a particular policy framework within capitalism toward a certain balance between the state and market, but as Leo was pointing out, not necessarily a withdrawal of the state, but the market playing the leading role in the determination of where investment is allocated and how incomes are formed. And within that general framework the ideas of neoliberalism can adapt to a new moment, particularly if there are no other political forces on the agenda, the ideas will be generated and something will come up and this model of capitalism will continue.

I think there's a real bankruptcy of ideas among liberals and social democrats. I think that's where the key flaw is - in the hopes that somehow state power can simply be reasserted over and finance constrained as a key way that an alternative of reform could come forward

and, alongside that, an expansion of various regulatory structures. I think modern social democracy has failed not only at the political level, but also fails to understand many of the dynamics of contemporary capitalism.

I think the problem on the left actually is not a question of ideas as many people often put forward. I think there are many ideas on the left on how to address the crisis – from work-time reduction to various ideas about green conversion, the traditional ideas on the left on expansion of the social sector. There are many, many interesting new ideas about restructuring the state and planning. The problem really on the left is one of political and organizational capacities right now. That it is just not present, so the left really isn't on the political stage as a political force, both at the level of unions and social movements. Certainly in North America, we're nowhere near having an adequate political force that is capable of offering an alternative vision, an alternative agenda, especially being inventive about how new social forces might be organized.

Sasha Lilley: As you are suggesting, there's clearly more than one route out of the crisis. How would you envisage a route that would benefit the working class? I was going to ask what route would not benefit them, but presumably that's what we're seeing right now.

Greg Albo: Why don't I start with the route that is not benefiting them? Clearly, the route that is being put forward right now is that of the capitalist class and the existing states have had a complete sway in setting the agenda. The initial responses that had emerged with some strike responses, some housing occupations, have largely fallen to the side, although I'll come back to the Greek case in a second. They've had a quite wide swath to cut in setting a new agenda and they're doing this with minor reforms around regulatory structure. Particularly, what they're managing to do is paying for the financial crisis and offloading so much of the bad debt into the state sector and the state sector's emergency response in terms of expansion are now focused on what the International Monetary Fund has called for as a decade of austerity. Meaning that transfers to the poor are to be cut back. Public sector wages are being cut back in the order of 5-10 per cent. Income transfers are being cut back. Other forms of social programs are being cut back. And this is being backed around the world by both conservative governments and social democratic governments. They've had complete opening to set that agenda.

There has been little response. The only response that has occurred has been in the Greek case so far, which has generated a large number of walkouts and general strikes, days of action, and in some of the other Mediterranean countries as well. But they haven't been able to push aside the move by those governments to implement these really draconian austerity packages. Right now the route out of the crisis is particularly being set by the capitalist class, in our view within the framework of neoliberalism – although neoliberalism has taken many forms, maybe we'll want to call it something different – but it was within that agenda.

It is very difficult to see any social democratic response at the moment emerging, that is, some alternative reflationary strategy that would have the tax burden shift more onto the capitalist class through various kinds of crises taxes or taxes on financial speculation of a major kind; not the small transaction taxes being discussed as basically a backstop for future financial crises.

So what you're left with is largely the question of whether you can begin engaging the union

movement, the social movements, and radical political parties in a new project of organization and challenging capitalism. In an initial sense, I think that's a big question more along the lines of organizing, than per se a reform response to the crisis. It has a lot to do with new forms of attempting to organize unions and allowing much participation of workers in unions. A whole range of issues is involved there.

There are policies of reform that could be put forward now; there's all kinds of things that could be for it in the context of building such a counter movement: one could be arguing for campaign around free public transit, as a way to respond to the crisis in terms of a green alternative that would have the popular resonance among both ecologists and workers and poor people. Work time reduction should be on the agenda as another response. It would be relatively easy to begin campaigns for a crisis tax – that is, a special levy on high-income groups and on the financial sector – and so on. It's easy enough to come up with a range of programs or reforms that we could struggle for. Many of our movements are putting forward some of those across North America, particularly in the major cities where there are a lot of struggles around urban reform and the whole range of housing issues as a consequence of the crisis. The question really is building a renewed left with a much different political capacity.

Sasha Lilley: Sam, what have been the impediments to organizing a robust labour movement and left under neoliberalism that are obstacles in renewing the left now?

Sam Gindin: One of the problems is that the argument that 'there is no alternative' is a serious one – that if we don't actually get more radical, it's hard to imagine alternatives in the middle. One impediment is not wanting to put forth radical demands, thinking that it's better to be moderate at this time. In other words lowering our expectations. I think that's been a mistake.

The other mistake has been to think that we're going to build a movement by always predicting that capitalism is going to decline or that it will fall apart or break down. We have to be able to articulate the argument that capitalism is bad even when it's working well, that capitalism is now a barrier to human development.

And the third thing I think, which relates very much to what Greg was getting at, is we have to understand that under neoliberalism it wasn't just a question of the working class being under attack, but it was also integrated into neoliberalism in certain ways. Significant sections of the working class actually increased their consumption through working longer hours and through debt. They're very much more individualized. Inequality has fragmented the working class.

When we think about all those kinds of things, what we recognize is that the working class has been shaped and formed and reformed through neoliberalism. And if we're going to overcome that, we're going to need some kind of organization that actually builds the working class. There's nothing inherently radical about the working class. It just has the potential to be radical. There are all kinds of potentials to mobilize around, from the legitimacy questions you raised, to the volatility in finance that Leo emphasized, to everything that Greg talked about. So the potential is there but the question is how do we actually build the working class into a class.

I come back to what Greg said: a critical point is that we recognize that we're fighting

capitalism and we recognize how crucial building our own capacities for analysis, for understanding, for acting democratically internally – how crucial that question is.

Sasha Lilley: How do we challenge the integration of the working class into capitalism through credit card and mortgage debt? What kind of politics could address that crucial dimension of the position of the working class over the last several decades?

Sam Gindin: I think the poor are going to have more trouble getting credit, but the answer shouldn't be to make it easier for them to get credit. The answer should actually be to talk about things like public housing. But for the rest of the working class, I think there's going to be revival of dependency on credit, on pension funds, on trying to survive by retiring later, which there will be a lot of pressure for.

Sasha Lilley: Presumably that's already happening. Consumption is up again and presumably that must be consumption based on debt.

Sam Gindin: All of this is going to continue and get stronger. I think the kinds of things we have to talk about is actually thinking about breaking out of this by raising issues that may not be on the agenda tomorrow, but if we don't start talking about them now they'll never be on the agenda.

One of them is to start talking about nationalizing the banks. Another thing is you can actually look at a specific crisis. If you look what's happened in the auto industry, without the left putting things on the table what unions end up doing is demanding we save our company, we become more competitive, which essentially means: let somebody else be laid off. And the kind of things we have to talk about is to say: the issue isn't about saving the company; it's about saving our productive capacity which can actually make useful things. It's saving our communities. The issue isn't to be competitive, it's actually to make useful things and start thinking about making democratic planning.

And if we link that to the environment for example, if we said that the environment means that everything is going to be changed about how we produce things, how infrastructure works, how we communicate, transportation etc., then the question is why can't we mobilize around plants closing in the auto industry that have the equipment, that have these great skilled workers, and start thinking about using that in a socially useful way and converting it? If you had those kinds of structures in place, you would see workers saying, our company isn't investing or our company is starting to disinvest and move some place else – let's take it over. Let's insist it is converted to some useful ends here.

One of the issues we just have to recognize is that there's logic to it. It seems commonsense in a lot of ways. But it isn't going to emerge through unions. Unions are still going to be defensive. They still think in a very sectionalist way – in other words, they represent their members or they represent workers at a particular company. That's why we have to build something that goes beyond the unions. It has to have its feet in the unions as well; unions are still important institutions. But unless we can start thinking about how we build the kind of organization that's really a cultural change and changes expectations and can actually say, this is what we have to talk about and it involves doing something immediately, which will raise contradictions because the other side is going to respond, and then we'll have to think about how we go further. If we can't build those kinds of spaces – which are psychologically crucial, because it makes people feel like they are part of something, that if

it isn't going to win tomorrow there's actually a way of fighting back and getting some place - I don't think we can get anywhere. Because people will just return to saying, I have to survive and the way I can survive is by working more hours, going into more debt, hoping the stock market recovers, hoping that they fix this rotten system so that I can benefit from finance, etc.

Sasha Lilley: Why do you think work-time reduction is important not simply for people's wellbeing but politically? And why you think that it is an achievable demand to make at a time when workers often have very little leverage to shorten their hours at pay that they can survive on?

Sam Gindin: That's a terrific question. I think if you look at the formation of the trade union movement, a critical demand was around work-time. I think this is generally true, but I know it's especially true in Canada. The importance of it was that workers actually wanted time to read and to do other things. And I think that's of crucial importance of work-time today. That the workforce has changed. Workers used to be able to be active by exploiting the partner who would take care of the other chores at home. That's to some extent foreclosed right now. If people can't find time to be active and to read and to think and to learn, we can't build a political movement. So politically, reduced work-time I think is one of the most important demands. If the only reason you're getting reduced work-time is so that you can get another job, that of course is a different thing.

The question of why is it possible: it's only possible by building the kind of movement that can win it. It's possible technically, as we're living through this incredible period of productivity growth. Productivity has been phenomenal. Productivity growth in manufacturing is much higher than it was in the golden 1950s and 1960s. So the technical potentials are there. The question is how you organize for it. That's one question.

I think a lot of that means you can't just think about winning this in your own workplace. We don't have that kind of strength. It does mean thinking about how do we actually win these things by building the class in terms of making it a class demand and thinking of the class more broadly. And that we're actually mobilizing the community and making the argument that this is about sharing good jobs. But in terms that this is a general demand - it shouldn't just be for workers who have collective agreements. It should be a general demand.

The other thing we have to think about - and is very difficult, but we really have to address it - is that it also poses the question how much do we want to consume and what kind of consumption and what we think about our living standards. I'm convinced that if we only think of this in terms of, we want to keep consuming more in the sense of more of the present structure of consumption but have reduced work-time, that we won't go anywhere. That won't win. We have to think in terms of wanting a different kind of life, where we can enjoy life in all kinds of different ways in terms of public consumption and different forms of consumption. But it can't just be the assumption that we can all just keep having more as individual consumer and have less work-time and have a different life.

Greg Albo: It should actually be one of the top things in our demands for addressing global climate change as well, because it has a lot to do with changing consumption. It's probably the most equitable way of dealing with climate change issues.

Sasha Lilley: At the start of this crisis, as government stepped into rescue failing banks, you called for the nationalization of the banks, pointing out that such

nationalization had partially taken place. At this further phase of the crisis, do you think a renewed left should still champion this demand?

Leo Panitch: Yes and I actually think that the condition of achieving everything that Sam and Greg were talking about is in fact that. It's not the only condition of it, but it is a necessary condition of it – necessary in the sense that the decisions about what is produced and what is invested and how its produced and where its invested need to be democratic ones. They need to be made in a social, planned way. That can't happen unless the portion of the surplus, if I can use that term, that passes through the financial system and gives us the funds for credit in capitalism is transferred to a public decision-making process and a planned one, whereby we use the little extent to which the state is now democratized to begin a process of democratizing the economy – and in that process also much further democratize what we now know as governments or the state.

What happened with this financial crisis was there was an enormous opportunity to turn banks into public utilities. Instead we did get the nationalization of some banks – although to some extent we just got public funds put into banks without even a degree of repayment or public control. But we didn't get them changed. On the contrary, when money was put in, governments said we want to be paid back in full, we want the tax-payer to be treated as though he or she was an investor, so we want the highest return possible. Which means that you're pushing the banks to be commercially competitive. In that sense, you could say as someone in the next *Socialist Register* writes, it wasn't so much the Treasury that nationalized the banks, it was the Treasury that got privatized by the banks, insofar as their interest becomes one of getting a high return for the tax-payer – and then of course giving the banks back to private ownership.

That was a tragedy. It was to be totally expected due to the reasons Sam and Greg talked about in that we didn't have the kind of political alignment that would conceivably have led to what I'm describing taking place – banks being turned into public utilities and the whole process of investment being democratized. But that is what is needed.

It's a lot to take on, but the way we need to link the kinds of demands that Sam and Greg were pointing to with that very much larger issue of taking the banking system into the public domain and democratizing it, is to say we can't really have public transit, and free public transit, unless the state can get hold of at the municipal level at the state, at the federal level, can get hold of those funds that pass as credit through the banking system and transform the uses to which that's put. There's absolutely no reason rationally why we need to think of funding this only through taxation, rather than through the savings that we all are part of. Right now, pension funds are invested in all kinds of things related to financing capitalism. Pension funds, workers savings, we could have a universal pension plan which is directed toward funding government deficits beyond simply the tax system.

There are all kinds of ways in which we can make people see how these things are linked. Nationalizing the banking system isn't something out there. But it's something intricately related to the kinds of reconstruction of production, the conversion of production, that Sam was pointing to. That people are going to be able to say, we're not just losing this company, we're losing the enormous resources that these workers have as mechanics, tool and die makers, accountants, teachers, you have it. What we need to be able to do is turn the savings of our society toward the kinds of production that is socially useful, rather than is commercially driven, the way it now is.

Sasha Lilley: Leo, you've stated that we're possibly living through the fourth crisis of capital in a global sense. What were the other crises and how did their resolutions affect the degree to which capitalism extended itself globally?

Leo Panitch: This arguably is the fourth. The first great crisis of capitalism was from 1873-1896, it's often argued. The second was the Great Depression of the 1930s. The third was the crisis of Keynesianism and of profits in the 1970s. And we may be entering the fourth. Each of those crises had different causes and different outcomes. They are not all caused by the same thing and they don't all lead to the same type of outcome.

The first one produced an orientation toward internationalizing capitalism, but within the framework of competing capitalist empires. That eventually led to World War One. The second one actually broke down and stopped capitalism's internationalizing tendencies and you got the kind of beggar my neighbor protectionism that led to World War Two. Out of World War Two, you got the American state in particular becoming the kind of empire that was determined to get the globalizing tendencies of capitalism back on the agenda. It succeeded in that. But that led to contradictions by the 1970s, which ushered in the profit squeeze of the 1970s, partly having to do with the way which workers were strengthened under the commitment to social welfare and full employment reflecting the power of democracy that had developed within capitalism in the 20th century. That then led to, in a sense, workers being too strong for capitalism. And it led to a profit squeeze and was resolved largely through the defeat of the working class, the defeat of trade unionism, and the further expansion of capitalist competition at a global level.

This crisis certainly no one could say was caused by workers being too strong. If anything it was caused by workers being too weak - too weak in the sense that they were still very much tied into capitalism, as Sam said, they were trying to be consumers by being indebted consumers. They were trying to look to their retirement by engaging in speculation, whether through their pensions or expecting that their homes would increase in value, the main asset that many workers own in a capitalist housing market. So in a sense, the kinds of contradictions in finance that pertain to the workers' side of the equation reflected the weakness of workers, their individuation, their fragmentation, their incorporation as Sam said into capitalist finance and capitalist competition.

I think that, however, these are very, very contradictory processes and it isn't impossible - and you see in California the evidence of this - for indebted workers and indebted students to rise up and begin to realize what that means for them, what that means for their lives, in terms of having to pay off these debts in a way that keeps them tied in almost as debt slaves to the system. In California, a campaign by students to have their student debt forgiven or to allow there to be no penalties for a default on that student debt would now be a very important element in the kinds of struggles that are taking place in the educational system. But insofar as that were to be viable, it would have to be connected to the much larger issues that I was talking about in terms of economic planning and the taking over of the financial system. And that's a very big political agenda.

Sasha Lilley: You three have been speaking about the ways that neoliberalism has made it difficult for workers to organize in their interests, to have the time to engage in radical politics, or politics at all. Looking at the other side of the equation, what are the vulnerabilities that this system has that radicals should exploit?

Leo Panitch: There are so many that we could go on talking for weeks and months. The vulnerabilities are of the kind that produced the great unionization movements and the social movements and socialist parties that emerged out of the first crisis from 1873-96. They're the types of contradictions that led people to break with the AFL unions in the 1930s and form the industrial unions that brought in everybody that was in a particular plant, whether they were highly skilled tool and die makers or whether they were janitors into the same organization. They're the same type of contradictions that led to the crisis of the 1970s, being also the moment at which the new social movements were at their height. So there are all kinds of opportunities. And to be very specific the kinds of struggles in which students and teachers are engaging in California provide an enormous opportunity to make connections between the cutbacks that are taking place, the way in which the public sector in California is being made to bear the cost of what was a crisis not at all caused by the public sector, that the link should be made between that struggle and what we've been talking about doesn't seem to me to be too far a stretch.

It doesn't at all seem to me impossible that we should be talking today about taking the example of the 1930s and the creation of a new type a trade unionism and, to pick up what Sam was saying, the need for the type of labour organization now, which isn't confined to a given industry but sees itself as a much broader class organization and sees the struggle for free public transit as important to the retention of their jobs - but in the way that would involve the conversion of their workplaces in a massive way. One could look at the suicides in China that recently led to a wage increase being given by Honda in their plant there as part of a much broader set of struggles for a working class that has grown in numbers enormously in this period of neoliberalism.

There has been massive proletarianization around the world. One could look forward, it seems to me, to enormously heightened level of class struggle of the kind that would be imitated and encouraged by looking at what's going on in one place and what's going on in another. It's not impossible that the strikes that are taking place in Greece that Greg was referring to can have an exemplary effect. We need to do all we can to make them have an exemplary effect. So, yes, I think there are enormous opportunities. What we need much more of, as Sam was saying, are the kind of organized political forces which can intervene in a productive way to encourage that, to sustain it, to give it a broader focus. As Greg was saying, the old parties, the social democratic parties, the left of the democratic party, etc, and also those old Marxist formations that either were powerful or looked like they might be in the 20th century and have now passed into history - we need to find substitutes and alternatives to them.

The anti-globalization movement was a very, very exciting development from Seattle on and hopefully people in it will begin to see that we need more than protests at IMF meetings and more than annual World Social Forums. Those are useful, but we need to organize out of them. They shouldn't be a substitute for building permanent organizations that can contest for power. There's been too much of a tendency in the movements of the last decade to be afraid to do that and to believe that it's enough to simply protest.

Sasha Lilley: There was a very interesting editorial in the Financial Times by the historian of the French revolution, [Simon Schama](#), worrying that this year may be the moment where people go to the streets. He made a parallel with the French revolution and the lag that often occurs between when people are hit by a crisis and when they respond. Just looking around us during this summer, perhaps, of our discontent, there is a crisis unfolding in Europe, which of course looms over

the United States and North America, and in the Gulf of Mexico there is an absolutely horrendous oil spill, which is hard to fathom except through the lens of the profit motive and private capital's relation to the state. Sam, do you think that there are opportunities now, despite the weakness of institutions of the left and labour, which we might be hopeful about?

Sam Gindin: Yes and not just in terms of what's happening now. This is going to continue. There's going to be more volatility. There's going to be more pressure on people to pay for the exit to this crisis. Insecurity isn't going away. Inequality isn't going away. People see what's happening in the Gulf, they see the kind of resources the state can mobilize when it's trying to save the banks and they can contrast it to the state's intervention in other ways. They're cynical. They're skeptical. I don't think you have to convince people that capitalism is wonderful. You just have to convince them that there is something they can do about it.

My sense is that these things explode in unpredictable ways. But then the question is always how do you sustain it. So the opportunities are there and it's encouraging whenever you see a struggle someplace that you can learn from or be inspired by. And then there are local things that are going on. In Toronto we've all been involved in the creation of something called the [Greater Toronto Workers' Assembly](#). It was really an attempt to say: let's just not have another protest against the crisis; let's actually talk about the fact that none of the things we do right now in the movements, or in the unions, or on the left actually match what we're up against. And we need to get together on a class-based way that actually speaks to capitalism, that's actually rooted in the community, in a sense of organizing here. We're focusing on free transit as a class issue. We're focusing on how does the [public sector respond in a time of austerity](#). And we're arguing it can't just respond by trying to get higher wages and isolating itself. It has to actually say: we have to put the level and quality of administration of public services on the agenda and lead in the transformation of public services or we're going to be killed. These things evolve and they're hard to do, but they've got people speaking and finding spaces to address these things. So I'm optimistic, but not in a sense of being ready to predict that it's about to happen. But the opportunities are there definitely.

Sasha Lilley: I want to end by asking Greg that same question - what do you see as the opportunities in this moment despite the obstacles that you have laid out?

Greg Albo: I think there are four. One is that the American and NATO single war across the Middle East is fracturing in many ways, from Palestine to Afghanistan, through some of the problems in Iraq. So I think some defeats and some even positive movement, particularly in Palestine, will be very positive for the global social justice movement.

Secondly, I think the continuing momentum and the breakthrough in the Andean countries as challenges to neoliberalism – not that either Bolivia or Venezuela have managed to break-through neoliberalism, but they have been combining, developing new political forces with anti-neoliberal and anti-capitalist political agendas – is helping to reform the left across the continent of Latin America and it's a very positive development globally. I would put alongside those the developments that have occurred in both Nepal and Thailand. Obviously the Thai case is very ambiguous in some senses, with the leadership of the Red Shirts, but on the other hand it was an incredibly moving display by peasants and workers in the city demanding democracy.

As Leo pointed out, the developments in Europe are still unpredictable. They can still open

up from Greece to Portugal with a more radical left putting demands on what is quite clearly an unworkable solution that has so far been put forward in dealing with the Greek crisis. The political momentum developing in Europe is quite unpredictable and could start making some linkages with the fights in France and Britain and Germany as the austerity packages start moving through those countries. So I think that's very positive.

I would identify, like Sam, a lot of the developments that are occurring largely in urban cities in North America, both in Canada and the U.S., which are finding new ways to connect organizing between unions and migrant rights struggles, and with community fightback initiatives, which I think are forming a different kind of left than we've had for a long time. It's forming a left that is more open for new political initiatives, is more open to longer term organization-building, and I think is breaking from the lock that has been on the left both in Canada and in the U.S. of trying to fight our politics either through the Democratic Party or similar combination of the Liberal Party and New Democratic Party in Canada. I think that's very positive for us being able to build a new left in North America over the next couple or years. •

*Greg Albo, Sam Gindin, and Leo Panitch all teach political economy at York University in Toronto and are the authors of **In and Out of Crisis: The Global Financial Meltdown and Left Alternatives**, published by PM Press. Panitch and Albo are co-editors of the [Socialist Register](#), while Gindin for many years was research director of the Canadian Auto Workers Union.*

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