

The Crisis of World Capitalism: the Myth of Canadian Exceptionalism

An Interview with Michael Lebowitz

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An Interview with Michael Lebowitz

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The interview was conducted by Rebekah Wetmore and Ryan Romard. Rebekah Wetmore is an independent researcher and community organizer. She has an MA in Sociology from Acadia University in Wolfville, Nova Scotia. Ryan Romard is a MA Candidate in Sociology at Acadia University. He studies the Sociology of Agriculture in Cuba.

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Rebekah Wetmore and Ryan Romard (RW/RR): The crisis of world capitalism starting in 2007 was the most severe crisis of capitalism since the Great Depression and thus far the recovery, both globally and within Canada, has been weak at best. With this mind, to what extent is the current crisis cyclical and in what ways is this related to a broader, systemic crisis of the capitalist system?

Michael Lebowitz (ML): This is not a question for which there is a quick answer. What do we mean by a crisis of capitalism? I distinguish between a crisis in capitalism and a crisis of capitalism. For me, there is only a crisis of capitalism when there is an organized and conscious subject prepared to put an end to capitalism.

There are always crises, though, *within* capitalism. Understanding this distinguishes a Marxian perspective from the perspective of mainstream neoclassical economists for whom the normal state of capitalism is equilibrium and crises are aberrations. For Marx and Marxists, crises are inherent in capital's tendency toward [overaccumulation](#). It is inherent in the nature of capital that its orientation is to grow, to expand - to accumulate, accumulate! In a crisis, though, that process of accumulation is checked.

All crises take the form initially of the inability of capital to realize the surplus value

extracted from workers through exploitation in the process of production. If capital is unable to realize the surplus value which is contained within commodities through sale of those commodities, it will cut back on their production. And, the result is unemployment as well as reduced demand for investment – in other words, reduced demand for the sector producing means of production. Growing unemployment in both the consumer goods sector and the sector producing means of production means that there will be greater difficulties in selling commodities. Thus, the initial emergence of the inability to sell commodities brings with it a deepening crisis within capitalism.

Part of that deepening of the crisis involves a significant reduction in the values of capital – in the value of raw material stocks, for example, but especially what is called fictitious capital. By fictitious capital, we mean the capital invested in various vehicles which, while linked ultimately to the fortunes of real capital within the spheres of production and circulation, takes on a life of its own. For example, the values of shares in corporations (which have their real basis in the profitability of those corporations) expand significantly in the period of a boom. Presumably, these values are related to expectations of that profitability but those stock values are determined instead by prospects of money to be made in the stock market. Until the moment of truth, there comes a point as a crisis within the real economy emerges in which there is an enormous destruction of those values contained in this particular form of fictitious capital – i.e., a crisis of the stock market. And this is not the only form of fictitious capital. We've seen a great destruction of fictitious capital in the form of various financial instruments such as derivatives, etc. as well as real estate values. All of this has its impact and feeds back on the real, underlying economy to deepen a crisis.

None of this explains *why* crises occur, though – why capital's drive to expand comes up against barriers. In Marx's [Capital](#), he indicated that capital develops an ability to grow by leaps and bounds and comes up against no barriers except those presented by the availability of raw materials and the extent of sales outlets. Both those barriers are the result of capital's tendency for overaccumulation. In the case of the first, Marx described how overaccumulation tends to be manifested in lagging production of raw materials and other products whose source is nature. Agriculture and extractive industries such as mining, Marx noted, are modes of production *sui generis* – they cannot be expanded in the same way as spheres of production which are users of raw materials. Precisely for this reason, then, in an extended period of accumulation, capital often comes up against the problem of the rising value of raw materials with the result that a greater proportion of capital outlays must be for what is called constant capital. These will be periods in which the [rate of profit tends to fall](#) because overaccumulation in industry has as its counterpart underaccumulation in the production of raw materials. You can see my discussion of Marx's argument in "[The General and the Specific in Marx's Theory of Crisis](#)," which is reprinted in my book, *Following Marx: Method, Critique and Crisis*.

The second barrier that Marx identified is rooted in the antagonistic conditions within which capital functions – in other words, in the nature of capitalist relations of production themselves (recall that Marx stressed that [the real barrier of capital is capital itself](#)). Capital's drive to increase the rate of exploitation brings with it a tendency for its ability to produce more and more articles of consumption to come up against a barrier in terms of its ability to realize the surplus value contained in those commodities; this tendency for overproduction of capital often takes the form of intensification of capitalist competition. The begged question, though, is if a rising rate of exploitation is significant, why doesn't the

relatively increased share of income for capital lead to increased capitalist expenditures (investment and consumption)? The answer is that capitalists are not likely to expand productive capacity if there is already unused capacity in the productive sector (because of overaccumulation) and falling profit rates because of the burden of the high costs of raw materials. The situation is one in which workers can't spend and capitalists won't. It's a situation when capitalists choose to place their funds elsewhere - in securities, real estate, etc.

I have been describing a crisis which is essentially a cyclical crisis. Cyclical crises, though, by definition don't last. For one, the process of destruction of values can restore the conditions for resumption of profitable production. But crises can be more than cyclical; they can also be structural. When we talk about the overaccumulation of capital, it is essential to recognize that capital does not expand in unison. There is an inherent tendency toward unevenness: some capitals will be the major contributors to the growth and accumulation of capital while others may bear the brunt of the effects of overaccumulation. In particular, there are periods in which capital expands in new areas, new geographical regions, more rapidly than in the old regions of capitalist expansion. This process may reflect new, advanced productive forces (thus, better means of securing relative surplus value) or very high rates of exploitation based upon low real wages and a high length and intensity of work - and sometimes it may be *both* modern techniques and very low wages.

This emergence of new capitals and new forms of production provides a basis for a structural crisis - in other words, a crisis which is the result of the changing structure of capital. Although it does not occur with the periodicity of a cyclical crisis, this definitely has happened before - in what was called the Great Depression in England in the latter part of the 19th century (as the result of the growth of production in Germany and elsewhere on the Continent as well as the U.S.) and in the 1930s (after the growth of mass production in the U.S. and the growth of the rate of exploitation in the 1920s). Crises in capitalism which embody both cyclical elements but also significant structural elements will be deeper and longer than those which only involve cyclical swings. Further, structural crises may generate significant tensions because the change in the geographical locus of capital resulting from unevenness may lead to an attempt to redivide spheres of influence and power (and thus inter-imperialist rivalry). Finally, their resolution may require a process of restructuring of capitalist institutions in order to incorporate the new elements and manage these new relations - the obvious case being the restructuring which occurred with the [Bretton Woods agreements](#) after the depression of the 1930s and World War II.

I have been stressing this question of restructuring because it is obvious that the current crisis within capitalism is both cyclical and also structural in this sense. There's been a very significant growth in productive capacity, an accumulation of capital, in centres such as China, South Korea, India, Brazil, etc. A significant part of the explanation of this process has been the enormous reserve armies of labour in the countryside which could be drawn upon for the expansion of wage labour within industry at wage rates well below the levels in the old capitalist centres. As a result, this has been a period marked by a rising rate of exploitation on a world scale and at the same time a rising demand for raw materials from these new expanding centres of capitalist accumulation (reflected in prosperity in raw material producing centres).

Both these characteristics tend to generate a crisis within world capitalism; however, within that general crisis, the unevenness is obvious. In the old centres of capital, we see that rather than the expansion of productive capital, money has flowed into finance and real

estate; thus, one can speak accurately about the separation of finance capital from productive capital there (much like England's shift toward rentier capitalism in the late 19th century). But there is more: in the context of capitalist competition and pressures upon profits we see that capital in these old centres has managed to insulate itself somewhat because of its success in shifting the tax burden to the working-class - reducing taxes upon corporations and upon those with high income (who are described as the 'job creators'). Capital has been able to do this because the defeat of the working-class in these centres.

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To describe, though, the growth of finance capital at the expense of productive capital as characteristic of this crisis in capitalism (and especially to see this as a sign of the crisis of capitalism) is an example of one-sidedness (which happens to coincide with the location of those who come to this conclusion). It doesn't look at all like a crisis of capitalism in China, Vietnam, India, Brazil etc. In short, what we are seeing is a change in the structure of world capitalism, and the attempt to manage the change in that structure is reflected in such developments as the shift from the G7 to the G20. Will that restructuring of capital succeed? I suggest that, in the absence of the ability of the working-class throughout the world to prevent it, capital will succeed in this as it has in the past.

Let me turn, though, to a question which you didn't ask explicitly: is there anything in this existing situation which points to the ultimate, final crisis of capitalism? Although there are many Marxist economists who are predicting the end of capitalism (something Marxist economists are prone to do), my perspective is somewhat different. It is obvious that there is a very serious problem of an emerging ecological crisis to which capital is contributing substantially. However, that is a crisis of humanity - not a crisis of capital. How and if this crisis of humanity can be prevented depends upon a serious movement of working people to put an end to capitalism by all means possible and as soon as possible. And *that* will be the crisis of capitalism.

RW/RR: Canada's Prime Minister Stephen Harper has unashamedly promoted the myth that the financial crisis did not greatly affect Canada. Is this notion of Canadian exceptionalism warranted? If not, what might the next couple of years be like for Canadians, particularly in light of the recent austerity measures?

ML: It is true that Canada has not been as affected by the financial crisis as the United States. But that has really little to do with the actions of the Harper government. In part, it reflects the difference in the nature of the banking system and the traditions of finance in Canada. In part, too, it also reflects the difference in the risk orientation of Canadians. But this is not a case of Canadian exceptionalism at all. Not unless you forget about all those other exceptions like Chile, Ecuador, Venezuela, Brazil, and indeed all countries exporting raw materials to China and experiencing a boom based upon this.

There have been two distinct tendencies affecting the Canadian economy. One is the tendency related to the depression in the United States, given Canada's long-term dependence upon that market. The other tendency reflects the resource boom based upon

exports to China and other Asian countries. Those two tendencies reflect the changing structure of world capitalism, and the geographical division involved is reproduced within Canada itself. Thus, provinces like Québec and Ontario, which have focused upon manufacturing, are suffering significantly whereas Prairie provinces like Alberta, Saskatchewan and Manitoba in particular have been benefiting from their resources.

The Harper government has thrown its lot in with the latter group of provinces and with the emerging new centres of capital. In its so-called budget bill, its determination to push through pipelines to serve China, its interest in Chinese foreign investment, its removal of environmental protection measures, etc, we can see that it is placing a wager on the structural changes in capital. This strategy has major implications for the Canadian economy. Thomas Mulcair of the NDP has raised the question of the '[Dutch disease](#)' - i.e., the blow to Canadian manufacturing as a result of a rising value of the Canadian dollar linked to resource exports. I think that's a bit premature because we cannot say at this point how much of this particular decline is cyclical and how much is structural. However, over a long time period, I think it is correct to talk about the spectre of the Dutch disease. The Harper government strategy points in the direction of a new model - actually a return to the *old* model, that of the hewers of wood and drawers of water (i.e., to a hollowing-out of the economy similar to what happened to Venezuela over a number of years as the result of its oil wealth).

In this period, the two tendencies interact. Budget deficits reflect the fate of the old capitals - in particular, the problems in the U.S. economy and the pattern of tax cuts for corporations and high income earners that have occurred here. As in the case of the United States, the defeat of the working-class and the weakness of working-class institutions has meant the successful imposition of capital's austerity plan which is an attack on the working-class. To this can be added the effect of resource exports which have significantly elevated the value of the Canadian dollar relative to that of the U.S. and seriously affected manufacturing exports as well as those of sectors such as the forest industry (and thus employment in these sectors).

Of course, it is essential to recognize that these two tendencies are not occurring in two separate worlds. The rapid accumulation of capital in China and other emerging capitalist countries has itself been based on the existence of markets in the developed North. To the extent that the latter continue to slump, it cannot help but affect the accumulation of capital in the former and thus their demand for resources. When that happens (and I think the only thing in question will be its extent), Canada faces the real prospect of a serious decline. All other things equal, this will accelerate and intensify the capitalist austerity project.

So, when you ask the question as to what may the next couple of years be like for Canadians, it is difficult to provide a definite answer. It depends. All other things are not necessarily equal. If the working-class continues to be defeated, we can look forward to one defeat after another - one attack after another on social services, health and safety, education, everything that people have made sacrifices and struggled to achieve in the past. It's not, of course, inevitable. Nothing is inevitable when it comes to the question of class struggle.



RW/RR: In *The Socialist Alternative*, you argue that “given the heterogeneity of the collective worker (and its various forms of immiseration) and capital’s use of differences to

divide the working-class in order to defeat it, a political instrument is needed to mediate among the parts of the collective worker, provide the welcoming space where popular movements can learn from each other and develop the unity necessary to defeat capital.” Is the anti-capitalist left in Canada ready to form such a party? If not, what can be done to foster the development of this type of party?

ML: My immediate response is no, the anti-capitalist left in Canada is definitely not ready to form a party which can defeat capital. But there is also the question as to whether an anti-capitalist left as such can ever defeat capital. I doubt that. When I was involved in *Rebuilding the Left* in Vancouver, I argued that we needed to go beyond organizing on the basis of anti-capitalism and instead to stress explicitly the necessity for a socialist alternative. Anti-capitalism means something different for everyone. For some people, it is opposition to big corporations; for others, it is opposition to the banks or the capitalist state or money or large-scale industry, international capital or inequality in income and wealth. Accordingly, the perceived alternative can range from breaking up the corporations to developing alternative currencies to supporting cooperatives and credit unions to putting an end to private ownership of the means of production and to returning simply to the good old days when people could anticipate a good job, a home of their own and all the amenities that their parents had. The multiplicity of views about what we don't like about capitalism (ie., anti-capitalism) was apparent in the Occupy movement.

Of course people should struggle against every assault by capital and every violation of our conceptions of justice. Marx [made the point](#) well: without the struggles of workers over wages, workers would be a “heartbroken, a weak-minded, a worn-out, unresisting mass” and would be incapable of any larger struggles. Of course, too, it is essential to try to link these struggles. However, in the absence of a positive vision, capital can and will separate and defeat those who oppose it. Trade unions under attack and facing capital's demand for concessions, for example, can look at issues outside their immediate concerns and say, ‘what's this got to do with our members?’

Sometimes, though, capital and the capitalist state make it easier to connect issues. In 1983, a simultaneous blanket assault by the Social Credit government in BC created conditions in which it was possible to unify teachers, hospital workers, renters, poverty movements and private sector trade unions who were injured by the proposed legislation in a movement toward a [general strike](#). Similarly, when capital is in a crisis period and moves to administer its affairs through a general programme of capitalist austerity, it is possible to bring together those under attack – both those suffering from the crisis itself and those under attack by the capitalist state. That is what Occupy, the Enraged and the Middle East Spring demonstrate. And, right now that potential is there as the result of the Harper Government's so-called Budget Bill.

But, as the disintegration of the General Strike movement in BC demonstrated, many ‘No's’ do not make a big ‘Yes’. At the present time, people are fighting against reductions in social services, against measures which make universities and education inaccessible for many, against the removal of measures protecting against the destruction of the environment, against the removal of support for our current healthcare system – against, indeed, many characteristics of what is viewed as our entitlement, an entitlement which didn't drop from the sky but which was the result of years of struggle. In short, people are struggling out of a sense of fairness. But there's a difference between struggling over questions of fairness (sometimes identified as characteristic of moral economy) and being able to understand why all this is occurring – enough so to be able to put an end to such attacks. If you don't

understand the underlying factors, you are likely to look upon what you're fighting for as the restoration of the good old days.

Marx made this point in talking about the limits of wage struggles. 99% of those struggles, he said, were reactions against capital's previous actions to drive down wages. They were attempts to restore the traditional standard of life and occurred under the conservative banner of a fair day's pay for a fair day's work. And, it was accurate to describe this as a conservative slogan because workers fighting under that banner were seeking to conserve or preserve the pre-existing conditions. While though those struggles were essential for developing their collective strength and dignity, Marx stressed the necessity for workers to go beyond those guerrilla wars against capital and its state and to struggle under the revolutionary banner of putting an end to capitalist relations.

We need to understand the nature of capitalism, and we need a vision of a socialist alternative if we are to defeat capital. This is my point in *The Socialist Alternative: Real Human Development*, where I argue for a vision of socialism which involves social ownership of the means of production, worker and community decision-making and production for social needs rather than exchange. A focus upon human development unifies these elements and, indeed, has the potential to unify all our separate struggles. This vision of a society in which all human beings are able to develop their capacities and realize their potential is the vision contained in [The Communist Manifesto](#) - a society in which "the free development of each is the condition for the free development of all." We need to communicate and struggle for the realization of that vision.

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Defeating capital won't happen spontaneously through some kind of collective epiphany. It requires conscious effort. But any attempt to create at this point a party to defeat capital would be viewed correctly as just another vanguard sect promising to deliver socialism. It is important to start from people's conception of fairness and to understand why they are moved to struggle. However, we need to recognize the limits of guerrilla wars against capital and to learn to work together in practice to build an understanding about the nature of capitalism and the need for a socialist vision. That means finding ways to create spaces where popular movements can learn from each other - spaces and new forms like people's assemblies at every level. We need but we're not ready to form a socialist party that can defeat capital. But we can develop a socialist project, one which listens, educates and helps to create the basis for a new type of party which is integral to and does not stand over and above social movements.

RW/RR: Drawing on your work in Venezuela, Cuba and the former Soviet Union what might a socialistic response to the ongoing economic crisis look like? What has been Venezuela's response to the economic crisis? What can socialists in Canada and elsewhere learn from these experiences about how to respond to the crises of capitalism?

ML: I've just completed a new book, *Contradictions of 'Real Socialism': the Conductor and the Conducted*, which stressed, among other things, the importance of building upon

aspects of the 'moral economy' of the working-class in the former Soviet Union in order to move forward to socialism. As we know, however, what did happen was precisely the opposite - an attack on the concepts of fairness and justice of workers as part of the process of moving to capitalism. Unfortunately, too, there are many signs in Cuba that the response to their current crisis is to move in the same direction although it is still too soon to rule out the possibility that there can be a return to the ideas of Che Guevara about the importance of building socialist human beings.

Venezuela, though, does offer some ideas that Canadians can draw upon - precisely because it is a capitalist country with resource wealth, has the experience of suffering the Dutch disease and now has a government with the articulated goal of building a new socialism different from the experiences of the 20th Century. In particular, the government of Hugo Chavez has decided to use its resource wealth to expand enormously access to health services and education, to reclaim as state property the oil and other basic industries as well as telecommunications, electricity, steel, cement, airlines and a host of other sectors seen as important for satisfying the many needs of Venezuelans. By building up local industry, housing and agriculture with oil revenues, it is explicitly attempting to demonstrate that there is nothing inevitable about the Dutch disease if you have a government committed to food sovereignty and to creating opportunities for jobs that can serve the needs of people.

There are many problems in Venezuela, and not the least is the inherited culture of clientalism and corruption (as well as a tendency to populism) to which the Chavez government is not at all immune. But there are elements that can inspire many people within Canada who don't think of themselves as part of an anti-capitalist or socialist Left. The idea of neighbourhood government where people can work together with their neighbours to solve local problems and to plan (something embodied in the communal councils and communes in Venezuela) and the idea of workers' councils (without which, Chavez has said, you can't build socialism) - these are ideas which don't need oil revenues or major state-directed programmes. This concept of protagonistic democracy, a concept of democracy as practice through which people can develop their potential, can appeal to people precisely because of their sense of their powerlessness in modern capitalist society.

Are there ideas here for Canadian socialists to draw upon in the context of the current crisis and the capitalist austerity programme under way? Think about it. Taking resource wealth away from private corporations to be used for fostering the education and health of the people and building new socially-owned industry, creating new institutions which allow for the development of the capacities of people through their own practices, i.e., developing the ultimate productive forces - wouldn't these be elements with which to counter capital's austerity programme and to substitute for it a socialist austerity programme (i.e., austerity for capital)?

Consider how different would be the situation in the current crisis in Canada if resource revenues were poured back into the economy for education and health and for building and modernizing economic activity - investments for the future as well as a means of mitigating (instead of exacerbating) the current crisis. Capitalism, as Chavez has said, is a perverse system - one which doesn't care about human beings. We can use the opportunity of the current crisis to demonstrate how it is a system that we need to go beyond. •

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