

# Global Imbalances, Global Crisis?

Greg Albo

Over a number of signal texts, István Mészáros has lucidly pointed out the structural obstacles to human emancipation under capitalist relations of production. The limits to meeting human needs or overcoming alienation are a consequence of the necessary internal relations of the capitalist system. The products of our labour are denied us, take the form of commodity-capital, and are appropriated and accumulated as money-capital by a class of non-producers. This class of capitalists rules over us through the particular form of liberal democratic states, where we are all formally equally as citizens but socially unequal as political and economic actors. In this sense, capital rules politically, but also over our entire social being: behind the veil of appearances of liberal freedoms, the real social relations of capitalism are “unfreedoms” for the working class majority. These limits are social and particular to the capitalist economic system. They can only be overcome by moving “beyond capital.” These are the themes of Mészáros’ two great works, *Marx’s Theory of Alienation* (1970) and *Beyond Capital* (1995).

In Mészáros’ view, moreover, there is internal to “late capitalism” a structural crisis. As capitalist markets become more universal and intensive on a global scale as a regulator of social life, and neoliberalism as an ideological doctrine gains influence, the worst features of capitalist societies towards militarism, ecological degradation, human alienation and exploitation are accentuated. This is the world drawn in his clarion *Socialism or Barbarism* (2001). And he continues that point here arguing that there is “a big problem, misrepresented as fully successful globalization. For in reality various constituents of global capital are still pulling apart. The various national entities have interests of their own which they try to assert.... The structural crisis of the capital system continues to assert itself in this way.”

What, then, are some of the characteristics and contradictions of neoliberal glo-

balization, and the dilemmas they pose for the left today to put in perspective the foreboding vision – if animated by the steadfastness of the revolutionary – which István Mészáros has given us?

*First, neoliberalism is not simply a set of market-oriented policies or New Right governments; rather it is the social form of rule specific to this stage of capitalism.*

Neoliberalism began as a policy response to the economic and political crisis of western capitalism in the 1970s. It was the ideology of the free market and the political project of powerful international and American private economic interests to defeat an upsurge in working class militancy and rebellious “third world” states. But neoliberalism is now much more than a strategy of the new right: neoliberalism is foremost the way the ruling classes rule today; it is the way social relations and political domination are reproduced within and across the international state system.

Neoliberalism is, within this wider frame of reference, a particular re-organization of the practices of the state that gives precedence to: inflation-targeting independent central banks; the re-ordering industrial and commercial policies and state apparatuses toward international competitiveness and the internationalization of capital; fiscal constraint and tax cuts; means-tested welfare policies; and disciplinary free trade regimes. Together these transformations decrease democratic and state capacities to determine the usage of the social surplus inter-temporally between present consumption and future investment and inter-sectorally between public and private sectors in the composition of output. These planning capacities have been allocated to financial capital and the bureaucracies of large corporations.

Neoliberalism is also the reproduction of certain distributional norms: annual wage increases being kept below the combined rates of inflation and productivity, thereby shifting an increased share of income to profits; increasing inequalities

within the working classes through higher levels of labour reserves, longer hours of work, the informal sector and precarious work, and sharp cuts in welfare transfers; increased reliance on credit and financial markets for current and future living standards; and privatization and user fees increasing the commodification of daily life.

Neoliberalism has come to encompass the world market and the institutions governing the international state system. It is registered in the increased internationalization and financialization of capital; the vast extension of foreign exchange transactions and secondary derivatives markets; and the expanded disciplinary role of international financial markets over economic calculations in local and national states. The international governance institutions of the World Trading Organization, International Monetary Fund and World Bank have supported these developments and enforced limits on the autonomy – and even sovereignty – of national socio-economic policies that might impinge on the internationalization of markets.

Neoliberalism has secured new political conditions for the production of value, the circulation of capital, and the distribution of social output. This in no way can be seen as mere symptoms of capitalism in crisis.

*Second, neoliberalism has accentuated the unevenness of capitalist development.*

The economic crisis that overtook the advanced capitalist countries with the decline in profits and end of the postwar boom in the mid-1970s cut growth rates in the advanced capitalist countries through the 1980s. Since 1990 the uneven development of the world market has continued to reveal itself. Growth rates in the U.S. picked up in the “boom” of 1993–2000 to about 3.5 per cent. However, across the business cycle a modest slowdown in U.S. accumulation is also apparent. The U.S. upturn was a result of internal demand stimulus →

but also enormous foreign capital and migration inflows from the rest of the world. The brief recession of 2001–2002 was quickly erased by the extraordinarily loose monetary policy and the huge budget deficit from tax cuts (the deficit at about \$560 billion and 4.5 per cent of GDP for 2004). With U.S. growth since then back to the 3–4 per cent range, it has been one of the two key engines propelling world accumulation. In contrast, the EU had growth of just over 2 per cent of GDP from 1991–2001, and has stagnated further since. Japan experienced a sharp recession after the asset meltdown of the early 1990s, followed by a deflation that until recently still has had nominal GDP actually shrinking. With U.S. output growth since 2000 twice as fast as that of Europe and much more so against Japan, neoliberalism has re-established the place of the U.S. at the centre of the world market.

The second engine to world economic growth has been the emergence of China as a global capitalist power. It has grown on average at over 9 per cent a year since the late 1970s and Deng Xiaoping's famous turn of "building a socialist market with Chinese characteristics." China continues to grow at this pace, although dependent on cheap peasant labour being drawn into urban sweatshops, foreign capital, exports and the tying of the yuan to the dollar. China now constitutes close to 15 per cent of world GDP, and has become the new "workshop of the world." This growth has spilled over into other parts of East Asia and India. Alongside the stimulus provided by the U.S., Chinese growth is why world economic growth has risen to 4–5 per cent over 2003–2004.

In the rest of the world, the story has been quite different. Except for a few oil states and the last two years, accumulation in the Middle East, Africa, Latin America and much of Eastern Europe has been dismal over the period of neoliberalism and has, in many cases, registered a fall in per capita GDP.

The production of new value-added during the period of neoliberalism is more uneven and punctuated by cyclical crisis

than the postwar period, but it is not out of line with historical patterns. Most importantly, the restructuring of capital and class relations of neoliberalism has restored profitability. The internal contradictions of neoliberalism – the over-reliance on the U.S. and China for net new effective demand in the world market, the tendencies to economic slowdown and working-class austerity, the scale of the consumer credit



expansion and mortgage lending, the susceptibility to energy price shocks, structural payments imbalances, marginalization of peripheral zones – need closer examination. The possible fissures within neoliberalism reside here.

*Third, the patterns of trade and capital flows in the world market have sustained increasing asymmetries in global economic balances and the circulation of capital between the three main blocs in the world market.*

The central register of the imbalances in the world trading system is the U.S. current account deficit, currently running at about \$650 billion for 2005 and 6 per cent of U.S. GDP (accumulated to about \$3 trillion since 1982). This is matched by surpluses in the rest of the world, and especially East Asia. For example, Japan still exports about a quarter of its total exports to the U.S., and ran a current account surplus of just under 20 trillion yen for 2004. East Asian lending, as well as the accumulation of huge foreign exchange reserves in the form of U.S. dollar holdings and treasury bills, has supported the U.S.'s debt

levels and current account. To take the same example, Japan had over 400 trillion yen of international assets of various kinds at the end of 2004, with portfolio investment at over 200 trillion yen, and foreign reserves approaching 100 trillion yen, held largely in U.S. assets and dollars. If current trends stabilized or continued to grow over the next decade as they have been, U.S. net liabilities to the rest of the world would

range from 80–120 per cent of GDP (levels that are quite unsustainable for other countries).

The U.S. trade deficit is an effect of long-term patterns of accumulation and relative competitiveness, and cyclical growth and exchange rate patterns. The catch-up of the post-war boom and the 1980s meant a structural decline of the U.S. competitive position and an increase in East Asia and Europe. This was seen, in part, through the steady movement toward constant trade surpluses in Germany, Japan and then the "Asian tigers." But the superior productivity performance in the U.S. from the 1990s on has improved U.S. relative unit labour cost performance (although the rapid increase in Chinese competitiveness in higher value-added goods is adding a new pressure). Hence the dynamic of competitive austerity in the world market – the U.S. pushing down the wages of its workers to improve competitive position, and the rest of the world doing the same to maintain export market share because of weak domestic accumulation – that has been integral to neoliberalism.

As a consequence of the structural imbalance, the U.S. is absorbing about 80 per cent of global savings to cover its trade deficit. Something in the order of \$1.5 billion per day is sought on international capital markets largely through corporate bonds or the sale of U.S. treasury bills (about half of all T-Bills being held outside the U.S.). As well, global foreign exchange reserve holdings of U.S. dollars has been dramatically increasing, growing from about \$1.7 trillion in 2001 to \$3.7 trillion at the end of 2004. The largest holders of U.S. assets and dollars are China, Japan and other East Asian countries.

As surplus capital flows into China from the rest of Asia through the extension of subcontracting networks there, China in particular has been massively increasing its reserves and purchases of U.S. dollar assets. For 2004, China had new foreign investment of almost \$50 billion, and its foreign exchange reserves exceeded some \$650 billion. In a sense, along with Japan, China is bearing the central risk of U.S. dollar decline. This is one of the main practical reasons for the sustained pressure for appreciation of the yuan; pressure is coming from Japan, the EU, and especially the U.S., which is running a trade deficit of some \$160 billion per year with China. But for many reasons China is reluctant to revalue, and will remain cautious about liberalising exchange rates.

A structural U.S. trade imbalance covered by capital inflows in the form of borrowings is clearly unstable for the world economy in the long-run. It depends on foreign private sector and government agents willing to hold U.S. assets denominated in U.S. dollars, with both the value of the assets and the dollar under pressures. Losses would – as they already have been with dollar devaluation and weak U.S. equity markets over the last 4 years – be unavoidable. It is either that or to continue to maintain the existing values and prices and the U.S. as “importer of first resort.”

*Fourth, the current phase of neoliberalism continues to disorganize the left, and a sustained period of forming anti-neoliberal alliances contesting neoliberalism and the new trade architecture “in and against” national states needs to unfold.*

A number of structural transformations have altered the organizational foundations for left politics: the changes in the nature of employment towards more networked production processes and fragmented services provision; the increasing international circulation of capital; and the internal differentiation and stratification of the working class. Neoliberalism has contributed to these pressures. Left alternatives have also suffered historical defeats, for good and ill, in the end of authoritarian communism and the realignment of social democracy toward increasing accommodation of the market and existing distributional relations. These developments have shifted working class capacities in terms of workplace organization, political leadership of oppositional forces and ideological inventiveness. As a consequence, left politics under neoliberalism has oscillated between, on the one hand, a “politics of chaos” that in fact reflects the disarray of left forces and organizational weakness, and, on the other, short-term political calculation to avoid further social erosion.

Above all, then, the socialist left must be actively fostering the formation of new political agencies. One necessary aspect of such an engagement is class reformation through revitalization of unions, and the linking of unions to workers in new sectors, the struggles for gender and racial equality, and the marginalized outside “normal” work processes. It is also necessary to experiment in organizational convergence between the remnants of the independent Left, civic organizations, and the sections within social democracy that remained committed to a transformative project. Such a reformation needs to be grounded in the building up of educational, communicative and cultural resources indispensable to forming the political identity necessary for a “new socialism” for the twenty-first century, pre-figured here in Mészáros’s calls for a new internationalism. And concrete anti-neoliberal alliances forged in struggle to defeat particular initiatives and make inroads against neoliberalism will make such a process of reformation “organic.”

Without such new democratic collective capacities, the barbarism that is neoliberal globalization will indeed continue to yield its daily horrors from one part of the globe to another. **R**

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# Restructuring Labour, Restructuring Class Formation

Sam Gindin

In his interview, István Mészáros raises important issues about the significance of the combined tendencies toward a decline in the weight of manufacturing in overall employment, the intensified commodification of labour (casualization), and the emergence of the public sector as ‘the leading edge in the labour movement.’ These comments merit additional reflection.

The neoliberal shifts in the nature of employment being raised, for instance, represent more than material defeats for the working class: they also impact dramatically on class fragmentation and class formation. Three dimensions of this seem especially important with regard to understanding the present impasse of labour:

the radical changes in the ways in which workers, especially organized workers, gain access to consumption; the internal stratification of the working class; and the determination of capital and states to commercialize, and not just privatize, social services.

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The relative decline in the weight of unionized manufacturing workers in the economy does not in itself account for the decline in this sector’s leading role. It is, I think, important to see that the development of neoliberalism did more than →