

the institute  
for the critical study of society



# OBAMA AND THE CURRENT CAPITALIST CRISIS

January 2010

## CONTENTS

### **i Introduction**

### **1 The Capitalist Class and the Obama Phenomenon**

Laurence H. Shoup presents case studies on foreign policy (war on Afghanistan) and on domestic policy (auto bailout), demonstrating that the Obama phenomenon serves the interests and welfare of the capitalist class and is the personification of smart reaction.

### **8 Neo-Leftism and Obama**

Roger D. Harris explores the phenomenon of where some leftists in effect merge their aspirations with the Democratic Party at a historical juncture when capitalism is arguably most exposed and facing its greatest crisis on their lifetimes.

### **15 Obama, Marxism, and the Spirit of Seattle**

Eugene E. Ruyle reviews the diverse approaches on electoral politics within Marxism and, in the spirit of the 1999 Seattle WTO protests, urges toleration and respect for those whose views may differ from our own.

### **21 Why (Bourgeois) Economists Can't Get It Right**

Raj Sahai exposes liberal economist Krugman's Keynesian critique of mainstream economics as "tempest in a tea cup." He argues that the essence of the current crisis is not the imperfections of the markets or human rationality, but the inherent tendency in the capitalist mode of production that makes it impossible for markets to complete the cycles of reproduction. Sahai concludes that there is no long-term solution to the contradictions inherent within capitalism.

**THE INSTITUTE FOR THE CRITICAL STUDY OF SOCIETY (ICSS)**

c/o Niebyl-Proctor Marxist Library, 6501 Telegraph Avenue, Oakland CA 94609

Phone: (510) 595-7417 — Email: [info@tifcss.org](mailto:info@tifcss.org) — Web: <http://tifcss.org/>

**Suggested donation: \$1**

# OBAMA AND THE CURRENT CAPITALIST CRISIS

## INTRODUCTION

The Niebyl-Proctor Marxist Library hosts a school, the Institute for the Critical Study of Society (ICSS). This is the second pamphlet coming out of an ICSS study group, which has been investigating the current capitalist crisis from a Marxist perspective. The essays represent the views of their particular authors.

### Previous Pamphlet

The burden of our previous pamphlet (dated April 2009) was that the current economic crisis is the result of processes inherent in and central to the capitalist system of production and cannot be fully solved within the normal workings of the existing system. These processes, which are characteristic of capitalism, centrally include alienation within each human being, the estrangement of human beings from each other, and humanity's alienation from nature.

The sources of this estrangement are embedded within capital's system of commodification of everything, the powerlessness of most people under the private ownership of the means of production system, characterized by most people lacking control over their daily lives. Exploitation and dispossession is a part of this, which grows out of the very unequal capitalist private property system, the result of which is an alien form of dead labor (capital) dominating living labor. A new beginning to human liberation is needed beyond the law of value.

### This Pamphlet

In this pamphlet, we take up the topic of capitalist strategies to temporarily "solve" economic problems from the point of view and benefit of the capitalist class. More specifically it focuses on the actions of the Obama administration to stop a potential collapse of capitalism and create a renewal of accumulation under conditions that serve overall capitalist interests. They are attempting to use the state capitalist cards of imperialism abroad, massive deficit spending, giveaways to finance capital, and cuts in working class "entitlements" such as wages and retirement benefits.

Such an effort comes up against opposition abroad and divisions among the capitalists themselves at home, splits that the Obama government is in the process of trying to overcome. The main such division domestically is between the state capitalists who want some level of Keynesian type government spending and those who favor the "old time religion" of "free market" competitive capitalism, a belief that is mainly mythological. Obama is trying to split the difference between these contending capitalist forces, finding a middle way that includes a large measure of state capitalism to help the substantial sectors of the capitalist class that depend upon government largess while trying to listen to and compromise with the Chamber of Commerce/Republican Party believers in the virtues of the supposed "free market."

How the Obama phenomenon serves the interests and welfare of the capitalist class is explored in the following essays along with the reactions of elements of the left in the US to the Obama phenomenon.

**THE INSTITUTE FOR THE CRITICAL STUDY OF SOCIETY (ICSS)**  
c/o Niebyl-Proctor Marxist Library, 6501 Telegraph Avenue, Oakland CA 94609  
Phone: (510) 595-7417 — Email: [info@tifcss.org](mailto:info@tifcss.org) — Web: <http://tifcss.org/>

## **THE CAPITALIST CLASS AND THE OBAMA PHENOMENON**

**By Laurence H. Shoup**

### **Introduction**

President Barack Obama is trying to reconcile contending capitalist forces, finding a middle way that includes a large measure of state capitalism to help the substantial sectors of the “liberal” capitalist class that depend upon government handouts while trying to listen to and compromise with ruling class forces further to the right. The main such division domestically is between the state capitalists who want some level of Keynesian type government spending and those who favor the “old time religion” of “free market” competitive capitalism, a belief that is largely mythological. Obama is trying to split the difference between these contending capitalist forces, finding a middle way that includes a large measure of state capitalism to help the substantial sectors of the capitalist class that depend upon government largess while trying to listen to and compromise with the Chamber of Commerce/Republican Party believers in the virtues of the supposed “free market.”

This focus on and catering to the capitalist class is so far leaving out a crucial part of any real solution, the interests and welfare of the working class majority. The domestic and foreign policies that have been proposed and implemented up to this point in time will, of course, increase inequality and the exploitation, dispossession and oppression of the US and world working class. This sordid reality, which includes a bailout of financial capitalists amounting to the largest transfer of wealth from the working class to the capitalist class in world history, is being obscured and covered up by Obama and his administration with a “liberal” rhetorical cover. Obama is a kind of marketer’s dream, “the best brand in the world,” promoting “hope” and creating oceans of illusions, making these serve as a modern day opiates of the people. But Obama’s success in silencing the people’s voice will only be temporary, because his policies offer only more of the same capitalism that created the current crisis.

The capitalist class, led by finance capital and the Council on Foreign Relations, hopes that the supposed “solutions” proposed by Obama will both restart the accumulation machine and keep at bay the ideological crisis that always accompanies a systemic crisis of capital. But the realities on the ground, a severe and ongoing social and economic crisis of the working class worldwide could, with proper analysis and dedicated leadership, produce a different result: a renewal of socialism, this time in a fully democratic, revolutionary and participatory form, the kind of revolution -- involving the people as protagonists and the overthrow of capitalism and the withering away of the oppressive state -- as was originally proposed by Marx himself.

The Obama phenomenon serves the interests and welfare of the capitalist class and is the personification of smart reaction. This reality can only be fully understood by a detailed review of the personnel and key policies of this administration. Here we will confine ourselves to only two case studies, one in foreign policy (the war on Afghanistan) and one in domestic policy (the auto bailout).

### **Obama’s War**

The Bush administration started the war on Afghanistan, but the Obama administration is continuing it and following the same overall foreign policy as Bush. The collective capitalist is, of course, behind this and is proud of their power over the new and supposedly more liberal president. The *Wall Street Journal*, a key mouthpiece of the capitalist class, labeled Obama

## Obama and Current Capitalist Crisis

“Barack Hussein Bush” in an editorial on June 5, 2009, stating that “one benefit of the Obama Presidency is that it is validating much of George W. Bush’s security agenda and foreign policy... {with} artfully repackaged versions of themes President Bush sounded with his freedom agenda.” The *Journal* also approvingly stated that Obama is offering a “robust defense of the war in Afghanistan,” calling it ‘a war of necessity,’ and is also following the Bush policy on Iraq.

While continuity with Bush policies, especially in regard to goals, is a key theme, it is also clear that Obama and his team are exploring new tactics in its attempts to control Afghanistan, Iraq, and the broader Middle East. This amounts to assessing emerging challenges to U.S. imperial domination, then developing tactics to deal with these challenges. One of those tactics is the creation of illusions through Obama’s soothing rhetoric, but the use of bribery, “soft power,” and “nation building” alongside the usual imperialist terror and “counter-insurgency” barbarism has obviously been added to the policy mix. Following Bush’s second term policy of involving imperialist allies in the destruction of Afghanistan, Obama and his advisers have also stressed expanding NATO’s new role of junior partner in conquest, offering the Europeans a share of the spoils. This amounts to trying to substitute NATO for the UN as the world’s main “peacemaker.”

To work out and implement the goals and combination of strategy and tactics (hard and soft power) for the world’s most important current war, Obama has turned to the Council on Foreign Relations (CFR), a key private think tank of the collective capitalist ruling class, for ideas and personnel. The New York based CFR is made up of a complex combination of old and new money, the Wall Street financial oligarchy, top corporate leaders, intellectuals and college presidents (especially from Ivy League universities), journalists and lawyers from leading New York law firms. For almost a century the CFR has worked hard behind the scenes to provide ideas, policymakers and a bipartisan consensus for the drive for U.S. world hegemony, the barbarism of expanding capitalist exploitation and dispossession and the terrorism of endless war using advanced technology.

It is telling that Obama has turned to the CFR to run the war on Afghanistan. This gives him abundant ruling class cover if something goes wrong, because the CFR is, in the words of one journalist the “citadel of the Establishment.” The current President of the CFR, Richard Haass, a former State Department official, states that it is “the leading foreign policy organization in the world.” In September 2009, Haass wrote an op-ed piece for *The New York Times*, putting the CFR stamp of approval for pursuing a limited war in Afghanistan: “My judgment is that American interests are sufficiently important, prospects for achieving limited success are sufficiently high and the risks of alternative policies are sufficiently great to proceed for now, with Mr. Obama’s measured strategy.”

The CFR leaders and members now in key positions advising the president and making decisions on the war include CFR director Richard Holbrooke, who controls the political and economic aspects as Obama’s “Special Representative for Afghanistan and Pakistan”; CFR member General Stanley McChrystal, who is the top military commander (supervised by another CFR member, General David Petraeus); CFR member Karl Eikenberry, who is the U.S. Ambassador in Kabul; CFR member and Defense Secretary Gates, who has stocked his department and advisory boards with other Council members. Secretary of State Clinton, although not a CFR member, gets advice from her husband Bill, who is a Council member, as well a number of CFR members in positions of leadership in the State Department, including her second in command. Both Holbrooke and McChrystal have Council advisers, Ashley Bommer, Barnett Rubin and Vali Nasr in the case of Holbrooke, and Steven Biddle in the case of McChrystal.

Richard Holbrooke got his start in U.S. foreign policy as an “expert” adviser on Vietnam, trying to develop policies that could achieve a victory for U.S. imperialism in that war. He advised U.S. ambassadors, worked with the CIA on their assassination programs (first “rural pacification” in the Mekong Delta, then “Operation Phoenix,” which organized the murder of tens of thousands of Vietnamese) and was part of the U.S. advisory staff at the peace negotiations in Paris. Later he entered the world of finance capital and was managing director of Lehman Brothers as well as a director of American Insurance Group (AIG), leaving the company with at least a million dollars in salary and bonuses just before it collapsed. He was President Clinton’s U.N. Ambassador and the chair of the CFR’s terrorism task force in 2001. During Bush’s run-up to a war on Iraq in 2002, Holbrooke strongly favored attacking Iraq, and in secret meetings with congressional Democrats, he advised them in no uncertain terms to support the coming war. In short, Holbrooke has been a war hawk for his entire life; it is no surprise that he supports a wider war in Afghanistan. President Obama installed this man in a position of power knowing his politics and inclinations.

Stanley McChrystal was an Army colonel in 1999 when he was selected by the CFR’s Military Fellow Selection Board, headed by none other than Richard B. Cheney, to spend a year at the Council’s headquarters to, in the words of the CFR’s *Annual Report* “broaden... {his} understanding of foreign affairs.” After making close connections with the capitalists in the CFR, the colonel was soon promoted to general and, when the war on Iraq was started by the Bush administration, McChrystal played an aggressive role, commanding a Special Forces Group that carried out assassinations and torture at an U.S. Army base in Iraq called Camp Nama. After an exposé of the war crimes at Camp Nama, lower level soldiers were prosecuted and convicted of torture, but the commander was only promoted. President Obama put this man, a war criminal and assassin, in charge of his Afghanistan military policy.

### **Why Afghanistan? Why Iraq?**

A key question to pose and answer is what are the roots of the wars in Afghanistan and Iraq? What does the collective capitalist ruling class and its experts at the CFR and in the government see at stake in this war?

The grand design or master framework behind U.S. foreign policy goals in Afghanistan is based on the same definition of the national ruling class interest that is operative in Iraq. This grand framework is summed up by the terms “geoeconomics” and “geopolitics,” both imperialist conceptions of the world. In the realm of geoeconomics, the collective capitalist leads Obama’s policy makers to ask what regions of the world are minimally needed to maintain the efficient functioning of the political economies of both the U.S. and its key allies in Europe and the Far East, including capital accumulation, investment, trade and strategic control of raw materials? In other words, what is the minimum and maximum economic “living space” for the American capitalist economy? The answer that has been given by the collective capitalist and the CFR has varied over time, but is always most or all of the world. In the case of Iraq and Afghanistan, they are key parts of the wider Middle East, which holds the great majority of the world’s oil and gas supplies. Both petroleum supply (Iraq) and transport (Afghanistan) are involved, and if the U.S. does not militarily dominate these nations, rivals like China might, with potentially serious strategic consequences to the oil and gas dependent U.S. economy.

Beyond the geoeconomics of oil supply, the Middle East is seen as a key complementary trade area to the capitalist industrialized world. They have the hydrocarbons that the West requires and the NATO powers have the industrial goods (cars, machinery, refined products, etc.) that the Middle East needs. This makes the collective capitalist ruling class believe that this potentially

very rich area of the world can be made secure by eliminating nationalist opposition and bringing in U.S. corporations. This was a key part of the Bush administration's invasion of Iraq. Their plan was to create a utopia for U.S. multinational corporations, which would monopolize the exploitation of Iraq's oil resources and labor supply, violently dispossessing the Iraqi people. The various orders of CFR member Paul Bremer, who was Bush's political and economic czar during the first phase of U.S. occupation of Iraq, clearly showed this plan in action, local Iraqi businesses were to be destroyed and workers made powerless to open the way for U.S. capitalists to realize surplus value and make big profits. This failed because of the massive class struggle of the Iraqi people, who refused to allow the total domination of U.S. capitalists over their nation, and they continue to resist today.

Afghanistan is similarly seen as a potentially rich source of raw materials, but also as a key oil and gas transport route. The area of the Middle East lying to the north of Afghanistan has great reserves of hydrocarbons. For example, Turkmenistan has, in the words of CFR member and Obama adviser Zbigniew Brzezinski (in his book *The Grand Chessboard: American Primacy and its Geostrategic Imperatives*), "truly vast natural gas reserves... {and} has been actively exploring the construction of a new pipeline through Afghanistan and Pakistan to the Arabian Sea." Transporting this and other fossil fuels from this central Asian region through Russia, Iran, or China is seen as against U.S. strategic interests. But pipelines through Afghanistan would allow the U.S. to pursue both its geoeconomic interests and its more narrow profit making goals while keeping control of key fossil fuel supplies in its own hands and out of the hands of its rivals.

The second part of the grand design of American foreign policy is geopolitics, a desire to maintain U.S. global hegemony by controlling areas considered "strategic" for one reason or another. Geopolitics is, in practice, closely related to geoeconomics; it is, in a sense, the other side of the same coin. In the case of Iraq, the geopolitics of the 2003 U.S. invasion was aimed at establishing a base of operation for the American military in the heart of the Middle East. This puts the U.S. in a dominant position to strategically control the oil supplies, which all of the industrialized world needs. Petroleum is a key to maintaining an industrial economy, and having such control assures that Europe, Japan and India will remain allies and junior partners of the U.S. and that limits are placed on China, who also needs this resource. So the attempt to control Iraq, which itself "floats on a sea of oil," but also lies at the center of the Middle East, is an ongoing attempt by U.S. imperialism to dominate the entire world.

In the case of Afghanistan, the capitalist world's most important current war, the geopolitical imperialist interest of the U.S. in this place also relates to its geographical position between Iran and Pakistan. It is not possible for the U.S. to have a real base in either of these nations. The Iranian government is an independent one, and the Pakistani people are strongly against a large presence of American troops. But a major base is possible in Afghanistan, which, combined with bases in Iraq, puts the squeeze on Iran, which lies between Iraq and Afghanistan. This helps assure U.S. domination over the world's main supplies of oil and gas, the control of which assures American world hegemony, since China, Japan and Western Europe all need these hydrocarbon supplies to operate their economies.

Additionally, in the view of American ruling class thinkers, what happens in Afghanistan seriously affects what happens in Pakistan, which has a large population, sizable economy, a large nuclear arsenal, and an active Islamic insurgency. So besides wanting military bases to control petroleum supplies and squeeze and threaten its rivals, the U.S. collective capitalist and the Obama administration want to stabilize Afghanistan in order to assure the stability and security of a nuclear armed Pakistan. It is a measure of its importance that America's chief allies,

in the form of NATO, have been drawn into the battle to secure Afghanistan, the first example of a war outside of Europe that NATO has been involved in. NATO is now on the road to becoming a substitute for the United Nations, a kind of global enforcer for the capitalist system worldwide.

Sometime Obama adviser Brzezinski in his book *The Grand Chessboard* stated:

“For America, the chief geopolitical prize is Eurasia... America is now the only global superpower, and Eurasia is the globe’s central arena. Hence, what happens to the distribution of power on the Eurasian continent will be of decisive importance to America’s global primacy and to America’s historical legacy.”

Obama is trying to sustain U.S. global domination by controlling Afghanistan and Iraq, smashing their national sovereignty and making them neo-colonies. He has pretended to offer a facelift for U.S. imperialism, but it is only a mask that is now coming off, revealing the ugly and brutal reality of war crimes and mass murder through terroristic “shock and awe” bombing and invasion to maintain and expand U.S. imperial control and global hegemony.

### **Restructuring by and for the Capitalist Class: The Auto Bailout**

In May of 2009, the Obama White House Press Office issued a statement on the federal government’s restructuring plan for General Motors, worked out by an “auto task force” headed up by finance capitalists Steven Rattner, Diana Farrell, and Steve Bloom working under the supervision of Treasury Secretary Timothy Geithner and National Economic Council chief Lawrence Summers. All of these Obama appointees are members of the CFR except Bloom, who has some union connections and was brought in to sell the program to the leadership of the United Auto Workers (UAW). Rattner, formerly the head of the banking group at Lazard Freres, was the leader of the task force. He is a co-founder of the Quadrangle Group, a Wall Street “investment” (i.e. speculative) firm. Immensely wealthy, Rattner drives four expensive cars, all new or almost new, and, according to *Fortune* magazine, “...has a horse farm in northern Westchester County, and is building a 15,575 square foot house on the water at Martha’s Vineyard.” His connections as a financier of the Democratic Party are close through his wife, Maureen White, who was a national finance chair for the Democratic National Committee and was also finance co-chair for Hillary Clinton’s presidential campaign.

In a recent *Fortune* article on the auto bailout, Rattner calls Diana Farrell a “star deputy” of Summers, Obama’s chief economic adviser. She is a Harvard Business School MBA who worked for Goldman Sachs on Wall Street before joining McKinsey and Company, a global corporate consulting firm. Before joining the Obama administration, Farrell was a senior manager at McKinsey and part of the firm’s Financial Institutions Group that advises leading finance capitalist firms. She was the co-author of a 1996 book called *Market Unbound: Unleashing Global Capitalism*, which argues that as a part of “the global capitalist revolution” an increasingly powerful global capitalist market, especially the fast growing financial sector, is dictating the actions and policies of all governments. In the future this market, says Farrell and her co-author, will “...defy the control of virtually every government in the world,” reshaping the world’s political systems. They add that unless taxes are raised, entitlements (such as Social Security) currently claimed by working class people will have to be cut “...on the order of 25 to 30 percent.” The UAW and its workers are among the first to feel the cuts that Farrell and the Obama administration plan to make so that she and her wealthy capitalist friends can prosper as part of their “revolution.”

In their press release, the Obama administration used the following language in making the claim that it had forced more concessions on the union than the Bush administration: “In virtually every respect, the concessions that the UAW agreed to are more aggressive than what the Bush administration originally demanded in its loan agreement with GM.” These concessions amount to a “slave labor contract” according to one retired UAW shop steward, another retiree calling it an “armed holdup.” Numbers of jobs will be cut dramatically. Due to prior as well as current concessions by the union, newly hired auto workers will now be working for about one-half the hourly wage auto workers used to receive. Benefits will also be slashed, which will include no overtime after eight hours of work, no pension, and each worker will have to pay more for health care. Retirees who worked hard all their lives promised and expecting certain benefits, will likely not receive those benefits. Farrell’s plan to cut entitlements is already beginning to be fulfilled.

The concessions forced on the UAW by the Obama administration put the union further on the road to obliteration, with the union forced to cooperate in its own demise as an independent entity. Once militant and proud, the UAW has, over past decades, gone from being a junior partner of the capitalists, to a sidekick, then to a hanger-on, and now to near oblivion. Obama and his task force have used the power of the capitalist state to impose a neoliberal capitalist solution in auto, part of a plan by the collective capitalist class bent on the destruction of unions and the super-exploitation of a larger and larger sector of the working class. It illustrates again that the needs and interests of the U.S. capitalist class and not those of the workers are what is paramount in the decisions of the Obama administration and that finance capitalists are usually making the key decisions.

### **The Way Forward**

An understanding of where the UAW and, by extension, other U.S. unions went wrong helps point the way to the new road we need to get on to really change things. As part of the Cold War and the desire to be free to make deals with the bosses, the UAW leadership destroyed the militant left wing and internal democracy in their union. Then they gave up the fight for a class wide, national level social safety net for all workers, settling for winning benefits piecemeal from each employer. This tied the UAW to competitive success of “their” capitalists for jobs, living wages, health care, pensions, and good working conditions. The UAW and its workers then sunk with the fortunes of “their” own corporations. Additionally, the UAW, like other U.S. unions, subordinated the independent political interests of workers to the electoral needs of a Democratic Party dominated by sectors of capital (especially the financial oligarchy). The results should make it clear to all how the abandonment of political independence, working class solidarity, the militant left and faith in the power of mobilized rank and file workers is fatal. The resulting weakness has been cruelly exploited by a rapacious capitalist class working closely with the Obama administration.

Conversely, the way forward begins with the promotion of the key principles of class solidarity, internal democracy, equality, independence from the capitalists and their kept politicians in the Democratic and Republican parties, education, environmental responsibility, and sustainability. Implementation of these principles requires a fundamental and revolutionary cultural change within unions and the wider working class towards rebuilding working class communities. This can be done by unifying and mobilizing everyone, both the employed and unemployed, immigrants and native born, to fight for socialist inspired alternatives including an end to alienated labor; structural reforms, which cannot be put on the agenda and eventually realized without a large and fighting revolutionary movement. Proposing such reforms is a needed first step toward building such a social movement. Some of the structural reforms worth organizing and fighting for include:



## Obama and Current Capitalist Crisis

- Organize communities to create workers assemblies to investigate their needs and act upon them
- Solidarity strategies to protect and share jobs
- Democratically administrated public programs for all in health jobs at living wages, and adequate pensions
- A nationalized banking and financial sector run by democratically elected bodies as a public utility
- Production and trade operated by democratically elected planning bodies, producing environmentally friendly goods at union wages
- An ecologically sustainable system of mass transit, with reuse and recycling, alternative energy, and new forms of living collectively

History always begins anew with disobedience against injustice, which is the first step toward freedom. Rebellion against capitalism, its corporations and ruling class is what must be put on the agenda for the American people and the people of the world. This must include rebellion against the Obama administration, which is proving to be just as much an agent of the ruling capitalist class as the hated Bush administration.

*Laurence H. Shoup is the author of three books and a numerous magazine articles. He has been a political activist for peace, social justice, and human rights for 45 years.*

### **Further Reading:**

[www.newsandletters.org](http://www.newsandletters.org)  
[www.blackagendareport.com](http://www.blackagendareport.com)  
[www.counterpunch.org](http://www.counterpunch.org)

## NEO-LEFTISM AND OBAMA

By Roger D. Harris

The radical leftist assessment of current conditions is that only fundamental transformation of existing societal institutions can bring about meaningful change. Reformist activity – while tactically efficacious in certain circumstances – can ultimately be co-opted by the dominant powers in the absence of countervailing power from the popular classes. But what happens when there is not a strong countervailing power center rooted in the popular classes, when socialist revolution appears to some to be a fading dream, and when the extreme right appears to be looming ever more menacingly on the political horizon, as it does to so many activists today?

### Neo-Leftism

One response is what I would call *neo-leftism*, where leftists in effect merge their aspirations with the Democratic Party. Implicitly in terms of their practical work, they accept Margaret Thatcher's dictum of TINA (there is no alternative). So for them the parameters of effective political action become largely circumscribed by the two major US political parties, and the primary task is to lead the left to the center and even to the moderate right to unite against the perceived primary threat of the far right.<sup>1</sup>

While those leftists who are now proponents of the Democratic Party prefer to market themselves as “progressives,” a more apt label would be neo-leftists. Unlike many liberals who honestly, though mistakenly, confound their own political values for peace and social equality with those represented by Obama, the neo-leftists are neither naïve dreamers nor dupes. On the contrary, the neo-leftists do not have the liberal illusions of what Obama represents.<sup>2</sup> The neo-leftists have similar ultimate political goals as the independent left, but a different strategy to achieve them. Both independent leftists and neo-leftists look to some kind of a socialist future.

For the neo-left – individuals<sup>3</sup> and organizations like the Communist Party USA– there was one overriding issue in the long 2008 election season: defeating the right by electing a Democrat. Victory was everything. As Ralph Nader pointed out, the neo-leftists had no principled “breaking point” that could trigger desertion from the Democratic camp, regardless of what political

---

<sup>1</sup> For example in a Progressives for Obama blog on *Barack Obama, Right Wing Frenzy and the Left*, Norman Solomon comments (emphasis added),

However, some influential left voices are engaging in an *{sic}* one-dimensional attacks on Obama that sow confusion, demoralization and demobilization that however unintentional, detract from the **primary need** to combat the right wing. (The pseudo-left fringe that defines Obama as a stalking horse for a ruling class conspiracy is not considered in this article.)

October 13, 2009, <http://progressivesforobama.blogspot.com/2009/10/our-challenge-defeat-rights-militant.html>

<sup>2</sup> For example, Norman Solomon, *Progressives for Obama*, ZSpace, August 23, 2008.

<sup>3</sup> For example, Tom Hayden, Barbara Ehrenreich, Bill Fletcher, Jr., Danny Glover. May 29, 2008. *Progressives for Obama*, ZNet. “All American progressives should unite for Barack Obama. We descend from the proud tradition of independent social movements...Obama's very biography reflects the positive potential of the globalization process...The future has arrived. The alternative would mean a return to the dismal status quo party politics that has failed so far to deliver peace, healthcare, full employment and effective answers to crises...”

position Obama took on support of the Foreign Intelligence Surveillance Act (FISA), increasing military spending, expanding the war in Afghanistan and into Pakistan, etc.

### **Is Socialist Revolution a Fading Dream?**

Certainly the continued hegemony of capitalism on a global scale would suggest an affirmative answer to the question of the future of a socialist alternative. Capitalist social relations penetrate ever more deeply into the daily lives of people, while immiseration of the vast majority of humanity continues largely unabated. Class warfare has become more and more asymmetrical as almost half of the world's population is driven into poverty.<sup>4</sup>

While some leftist pundits predict that the US has blundered into "imperial overreach" and the myriad internal contradictions of monopoly capitalism will undo the monster, this has yet to come to pass. As events of the last year have demonstrated, at a time of genuine financial crisis of international capitalist financial markets, which originated in the belly of the world's hegemonic capitalist power, the US dollar experienced a (temporary) resurgence, the US-dominated International Monetary Fund was resurrected from what seemed a well-deserved obsolescence, and the US adventurous wars in east and central Asia and extending into Africa continued to expand without an end in sight.

This picture of reality would suggest that radical leftism is simply nostalgia for a more promising revolutionary past. And perhaps it is. But that is a question for history to resolve. For the radical left, the question is still open, history has not ended, and socialist revolution is still a historical possibility, although far from an inevitability. Even Lenin a mere year before the Russian Revolution despaired of seeing a revolution in his lifetime. In fact, the class struggle rages on with great opportunities for popular advances now that the capitalists are weakened by their financial crisis.

### **The Danger of the Extreme Right**

The neo-leftists point to Obama as the alternative to the menace of the neo-conservatives who would establish a religious right state if ever our vigilance wavered. The fear of the far right and the use of this apprehension has been a major selling point for the neo-leftists. How realistic is the neo-leftist nightmare of Sarah Palin jack-booting into your bedroom to enforce abstinence?

I contend that the neo-conservative treat is exaggerated and has been used by the neo-left to justify their politics of capitulation. In practice, neo-conservatives and liberals seem to happily co-habit such institutions of elite rule as the Council of Foreign Relations. The neo-leftists lament the "eight long years" of George W. Bush's right-wing rule. But other than a partial moratorium on stem-cell research support by the federal government, the far right got very little of its agenda implemented by their supposed ally in the White House. The Bush folks may have paid lip-service to the religious right,<sup>5</sup> but prayer was not mandated in public schools and women's reproductive choice was not abrogated during the long night of Bush and Cheney (but may be reduced by the Democratic Party's health care legislation).

Further, the distance between right-wing and Democratic Party views on wedge social issues that formerly differentiated the two camps has become increasingly reduced. Liberal-identified Democrats such as Barbara Boxer are now enthusiastic supporters of the death penalty. With the

---

<sup>4</sup> Anup Shah, March 22, 2009, <http://www.globalissues.org/article/26/poverty-facts-and-stats>

<sup>5</sup> Much as Obama has paid lip service to progressive aspirations (e.g., Paul Street. 2008. *Barak Obama and the Future of American Politics*. Paradigm Publishers).

new Obama administration, support for school vouchers no longer distinguishes the right wing from the Democrats. During the vice-presidential debates, Democrat Biden twice reminded the national TV audience that there was no difference between his and Obama's view on gay marriage and Sarah Palin's.

Right-wing and Democratic Party positions on wedge social issues have become increasingly blurred. More to the point, on fundamental political issues there is agreement between neo-conservatives and the Obama Democrats – support of US empire and of capitalist social and economic relationships – two realities that above all others determine the actual conditions of life, freedom, and political participation for most of humanity.

To the extent that the far right is a substantial threat, the most effective strategy to address that threat is building a strong left opposition rather than collapsing the left opposition into the Democratic Party. Past historical experience has shown that the ruling elites are only too willing to allow the far right to attack the left as a means of curbing the left. This has been done in the US with Mafia elements attacking progressive trade union movements. Internationally, Hamas, Hezbollah, the Muslim Brotherhood, and the Taliban have all been used to crush left alternatives by the very imperialists who are now their sworn enemies.

### **Specter of Fascism**

Some neo-leftists (e.g., recovering economic hit-man John Perkins) have even raised the specter of fascism, suggesting two years ago for example that Bush might not even allow the 2008 presidential elections to take place. This neo-leftist illusion is complete fantasy. Why should the ruling class impose a fascist dictatorship (e.g., Nazi Germany) over themselves when they enjoy practically unchallenged “bourgeois democracy” among themselves and the issues of the popular classes (e.g., single-payer health care) are effectively kept off of the table? Elections, where the candidates have all been vetted and approved by the big money interests, are a wonderful institution for those in power because such elections both legitimize and ensure their class rule.<sup>6</sup>

Fascism is a particular form of capitalism, which asserts itself only when the left opposition is so strong that the only way that capitalists can maintain their class rule is by imposing a dictatorship over themselves. As long as the class ruling has other means of maintaining their rule, the fascist recourse will be held in abeyance. Under “bourgeois democracy” a virtual Republican such as Ross Perot could run for president and thereby hand the office over to a nominal Democrat such as Bill Clinton. Under fascism, the super-rich and powerful do not have such an electoral option to resolve intra-class squabbles.

How about the possibility of fascist repression of speech and assembly? Today our rulers carry out their agenda without the need for fascism, and the reason is the absence of an effective opposition. Under today's party duopoly and neo-left cooptation, citizens are free to starve to death, homeless and sleeping under a bridge, with their first amendment rights intact.

### **Splits in the Ruling Class**

The neo-leftist dictum of uniting against the far right as the primary political task at this historic juncture serves the neo-leftists as a justification for their political opportunism of merging with the Democratic Party. The right wing appears all the more menacing to the neo-leftists because the neo-leftist political universe is largely circumscribed by the two-party system.

---

<sup>6</sup> See L. Shoup, Election 2008: Ruling Class Conducts Its Hidden Primary, *Z Magazine*, February 2008.

Part and parcel of the neo-leftist worldview of the two parties being just about the only game in town is the focus on splits within the ruling class. These splits are viewed as historically unique opportunities that the radical left ignores because of its ideologically driven sectarianism. Granted the radical left has not been immune to sectarianism; however splits within the ruling class are not unique to this post-millennial period.

The ruling class is pluralistic by definition as long as there is a “bourgeois democratic” system in place. Their splits are tactical, not strategic. The ruling class should receive no help from the popular classes to work out their differences in order to better rationalize their class rule. Resolving a more efficient and legitimized capitalism is the ruling class’s problem, not the left’s.

### **The Historical Context**

“The election of Barack Obama was an historic event, one that set millions of everyday people into a frenzy of political activity. Still, since his inauguration we continue to see expanding US military intervention, continued massacres in Gaza and the occupied territories, and justifications at the highest level for what amounts to state sanctioned torture.” - Noam Chomsky, May 2009

Arguably never has capitalism been so challenged in our lifetimes than it is now with the ideological superstructure of neo-liberalism unraveling and the infra-structure of the market financial system in crisis. Neo-leftism is precisely a response to the current crisis of capitalism.

“Men make their own history, but they do not make it as they please.” Karl Marx, 1852

We make our own history, although not necessarily how we intend it. In order to understand the neo-leftists, it is important to separate their intentions from their performance. The objective role of the neo-leftists has been to legitimize the illegitimate system: to provide a left cover to regressive policies, to lead segments of the popular movement into the Democratic Party, to stifle resistance, and to attack the independent left.

### **The Allure of Obama**

The neo-leftists hoped to ride the wave of Obama’s popularity to build a new “progressive” movement. With Obama in the White House, the neo-leftists felt part of the heady experience of the irresistibility of winning, the allure of celebrity, and ultimately the corruption of power.

Left personalities such as sports writer Dave Zirin and hip hop journalist Davey D have advocated that “Obama can be pressured,” thinking that being part of “team Obama” in the election would buy them a seat at the table of the power. Unfortunately, co-optation is a two-way street with Obama orchestrating the greatest transfer of wealth from working people to the large corporations in the history of the world. He is an effective leader of the capitalists, which explains why they contributed more to his election than to the Republican candidate.

### **Cynicism Masquerading as Sophistication**

“Obama is the best president since Herbert Hoover.”  
Bill Hatch, *Counter Punch*, May 16-30, 2009

“At least the war on the environmental is going well.”

Bumper sticker seen in West Marin, 06-20-09

At a time when a strong majority of the American people was opposed to US military adventurism abroad, the neo-leftists understood it would embarrass the Obama Democrats to protest the war, and their neo-leftist organizations (e.g., United for Peace and Justice) put a lid on their mass peace demonstrations. When the Israelis were continuing to visit a holocaust on the Palestinians, the neo-leftists understood that overt solidarity with these oppressed people would compromise the Obama Democrats, and their neo-leftist organizations labeled public opposition to the occupation in Palestine an extremist position. Yet all the while, the neo-leftists quietly rested on their past credentials as leftists assuring us that they opposed to the war and felt strongly about the oppressed.

Neo-leftists are not simply liberals with some familiarity with Marx. Liberals genuinely, though perhaps mistakenly, believe in the basic goodness of the American system albeit with all its “blemishes.” If only people would be nice to each other and the corporations would curb their greed, all could be well in the world of liberalism.

Neo-leftists don’t harbor such illusions. Take Academy award winning filmmaker Michael Moore, who urged a yes vote on Obama while proclaiming that Obama should break all his campaign promises. Unlike liberals who really believed Obama would do the right thing, neo-leftists understood that was not to be.

When independent leftists demand that Obama be held accountable, the neo-leftists remind us that such expectations are unreasonable given the limitations of a capitalist system. They use Marxist analysis to defend the limitations of Obama!

What happened to the change you can believe in? The trajectory of ruling class policy remains seamlessly unbroken from Bush to Obama (e.g., signing statements, secrecy, the unitary executive, military tribunals, extraordinary rendition, the Afghan war, immunity of the phone companies to suits, don’t ask/don’t tell, Free Trade Agreement for Columbia, etc). The major practical difference between Bush and Obama has not been over core policy, but Obama’s superior salesmanship in selling that policy...so far. Daily the liberals find their expectations broken and their hopes turned into disillusionment. But there is no similar remorse from the neo-leftists. When the Afghanistan ‘surge’ is complete, Obama will have actually sent more troops into combat than Bush.<sup>7</sup> Rather the neo-leftists blame the popular movements for not forcing Obama to change. How can you expect a “centrist” to do the work of the popular movement, is the neo-leftist retort.

### **Measure of Effectiveness**

“About McNamara...It tells us that once you enter the machinery of government, once you enter the House of Empire, you are lost. You are going to be silenced. You may feel anguish and you may be torn and you may weep and so on, but you are not going to speak out...The people who made a difference are not the people inside...”

Howard Zinn, *Democracy Now!* July 7, 2009

---

<sup>7</sup> Mazda Majidi, *Liberation*, 07/03/09

Some neo-leftists point to positions they have gotten in the Obama administration (e.g., Van Jones as special advisor to Obama – only to be booted out) and the Democratic Party (e.g., Norman Solomon as a delegate to the national convention) as indicators of the success of neo-leftists, or as they prefer to call themselves, of progressives.

Yet in terms of advancing a “progressive agenda,” the neo-leftists have been markedly less successful. As Ralph Nader correctly predicted, none of the progressive items in Representative Dennis Kucinich’s agenda made their way into the Democratic Party’s platform in the 2008 and even presidential hopeful Kucinich himself was prevented from entering the primary debates. Kucinich was the poster child of the neo-leftist strategy of changing the Democratic Party from within by electing progressives. As such Kucinich was the “gateway drug” for many a progressive, who went on to support mainline Democrats after Kucinich dropped out of the race.

The neo-leftists criticize the Green Party and Peace and Freedom Party for failing to spark a popular movement for their agendas during the 2008 presidential race. In this sense the neo-leftist critique of the independent left as being irrelevant is not without merit. Yet the neo-leftists were among the ones who sought to marginalize the independent left. Even in “safe states” where Obama was projected to win by wide margins, the neo-leftists urged voters to build Obama’s “mandate” rather than cast a vote for third party candidate espousing political positions they believed in. Nor did these neo-leftists effectively raise progressive issues during the campaign such as single-payer health care, immediate withdrawal from Iraq and Afghanistan, a moratorium of house mortgage foreclosures, etc.

The neo-leftist justification for their silence on “divisive issues” and marginalization of the independent left was that the overriding task during the presidential election was to defeat the Republicans and elect a Democrat. Once that task becomes primary, any opposition to a Democratic victory – even if it meant failing to support progressive issues and organizations – follows. Indeed, the primary purpose of election campaigns is to win, and the Obama forces were not unique in their universal suppression of dissent in their ranks. All this flows from the political understanding of the neo-leftists that the only game is the two-party one and that the lesser of two evils is the best that can be achieved.

### **Class Nature of the Democratic Party**

“Ultimately, the Populists were undone, not by their boldness, but by leaders who urged them to compromise and to merge their aspirations into the Democratic Party.”

Jim Hightower, *The Hightower Lowdown*, May 2009

In defense of their merging the progressive cause with the Democratic Party, the neo-leftists suggest that the Democratic Party is not simply a political instrument for the rule by the dominant elites, but that the Democratic Party has “cross-class” elements. The neo-leftists point to the large number of African Americans and labor union members who vote Democratic. The neo-leftists also note that the leadership of organized labor has almost universally supported the Democrats.

Interestingly, when Arnold Schwarzenegger successfully ran for governor of California, he – like Obama -- had the majority of people of color and union members voting for him. However, the neo-leftists did not argue that Schwarzenegger running on the Republican ticket had the mandate of popular support.

The independent left view is that the Democratic Party may co-opt members of the popular classes, but that the fundamental function the Democratic Party plays is to serve the dominant

elites. Good public relations in attracting the vote of the popular classes do not necessarily translate into progressive political outcomes. And the leadership of organized labor in particular can be and often is co-opted by the ruling class.

The understanding of the class nature of the Democratic Party is a critical dividing line between the neo-leftists and the independent left. The neo-leftists see the road to the social change that all leftists desire is within the Democratic Party by electing so-called progressives to office and in so doing taking over the Democratic Party from within. The independent left, while understanding the tactical importance of electoral politics, sees the primary objective as building a movement based in the popular classes outside of the Democratic Party.

The neo-leftists criticize the independent left for rejecting the popular movement, because the independent left did not jump on the Obama bandwagon when the majority of workers and people of color who vote supported Obama. In effect, the neo-leftists accuse the independent left of being unrealistic for not pandering to the false consciousness of the popular classes. To be sure the independent left needs to sink deeper roots in the popular movements, but this should be accomplished without sacrificing its principled opposition to the ruling class.

### **TINA, Yes, There Is an Alternative**

Obama has remained true to his campaign promises to “make America strong.” He has bailed out the bankers, busted the unions, looted Social Security, bloated the military, and expanded imperialist ventures abroad. That he has done so should come as no surprise to leftists. Obama is no class traitor.

The crisis of capitalism that Obama is presiding over begets two alternative outcomes. On one hand, the financial meltdown has necessitated an even greater offensive against the popular classes with accelerating home foreclosures, increasing unemployment, and renewed attacks on organized labor. Meanwhile the bankers are bailed out and the war economy is built up, as the domestic sector atrophies.

The neo-leftists hold to the nostalgia of the New Deal “social contract,” where supposedly both workers and bosses would mutually benefit from economic growth. Today that economic pie is shrinking, not growing. To the extent that there ever was a cross-class social contract within the Democratic Party, that fantasy has now evaporated (e.g., the demise of the Employee Free Choice Act).

The other alternative rising from the crisis of capitalism is that socialism is more and more becoming a realistic historic possibility. It is precisely the current crisis of capitalism and its failure to meet social needs that have fueled the movement toward 21<sup>st</sup> century socialism in Latin America and beyond. This is truly change, not co-optation, that we can believe in.

***Roger D. Harris** formerly taught political science at Tougaloo College and is now a recovering political scientist, employed as a wildlife biologist, and is active around environmental and social justice issues, the latter with the Task Force on the Americas, focusing on Latin America.*

### **Further Readings:**

Google **Paul Street** (*Barack Obama and the Future of American Politics*) and the **Black Agenda Report** ([www.blackagendareport.com/](http://www.blackagendareport.com/)) for sources that never got “disillusioned” with Obama, because they didn’t start out “illusioned.”



## **OBAMA, MARXISM, AND THE SPIRIT OF SEATTLE**

By Eugene E. Ruyle

The election of America's first black president—in itself a tribute to the strength of the civil rights movement—raises anew long-debated questions on the left. The question of reform or revolution has been long debated, as has our relationship to the Democratic Party. It is worthwhile, therefore, to review the diversity within Marxism on such issues.

### **Marx and Engels on Elections**

In 1850, in their “Address of the Central Committee to the Communist League,” Marx and Engels clearly stated the case for independent political action:

Even where there is no prospect of achieving their election the workers must put up their own candidates to preserve their independence, to gauge their own strength and to bring their revolutionary position and party standpoint to public attention. They must not be led astray by the empty phrases of the democrats, who will maintain that the workers' candidates will split the democratic party and offer the forces of reaction the chance of victory. All such talk means, in the final analysis, that the proletariat is to be swindled. The progress which the proletarian party will make by operating independently in this way is infinitely more important than the disadvantages resulting from the presence of a few reactionaries in the representative body.

Later, Engels made this point in somewhat different terms in a letter to F. Wiesen of Baird, Texas, on March 14, 1893, arguing that running independent candidates for public offices in America depended upon circumstances, not a mechanistic “principle:”

I don't see why it should necessarily represent an infringement of the Social-Democratic principle if *a man* puts up candidates for some political office for which election is required and if *he* votes for those candidates, even *if he* is engaged in an attempt to abolish that office.

One might consider that the best way to abolish the Presidency and the Senate in America would be to elect to those posts men who had pledged themselves to bring about their abolition; it would then be logical for one to act accordingly. Others might consider this method to be inexpedient; it's a debatable point. There could be circumstances in which such a mode of action might also involve a denial of the revolutionary principle; why it should always and invariably be so, I entirely fail to see.

Clearly, the founders of scientific socialism did not think there was any ONE way of participating in elections. Rather, how one participates cannot be separated from the actual circumstances of the concrete situation.

### **Marxists in the American Civil War**

Marx was not suggesting that Marxists should stand aloof from the mass struggles of the day. As American politics were moving toward the Civil War, Marx's friend Joseph Weydemeyer, Adolph Douai, and others from the newly formed Communist Clubs in New York, Chicago, Cincinnati, St. Louis, and Baltimore attended the Republican National Convention in 1860. They did so in order to work for, first of all, a strong anti-slavery plank in the Republican platform and secondly, the nomination of Lincoln rather than favorite of conservatives. As Philip Foner

remarks in *Socialism and Black Americans: From the Age of Jackson to World War II* (1977, p. 27):

It is now generally conceded that the German-American influence was reflected not only in the Republican platform, but also in the defeat of candidates who were being groomed for the presidential nomination by the Party's conservative forces and in the final nomination of Abraham Lincoln as the Republican standard bearer.... Weydemeyer and Douai continued to work together after the Republican convention to help elect Lincoln.

After the election of Lincoln and the outbreak of the Civil War, the Communist Clubs disappeared, as their members joined and fought with the Union Army. After the war, they reformed and joined the International Workingmen's Association.

In England, Marx played a leading role in organizing labor opposition to the possibility of English support for the South in the Civil War. Foner (p. 33) discusses this in the following passage, worth quoting in length.

"Events themselves drive to the promulgation of the decisive slogan - the emancipation of the slaves," Karl Marx wrote in the *Vienna Presse* of November 7, 1861. In the same issue, he emphasized that the Civil War was not a struggle between two countries or even territories but a conflict between two different social systems. "The present struggle between the North and the South," he declared, "is. . . nothing but a struggle between the system of free and the system of slave labor." The self-interest of the working class in both America and Europe, he believed, required the freedom of the Negro people.

Marx was not content with merely enunciating this principle; he acted on it. He played a role in influencing the course of the British government during the Civil War. The British ruling class and Southern Confederate agents were busily engaged in pressuring the British government to declare war against the United States and align England with the Confederacy. The Union blockade of Southern ports had created a great scarcity of cotton in England, bringing widespread unemployment and misery to the British textile centers. The pro-Confederate forces were confident that the poverty-stricken workers would welcome a policy that would end the blockade and bring back both cotton and their jobs.

Some militant trade-union leaders did argue that, since there was "no great principle at stake in the Civil War," British intervention on behalf of the Confederates was the correct policy. But Marx and his allies, along with others, helped organize the working people of England to oppose preparations to bring their country into the war on the side of the Confederacy. Even before the Emancipation Proclamation, meetings of workingmen resolved that "the distress prevailing in the manufacturing districts" was the result of the "rebellion of the Southern States against the American constitution."

As soon as the news reached England that Lincoln had issued the Emancipation Proclamation, Confederate hopes for England's intervention received a crushing blow. Large meetings of English workingmen were held in Manchester and London, and resolutions were adopted expressing support for the Union, urging Lincoln to pursue his policy until slavery was totally abolished, and warning Prime Minister Palmerston against intervention on the side of slavery. The most important and spectacular of these meetings was the gathering of the Trade Unions of London at St. James' Hall on March 26, 1863. Henry Adams, son of the American minister, attended the meeting and declared years

later that he had "then understood and always since believed Marx's to have been the guiding hand in organizing the meeting."

Whatever may have been the extent of Marx's own personal activity in the matter, he was convinced that it was such workers' meetings that had "defeated repeated attempts of the ruling class to intervene on the side of the American slaveholders." Moreover, as Royden Harrison points out, these pro-Union activities "helped to widen the horizons of the British workers and prepared their leaders for participation in the International Working Men's Association."

Marx's solidarity work on behalf of the American struggle against slavery foreshadows the work of more recent solidarity activists. It also influenced Marx's theoretical work, as Foner explains (pp. 34-35):

Three years later, in the first volume of *Das Kapital*, Marx enunciated the famous principle that the self-interest of the American working class as a whole had necessitated the abolition of slavery and would require the complete liberation of the black workers: "In the United States of America, every independent movement of the workers was paralysed as long as slavery disfigured a part of the republic. Labour cannot emancipate itself in the white skin where in the black it is branded."

### **Lenin on Reformist Unions**

We can also look to Lenin for support for working within what may seem to be reformist and even ruling class organizations.

To refuse to work in the reactionary trade unions means leaving the insufficiently developed or backward masses of workers under the influence of the reactionary leaders, the agents of the bourgeoisie, the labour aristocrats, or 'workers who have become completely bourgeois'... This ridiculous 'theory' that Communists should not work in reactionary trade unions reveals with the utmost clarity the frivolous attitude of the 'Left' Communists toward the question of influencing the 'masses' and their misuse of clamour about the 'masses.' If you want to help the 'masses' and win the sympathy and support of the 'masses,' you should not fear the difficulties, or pinpricks, chicanery, insults and persecution from the 'leaders' (who, being opportunists and social-chauvinists, are in most cases directly or indirectly connected with the bourgeoisie and the police) but must absolutely work wherever the masses are to be found. You must be capable of any sacrifice, of overcoming the greatest obstacles, in order to carry on agitation and propaganda, systematically, perseveringly, persistently and patiently in those institutions, societies and associations—even the most reactionary—in which proletarian or semi-proletarian masses are to be found.<sup>8</sup>

What Lenin says here about reactionary trade unions can equally well be applied to reactionary political parties, such as the Democratic Party in the United States. Like it or not, that's where most union members are, that's where the bulk of the black population is, and that's where we'll find many of the key organizations in the left movement.

---

<sup>8</sup> Vladimir Lenin, *Left-Wing Communism: An Infantile Disorder*. Chapter Should Revolutionaries Work in Reactionary Trade Unions?  
<http://www.marxists.org/archive/lenin/works/1920/lwc/ch06.htm>

Working within the Democratic Party does not necessarily involve support for the policies of that party. There are certainly Democrats, for example Dennis Kucinich and Barbara Lee, who are far to the left of the party itself, and the strategy of running, for example, as an anti-war candidate in the Democratic Party primary is certainly a reasonable one. As Engels remarked above, “There could be circumstances in which such a mode of action might also involve a denial of the revolutionary principle; why it should always and invariably be so, I entirely fail to see.” That the Democratic Party is one of the instruments through which the capitalist class rules is part of the ABC of Marxism, but the XYZ of politics is that the Democratic Party is where most of the most progressive workers are. We may not think they should be there, but they haven’t asked our opinion. The strategy of running an anti-war candidate in the Democratic Party primary is certainly worth considering. While some may choose to work for “the left wing of the possible,” others, like myself, will continue to say “be reasonable and demand the impossible.” There is no reason to think that these two positions, properly formulated, cannot be complementary rather than antagonistic.

There is thus good precedent both for maintaining an independent position vis-à-vis the Obama forces and for participating in the electoral process in support of the election or re-election of Obama. Different individuals and groups, equally intelligent and committed, will take different sides on this issue and can cite Marxist sources in support of their positions.

### **Concluding Remarks**

So where does all this leave us? What are we to make of our first black president? And how do we deal with him?

Clearly, the election of Barack Obama is very significant, at least as significant as the hiring of Jackie Robinson by the Brooklyn Dodgers. No one imagined that Robinson would change the rules of baseball, and no one should imagine that Barack Obama will change the rules of American politics. Essentially, he has been hired by the capitalist class to manage *their* system, a truly vicious system that causes hunger and want for billions of people and that wages war simply for the sake of waging war. As a comrade remarked in a recent email,

We have a very powerful and vicious enemy that is capitalism, which would not hesitate to torture and destroy anyone who dares to stand in its way. Let's not forget our enemy and remember that with all of our differences, in principle we are all united in struggle against this enemy. Even if we differ in our views regarding the struggle. (Sara Davani)

The important question is not whether to “support” or “oppose” Obama. What is important is our continued analysis of the capitalist system and US imperialism and our continued support for the sorts of peace and justice issues we have always supported, such as shutting down the war machine, single payer health care, empowering unions, and reproductive rights for women.

In pushing for these things, we are simply following Obama’s own advice, namely, that the election wasn’t about him—it’s about us. Early in his campaign, when asked about which candidate MLK would have supported, he replied that King wouldn’t have supported any of them: King would have been out organizing to hold accountable whoever was elected. The capitalist class knows how to hold politicians accountable. Until workers learn to organize politically as a class, we will continue to be a ruled rather than a ruling class. The Wobblies—our ancestors—put it well in the Preamble to their 1905 Constitution:

## Obama and Current Capitalist Crisis

The working class and the employing class have nothing in common. There can be no peace so long as hunger and want are found among millions of the working people while the few who make up the employing class have all the good things of life. Between these two classes a struggle must go on until the workers of the world organize as a class, take possession of the Earth and the machinery of production, and abolish the wage system.

This correctly isolates the crux of the matter. Hunger, want, disease, and war will continue to plague the workers of the world until we organize *as a class* against the cause of our ills, the capitalist class. As working class intellectuals, our mission is to clarify the system that oppresses us and thereby to prepare our minds for the coming struggles.

Within this framework, I suggest that different people, equally committed, equally intelligent, equally knowledgeable, will see the situation differently and pursue different strategies. There isn't one left strategy and there never was, even in the headiest days of vanguardism. There have always been differences of opinion about how to analyze the situation, what kind of tactics and strategy to use, and even our objectives. Different people choose to emphasize labor struggles, anti-racist work, gender issues, electoral politics, direct action, or environmental issues. This diversity is not going away, so perhaps it is time to recognize it as a strength and build upon it, rather than decry it as a weakness to overcome. The ability to deal with differences—to disagree without being disagreeable—is a skill that it worth cultivating, especially for Marxists.

However we may view the wave of socialism that crested in the twentieth century, we confront different conditions now. For many of us, the twenty-first century began in Seattle on November 30, 1999, known as N30, when the momentum of world history shifted from the corporate suites and into the Seattle streets, as Amy Goodman put it. The roots of Seattle go back at least to the Zapatista uprising at the beginning of 1994 and the worker/student general strike of Fall 1995, but Seattle marked the coming together of previously disparate groups and movements of not only workers and peasants, the mainstays of Marxism-Leninism, but also indigenous peoples, students, environmentalists, consumer advocates, and faith based groups, all united in a common struggle against a common enemy, the WTO. As one observer sighed, “turtles and teamsters, together at last.”

There is much to learn from this “revolt of the globalized,” to use Luis Navarro’s apt phrase, or “blessed unrest” as Paul Hakkens terms it. But rather than attempt an analysis, I will simply end with a plea for greater toleration and respect for the views of others. This respect need not and should not entail giving up one’s own views. In Seattle, everyone was quite committed to their own perspective, but respected the autonomy and sovereignty of others. In Seattle, some people chose to get arrested, others did not; some chose to engage in direct action, others did not; some chose to give workshops and seminars, others did not. Everyone acted according to their own conscience in full awareness of and consideration for the common struggle.

As we consider how to deal with our first black president and the new face of the Empire, perhaps we can draw strength and perspective from the struggles of our comrades around the world.

*Eugene E. Ruyle recently retired from Cal State Long Beach after a 35 year career teaching Anthropology and Marxism. He now lives in Oakland and was a congressional candidate of the Peace and Freedom Party in 2008. He can be emailed at [eruyle@csulb.edu](mailto:eruyle@csulb.edu).*

**Further Reading**

It is difficult and probably unnecessary to list specific sources with Google and Wikipedia to unlock the vast resources of the internet. For groups advocating working with the Democratic Party, check out Democratic Socialists of America, Freedom Road Socialist Organization, and, of course MoveOn.org. For positions independent of the Democratic Party, check out the Peace and Freedom Party of California (which has the best Platform on the left), and other explicitly socialist groups such as the Party for Socialism and Liberation, Workers World Party, Freedom Socialist Party, and the International Socialist Organization. Most of the original works of Marx and Engels are available in electronic format at the Marx/Engels Internet Archive. Marxists.org gives access to the writings of many Marxist thinkers, including Lenin, Trotsky, and Stalin.

## **WHY (BOURGEOIS) ECONOMISTS CAN'T GET IT RIGHT** **A critique of '*How Did Economists Get It So Wrong?*'<sup>9</sup>**

**By Raj Sahai**

### **Introduction**

It was in mid-September 2008 that the then Secretary of the US Treasury Henry Paulson dramatically declared that unless the US Congress gave him the power to spend 700 billion US tax dollars under the Troubled Assets Relief Program (TARP) to bail out the banks, we may be days away from a financial meltdown and the onset of another Great Depression, like the one that engulfed the world following the stock market crash of 1929. The response by the US public for this proposal was unambiguous: "No bailout of the swindlers; let them jump out the windows!"

Within a few days, Bear Stearns and Lehman Brothers sank, and were quickly gobbled by the bigger firms in the market, assisted by the Treasury Department. The resulting panic in the general public led the US Congress to quickly grant the authority without any public hearings, indicating the democratic façade wears thin, when the system loses its grip. Since then trillions of dollars have been committed to shore up the financial markets and thus, it is claimed, it has been possible to prevent the slide of the US and global economy to something like the Great Depression of the 1930s. It may have done that. However, as Bloomberg News reported on July 20, 2009, US taxpayers may be on the hook for as much as \$23.7 trillion to bolster the economy that requires a bail out of the financial companies according to the Special Inspector General for the Treasury's TARP, Neil Barofsky.

Under Obama's presidency, the US Treasury's enhanced \$787 billion bank-capitalization program represents a fraction of all federal support to resuscitate the US financial system, which includes \$6.8 trillion in aid offered by the Federal Reserve, Barofsky said in a report released in July 2009. "TARP has evolved into a program of unprecedented scope, scale, and complexity," Barofsky said in testimony before the House Committee on Oversight and Government Reform. Barofsky's estimates include \$2.3 trillion in programs offered by the Federal Deposit Insurance Corporation, \$7.4 trillion in TARP and other aid from the US Treasury, and \$7.2 trillion in federal money for Fannie Mae, Freddie Mac, credit unions, Veterans Affairs, and other federal programs. Treasury officials dispute Barofsky's claim, and point out that less than \$400 billion of TARP funds have been actually spent to date, but there is no denying that a humongous amount of public funds are on the hook for as yet unknown trillions of dollars to save US capitalism.

On the other hand, unemployment in the US is still reported to be only a little over 10%. However, including people too discouraged to seek employment, those on part-time jobs because they cannot find full-time jobs, those who are staying in colleges because there aren't any jobs, those in jails for petty crimes induced by the conditions of poverty, and those who have joined the armed forces (and are required to fight in what appears to be endless wars, and thus provide no products useful for the lives of the ordinary working population) simply to get a paycheck, the total unemployment rate is over 20%. In the Great Depression, unemployment reached a peak of 25%, four years after the 1929 stock market crash. We are only in the second year of the slump.

---

<sup>9</sup> *New York Times Magazine*, September 2, 2009. The author, Paul Krugman, a professor at Princeton University, is the winner of the 2009 Nobel Memorial Prize in Economic Science and is a *Times* op-ed columnist.

So, perhaps that is why it is still the “Great Recession” rather than the “Great Depression.” But Krugman is correct to point that a few months before the September 2008 panic most macro-economists did not see any clouds over the economic horizon.

### **From Smith to Keynes and Back, Avoiding Marx**

In his article, Krugman correctly says:

The birth of economics as a discipline is credited to Adam Smith, who published *The Wealth of Nations* in 1776. Over the next 160 years an extensive body of economic theory was developed, whose central message was: Trust the market. Yes, economists admitted that there were cases in which markets might fail, of which the most important was the case of “externalities” - costs that people impose on others without paying the price, like traffic congestion or pollution. But the basic presumption of neoclassical-economics<sup>10</sup> was that we should have faith in the market system.

Krugman however made an important omission. He did not mention Karl Marx (1818-1883) whose 2,400-page book, *Capital*, forever changed political economy, as it was called in those days. In that seminal work, Marx credited Smith for applying economic principals developed by the Physiocrats<sup>11</sup> such as Quesnay to general production processes, which showed that capital consists of materials and labor and that all value is produced in the process of production. However, Adam Smith made two errors according to Marx. The first is that it is not labor but labor power, i.e., the worker’s ability to perform labor is what he is paid for by the capitalist enterprise. And the worker who performs this labor for one day is paid wages for the reproduction of his ability to repeat the performance of the labor required of him the next day within the standards of the society of which he is a part, and where it has been wrested from the capitalists by great struggles, such as in the US and Europe, the worker may have some savings for his old age survival also past his productive years. So, if a worker lived in Asia, his wages to perform would be lower than the worker in Europe or the US. In either case, the worker cannot become a capitalist from selling his ability to perform labor. An occasional accident of winning a lottery may make him wealthy and allow him then to become a capitalist; or by being a stock market gambler, he may do the same; or when a new technology allows someone the monopoly for a while, such as Bill Gates. However, these are exceptions to the general rule of how capital functions.

The second mistake of Adam Smith, according to Marx, was where he confused the distinction between components of capital: ‘fixed’ and ‘fluid’ capitals. In fixed capital (i.e., machinery), the value inherent in it is transferred to the product bit by bit over time, according to Marx. This is what modern tax systems acknowledge as ‘depreciation.’ Smith did not consider this part that machine imparts to the value of the product. In fluid capital, Smith included wages paid to workers and raw materials that are fully consumed in the production process. Smith called it “fluid” because it was carried to the market, whereas “fixed” capital stayed with its “master,” i.e., the capitalist in Smith’s conception. By dividing capital in this way and lumping variable capital (i.e., labor power) with raw materials, and because profit is realized in exchange in the market, Adam Smith and his followers were led to the conclusion that the source of profit is in capital.

---

<sup>10</sup> named after the late-19th-century theorists who elaborated on the concepts of their “classical” predecessors

<sup>11</sup> 18th century economists who believed all wealth was produced by agriculture.



From these two mistakes that concealed the process of accumulation, arose the common myth of capital providing jobs to the workers, whereas Marx proved profit is generated from the theft of the worker's labor in production of commodities. This capitalist mode of production thus both creates profit and also constantly enlarges capital by repeated production and circulation of commodities. In other words, capital is a social relation of production and it is neither natural nor everlasting. Once Marx's critical analysis revealed this fact, bourgeois political economy of Adam Smith and his followers lost credibility and had to be discarded by the managers of capitalist society. In its place they substituted "pure" economics, what Marx termed as "vulgar economics", which is based on the presupposition that all profits come from the market exchange of commodities for money, i.e., by economics based on faith of the magic of the market. After the joint stock companies formed and speculation in shares began, market for shares supported the faith to another level: a belief that somehow by magic the stock market makes money, not the worker's unpaid surplus labor performed for the capitalist. It seems easy to explain once faith of the market has been accepted by the population. After all, to common perception prices seem to fluctuate based on demand and supply (and they do to some extent, but around the value, the basis of which is socially necessary labor, and only part of which is paid to the worker). In this way the issues of value and surplus value creation were hidden from the view of all, including the workers.

Marx analyzed the great slumps of 1847-48 and 1857 and by his analysis anticipated the depressions that followed including the one termed the Great Depression, 1929-1939. But Krugman failed to acknowledge Marx in his essay. Having a prestigious chair at a prestigious university, writing for a prestigious capitalist paper, and having received a Nobel Prize<sup>12</sup>, he is forced to defend capitalism. If capitalism cannot be exposed for what it is, a theft of worker's labor, then the limit of criticism can only go to the left limit under capitalism provided by John Maynard Keynes.

After the Great Depression, Krugman notes, "...most economists turned to the insights of John Maynard Keynes for both an explanation of what had happened and a solution to future depressions." But he laments that with the success of capitalism in particular, (and, he may have added, combined with the failures in the 20th century socialisms), ideas developed relegating Keynes to near oblivion in US universities, except in some schools (e.g., Harvard, Princeton, Berkeley).

According to Krugman,

Keynes did not, despite what you may have heard, want the government to run the economy. He described his analysis in his 1936 masterwork, "The General Theory of Employment, Interest and Money," as "moderately conservative in its implications." He wanted to fix capitalism, not replace it. But he did challenge the notion that free-market economies can function without a minder, expressing particular contempt for financial markets, which he viewed as being dominated by short-term speculation with little regard for fundamentals. And he called for active government intervention — printing more money and, if necessary, spending heavily on public works — to fight unemployment during slumps.

So, that is what makes Krugman turn to Keynes after the beginning of the Great Recession, which has now made the monetarists seem irrelevant. Krugman, had he studied Marx, would have discovered that Marx also does not believe government should run the economy. Was Marx then

---

<sup>12</sup> The Nobel Prize for literature was declined by Jon Paul Sartre in 1964 citing it as an institution in service of capitalism & imperialism

a conservative after all? No, it is quite the opposite. Marx envisioned a society where the workers in freely associated production units decide what to produce, based on the needs of society and their own inclinations and abilities, developed in harmony with other such associated producer groups in a rational “metabolism with nature” or what is now termed in an ecologically sustainable manner. Production in this vision is not for profit, thus it would eliminate probably a third of the products produced worldwide today, which are either useless or harmful to the buyers and certainly a burden or destructive to the ecology of the planet. And even more importantly, only in such a society alienation of human beings from their own humanity can be eliminated, because its source is the alienation of labor under the production relations of capital.

### **The Essence of the Current Crisis**

What was the hard won knowledge for Krugman from the Great Depression? It was not what Karl Marx analyzed in his three volumes of *Capital*, which showed how once capitalism stepped on to the stage of history beginning in the late 16<sup>th</sup> century, commodity production acquired a qualitative difference. Hence forward labor power became a commodity, and production was only for profit, with the usefulness of commodities being only incidental; that profit was realized not made from markets, but rather from the unpaid labor of the worker during production; and further that the accumulation of wealth, previously for luxury and comfort of the few nobles and merchants, became from this point onwards simply to enlarge and concentrate wealth endlessly, regardless of what it did to the workers’ minds and bodies or to the ecology of the planet, which provides all raw material for human labor to create all useful objects and provides it free. And further that the process of valorization of capital itself leads to a crisis, and the only escape from it under capitalism is destruction of capital.

That is the situation we are in currently: there are workers ready to work, i.e., 20% of the workforce, as noted but if only those doing socially useful work are included, excluding the portion working to create profit for capital probably majority of the workforce is available to do labor in a useful endeavor. Material and machinery also exists along with the unemployed and ill-employed workers, so all could be put together to make useful products that could serve the unmet genuine needs of millions right here in the US. And indeed genuine needs exist, but these cannot be put together to make a profit, because the commodities already made cannot be sold in sufficient quantities to make a profit. That is the essence of the current crisis. Buyers do not have the money to buy all the commodities, neither the ones they need nor those foisted upon them by pressures of advertisements. Printing money and getting public works going will put a lot of people to work, but will it solve the crisis? It will, in the short run perhaps, but in the long run - only if capitalism changes its stripes and from now on and works without the profit motive...and that is impossible. In other words, Keynesianism is no solution, but at best postpones the crisis to yet another, larger one, later on.

Marx’s work not only revealed the organized theft that is capitalism, but it also provided a path to overcome it. This revolutionary work of Marx therefore had to be suppressed, and it was made sure that such ideas were not permitted in newspapers, magazines, schools, colleges, and prestigious universities, i.e., everywhere that it could expose this to the workers in large numbers. It is why Krugman aims his fire on the “fresh water” economists led by the University of Chicago’s monetarists against the “saltwater” economists of Harvard, Princeton, and UC Berkeley, who are or again want to be Keynesians. This is like GM offering Chevy and Oldsmobile to make the buyers believe there is a real choice. There is, but not that much. According to Krugman,

the economists got lured to fancy mathematics, based on people being rational and acting in their self interest, but they forgot...the limitations of human rationality that often leads to bubbles and busts; to the problems of institutions that run amok; to the imperfections of markets — especially financial markets — that can cause the economy's operating system to undergo sudden, unpredictable crashes; and to the dangers created when regulators don't believe in regulation.

Krugman confuses form for the content here. The essence of the current crisis is not the imperfections of the markets or human rationality, but the inherent tendency in the capitalist mode of production that makes it impossible for markets to complete the cycles of reproduction over time. "Fancy mathematics" is an attempt to deny the truth that Marx revealed in *Capital*, and seem to be the answer in periods just before the crises. It is not the economists whose ideas led to the crash, fresh or saltwater types. The horse here is capital that is stuck in a position of not being able to make a profit, because it "over-produced" and then needed speculation or swindling as a way to make a profit.

As is well known to trial lawyers, the "expert" essentially says in the court what suits the client who pays for his services. If the expert has integrity, he will not take the con-job. As explained earlier, the entire (vulgar) economics as a social science has been constructed to conceal the truth. Bourgeois, i.e., vulgar economists deal with the details of production and circulation of commodity on a faith that it is possible to endlessly keep going with the capitalist mode of production, because the profit comes not from the workers unpaid labor but from the market and that the cycles are stable, even while the logic of the production cycle is a tendency towards infinite growth based on profit.

### **Imperialism, the Highest Stage of Capitalism - Finance as the King**

John Maynard Keynes, according to Krugman, compared the financial markets of the 1930s to newspaper beauty contests in which readers tried to correctly pick all six eventual winners. Keynes noted that a competitor did not have to pick "those face(s) which he himself finds prettiest, but those that he thinks likeliest to catch the fancy of the other competitors."

And Keynes, says Krugman,

considered it a very bad idea to let such markets, in which speculators spent their time chasing one another's tails, dictate important business decisions...When the capital development of a country becomes a by-product of the activities of a casino, the job is likely to be ill-done.

By 1970 or so, according to Krugman,

the study of financial markets seemed to have been taken over by Voltaire's Dr. Pangloss, who insisted that we live in the best of all possible worlds...Discussion of investor irrationality, of bubbles, of destructive speculation had virtually disappeared from academic discourse.

I am sure Paul Krugman is telling us this correctly. What he is not telling us however is that it was not Keynes's ideas that lifted the US and the world out of the Great Depression. It was the Second World War. War is ultimately what the breaking down of the capitalist cycle had led to in the past, be it colonial wars or the First and Second World wars. Though it is theoretically possible for excess capital to be reduced in other rational and humane ways, such as the transition

to socialism, the obstacle to that solution are the capitalists themselves as a class. In a way Keynes was right, because the world wars forced the government to intervene in the economy, socializing the economy on a massive scale, i.e., a capitalist socialization of death and destruction. The accumulated capitals of various countries were collected from the sweat of workers, but owned privately. With the wars hundreds of millions of formerly unemployed workers became employed again in the destruction of other capitals and lives.

Where Krugman is misleading us is that he does not ascribe the recovery to the massive destruction of other capitals that made the remaining capital, now mainly centered in the US, “healthy” again. To make capital “healthy,” 75 million human lives were extinguished and the wealth created by the global workers in the form of roads, bridges, factories, schools, and homes was destroyed, impoverishing hundreds of millions further. It was estimated that the destroyed wealth from the First and Second World wars was sufficient to remove absolute poverty in the entire world, which was in the first instance largely the specific gift of capitalism. So, while capital became “healthy,” it impoverished the workers of the world. The remaining capital then could make profit again. This shows how capitalism actually “works”. Instead of the notion peddled by its hired intellectuals that capitalism creates prosperity for all if you just be patient, the real working of it shows that it creates poverty and death to make profit and enlarge itself.

Krugman’s conclusions: (1) that Keynes’s ideas of government restarting the civilian economic engine works and (2) that the monetarists who want governmental intervention limited to lowering or raising interest rates to control in the fluctuations in the economy are wrong, because the lowest interest rate of zero percent also limits the power of influencing the economy - are superficial. That the monetarists are wrong is correctly called by Krugman. However, Keynesian governmental intervention in the economy is also largely ineffective for reasons explained below.

### **"Supply Side" Versus "Demand Side" Economics**

In the economy, goods produced have to be sold. That means buyers are needed with purchasing power, i.e., money. Governmental intervention helps to some extent no doubt, in that workers without jobs cannot buy goods even to the extent they could before the economic crisis erupted. The trouble is that workers who have been buying on borrowed money cannot buy again even if they have jobs, except minimally. Nor can governmental intervention restore profitability of capital that over time has a tendency to fall, because automation reduces the surplus labor in commodities. And the inability of consumers to buy, thus denying profits for capital, is ultimately the reason capital moves into the arena of massive speculation. The creation of fictitious<sup>13</sup> capital in the form of easy credit both delayed and enlarged the crisis we are in, but it is why governmental restrictions are lowered in such times in capitalist societies – just hoping to profit somehow, and hand the problem to those coming afterwards, e.g., future generations. Elected representatives who are bound to capital with a hundred strings in the corridors of power do the bidding for capital, not for the workers.

Under capitalism, competition necessarily leads to automation and mass production of commodities. But as competition develops, production and sales of commodities are separated. Further, mass production becomes necessary to offset the tendency for the falling profit rate and the increasing competition among capitalists. It is why it is essential for capital to move to lower wage areas, such as from the north to the south in the US and from the US to Asia. Products

---

<sup>13</sup> Fictitious capital, unlike capital is not based on past performed labor, but in anticipation of its future potential. The speculative stock value of new companies is based on such an expectation.

created by the least paid workers are what allows products to be sold to the higher wage workers within the country and globally. Because of mass production, the largest consumers of the goods are the workers of the advanced capitalist countries themselves. In the US, of the total consumption, about 70% is by the workers. They constitute the largest consumer block of world production of any one country. If the goods can't be sold, because the workers don't have money to buy them, having been exhausted by debt, production needs to be shut down. This in turn leads further to the problem of sales of goods. The only solution within capitalism then is either to distribute the accumulated capital to the workers to write off their debt or invest in increasing efficiency in production again, i.e., greater use of automation, which then further leads to unemployment and overproduction.

In this crisis, therefore, the solution had to be the opposite of the "supply side" that came into vogue since the presidency of Ronald Reagan. The threat of US invasion forced the oil sheikhs to invest their petrodollars in the US banks following the 1973 oil price rise, forced by the oil cartel. This flooded the US banks with money and allowed easy credit both for the investors and consumers. That postponed the economic crisis in the 1970s, but it meant that the US in particular and the world economy in general now were more dependent on speculation. The constant increase and concentration of capital, now further enlarged by China's and 15 years later, India and Brazil's entry into production based on low wages and capitalism, added to the problem.

The current crisis is being called the "Minsky Moment" by the liberal economists. Hyman Minsky, a Harvard trained economist of the late twentieth century, believed that if economic theory is to be relevant for the intensely financial world in which we live, then it needs to fully incorporate financial factors into the determination of the behavior in the economy. Such a theory should not hold that financial factors are "exogenous shocks" to the economy or explain whatever malfunctioning of the economy that takes place as the result of the incompetence of central bankers. Even though modern economic theory finds no place for financial factors in the determination of the course of the economy through time, modern capitalist economies use public powers, either through the treasury or a central bank, (1) to prevent and contain financial instability, the danger of which is presumed to increase as the fragility and complexity of the financial structure increases; and (2) to pick up the pieces and fix the financial structure after an episode of instability damages financial structures.

Thus, a consensus exists that the public wisdom needs to be applied to create institutions and conventions so that capitalist economies can cope with the economic instability that is an apparently inherent attribute of capitalism. This consensus also holds that individual exertion, as aggregated into the behavior of markets, cannot be relied upon to ensure either the stability of economy with complex financial structures or a speedy halt to and recovery after a bout of instability. The rationale for intervention lies in the association of downside financial instability with serious depressions and of upside financial instability with serious inflations.

Minsky's solution is "demand side" economics, where workers are afforded the means to buy the products produced, which their incomes otherwise could not afford in sufficient quantities for capital to make profit. Regulation for Minsky is the damper on speculative nature, and thus instability of capitalist economy. The recent "Cash for Clunkers" program was a Minsky type of solution, as was the \$8,000 credit for the first time home buyers. But both however were limited small programs, with a few billion dollar price tag. The economic stimulus that is presently being pursued only in a mild fashion by the Obama administration, according to Krugman, is the Keynesian approach. However, neither have the sales picked up significantly nor has the unemployment rate been reduced, but rather has kept increasing. Although for the time being, the bailout of the financial sector and these economic stimulus programs have managed to keep the

capitalist system from completely falling apart, these measures have not and cannot solve the structural problem capitalism presently faces: too much accumulated capital and its shadow, that is fictitious capital in the form of easy credit, a defining phenomenon of this 'Old Age of Imperialism'<sup>14</sup>.

### **Sharpening Capitalist Rivalry**

Lenin in his 1916 essay titled *Imperialism; the Highest Stage of Capitalism* argued that the concentration of capital, a tendency inherent in capitalism, leads to a situation where capital cannot make profit in the metropolitan centers. Capital then must move out to lesser wage countries, which in his time were largely the colonies or dominated countries of the established imperialist countries: Britain, France, the US, and Holland. The newly emerging imperialist countries of Germany, Japan, and Italy were unable to do the same. Thus an intense rivalry was developing. Lenin anticipated the Second World War in his analysis 23 years ahead of its onset.

Today a similar situation exists. China, Russia, India, and Brazil are the additional newly emerging capitalist centers, where products are made with cheap labor. Capital accumulated in the old imperialist countries is applied in these centers but they are also raising their own capital, through the local exploitation of labor. For example, in India the local capital formation is five times larger than the direct foreign investment over the last 20 years since India, following China in 1973, opened its economy to global capital. Consequently Indian capital is being invested overseas, even as needs go unmet for a large number of India's citizens, the same as Britain in the late 19<sup>th</sup> century.

While the constraints of colonies are no longer the issue between the capital rich North and labor rich South, this time the problem is who will sell all of the products produced? In limited markets, the rivalry of capitalist cartels represented by groups of nations is bound to sharpen. Because capitalism leads to uneven development, the imbalance is already sharp and is certain to further rise, leading to greater social tensions. In the US, worker living standards have already fallen sharply. Added to this is the rivalry for the scarce raw material resources. Because profit depends on cheap raw materials in addition to cheap labor power, the second source of conflict is the access and control of vital raw material resource, such as oil and other minerals. The third source of conflict is the ecological catastrophe in the making, which the uncontrolled capitalist production has set in motion and has reached a critical mass, and is forcing some semblance of cooperation, but concealing a great deal of contention between the North and South, as was seen in the recent Copenhagen conference. For a while, both China and India can manage their capitalist economies by creating a consuming class within their large masses, as is happening already. This is what emerging capitalist countries do initially. In India, there is a block of 300 million such consumers emerging. For capital this modern middle class functions both as the absorber of products and as the Swiss Guard, guarding it from the multitudes who barely survive. A similar phenomenon is on the rise in China. Both countries can direct their surplus capitals to enhance the infrastructures as well, which in India is very rudimentary even today. But both countries also depend on markets for their products abroad, China much more than India. So, while capitalist development of this sort can postpone their crises, it is only a delay and not a resolution. In advanced imperialist countries, the situation is without a parallel in history. Mass consumption is unsustainable under capitalism here, without rise in worker incomes. And worker incomes here could only rise either at the cost of capitalist profit, which is low in the production already and can't be imposed on capitalists in a capitalist controlled society, or by raising

---

<sup>14</sup> See 'Capital in the Old Age of Imperialism' in the ICSS publication of April 2009 by the same author.

productivity further thru machinery. In encouraging the moms whose incomes are below \$45,000 per year to return to college, this in effect is what Obama is promoting. However, China, India, Brazil, and Russia too are creating mass technical education towards the same goal. Thus the endless competition returns the situation back to square one at the end of such investment cycles and cannot solve the present impasse.

### **Tempest in a Tea Cup or a Real Solution?**

Krugman, having avoided Marx, is then left only to justify Keynes over conservative economist Milton Friedman. Krugman concludes:

When it comes to the all-too-human problem of recessions and depressions, economists need to abandon the neat but wrong solution of assuming that everyone is rational and markets work perfectly. The vision that emerges as the profession rethinks its foundations may not be all that clear; it certainly won't be neat; but we can hope that it will have the virtue of being at least partly right.

Here then finally Krugman is admitting that the economists don't know what is going on. But he knows that as a pragmatist, Keynes was at least partially right; that the economy is about people having a job to support their families. But his analysis leads nowhere, as Krugman accepts the regime of capital as a legitimate social relationship, as an otherwise stable system but for occasional crises that can be managed by clever methods. But Capitalism has reached an impasse it cannot transcend without another global catastrophe of war and devastation, with a fragile planetary ecology today or without another great depression. This is why bourgeois economists can never get it right. In his Nobel Peace Prize acceptance speech, President Obama crafted the rationale of a 'Necessary War', i.e., expansion of war in Afghanistan-Pakistan region, as if to confirm that no matter what the rhetoric and personality of the office holder, the US President cannot actually chart a different course than what the system of capitalism and imperialism requires of him. Those in the peace movement who thought they had elected a man of peace to end the wars are now dismayed and demoralized, but it is because they also hoped without understanding how election politics funded and controlled by capital cannot lead to peace as history shows amply in our life time of the past 70 years. Thus the economic crisis, the planetary ecological crisis, and the compulsive war waging by the US and other imperialist powers shows that we have arrived at another crucial stage of history. If another great war and catastrophe is to be avoided and the planetary ecology saved, there is only solution: peaceful, or as peaceful as possible, replacement of production relations based on profit by production relations based on human need of rational sustainable and equitable consumption and mutual support of the needs of the communities all over the world, in other words, 21<sup>st</sup> Century Socialism, or Ecosocialism. "Time", as Hamlet said, "is off its hinges."

***Raj Sahai** is a longtime anti-war and anti-capitalism activist and lives in Berkeley, California. He can be reached at [Raj\\_Sahai@comcast.net](mailto:Raj_Sahai@comcast.net)*

### **Further Readings:**

-*Marxist Essays on the Current Economic Crisis*, ICSS Pamphlet, April 2008  
-Karl Marx, *Capital*, Volume Two



## **National Call for March 4 Strike and Day of Action To Defend Public Education**

California has recently seen a massive movement erupt in defense of public education — but layoffs, fee hikes, cuts, and the re-segregation of public education are attacks taking place throughout the country. A nationwide resistance movement is needed.

We call on all students, workers, teachers, parents, and their organizations and communities across the country to massively mobilize for a Strike and Day of Action in Defense of Public Education on March 4, 2010. Education cuts are attacks against all of us, particularly in working-class communities and communities of color.

The politicians and administrators say there is no money for education and social services. They say that “there is no alternative” to the cuts. But if there’s money for wars, bank bailouts, and prisons, why is there no money for public education?

We can beat back the cuts if we unite students, workers, and teachers across all sectors of public education — Pre K-12, adult education, community colleges, and state-funded universities. We appeal to the leaders of the trade union movement to support and organize strikes and/or mass actions on March 4. The weight of workers and students united in strikes and mobilizations would shift the balance of forces entirely against the current agenda of cuts and make victory possible.

Building a powerful movement to defend public education will, in turn, advance the struggle in defense of all public-sector workers and services and will be an inspiration to all those fighting against the wars, for immigrants rights, in defense of jobs, for single-payer health care, and other progressive causes.

Why March 4? On October 24, 2009 more than 800 students, workers, and teachers converged at UC Berkeley at the Mobilizing Conference to Save Public Education. This massive meeting brought together representatives from over 100 different schools, unions, and organizations from all across California and from all sectors of public education. After hours of open collective discussion, the participants voted democratically, as their main decision, to call for a Strike and Day of Action on March 4, 2010. All schools, unions and organizations are free to choose their specific demands and tactics — such as strikes, rallies, walkouts, occupations, sit-ins, teach-ins, etc. — as well as the duration of such actions.

Let’s make March 4 an historic turning point in the struggle against the cuts, layoffs, fee hikes, and the re-segregation of public education.

The California Coordinating Committee, December 14, 2009

To endorse this call and to receive more information contact:  
[march4strikeanddayofaction@gmail.com](mailto:march4strikeanddayofaction@gmail.com)  
[www.defendcapubliceducation.wordpress.com](http://www.defendcapubliceducation.wordpress.com)

\*\*\*\*\*

The ICSS Economic Crisis Study Group endorses the March 4 Strike and Day of Action and calls upon students and workers around the nation and around the world to join this important movement.