

New Politics

The World Economic Crisis: Labor's Response

By Dan La Botz

THE WORLD'S WORKING PEOPLE FACE the greatest challenge in three generations. The economic crisis that began in the banking institutions of the United States last year has rapidly spread around the globe, creating a financial and industrial disaster. In one country after another banks have failed, corporations have gone bankrupt, and millions around the world have lost their jobs. Governments from the United States, to Europe, to Asia and Latin America have responded by putting up trillions in one form or another to save the banks, to stabilize endangered corporations, and to stimulate their economies. Many nations have spent billions to create public works programs and have expanded unemployment benefits and new social programs, though no one believes that these begin to adequately deal with the problem. Working people around the world face all that goes with a crisis: joblessness, poverty, hunger, sickness, depression, drugs and alcohol, domestic abuse, and a rise in criminality, and, worst of all, the fear for their future and their children's.

The Economic Crisis

THE FINANCIAL COLLAPSE TRIGGERED a more profound general economic recession, what is in its fundamental features a classic overproduction crisis. Underlying what seemed to be simply the collapse of a financial bubble is a more fundamental problem, the decline of the rate of profit in manufacturing. This is not simply a minor cyclical recession, but rather it is as Marxist economists such as Anwar Shaikh argues a genuine economic depression that will be severe and long lasting.² The fall in the rate of profit in manufacturing led some investors to move into real estate and finance in search of higher profits, resulting in the bubble. With the burst of the bubble, the broader and deeper economic crisis in industry has been revealed. We now appear to be entering a classical depression, likely to be accompanied by deflation, that will last until enough capital has been destroyed through the elimination of outdated plants and equipment, to once again attract investors.

If this does prove to be a deep and long lasting depression that is feared by some, that will shape and condition the nature of working class response. During the Great Depression of 1929-1939, it took four years before workers in the United States began to organize and fight back, creating a new labor movement and reshaping American politics. The depth and length of that economic crisis led to a new social compact, but also to the reincorporation of labor into the Democratic Party. Whether this crisis will also produce a working class response, and whether this time America's working people will be able to create their own political party, will only become clear in the next few years.

The central preoccupation for the labor movement is unemployment, an issue the seriousness of which has been recognized by various international organizations. The International Monetary Fund's January 28 news release read: "World Growth Grinds to Virtual Halt, IMF Urges Decisive Global Policy Response." "The ILO message is realistic, not alarmist," said Juan Somavia (Director General, ILO). "We are now facing a global jobs crisis." The Organization for Economic Cooperation and

Development (OECD) said in Paris at the end of March 2008 that the economy of its 30 developed member nations will contract 4.3 percent this year while unemployment across its bloc will reach 10.1 percent by the end of 2010. The OECD also predicted unemployment in the Group of Seven (United States, United Kingdom, France, Germany, Italy, Canada, and Japan) would reach 36 million late next year. China alone, according to some experts, could lose 50 million jobs just among its internal migrant workers. Unemployment in March was 4.4 percent in Japan, 10 percent in Indonesia, 12 percent in Russia, and 20 percent in Spain.

Working People Unprepared

WORKING PEOPLE ARE HARDLY PREPARED to face this crisis. The working class does not have independent organizations with which it can fight for itself and for society at large. The so-called parties of the working class—Democrats, Labour, Socialist, and Communist — long ago gave up their role as the champions of wage labor. Labor unions in most countries have long been subordinated to capital and government, and have become thoroughly bureaucratic and unresponsive to workers' needs. In some places company and gangster unions dominate the scene, while in other countries the so-called unions are really state institutions created to control workers.

Ideologically, the mass media, government institutions, and religious organizations have convinced many working people that capitalism has no alternative. In some countries the experience of bureaucratic Communism or neoliberal Social Democracy has given socialism a bad name. And, in terms of their capacity and willingness to struggle, the working class in most countries with some very important exceptions — Latin America and China — has not gone into motion yet. The crisis spreads like a tsunami washing away the institutional gains of decades, destroying organizations, and threatening all in its path, yet in many places the workers do not even have an organization to help them retreat to higher ground in the face of the rising water.

In this issue of *New Politics* we have asked several authors to write articles on the labor movements of their countries, reflecting on the current crisis and its implications for working people. We offer here a brief introduction to the crisis and its impact on the labor movement, putting current developments in historical context.

Not Your Great-Grandparents' Capitalism

THIS IS NOT YOUR GREAT-GRANDPARENTS' capitalism. Capitalism in the twenty-first century is, more than ever, a world system. Since the 1930s the world capitalist system has changed in several ways, all of which affect both the nature of the current crisis and the response of the working class. Capitalism has expanded, and its penetration of peoples, states, and regions of the world has deepened. At the same time, almost everywhere the system has reduced government social welfare budgets and reorganized social welfare programs. In the course of these developments, capital also transformed its relationships to unions in the workplace and to labor parties in society.

How did all of these changes come about? With the end of World War II, the process of decolonization began in Africa and Asia as former colonies became independent nations, now open to new investment and trade relationships. The fall of Communism in the Soviet Union and Eastern Europe by the early 1990s also opened up that region to private capitalist investment from the West. The collapse of Communism in the Soviet Union, China's evolution to a capitalist economy, and the

opening up of India's economy have brought about what Thomas L. Friedman called "the great doubling" of the world capitalist labor force, adding 1.3 billion workers. Capital simultaneously reconfigured itself, organizing world production both through multinational corporations and through extramural buyer-supplier relations, with many industrial manufacturing jobs moving from developed countries to developing countries. Throughout the post-World War II period, then, capital flowed into these vast new regions, such as Asia, and Eastern Europe which had been thrown wide open to investment. Latin America also saw significant growth in foreign investment. Africa, except for South Africa, for the most part continued to have a post-colonial economy much like the old colonial one with investment in some agricultural export products, oil and mining.

The Expansion of Capital in Asia and Latin America

MOST OF THE CAPITALIST ECONOMIC GROWTH in the developing world occurred in Asia— countries like Japan, South Korea, Taiwan, Hong Kong, and Singapore—though after 1980 the Chinese Communist government began to oversee a transformation to a capitalist economy through the use of state capital, off-shore Chinese capital, and investment from countries such as the United States. Within little more than a decade, China had been transformed into the fastest growing capitalist industrial economy on earth, its production largely driven by the U.S. market. India, too, entered upon the path of rapid capitalist industrial development by the 1990s. In Latin America, Brazil grew into one of the world's largest ten economies, with greater industrialization also taking place in Mexico.

During this same period, capitalism changed its methods from the Taylor-Ford model of industrial production, based on scientific management and assembly line production, to the post-Fordist, Japanese or lean production model, sometimes called "management by stress." Production managers in workplaces around the world introduced just-in-time warehousing and parts delivery systems, created workplace quality circles or teams, cut the workforce, and introduced more intense supervision. At the same time, corporations reduced the size of their core facilities and workforces through subcontracting or contracting-out, a strategy which also tended to reduce the role of labor unions and collective bargaining agreement. Japanese and Korean success in the auto industry, later imitated by European and American manufacturers, was largely based on these new production models.

One of the most important new developments in world capitalism, beginning around 1980, was the growth of the worldwide manufacturing model, that is, a manufacturing system based on production of parts taking place in various countries later to be assembled in another nation, and perhaps sold in yet another. The growth of satellites, fiber optic cable, and cell phones, the computerization of communications and of production controls, the development and spread of the inter-modal containerized cargo system adaptable to trucks, trains, ships, and planes, and the creation of a world finance system facilitated by information technology made such a world production model possible.

All three of these developments — the expansion of capitalism to the post-colonial and post-Communist worlds, the development of lean production, and the world production model—were accelerated by the appearance beginning in 1980 of the neoliberal economic policy. Margaret Thatcher in the UK and Ronald Reagan in the United States first began to introduce the neoliberal model based on deregulation and privatization, open markets and free trade, tight money fiscal policies, cuts in government social welfare spending, and a concerted attack on labor unions. Later

the international financial institutions — the International Monetary Fund (IMF), the World Bank, the World Trade Organization (WTO — formerly the GATT), would use structural adjustment policies to press these measures on developing countries.

The Post-War Arrangement

TO UNDERSTAND THE LABOR MOVEMENT'S response to the crisis today, we have to see it in the perspective of the post-war labor and political experience. There was a radical upsurge from below led by the resistance movements in France and Italy in the last years of the war. At the war's end, the Socialist and Communist Parties, however, succeeded in keeping the movement from taking a revolutionary turn. Still, the revulsion against Fascism and Nazism and the conservative political parties in Europe, led the populations to elect the Social Democratic parties in Western European governments.

While the situations and the timing varied from country to country, the tendency was toward the creation of Social Democratic welfare states in the post-war period; moreover these institutional reforms in labor relations and social welfare remained intact even when Conservatives or Christian Democrats came to power. At the same time, in most Western European nations, the government and political system tended toward the integration of the labor unions into the political system as an electoral apparatus, just as the various forms of social democratic union participation or joint-management schemes integrated the unions into the economic system as junior partners.

The general post-war prosperity of the United States and the consistent improvements in the standard of living in Europe, combined with the welfare state measures, led to a period of relative social stability lasting from 1945 to about 1965 during which the labor unions and labor parties atrophied. In the United States the post-war New Frontier, Great Society, and War on Poverty measures of Democratic presidents John F. Kennedy and Lyndon B. Johnson established a similar though narrower and weaker welfare state in America. By and large, collective bargaining became ritualized as unions traded shop floor control for wage increases, cost-of-living clauses, and health and pension benefits. Automation of the plants in the 1950s and 60s led to a combination of intensified production and the gradual reduction of the size of the industrial workforce.

The Insurgency of the Late 1960s and Early 1970s

WHEN A PERIOD OF ECONOMIC CRISIS and social conflict erupted in the late 1960s and 1970s, a New Left and a new worker insurgency in countries like Greece, Italy, France, Spain, and Portugal, and to a lesser extent in Germany, led the resistance. The French general strike of 1968, the Italian "hot autumn" of 1969-1970, and the nearly revolutionary upheavals of 1974-75 in Spain and Portugal raised the prospect of socialist revolution but proved incapable of breaking the grip of the reformist Socialists and Communist Parties and their labor federations over the largest and most strategic sections of the European working classes. Nevertheless, the tendency toward the absorption of the Socialist and Communists into the parliamentary system as moderate reformers, together with the institutionalization of labor relations, meant that the working class was too weak to stop imposition of the new capitalist order of post-Fordism, world production, and neoliberalism.

The labor insurgencies in the United States and Mexico in the same period found themselves thwarted in the first case by management and the labor bureaucracy and in the second case by the state party and its captive unions. In the United States, rebellions among miners, postal workers, teamsters, telephone workers, and

African-American auto workers proved capable of overturning the old bureaucracy only in the case of the miners. In Mexico, the independent unions were created among university workers, established a small foothold in auto parts, and built a democratic current in the Mexican teachers' union. The Democratic Tendency led by the Mexican Electrical Workers, however, went down to defeat at the hands of the Army and the official union in 1975.

Neoliberalism and the Response

THROUGHOUT EUROPE, JAPAN, AND the United States, with competition increasing and profits stagnating, it was the employers who in turn went on the offensive in the second half of the 1970s. The employers launched what shocked union officials called "class warfare," during a decade when every contract negotiation seemed to lead to conflict. When the economic offensive proved insufficient to recoup profits, the employers turned to political measures. The neoliberal period that began in 1980 saw the further political degeneration of left and nationalist political parties around the world. While the Labor, Social Democratic, and Communist parties of Europe had already begun in the pre-World War II or Popular Front period to play the role of reformist parties that would seek to administer the capitalist economy and its state rather than to transform or overthrow them, by the 1980s these parties had become in most cases little more than tepid center-left parties carrying out programs little different than their conservative and liberal counterparts.

The neoliberal offensive had more onerous impacts in other countries. In Mexico the Institutional Revolutionary Party stole the election of 1988 and installed Carlos Salinas de Gortari as president. It was he who privatized virtually all of the state industries except petroleum and power generation. In China in 1989, the Communist government smashed the democracy movement at the Tien An Mien square, a blow to both society at large and to the labor movement in particular. By the 1990s, the Social Democrats of Europe and President Bill Clinton and the Democrats in the United States now converted to neoliberalism, enthusiastically privatized, deregulated, opened markets, cut the social welfare budget, and restrained labor unions. Consequently, as the working class saw its standard of living decline, its parties and unions lost their support. Throughout the neoliberal period of the 1980s and 1990s, in countries around the world, unions were driven from the halls of government, lost their weight in political party conclaves, and found themselves driven out in the cold. Unions, in fact, became the targets of a concerted attack by government and employers. In the neoliberal world, the union was at best a pathetic dependent and at worst a pariah.

Neoliberal policies affected unions in various ways: closing of older industrial plants often wiped out the strongest labor unions; direct government attacks on unions eliminated others; changes in labor legislation, particularly the promotion of "flexible" labor laws weakened union protections; contracting out (or outsourcing) replaced union workers with nonunion contract workers, while an employers' offensive debilitated unions and eroded contracts. Employers also hired immigrant workers at lower wages, often without benefits and frequently off the books.

While the government and employer attack on unions proceeded, it was often accompanied by a restructuring of production which resulted in a reconfiguration and a recomposition of the working class such that even in developing countries, industry and industrial workers tended to decline, while services and service workers grew, and casual employment multiplied. In developing nations there was a tendency for much of the workforce to become part of the underground economy. In

some developing countries as much as quarter, a third, or even half of all workers labored in the informal economy without social security (health and pension), without labor unions, and without paying taxes. As the process advanced, workers often found job security imperiled, wages falling, and benefits diminishing. All of this was accompanied, of course, by a gradual and general decline in the standard of living of workers. Social inequality grew and poverty increased in developing countries.

During this period the ties between government and Communist, Social Democratic, Labor, nationalist, and populist parties and their respective labor federations were weakened. Whether in the former Soviet Union, Indonesia, or Mexico, the government-party-union connection — a connection often built on patronage and rife with corruption — was severed. In several countries — including the United States, Mexico, and Venezuela — under the pressure of events, the old political labor federations cracked up, rival labor federations multiplied, and in some cases the unions were virtually pulverized. Unions which once found strength through their ties to a leftist party that for long periods of time controlled one or another government, now found themselves cut loose from both government and party and set adrift in the choppy economic seas.

In most countries, during this period, unions suffered damaging attacks and sometimes crushing defeats. At the same time, in Bolivia or India for example, new social movements arose, sometimes calling themselves “unions,” but representing not the industrial working class or government employees, or service workers, but rather groups such as the unemployed, the self-employed, the landless, the indigenous, and women. New unions for casual workers arose in Japan, Korea, and India. Combinations of the old unions, the new movements, the indigenous groups, dissident military factions, and old left political parties created new political forces, especially in Latin America, where massive struggles eventually brought some of them to power in one or another country.

Latin America: The Neoliberal Trend Resisted

THE SITUATION WAS DIFFERENT in Latin America from that in other parts of the world. The disappointments in democratization and the failures of the economy in the 1980s and 1990s led to the rise of social movements, political parties, and candidates that opposed neoliberalism and the Washington Consensus. Latin Americans resisted neoliberalism in various countries through a series of national general strikes, popular uprising, and attempted coups. By the late 1990s the struggle found expression in political campaigns. The continental shift to the left can be seen clearly in the series of elections over the last decade which brought to power in seven Latin American nations a series of presidents with politics described as ranging from populist, to social democratic, and, in some cases, some claim, revolutionary socialist.

In Venezuela, Hugo Chávez, a charismatic military officer and coup leader was later elected in 1999 and reelected in 2000 and 2006. He proclaimed a struggle for a Bolivarian socialism, what he calls “socialism for the twenty-first century.” Chávez has won support from sections of organized labor, mobilized Venezuela’s poor, and has used the nation’s oil wealth to finance campaigns — the Bolivarian Misiones — to bring health, education, and welfare to the nation’s needy. He has worked to build unity among Latin American nations to resist the United States. Chávez has in the past few years created the United Socialist Party of Venezuela (PSUV) and the National Union of Workers (UNT) as political instruments of his government’s power. A charismatic populist whose methods involve a combination of direction from

above and mobilization from below, Chávez's Bolivarian Revolution has been paused but not paralyzed by a reactionary bourgeois opposition, the power of the United States, and the vicissitudes of oil prices. More democratic forces with other visions of socialism tend to operate within the broad chavista movement rather than outside of it.

Ignacio "Lula" da Silva, a former steel worker, organizer of the Metalworkers Union, then of the Brazilian Labor Federation (CUT), and of the Workers Party (PT), has pursued more cautious and traditional economic programs. His government has been aligned with the banks and big construction companies, kept its support of the CUT and PT, and created a welfare program for the nation's poor. In the international arena, he has formed an alliance with China and India to block the United States in the World Trade Organization (WTO), and he too has worked for Latin American unity under the leadership of Brazil.

Evo Morales represents the explosion of the indigenous people onto the Latin American scene. An indigenous person himself, the head of a union of coca growers, a self-proclaimed socialist and leader of the Movement to Socialism (MAS), Morales has fought both to keep control of the country's national resources (gas and lithium) and for a national land distribution. His radical program has won broad support from the country's indigenous and poor people of the altiplano and fierce opposition from the European or mestizo people of the lowlands.

Within all of these countries there exist mass labor and popular movements and revolutionary groupings, though nowhere does socialist revolution appear to be on the immediate agenda. While the most radical situations exist in Venezuela and Bolivia, to be successful there social movements would have to overcome both Chavez's personalistic model and the limits of the petroleum-based economy, while in the second it would have to surpass Morales' cautious pursuit of reform. Neither of those seems highly likely.

China in Crisis

AT THE NEW HEART OF CONTEMPORARY world production in Guangdong Province, China, the sudden collapse of the American market and other world markets led to abrupt plant closings, layoffs, and in some cases worker protests and riots. China's growth rate fell to 6.8 percent in the last quarter of 2008, ending five years of growth at 10 percent or more. The IMF predicts China will grow by only 6.7 percent this year, though some think growth might only be 5 percent. Economists say that China needs an 8 percent growth rate to provide jobs to new entrants to its labor force.

Already by February there were 20 million Chinese without jobs heading home to their villages. "It's expected that 40 to 50 million or more migrant workers may lose their jobs in urban areas if the global economy keeps shrinking this year," wrote Tsinghua University's Professor Yu Qiao in a recent paper. And this does not include the permanent urban residents who will also lose jobs in this downturn. "Jobless migrant workers on this mass scale implies a severe political and social problem," said Yu. "Any minor mishandling may trigger a strong backlash and could even result in social turbulence." According to official Chinese government statistics of 2006 and 2007, the country's manufacturing industry then employed 44.5 million migrant workers and 33.5 million urban residents.³ The Chinese Academy of Social Sciences asserted in January that the real unemployment rate was 9.4 percent, and could be expected to rise.

The Chinese Ministry of Security reported that “mass incidents”—such as strikes and riots—numbered 10,000 in 1994, but by 2005, that had risen to 87,000. While the government stopped publishing the statistics, observers believe the numbers have risen even higher. “Without doubt, now we’re entering a peak period for mass incidents ... In 2009, Chinese society may face even more conflicts and clashes that will test even more the governing abilities of the party and government at all levels,” according to senior Xinhua agency reporter, Huang Huo.⁴

While the state, party, and union ties broke in many countries, in China the Communist Party jealously guards its power and protects the All China Federation of Trade Unions (ACFTU). Yet even in China, the ACFTU has evolved in complex and varied ways and sometimes functions somewhat more independently and sometimes, even if rarely, in one or another situation in defense of workers. The local ACFTU union finds itself both assisted and challenged by independent workers’ centers. Whether the state will be able to contain the rising tide will depend on whether or not workers can build labor and political organizations independent of the government, the Communist Party, and the ACFTU.

The Crisis, the Movement, the Left, and the Future

THE LEFT AROUND THE WORLD finds itself in a difficult position, without in most places a strong socialist organization or a powerful labor movement. History suggests that from the onset of a depression to the beginning of a mass movement it may take years for the working class to absorb intellectually and emotionally what has happened to them and then finally assert their righteous indignation and begin to act. The key to the development of the labor and social movements and of a socialist movement in the United States and in Europe will be, as it was in the early 1930s, the development of militant minorities, ginger groups in the workplace and unions, in communities, and in the various social movements who take actions that challenge the status quo. Militant minorities, acting independently of the labor bureaucracy and of the liberal and Social Democratic parties have the capacity to set larger forces in motion. Once large numbers begin to go into motion, history suggests that that will lead suddenly to the development of new tactics and new strategies and of new political alternatives. We see perhaps the first signs of this in the appearance of the new Anti-Capitalist Party in France.

Even without forces, however, the incipient movement desires to put forward an alternative. The revolutionary left — tarred with the failures and atrocities of both Social Democracy and Stalinism and recognizing that programs are something to be constructed not proclaimed — hesitates to put forward a full-blown plan which it recognizes that it does not have the arguments to justify, the forces to fight for, or the power to impose. The development of a program will have to come with the development of new socialist left and, more important, of working class and popular movements.

We already begin to see such first attempts to project a program—not yet on a revolutionary basis—in the declarations of the Asia-Europe People’s Forum in Beijing and the Social Forum in Belém.⁵ Their calls for socialization of finance and industry and for the administration of the economy democratically, raised by movements from below, point toward a possible future. Yet those programs and demands will be meaningless unless the labor and social movements can build labor and social movements with the power to push them forward. During this period the revolutionary left, through militant minorities and the development of its programmatic ideas, may be able to lay the basis for revolutionary organizations, and even in some countries to construct a revolutionary party.

* This introduction borrows from an essay of mine published in the *Mumbai Economic and Political Weekly* in March 2009. This Introduction to our Summer issue's labor section was completed in late April 2009.