

CAPITAL IN CRISIS?

IMPLICATIONS FOR WORK AND SOCIETY

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The global financial crisis and the uneven recovery from it have been at the forefront of public debate for over a year. Millions of workers around the globe have lost their jobs; millions of others are working fewer hours than they want; millions more are experiencing work intensification and longer hours for reduced pay; and many others are sitting precariously balanced, somewhere on the continuum that stretches between these two extremes. A small number of individuals have been singled out as responsible for the situation and they are paying a penalty. But with few exceptions their penalty is rarely more serious than the loss of their own jobs. Many more are still enjoying the fruits of decisions and structures that reap rewards gleaned in over a decade's frenzy in almost unfettered markets, profligate bonuses and exorbitant executive salaries and all done with the complicity of the state. The response of nation states to the crisis has been undertaken with speed, efficacy and, perhaps least expectedly, a return to Keynesian demand-driven solutions.

The question is why has this globally uneven transition from crisis to recovery taken place? And most importantly what does this mean for labour? We argue here that a major tool to understand this is political economy for it provides an analytic framework and a diagnostic tool used to find new directions.

What is Political Economy?

Political economy, is the study of the social relations associated with consumption (buying), distribution (service), exchange (selling) and production (work), and the way these key processes are inter-related and grounded in global, national and community class interests. This political economy analytic framework is old (its traces go back to the seventeenth century work of political economists like William Petty (1623-87)) and it is internally contested (see the work of Karl Marx (1818-83) whose *Capital* (1867) has running footnotes that bitingly critique classical political economists). But as an economic diagnostic tool, that measures both the micro and macro performance of human behaviour and the behaviour of economic institutions and markets, political economy has given us profound insights. One of its most central insights has been their continuous focus on how the wielders of economic power (employers) use this power and how this power affects workers (employees) and their labour .

Political Economy and the changing nature of work

Political economy as a body of knowledge has always been centrally concerned with the changing nature of work. The first political economists (Petty (1662), North (1691), Quesnay (1766) and Smith (1904)) wrote about the nature of labour within the context of work in the emerging capitalist system. These early political economists were engaged with the question of “how do we get workers to work more effectively for the least possible money (wages) and greatest return (profits) to business?” And when their collective gaze lifted from the workers they were preoccupied with the secondary question of how to keep the feudal aristocracy away from their private property, that is, how to keep the then state (manifest through taxes and tariffs on the bourgeoisie) out of their pockets.

According to Meghnad Desai (1983: 376), subsequent political economists struggled with the gamut of the ideas thrust upon them from these earliest political economists. These ideas were:

1. the idea of progress;
2. the need for economic accumulation and growth through expanded exchange;
3. the manufacture of commodities as a basis of wealth;
4. individual pursuit of self interest in the collective interest legitimating policies of free trade and the minimal state; and
5. the labour theory of value which saw labour as both the cause and source of value.

Using and abusing these insights the second wave of more critical political economists, including Karl Marx, focused their considerable attention on critiquing civil society. Civil society is the arena of economic competition – where we work. This follows Hegel’s definition of civil society that contrasts individuals leaving the unity of family life to enter a zone of economic competition (Sassoon 1983:72-4) or economic society (Polyani: 1944). Marx depicts work, in a capitalist society, as dominated by competitive unequal relations where exploitation must necessarily occur. This is not just because workers are alienated from the profit they make, from the control of their labour and the conditions under which they work but because capitalist employers must necessarily maximise their profits to survive as a viable business and this, in turn, means that workers (and their families – future workers) will receive only what is necessary for them to reproduce themselves plus what they can successfully (and usually collectively) demand over and above this. Marx’s work describes and explains this world of exploited labour but the description he goes on to iterate is not enough, for as philosophers they ‘have only interpreted the world, in various ways. The point, however, is to change it’ (Marx 1978:145).

This collection of political economy writing on the nature of work in the time of the global financial crisis adds to this latter critical tradition.

The new relationship between political economy and work

To understand the relationship between labour and capital in the global financial crisis, it is useful to look at new forms of labour emerging pre and post the cataclysmic events of 2007-2010. To begin we can refer to Guy Standing's article in an earlier edition of this journal, 'Work and occupation in a tertiary society' (2009:49-72). He argues that we now live in a new tertiary world of work; labour is no longer dominated by formerly dominant primary agriculture or secondary industry. Consequently, in Standing's opinion, the old working class has 'shrunk to a minority' largely replaced by this third layer of workers who experience profoundly different occupational citizenship to the previous first (agricultural) and second (industrial) workers. In his search for the unique properties of the new tertiary occupational groups he neologically identifies this new breed of insecure workers as the *precariat*.

The precariat are those workers that are perched between precarious jobs, a wage and destitution. They do casual work with few social or economic safety net provisions, and they are forced to shift frequently as 'urban nomads' in their search for new labour opportunities (op cit 2009: 51).

Class has not gone away, in this post globalist occupational order, indeed it has intensified by leaving behind worker-friendly guilds and unions. If we are to conceptualise a replacement worker friendly collective, that corresponds 'to the inherent flexibility of work and labour relations and the emerging class structure of society' (op cit 2009: 60), we have to be clear about what we are dealing with. Only then can we go on to provide helpful solutions to problems associated with this new level of occupational citizenship. This is what our contributors do.

The nature of the contributions

What follows in this collection is writers working forensically to dissect the nature of the financial crisis and trying to identify how we can contribute in 2010 to a socially just restructuring process.

First, we have the work of Dick Bryan in – 'Beyond Populism and Moralism' - where he looks at the dimensions of this economic crisis, as maybe less deep than at first expected. What he sees as significant is that the crisis is popularly regarded as being driven by a speculative and greedy financial elite, who operate in an environment, where finance is not just large in relation to growth in GDP but it is unreasonably large. The crisis becomes a conflict between the real and the financial, not a conflict between classes. There are now a wider range of openings for those intent on realising new ways and methods of

accumulating and appropriating money. Bryan identifies the targeted victims of this process, as a breed of workers or worker-risk-takers, what Standing (2009) could (but doesn't) call not precariats but 'proriskats'. These are workers (proletariat) who bear the risk of the global financial markets and the subsequent pain of the financial crisis through mortgaging their homes to sustain their living. 'As millions of families tried to survive economically, it was easy for mortgage purveyors to entice people into borrowing against their homes, often at low interest rates, in order to find money to pay their bills' (Bryan 2010). He signals that monetary surplus is being appropriated from labour in the form of interest payments as a process that is conventionally conceived of as circulation not production, and that this process deserves our further reconsideration.

Next, tying neatly into Bryan's analysis is Rob Morrow's argument, in a 'Marxist Perspective on What Caused the Global Financial Crisis', that securitisation smartly spreads the financial risk away from the bankers and the finance marketeers onto workers. Securitisation involves the bundling of different financial instruments - bonds, mortgages, loans - and converting them into new titles with entitlement to interest payment (Mc Nally 2008). Former assets become mortgage backed securities and debt obligations or asset transactions that are generally unintelligible or opaque to the ordinary person. As well Morrow identifies, one of the main causes of the global financial crisis, as the falling rate of profit occurring in the North American economy and the subsequent wide spread of economic inequalities, both of which led to increased capital flow to the financial sector. You will recall that the tendency of the rate of profit to fall (TFRP) was a political economy concept traceable back notably to Karl Marx who argued against the classical economist's (Smith et al: 1774) idea that the unfettered-market would find its equilibrium. He suggests instead that capitalism's natural state is periodic crises caused by the imbalance of investment going into constant capital (e.g. raw materials, factories, machinery, land) rather than variable capital (labour) which serves to reduce the amount of labour time relative to the total production capital invested (or constant capital plus variable capital). This imbalance is the basis of the tendency of the rate of profit to fall because the source of profit (surplus value divided by total capital) is labour time. The relative drop in labour time, leads to a fall in profit (Marx, Capital, Chapter 2 1967). The consequence of the falling rate of profit in the US, according to Morrow, is an increased provision of credit to US workers because they had experienced a decline in their real income.

Drew Cottle and Angela Key's 'International Labour and the Global Financial Crisis: Chained or Unchained?' analyses the global financial crisis; the origins of the crisis, the fluctuations and perceived recovery of financial markets, and the responses of governments to the crisis. Their focus is labour and post crisis migrant labour, in particular. They argue that the changing (post crisis) fate of labour has meant new chains of work springing up through speed-ups, casual work, on-call work, piece work, overtime, shift work, and temporary work (Basso 2003). We could link them here with Standing's precariat. Degraded work is now internationally competitive: workers of the world are now competing globally for work. They speculate that the impact of the crisis may have exacerbated these trends although the trends to date are neither uniform nor predictable. The formal and the informal

economies have been struck down by a joblessness that is unevenly spread throughout the world and they give geographic examples of this uneven distribution. The layoffs and lack of remittances will keep pushing these insecure workers further afield to possibly worse conditions. But there are instances that Cottle and Key quote, of worker resistance such as the French worker kidnapping of managers (Moxley 2009), the British worker occupation of plants (Robinson 2009) and the Scottish worker sit-ins (Hattingh 2009). What Cottle and Key worryingly surmise is that the financial crisis could create fresh social upheaval through mass foreign worker migration. We can therefore add *prolemigrat* to our list of proletariat neologisms.

While it is clear that we are looking for uniquely new aspects of this financial crisis and for subtle changes to class and occupational citizenship, we should acknowledge upfront the unchanged exploitative nature of working class labour. The category of proletariat, (a French word coming from the Latin word *prōlētārius* meaning the class of proles or unpropertied masses who 'sent their children for military service in lieu of taxes' (Robertson 1993: 401-2)) can be understood to be those who have to live off the sale of their labour power. This meaning ensures that this is as relevant a class category now as it ever was.

The nature of class relations is evident even amongst the most highly paid of blue collar industrial workers. In 2006-07, Australian coal mining employees earned on average \$121,000 per year but they generated \$341,000 per worker in profit for their company (Murray & Peetz 2010). That is, of the total value they generated, 72 per cent was appropriated as surplus value, while their working hours, worked in rotating twelve hour shifts, are amongst the longest in Australia,

So we need to remain open to traditional depictions of class relations between workers, the state and the employers. And this is done particularly well in the fourth contribution, 'New Directions in Class Analysis' by Mike Donaldson who provides a lively discussion of the results of the financial crisis on this key political economic variable - class. He argues that 'class has once again become a topic for lively discussion; with increasing polarisation there have come changes in the composition of the working class itself.' His chapter traces the origins of the aetiology of 'working class' and uses some of the ideas of Karl Marx and Antonio Gramsci to define the working class today and to elucidate its size, dimensions, consciousness and capacity for change.

Damien Cahill analytically sizes up the post crisis reality in 'Actually Existing Neo liberalism and the Global Economic Crisis'. He assesses claims that the global economic crisis heralds the end of neo-liberalism as the dominant ideology and logic of state policy-making. He does this by examining three major competing conceptions of neo-liberalism – 'neo-liberalism as laissez faire', 'regulatory capitalism' and 'actually existing neo-liberalism' – and uses these to identify the core components of the neo-liberal shift in state-economic relations. He argues that the post crisis rise of the regulated state, with its stimulus packages, regulation of the finance sector and so forth, does not mean that neo

liberalism is dead or 'even terminally ill'. We are just more open to the notion of regulation and a regulated state. Regulation by previous neo liberal regimes was necessarily covert because of their ideological commitment to attacking the nanny state, which as already mentioned goes back to their fear of the aristocrats manipulating the state to encroach upon the bourgeoisie's profits and privileges, through taxes and tariffs. Yet in reality, these neo liberals used state policy to regulate economies in their own interests. Centrality of the state was and remains necessary to maintain capitalist economies.

The question as to whether the crisis has delivered green solutions that fundamentally address the environment and social issues facing Australia is addressed in the sixth article – 'Green Collaring a Capital Crisis' - by Helen Masterman-Smith. Her point was dramatically encapsulated in the deaths of the four young men installing house insulation under the Australian stimulus package. In her chapter she considers 'the changing relationship between labour and capital as economies shift towards green development. She poignantly finishes by suggesting that there is an urgent need for a rethink of the green labour market in Australia with particular attention to the quality of green employment or green capitalism will simply fail to 'address the economic, ecological and social ills of our times [therefore being] simply the emperor in green clothes' (Masterman Smith 2010).

The contribution of political economists to the global financial crisis is a sustained challenge to neoclassical economics and neo-liberal policies that have failed to predict, explain or protect workers from the cyclical global financial catastrophe. The last piece – Frank Stillwell's 'The political economy challenge to orthodoxy' – brilliantly explains how the current crisis opens opportunities to challenge the neoliberal orthodoxy. There are three elements that need to come together: these are linked to the continuing struggle for political economy in educational institutions with the critique of economic orthodoxy in the public arena and the development of a progressive, strategic response to economic crisis. This he suggests would enhance not just the concerns of political economists but also the concerns of analysts studying work and industrial relations. Praxis is required. His advice to workers, students and academics is to rise to the challenge of interpreting events such as the global financial crisis and then to act on their new shared information.

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