What Is to Be Done?
Paul Mattick

Governments find themselves today between a rock and a hard place. The rock: a continuing descent into depression will bring enormous risks for social stability, as large numbers of people find that the existing social institutions are unable to take care of their most basic needs. Last winter's riots in Greece have already demonstrated a high level of opposition to the political and economic status quo; France has already seen two nationwide demonstrations of nearly three million workers protesting job cuts and proposed changes in pension laws, and demanding government action. Popular protests drove the bankrupt Icelandic government from power, while angry workers have occupied closed factories in Ireland, Ukraine, and even the normally quiescent United States, where local organizations have also prevented housing foreclosures or occupied vacant buildings in a number of cities. True, the most publicized expression of popular anger so far has been that directed at financial executives rewarded with bonuses paid out of government funds issued to their near-bankrupt companies—anger rising from people earlier unfazed, so far as we know, by the astoundingly unequal distribution of income achieved by the wealthy, with government aid, over the last 25 years. If that anger gets channeled away from particular instances or individuals to a social system based on inequality and oppression, things could get quite constructive indeed. Hence the need to keep government funds flowing to prop up business institutions.

The hard place: the idea that companies like A.I.G., the Bank of America, or Citicorp are "too big to fail" amounts to a declaration of the failure of the market economy—that is, of capitalism in its classical, or ideal, form. Competition was supposed to eliminate the weak, leaving the most productive (of profits) to prosper, thereby optimizing social well-being. Blocking competition's operation amounts to admitting the obsolescence of capitalism itself. Even more important, government action in the form of stimulus plans, bailouts, or nationalizations threatens the private enterprise system not only symbolically but practically, as money is taken from the circuits of the capitalist market and used by the state for objectives defined politically rather than by the criterion of profitability.

Furthermore, the situation today is rather different from that at the outset of the last depression. The United States had a government debt of $16 billion in 1930; today it is $11 trillion and climbing. In terms of percentage of GDP, the federal debt had already reached 37.9% by 1970; in 2004 it was 63.9%. The federal government is already responsible for about 35% of economic output (as measured by GDP, the value of all goods and services produced in a year). When this number hit 50% at the height of the Second World War, the growth of private capital came more or less to a halt. All of which is to say, the Keynesian means for depression-fighting have been largely used up, unless the state is to displace private enterprise completely to create a state-run economy like that of the old Soviet Union, a goal favored by no actual political force (despite Newsweek's early February cover story declaring that "We Are All Socialists Now"). It's only twenty years since Russia and its satellites embraced the free market, or at least some highly restricted version of it, but even those governments show no interest in returning to the centrally-planned system of yore. The Chinese state too has clearly thrown in its lot with the market, even while its economy is being dragged down by the global collapse. And even Sweden, long the Western standard-bearer for "socialism" in the eyes of American conservatives, is letting Saab go broke with the announcement from enterprise minister Maud Olofsson that "The Swedish state is not prepared to own car factories."

The upshot is that governments will continue to be largely paralyzed, just hoping—bolstered by economists' psychic predictions—that it will all be over in a year or two. Hence, in the U.S., the unwillingness of the Congress, so far, to allocate more than a fraction of the estimated $2 trillion in troubled assets held by American banks; hence the immediate opposition of Democratic as well as Republican politicians to the proposal of the Obama government to limit tax deductions for the wealthiest 1.2% of taxpayers, limit climate-changing gas emissions, or cut subsidies to agribusiness; hence the Treasury Department's unwillingness to interfere seriously with bankers' decision-making about the funds shoveled in their direction; hence the seeming schizophrenia of Obama's statement to reporters on March 14 that "we've got to see worldwide concerted action to make sure that the massive contraction in demand [in consumer spending] is dealt with" while "signaling to Congress," as he was reported doing a day later, that he "could support taxing some employee health benefits," thus decreasing wages and contracting demand. And hence the unwillingness of European governments even to follow the Americans very far down their half-hearted road, leaving the stimulus exercise (with its hoped-for benefits to European exporters) to the United States while concentrating on limiting their budget deficits and tightening their citizens' belts.

But if, as I have been arguing, we are now in the opening stages of a Greater Depression, it's hard to expect anything but worsening economic conditions for decades to come, requiring increased assaults on the earnings and working conditions of those who are still lucky enough to be wage earners around the world, waves of bankruptcies and business consolidations throughout the economy, and increasingly serious conflicts over just who is going to pay for all this. Which automobile companies, in which countries, will survive, while others take over their assets and markets? Which financial institutions will be crushed by uncollectible debts, and which will survive to take over larger chunks of the world market for money? What struggles will develop for control of raw materials, such as oil or water for irrigation and drinking, or agricultural land? All governments attack protectionism today (or at least they did yesterday) and call for mutual support and free trade, but in practice even a relatively integrated economic union like Europe is breaking down under the strain of divergent interests, while yesteryear's global cheerleaders today solemnly intone the need to Buy American.

The biggest unknown, however, is the tolerance that the world's population will show for the havoc that resolving capitalism's difficulties will inflict on their lives. Whatever mix of stimulus and respect for market freedom governments decide upon, the working-class majority will pay for it, with greater unemployment or lower wages and benefits—in fact, as we can already see, it will be with both. Will people be willing to march off to war again, as in the last great crises, to secure better terms for national businesses? Europeans, whatever their governments may be planning, show every sign of having finally learned their lesson in this regard, while the American popular acquiescence in war seems to have been weakened by the series of defeats and stalemates suffered in Korea, Vietnam, and Iraq, and soon in Afghanistan.

Will people instead turn their attention to bettering their own conditions of life in the concrete, immediate ways an unraveling economy will require? Will newly homeless millions look at newly foreclosed, empty houses, unsaleable consumer goods, and stockpiled government foodstuffs and see a way to sustain life? No doubt, as in the past, Americans will demand that industry or government provide them with jobs, but as such demands come up against economic limits, perhaps it will also occur to people that the factories, offices, farms, and other workplaces will still exist, even if they cannot be run profitably, and can be set into motion to produce goods that people need. Even if there are not enough jobs—paid employment, working for business or the state—there is work aplenty to be done if people organize production and distribution for themselves, outside the constraints of the business economy.

When the financial shit hit the fan last fall, everyone with access to the media, from the President to left-wing commentators like Doug Henwood of the Left Business Observer, agreed that it was necessary to save the banks with infusions of government cash lest the whole economy collapse. But, aside from the fact that the economy is collapsing anyway, the opposite is closer to the truth: if the whole financial system fell away, and money ceased to be the power source turning the wheels of production, the whole productive apparatus of society—machines, raw materials, and above all working people—would still be there, along with the human needs it can be made to serve. The fewer years of suffering and confusion it takes for people to figure this out, the better.