

SOME REFLECTIONS ON THE BASIC QUESTIONS

THE 2008 MOMENT

1) *WHAT HAS CHANGED, AND WHY IS THIS THE CASE, SINCE THE OPEN OUTBREAK OF THE GLOBAL FINANCIAL CRISIS IN 2007/08?*

Summary: The '2008 moment': A combination of economic and geopolitical changes

1) Eight years after the subprime crisis, it can be said that the world economy remains for the most part, in a bleak situation. Unemployment is high. In 2014, the number of 'official' unemployed reached 201 million, up by over 31 million more than before the start of the crisis, and the key driver for job creation in next years are in accommodation and restaurant, along with business services. The level of investment, the fuel for capitalist engine, is low and even *declining* for top world Transnational corporations (TNCs). Capital expenditures by top world 2000 non-financial companies will fall for the third year running by 1% in 2015, fall further by 4% in 2016¹. High rates of unemployment and low level of productive investment are only two signs among many others of the current situation. The underlying drivers for the current low levels of capital accumulation are a combination of low levels of profitability² and an unprecedented ability by capital to drain profits from financial activities.

Hopes once put on the emerging countries thanks to the 'decoupling' from the developed world, articulated by the same claiming that the world has become more integrated than ever, are winding down. Since 2008, global growth forecast by public and private institutions have been more than often dismissed³.

2) The overwhelming and devastating power of finance capital – that I define not only as financial institutions (that is the financial sector as it is included in National accounts), but also –and mainly - as the ability for any holder of financial assets to 'make money with money' (that is why in my view 'non-financial TNCs are a modern component of contemporaneous finance capital) – remains untouched. A major reason is that governmental policies are fully devoted to the protection of finance capital and the rentier class⁴.

3) Since 2008, one of the most important – albeit widely underestimated – changes concerns the geopolitical situation at the world level. Sweeping changes include the rise in military tensions between major states (Europe/Russia, China/US-allied Asian countries, etc.), never-ending 'resource wars' along with the implosion of state apparatus and dictatorial regimes in Africa and Middle-East, accelerated, and in some cases brought about by mass demonstrations ('Arab Spring') . An evidence of rise in militarism is the upsurge of military spending in some regions and countries, including the Middle-East, Asia, Eastern Europe, Ukraine and Russia.

Analysing the interrelations between economic evolution at the world level and the geopolitical setting is complex, as one should be guarded against either economic reductionism – e.g. the

¹Standard&Poors Rating Services, *Global Corporate Capex Survey 2015*, July 30,2015.

²G. Carchedi and M. Roberts, "The long roots of the present crisis: Keynesians, Austerians, and Marx's Law", *World Review of Political Economy*, Vol. 4 No. 1 Spring 2013

³ See e.g. Tyler Durden, "Five Years Of Glorious IMF 'Hockey Stick' Comedy", *Zero hedge*, September 2015 <http://www.zerohedge.com/news/2015-07-09/five-years-glorious-imf-hockey-sticks> and J. Ryan, J. Robinson A.Tartar, Here Are Central Banks That Have Been Getting It Right — And Wrong , July 9, 2015, <http://www.bloomberg.com/news/articles/2015-07-07/here-are-central-banks-who-have-been-getting-it-right-and-wrong>

⁴ Rentier does not mean 'absentee' owners, nonetheless because top executive managers are important capital owners.

geopolitical setting is a mere outcome of the economic dynamics, or 'independency' – e.g. international relations are shaped by independent, sovereign, and 'unitary' states acting as rational actors. Still, with hindsight, the plain fact is that with the coming of a new geopolitical and economic setting, it is possible to speak of the "2008 moment".

In any case, the wishful thinking enunciated two decades ago that we had moved in a PDF-format (for Peace-democracy-free markets) globalisation has now cleared out from the mainstream ideology. The characterization of the '2008 moment' is based on the hypothesis that capitalist evolution at the world level is driven by the interaction between the competition that takes places internationally among large capitalist corporations and the inter-state configuration. This means that major 'extra-economic' drivers⁵, in particular inter-state rivalries, are 'endogenous' factors of capitalist evolution. To put another way, the way out of economic crisis (e.g. a surge in capital accumulation) is not possible for capital by relying on its own internal forces. In the history of capitalism, the mobilization of political forces have more than often open the way to radical (positive or negative) changes. Although history never repeat itself in the same way, this should be kept in mind at a time when the social polarization aggravated by austerity policies and the rise of xenophobic parties in Europe, the consequences for developing countries of the looting of natural resources and the multiplication of armed conflicts in the world creates an ominous international setting.

In short, the fight to close the neoliberal era in the EU cannot be dissociated from huge events happening at the world level.

2) WHICH HAVE BEEN THE ACTUAL CONSEQUENCES FOR THE ISSUE/FOR A COUNTRY/FOR THE EU/FOR EUROPE/FOR THE WORLD?

(I focus here on the EU).

Summary: EU structural unevenness, strengthening of finance capital, military-security activism

4) The economic crisis has revealed and deepened the structural (that is built-in) unevenness of the EU process integration⁶. The EU combines an economic crisis with an institutional (that is political) one. The financial crisis has morphed into a 'long recession'⁷, with no perspective of way out for the EU. There is no certainty that proactive Keynesian-like macroeconomic policies would put an end the recession and succeed in lowering the high levels of unemployment, but there is a plain evidence that austerity policies cannot do it. The never-ending recession informs on how the ruling class can thrive and prosper even in a context of low industrial capital accumulation⁸. This observation calls for the analysis to distance away from the identification between economic growth and accumulation of profits. For the moment, the conjuncture of low macroeconomic growth coupled with high unemployment rates remains a quasi-stated *objective* for political representative of finance capital⁹,

⁵If we identify 'economic' to the 'direct' process of production.

⁶C. Serfati, "The EU integration as an uneven structural process", *Research in Political Economy*, vol.30,2, Fall 2015.

⁷Mainstream economists speak of secular stagnation, e.g. C.Teulings and R.Baldwin eds, *Secular Stagnation : Facts, Causes and Cures*, VoxEu.org, August 2014, while some Marxist call it a 'long depression', see Michael Roberts' blog, <https://thenextrecession.wordpress.com/>

⁸ Indeed, it is likely that the EU has experienced a destruction of productive capital since 2007, with a level of industrial investment steadily remaining well below its pre-crisis level, IMF, *Euro Area Policies*, Country Report No. 14/199, July 2014.

⁹See e.g. Vítor Constâncio, Vice-President of the ECB "What is more difficult to envisage is an acceleration of growth in advanced economies to the level we were used to before the crisis", September 14, 2015, <http://www.ecb.europa.eu/press/inter/date/2015/html/sp150916.en.html>

as long as the drain of value created in the production process needed to pay debt interests, dividends and (stock) capital gains goes on.

The creation of the Euro, buttressed on criteria set out in the Maastricht and following treaties, was instrumental in deepening unevenness between countries (so much obvious that there is no need to develop this point here).

5) A significant consequence of the '2008 moment' is to put security and military issues at the top of the EU agenda. The EU has been led to increase its military involvement to cope with the chaos developing in its 'neighborhood', first in Africa, and now in Middle-East. As it does not exist anything like a common defence and because of a very unequal appetite for militarism among member-states, initiatives have been taken by the most military powerful member-states. In 2011, France and Britain were at the forefront of the military operations in Libya to remove Gadhafi¹⁰ – something not included in the 1973 UN resolution (it is worth to note that the German government abstained on it). Since then, the implosion of state institutions in Sub-Saharan region went on and France has been multiplying military interventions in its '*précarré*' (backyard): Mali, Central African Republic, Chad¹¹. Those operations were covered with an UN mandate, and with a limited EU military support, even though with 1000 soldiers present in Central African Republic in 2015, the EU's launched its first major army operation in six years.

Expecting the completion of the process of '*progressive framing of a common Union defence policy*' (Lisbon Treaty, art.42) would be like *waiting for Godot*. Rather, the common denominator for member-states is a military-humanitarian policy which allows developing a wide spectrum of actions, ranging from interventions combining the different perspectives and agendas of most important member-states. This allows for combining for the EU as a whole the overarching role of NATO which is accepted by all major European countries (in 2009 France reintegrated the NATO's military command structure), the nuclear deterrence of Britain and France, and the ambition of 'doing good' unanimously aimed at.

In short, the EU acts as a *multiplier* of accumulation of police and military capabilities by Member-States. And in the context of the '2008 moment', more European military-humanitarian operations will come. In this eventuality, according to a report by influential EU policy-makers "*military assets at the high end of the spectrum [will be] playing a catalytic role in an integral approach to conflict prevention, crisis management and post-conflict peacebuilding*"¹².

The way the EU and its member-states are addressing the refugees fleeing from Europe's territorial neighbourhood and looking for asylums and shelters is telling on the EU treatment of the so-called 'crisis management'. It also informs on the real substance of the 'neighborhood' policy. In 2003, the Commission proposed "*that the EU should aim to develop a zone of prosperity and a friendly neighborhood – a 'ring of friends' - with whom the EU enjoys close, peaceful and co-operative*

¹⁰ In 2007, Gadhafi has been received with high honours, pitching his heated Bedouin-style tent for receiving guests in the garden of the Paris mansion that houses visiting dignitaries. Sarkozy declared "*If we don't welcome countries that are starting to take the path of respectability, what can we say to those that leave that path?*", Elaine Sciolino, "Divided, France Welcomes and Condemns Qaddafi", *New York Times*, December 11, 2007, http://www.nytimes.com/2007/12/11/world/europe/11france.html?_r=0&pagewanted=print

¹¹ C. Serfati, "'Vive Le Rafale, Vive La République Et Vive La France'*.Retour Sur La Place Du Militaire En France », June 2015", <http://alencontre.org/europe/france/vive-le-rafale-vive-la-republique-et-vive-la-france-1-retour-sur-la-place-du-militaire-en-france-i.html>*This 'slogan' is the conclusion of the speech given by F. Hollande when he visited Dassault (prime contractor of the Rafale) facilities, a few days after the sales of Rafale to Egypt and India.

¹² Solana, 2015, More Union In European Defence Report Of A Ceps Task Force February 2015,p.14.

relations” (2003, p.3)¹³. A decade later, the ‘ring of friends’ gives room to the erection of fences against refugees with “*those who fail their asylum claims [being] deported promptly*”¹⁴.

The combination by the EU and its main member-states of their financial power and the increasing use of military-security force by them calls for a reflection on the role of the EU in the defence of the world order, with the ‘transatlantic bloc of states’¹⁵ as its backbone.

6) The collision between European population’s expectations and their economic and social situation brings about a growing rejection of European institutions¹⁶. Indeed, EU institutions and Member-states converge to implement austerity measures. The ‘state form’ which is developing in the EU are a mix of community (that is supranational) and inter-governmental bodies, and it is through their concerted action that austerity policies are carried out. This coalition tore apart the clear message (*oxi*) sent by the Greek people in the referendum and instead hardened the control on the Greek government policy in a way looking like a protectorate.

The antidemocratic features of the EU have been reinforced by the Treaty On Stability, Coordination And Governance In The Economic And Monetary Union (1st February 2012). It’s not a matter of ‘Brussels’ against people but of national governments supported by, and working in conjunction with EU institutions to attack populations’ rights in their country. The centralization of powers in intergovernmental bodies and in the EU bureaucracy reinforces deep-rooted anti-democratic practices.

3) DID OTHER POSSIBILITIES EXIST IN OR FOR THE EU AND WHY HAVEN’T THEY BEEN REALIZED?

Summary: Relations of forces, addressing the EU level

In a matter of joke, it could be said that *predicting the past* is a difficult exercise...

To ‘reconstruct’ the past with an ‘as if’, in the context of a depression-like situation, we have to take into account:

7) One, *the balance of power between social classes*. Here, the remarks articulated (already) nine years ago by W. Buffett still apply¹⁷. That is, positive changes in EU policies (what is called ‘other possibilities’ in question 3) fell short of being implemented mainly because of the power of capital at the expense of labour. It is all the more the case in Europe, once lauded for its ‘social model’, where the ruling class have been able to politically organise themselves, not only on their national territory, but through EU developments, in a coordinated way on the continent with two main objectives: ‘race

¹³Commission, “Wider Europe Neighbourhood: proposed new framework for relations with the EU’s Eastern and Southern Neighbours”, Communication, IP/03/358, Brussels, 11 March 2003, http://europa.eu/rapid/press-release_IP-03-358_en.htm

¹⁴Draft statement proposed at the September 14 2015 meeting of EU interior ministers in Brussels, *The Guardian*, <http://www.theguardian.com/world/live/2015/sep/14/refugee-crisis-eu-emergency-meeting-as-america-visits-lebanon-live-updates>

¹⁵C. Serfati « The transatlantic bloc of states and the political economy of the transatlantic trade and investment partnership”, *Work Organisation, Labour and Globalisation*, Vol. 9, No. ,Spring 2015.

¹⁶Despite efforts by the Commission to turn its Survey on Public opinion in the EU into a pro-institutions support, the skepticism vis-à-vis the EU (and their national governments as well) has strongly risen since 2007, e.g. QA8A, *Eurobarometer*, September 2015.

¹⁷ “*There’s class warfare, all right,*” Mr. Buffett said, “*but it’s my class, the rich class, that’s making war, and we’re winning*”, *New York Times*, 26 November 2006.

to the bottom' in social relations, and protection of their specific collective interests vis-à-vis non-EU ruling class¹⁸.

The high rate of unemployment provoked by the deepening of the economic crisis and its response by business (e.g. offshoring) exerts an additional pressure on workers.

"Capitalism at bay", *The Economist* (Oct 16th 2008) titled in the early days of the financial crisis and argued that *"In the short term defending capitalism means, paradoxically, state intervention"*. Why the left and trade-unions were not in capacity to influence policy-makers in favor of a public control of banks, while the City's newspaper openly called for more state funding?

8) Two, *the way political struggles by workers and other exploited classes are addressed*. On this, a challenging issue is how to combine the struggle at the national and EU levels. Even for those who would be skeptical on the fact that workers fundamental interests transcend national boundaries, the need for international coordinated action by workers and their allies should be considered as obvious in the context of the growing role of the European level in the political decision-making process, and the capacity by large transnational corporations to off- or near-shore their activities. Of course, how to combine national and European levels in the struggle against neoliberal policies can hardly be dissociated from a discussion on the 'nature' of the EU itself.

While highly coordinated European governmental policies against workers have been (and still are) focused on addressing the ill-named 'public debt crisis' through austerity measures, the campaign against the illegitimacy of the debt falls short of massively mobilizing anti-neoliberal organisations at the European level. A dramatic test case is Greece where, while the issue of illegitimacy (and even illegality) and unsustainability of the debt was raised¹⁹, this issue was ruled out of the negotiations between the Greek government and the Council. The centrality of the public debt issue, its suspension/write-off is that it addresses a *political* question, not a technical or economic one.

4) WHICH SCENARIOS ARE POSSIBLE AND SHALL EMERGE, AND WITH WHICH CONSEQUENCES FOR THE NEXT 10-15 YEARS, AND WHAT ARE THE CONDITIONS FOR THE REALIZATION OF SUCH TRENDS?

Summary: Conjunction of temporality, alternatives

9) I've no specific skills on scenarios-setting (e.g. in meeting the established rule (?) that a scenario should always contain at least four alternatives²⁰). Here, I briefly present what are my assumptions on the possible evolution of the EU situation in next years.

The prolongation of the current situation would increase the social disaster in Europe, coupled with a dramatic rise in EU's authoritarian measures, with boundaries between internal- and external-to Europe being increasingly blurred. At the international level, the EU would look for reinforcing its power. According to J. Solana, *"action in the EU's strategic neighborhood is likely to become more demanding"*. Note that by 'strategic', it is meant territories where both economic and geopolitical EU

¹⁸The 'revelation' (already implicitly made in a 2013 European Commission's Joint Research Centre's report) by the US Environmental protection Agency of Volkswagen company's fraud is obviously a component of the on-going competition between the US and the EU, including within the TTIP negotiations, C. Serfati, "The Transatlantic Trade and Investment Partnership (TTIP): a controversial agreement and dangerous for workers", *ETUI Working Papers*, September 2015.

¹⁹ Preliminary Report of the Truth Committee on Public Debt 18 June 2015.

²⁰C. Rosburgh, "The use and abuse of scenarios", *McKinsey Quarterly*, November 2015.

interests are to be preserved²¹. This scenario, were it (unfortunately) confirmed, would mean a crushing blow for the working class and other subaltern classes.

An alternative scenario would break with neoliberal policies, the actual form of really-existing capitalism. This is not a wishful thinking, as two facts shed light on the popular rejection of neo-liberalism. One, political movements refusing the explicit or implicit left-rightwing consensus to carry out austerity policies, are on rise in recent elections that took place in a number of countries (Greece, Spain). Sure, there is still no automatic link between this rejection by people of mainstream right and mainstream left parties on the one hand, and *popular active* mobilization (as evidenced with high level of abstention in election polls) on the other. Also, this rejection of mainstream political parties can in some cases translate in a rise of extreme-right, xenophobic parties. It is the case in France where the meltdown of the Socialist party, election after election, means that its candidate could be eliminated in the first leg of the presidential election (May 2017) and Le Pen could be forging ahead in the second leg of it.

Thus, the challenge for the left is to transform the growing rejection of mainstream political parties into a move forward to positive alternatives.

Two, self-organised social movements (Indignados, OccupyLondón, Blockupy), with the youth being the driving force, have developed street mass demonstrations. In some cases, their actions are converging with pro- independentist or –autonomy movements.

Table 1: Possible evolution of the EU in next years

Hypothesis	Driving forces	Outcomes
"Long depression" continues (1)	<i>Conjunction of temporality</i> between : - ecological limits to capitalist expansion - profitability crisis (<i>à la Marx</i>) - Power of finance capital	High rates of unemployment and 'race to the bottom' Increased assault against environmental resources the degradation of which is not charged to business
Neoliberalism at the helm (2)	In the context of 'long depression' : No clear political perspective for workers and subaltern class Rise in reactionary regimes and governments in a number of countries	See row 1 + Full (?) development of authoritarian trends (including large coalition with support from extreme-right parties)
Alternative governmental policies breaking with three decades plus of neo-liberalism (3)	Strong rise in mobilization of workers, youth, etc. and in self-organisation (Indignados, ...) Connection with pro-independent mass movement (Catalonia, Basque, Scotland, ...)	Ecological-friendly and social measures Search for cooperative solutions in international economic relations Negotiations for real and significant decline in militarism (military expenditures ceiling, path to denuclearisation, ...)

Claude Serfati, September 29, 2015.

²¹See "The EU's 'strategic neighborhood' must be understood as a space that includes not only the geographical neighborhood, but also broader areas that are functionally linked to vital European interests", Solana, *op.cit.*, p.10.