

Shattered Illusions of Economic Recovery: Capitalism's New Era

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"Karl Marx got it right, at some point capitalism can destroy itself," said Mr. Roubini, in an interview with the Wall Street Journal. "We thought markets worked. They're not working."

The world economy is in shambles and about to get worse, according to even mainstream economists. How bad is anybody's guess. Some things, however, are certain: the recovery that politicians have been promising for years existed only in their heads. The reality of the situation is now apparent to millions of people across the globe, who before clung to the empty promises of economic recovery. This new found consciousness will inevitably find expression in the political realm and, more importantly, the streets.

A key aspect of this sudden mass awareness is in response to high unemployment and the deeply unpopular measures that politicians are forcing upon working people, both byproducts of the Great Recession. Politicians are blaming "the markets" for demanding austerity measures, but "markets" are simply places where wealthy people invest their money. To guarantee a profitable return on their money these investors demand that labor laws be squashed and social programs be eliminated, all over the world.

Spain, for example, is one of many countries having austerity measures forced down their throats. Reuters reports:

"Analysts see the shaking up of the country's inflexible labor laws [laws that protect workers] and the easing of hiring and firing [so older, activist, or slower workers can be fired] as vital to restoring the country's competitiveness. The labor reforms are crucial. They will help to restore growth [profits] in the long term. Growth is the only way out of these adverse fiscal trends,' said Luigi Speranza, analyst at BNP Paribas." (May 27, 2010).

To summarize, creating new laws that enable Spanish corporations to work their workers harder will be better for profits.

Greece faces a similar austerity plan, according to the Guardian:

"Tax increases, spending cuts, and wage reductions and a sweeping privatisation programme have led to violent protests in Greece, with many arguing that the International Monetary Fund and European Union have demanded too high a price for their financial support." (August 2, 2011).

In the United States these policies find expression in the attack against public-sector unions and the targeting of Social Security, Medicare and Medicaid for cuts, while mass unemployment is allowed to act as a very efficient way to lower wages for all workers.

Politicians have made it clear that economic growth, especially corporate profits, will increase in response to these anti-worker policies. They are only partially right. Corporate profits in fact have been on the rise, but the austerity measures have been responsible for the depressed economies throughout Europe and the U.S. When workers' wages are lowered and social programs are decimated, working people and the poor are left with little money for any purchases other than the bare necessities. Without consumer demand for their products, corporations curtail operations even more. This global dynamic has been decades in the making, with the recession having finally forced the issue into the forefront.

The Reagan and Thatcher administrations were the first western representatives during the post World War II era of this now-dominant trend, which aimed at pushing back the social programs and wages won by the labor movements. Their policies were in response to the lower corporate growth rates that began in the 1970s and continue to this day. Now, all of Europe is suffering because banks and corporations demand a more profit-friendly business environment: universal health care and education programs are in jeopardy plus wages and other benefits are under attack.

For the wealthy and corporations this is a life and death struggle. The Great Recession has already bankrupted the banks and corporations who were not fit enough to survive under a crumbling market economy. The existing companies are thus forced to squeeze more work for less pay out of their workers, since labor is the most flexible cost of any business. Pushing labor costs down — and by extension cutting social programs — is thus the priority of the corporations and their paid-for politicians across the globe, since the global economy is tightly connected and they all play by the vicious rules of the market. In fact, the intensity with which the corporate elite is pursuing these policies is a reflection of their negative outlook for the global economy.

This constitutes a new era in global capitalism, one that mimics the market economy of past generations. The 2008 recession was not a temporary phenomenon but the ushering in of a new period in which the corporate elite attempt to restructure social relations, meaning that past assumptions regarding wages and social programs must be destroyed, as a new, more profitable equilibrium is sought between the corporate elite and working people.

Implied in this nation-by-nation restructuring is a restriction of democracy, since these anti-worker policies negatively affect the vast majority of the population. The riots in London are an expression of this, as are the mass demonstrations throughout Europe as well as the Middle East. In the United States democracy is circumvented via the so-called Super Congress, whose duty it is to cut Medicare, Medicaid and Social Security. Austerity programs throughout Europe are being implemented against the wishes of the general working populations.

Also included in this attack on working people is the corporate elite's doubled efforts to divert the working class anger towards fake populist movements — like the Tea Party in the U.S. — or against minorities, such as Muslims and immigrants in the U.S.

This will require that working people stay focused on who exactly is attacking them, while focusing on measures that can serve as alternatives to what the corporate elite are forcefully implementing.

The most immediate and important demand of working people must be taxing the rich and

corporations, since social programs need to be funded and expanded, and a massive jobs program with a strong green component is desperately overdue. It's not by coincidence that taxing the rich is rarely used in austerity plans; and when on rare occasions the rich are taxed, it's at low levels with high publicity, so the angry public will think the illusion of "shared sacrifice" is a reality.

For example, in the U.S. President Obama is again calling to end the Bush tax cuts for the rich (after allowing them to continue less than a year ago). It is doubtful that the Bush tax cuts will be ended, but if they were, it would be insufficient. Working people must demand that taxes on the rich be raised to at least pre-Reagan levels (70 percent), while President Eisenhower levels would be best (90 percent). Over the decades the tax burden has shifted dramatically, causing wealth to accumulate into the bank accounts of the top 1 percent of the population, the same people who are now demanding that social programs be destroyed so that their investments are secured and their corporate profits remain high.

Since illusions of an economic recovery have now been shattered, it's up to working people to demand that their labor unions and community groups unite to tax the rich and corporations in order to finance a massive jobs program. Fortunately, the AFL-CIO is organizing actions for the first week of October to demand jobs and oppose cuts to Social Security, Medicare and Medicaid. Many within the labor movement are calling for massive demonstrations across the country for October 1. It will take these types of actions to unite working people to fight for a positive solution to the economic crisis.

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