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Introduction¹

Alfredo Saad-Filho

The need of a constantly expanding market ... chases the bourgeoisie over the whole surface of the globe ... All old-established national industries ... are dislodged by new industries ... that no longer work up indigenous raw material, but raw material drawn from the remotest zones; industries whose products are consumed, not only at home, but in every quarter of the globe. In place of the old wants, satisfied by the productions of the country, we find new wants, requiring for their satisfaction the products of distant lands and climes ... The bourgeoisie, by the rapid improvement of all instruments of production, by the immensely facilitated means of communication, draws all ... nations into civilisation ... It compels all nations, on pain of extinction, to adopt the bourgeois mode of production; it compels them to introduce what it calls civilisation into their midst, i.e., to become bourgeois themselves. In one word, it creates a world after its own image.²

CAPITALISM AND ANTI-CAPITALISM

The *Communist Manifesto* rings even truer today than it did in 1848. Key features of nineteenth-century capitalism are clearly recognisable, and even more strongly developed, in the early twenty-first century. They include the internationalisation of trade, production and finance, the growth of transnational corporations (TNCs), the communications revolution, the diffusion of Western culture and consumption patterns across the world, and so on.

Other traits of our age can also be found in the *Manifesto*. In the early twenty-first century, powerful nations still rule the world by political, economic and military means, and their gospel is zealously preached by today's missionaries of neoliberalism. They follow in the footsteps of their ancestors, who drew strength from the holy trinity of Victorian imperialism: God, British capital and the Royal Navy. Today's evangelists pay lip-service to human rights and the elimination of poverty, but their faith lies elsewhere, in the sacred tablets of copyright law and in the charter of the International Monetary Fund (IMF). They travel to all corners of the globe and, in spite of untold hardship in anonymous five-star hotels, tirelessly

preach submission to Wall Street and the US government. They will never take no for an answer. Native obduracy is initially explained away as ignorance or corruption, and then ridiculed. However, even saintly patience has its limits. Eventually, economic, diplomatic and other forms of pressure may become necessary. In extreme circumstances, the White House may be forced to bomb the enemy into submission, thus rendering another country safe for McDonald's.

It seems that, in spite of our fast cars, mobile phones and the internet, the world has not, after all, changed beyond recognition over the past 150 years. However, even if Marx can offer important insights for understanding modern capitalism, what about his claim that communism is the future of humanity? Surely the collapse of the Soviet bloc, China's economic reforms, and the implosion of left organisations across the world prove that Marx was wrong?

Contributors to this book beg to differ. *Anti-Capitalism: A Marxist Introduction* explains the structural features and the main shortcomings of modern capitalism, in order to substantiate our case against capitalism as a *system*. Chapters 1, 2 and 3 show that Marx's value theory provides important insights for understanding the modern world, including the exploitation of the workers, the sources of corporate power and the sickening extremes of overconsumption and widespread poverty. Chapters 5, 10 and 17 claim that classes exist, and that class struggle is, literally, alive and kicking around us. Chapters 4 and 6 show that technical change is not primarily driven by the urge to produce cheaper, better or more useful goods, but by the imperatives of profit-making and social control. Chapter 8 reviews the driving forces of capitalism across history, and Chapter 7 shows that capitalism is inimical to the Earth's ecological balance. Whereas environmental sustainability demands a very long-term calculation of costs and benefits, capitalism is based on short-term rationality and profit maximisation. *This social system must be confronted, in order to preserve the possibility of human life on this planet.*

Chapters 9 to 16 challenge other idols of contemporary thought, including the claims that capitalism promotes democracy, world peace and equality within and between nations, that every debt must be paid, that globalisation is unavoidable and unambiguously good, that national states are powerless, and that economic crises can be eliminated. Finally, Chapters 18 and 19 argue that capitalism is both unsustainable and undesirable. In our view, communism is justified not only on material but, especially, on human grounds. Much of what we argue is obvious. Yet often the obvious must be

demonstrated over and over again, until it becomes self-evident to the majority.

This book also challenges the knee-jerk reaction against critiques of contemporary capitalism, the trite motto that 'there is no alternative' (TINA). Leading proponents of TINA include rapacious free-marketeers, prematurely aged philosophers of the 'Third Way', delusional economists, opportunistic politicians, corrupt bureaucrats, bankrupt journalists and other desperados. They claim that human beings are genetically programmed to be greedy, that capitalism is the law of nature, that transnational capital is usually right, and that non-intrusive regulation is possible when it goes wrong. They argue that capitalist societies, even though historically recent, will last forever, and that the triumph of the market should be embraced because it is both unavoidable and advantageous to all. They reassure us that massive improvements in living standards are just around the corner, and that only a little bit more belt-tightening will suffice.

Deceptions such as these have helped to legitimise the growing marketisation of most spheres of life in the last 20 years. In rich countries, this has taken place primarily through the assault on the social safety nets built after the Second World War. Low paid and insecure jobs have been imposed on millions of workers, the provision of public services has been curtailed, and the distribution of income and wealth has shifted against the poor. In poor countries, national development strategies have collapsed nearly everywhere. Under Washington's guidance, a bleak 'era of adjustment' has taken hold across the so-called developing world. In these countries, low expectations and policy conformity are enforced by usurious foreign debts and neoliberal policy despotism monitored by the IMF, the World Bank and the US Treasury Department. Recent experience abundantly shows that neoliberalism tramples upon the achievements, lives and hopes of the poor everywhere, and that it often leads to disastrous outcomes (see below).³

In spite of the much repeated claim that history is dead or, more precisely, that significant social and political changes are no longer possible, the neoliberal-globalist project has been facing difficult challenges. It has suffered legitimacy problems in the United States because of falling wages in spite of rising national income, in Western Europe because of simmering social conflicts triggered by high unemployment and stagnant living standards, and in Japan because of the protracted economic crisis. It has had to contend with

the social and economic collapse of the former Soviet bloc, and with repeated financial and balance-of-payments crises in South East Asia and Latin America. It has also had to explain away the economic and political meltdown in sub-Saharan Africa, and to face frequent wars and unprecedented levels of terrorist activity across the world. Last but not least, neoliberal globalism has been confronted by profound disillusion everywhere, and by vibrant protests and mass resistance, especially in Argentina, Ecuador, Indonesia, Mexico, the Occupied Territories and South Korea.

In this context, the recent 'anti-globalisation' or 'anti-capitalist' protest movements are important for two reasons. First, they are global in scope, combining campaigns that were previously waged separately. In doing so, they have raised questions about the *systemic* features of capitalism for the first time in a generation. Second, they have shed a powerful light upon the dismal track record of contemporary capitalism. Although initially marginalised, these movements shot to prominence in the wake of the Zapatista rebellion, the Jubilee 2000 campaign and the confrontations that brought to a halt the Seattle WTO meeting. The new movements have joined vigorous mass demonstrations in several continents, and they have shown their opposition to the monopolistic practices of the TNCs, including pharmaceutical giants and corporations attempting to force-feed the world with genetically modified crops. They have challenged patent laws and clashed against other forms of 'corporate greed', leading to boycotts against Shell, Nike and other companies. These movements have also targeted repressive regimes, such as Myanmar's military dictatorship, and shown international solidarity, for example, with the Zapatistas and the Brazilian landless peasants.

In spite of their rapid growth, these movements remain fragmented. Different organisations pursue widely distinct objectives in diverse ways, and occasionally come into conflict with one another. The lack of a common agenda can hamper their ability to challenge established institutions and practices. Several pressure groups, including the environmental, peace, women's, gay, lesbian, anti-racist and animal liberation movements, international solidarity organisations, trade unions, leftist parties and other groups, defend their autonomy vigorously, sometimes allowing sectional interests to cloud their mutual complementarity. In spite of these limitations, political maturity, organisational flexibility and heavy use of the internet have allowed the new movements to expand. Moreover, they have often been able to transcend the rules, habits and con-

ventions that constrain the NGOs, trade unions, political parties and other institutions of the left. Their recent successes show that there is widespread discontent and fertile ground for the discussion of alternatives, at different levels, around the world.

Continuing confrontation against the neoliberal-globalist project and its destructive implications is inevitable. Perhaps more significantly, it is likely that the anti-capitalist feeling previously channelled through trade unions and political parties of the left has found new outlets. If true, this shift will have important implications for the political landscape.

11 SEPTEMBER AND BEYOND

The growing opposition to the neoliberal-globalist project was temporarily checked by the tragic events of 11 September 2001. In response to those terrorist atrocities, the US government has unleashed a loosely targeted state terrorist campaign against millions of people, both at home and abroad. The most important thrust of this strategy has been the so-called 'infinite war' against elusive (but always carefully selected) adversaries. Rather than helping to resolve existing grievances, US state terrorism has provided further excuses for private terrorists around the world to target the United States and its citizens. In our view, all forms of terrorism – whether private, state-sponsored or state-led – are reactionary, repulsive, destructive, criminal and utterly unacceptable.

The so-called 'war on terror' has been rationalised by the naked conflation between the neoliberal-globalist agenda and US imperialism. The global elite (the Washington-based 'international community') has brazenly subordinated international law to US foreign policy interests. It has granted itself a licence to apply unlimited force against unfriendly regimes ('rogue states') or social movements ('terrorist organisations'), either for so-called humanitarian reasons or in order to defeat whatever it decides to call 'terrorism'.⁴

The overwhelming military superiority of the United States allows its government to pound foreign adversaries anywhere, secure in the knowledge that its own casualties will be small and that the damage to the other side will eventually crack the opposition. The war unleashed by the United States and its vassal states against Iraq, in 1990–91, and further military action in Afghanistan, Bosnia, Kosovo, Palestine, Panama, Sierra Leone, Somalia, Sudan and elsewhere have brought important gains to the global elite, not least unprecedented

security guarantees for its business interests. However, the cost of these operations is incalculable. Conveniently, the victims are almost invariably dark-skinned and poor. They speak incomprehensible languages and worship lesser gods. They live in intractable trouble spots, which they are rarely allowed to leave because (in contrast with their money and goods) they are not welcome abroad. Their fate is of little concern, as long as they ultimately comply with Western geopolitical designs.

The tragedy of 11 September has exposed the limits of neoliberal globalism. The depth of dissatisfaction with Washington's political and economic rule has been revealed, and the claim that trade and financial liberalisation can resolve the world's most pressing problems has suffered a severe blow. The argument that states are powerless against the forces of globalisation has been undermined by the expansionary economic policies adopted in the wake of the attacks, and by the co-ordinated wave of repression unleashed across the world. Repression included not only the restriction of civil liberties, but also refined controls against capital flows and the limitation of property rights, for example, against pharmaceutical patents in the United States at the height of the anthrax threat. Finally, important anti-war movements emerged in several countries, especially the United Kingdom, Italy and – courageously – the United States.

In the wake of the tragedy of 11 September, the global elite seized the opportunity to open its batteries against all forms of dissent. Amid a rising tide of xenophobia and racism, rabid journalists cried out that anti-corporate protests were also anti-American, and scorned principled objections against the 'war on terror'. Colourful politicians on both sides of the Atlantic, eager to please their masters, even claimed that the new protest movements share the same objectives as Osama bin Laden.⁵

Difficulties such as these bring to the fore the need for clarity of objectives and careful selection of targets when campaigning against important features or consequences of modern capitalism. Unless our objectives are clear and the instruments appropriate, we will be unable to achieve our goals, at great cost to ourselves and the world.

Four issues play critical roles in the analysis of contemporary capitalism and, consequently, in the search for alternatives: neoliberalism, globalisation, corporate power and democracy. It is to these that we now turn.

FOUR PRESSING ISSUES

Neoliberalism

In the last 20 years, for the first time in history, there has been a concerted attempt to implement a single worldwide economic policy, under the guise of neoliberalism. The IMF, the World Bank, the US Treasury Department and, more recently, the European Central Bank (ECB), have strongly campaigned for neoliberalism, and they have sternly advised countries everywhere to abide by their commands. In this endeavour, they have been supported by the mainstream media, prestigious intellectuals, bankers, industrialists, landowners, speculators and opportunists vying for profits in every corner of the globe.

The spread of neoliberalism is due to several factors. These include the rise of conservative political forces in the United States, the United Kingdom and other countries, and the growing influence of mainstream theory within economics, both in its traditional form and through new institutionalism.⁶ The forward march of neoliberalism was facilitated by the perceived failure of Keynesianism in the rich countries and developmentalism in poor ones, and by the collapse of the Soviet bloc. Finally, the US government has leaned heavily on the IMF, the World Bank, the United Nations and the World Trade Organisation (WTO) to promote neoliberal policies everywhere. Pressure by these organisations has validated the increasing use of aid, debt relief and foreign investment as tools with which to extract policy reforms from foreign governments.

Neoliberal policies are based on three premises. First, the dichotomy between markets and the state. Neoliberalism presumes that the state and the market are distinct and mutually exclusive institutions, and that one expands only at the expense of the other. Second, it claims that markets are efficient, whereas states are wasteful and economically inefficient. Third, it argues that state intervention creates systemic economic problems, especially resource misallocation, rent-seeking behaviour and technological backwardness.

These premises imply that certain economic policies are 'naturally' desirable. These include, first, rolling back the state in order to institute 'free markets', for example, through privatisation and deregulation of economic activity. Second, tight fiscal and monetary policies, including tax reforms and expenditure cuts, in order to control inflation and limit the scope for state intervention. Third,

import liberalisation and devaluation of the exchange rate, to promote specialisation according to comparative advantage, stimulate exports and increase competition in the domestic market. Fourth, liberalisation of capital flows, to attract foreign capital and increase domestic capacity to consume and invest. Fifth, liberalisation of the domestic financial system, to increase savings and the rate of return on investment. Sixth, labour market flexibility, to increase the level of employment. Seventh, overhauling the legal system, in order to create or protect property rights. Eighth, political democracy, not in order to safeguard freedom and human rights but, primarily, to dilute state power and reduce the ability of the majority to influence economic policy.

It has been obvious for many years that these policies are successful only exceptionally. Economic performance during the last 20 years, in rich and poor countries alike, has been disappointing, with growth rates usually lagging behind those in the preceding (Keynesian) period. Poverty levels have not declined significantly, if at all; inequality within and between countries has increased substantially; large capital flows have been associated with currency crises, and the fêted economic transition in the former Soviet bloc has been an abysmal failure (at least for the majority). Neoliberals invariably claim that these disasters show the need for further reform. However, it is equally logical, and more reasonable, to conclude that the neoliberal reforms share much of the blame for the dismal economic performance in rich as well as poor countries.

The above conclusion is reinforced by five theoretical arguments.⁷ First, neoliberal reforms introduce policies that destroy large numbers of jobs and entire industries, tautologically deemed to be 'inefficient', whilst relying on the battered patient to generate healthy alternatives through the presumed efficacy of market forces. This strategy rarely works. The depressive impact of the elimination of traditional industries is generally not compensated by the rapid development of new ones, leading to structural unemployment, growing poverty and marginalisation, and to a tighter balance-of-payments constraint in the afflicted countries.

Second, neoliberal faith in the market contradicts even elementary principles of neoclassical economic theory. For example, in their 'second best analysis', developed half a century ago, Lipsey and Lancaster demonstrate that, if an economy departs from the perfectly competitive ideal on several counts (as all economies invariably do), the removal of one 'imperfection' may not make it

more efficient. Therefore, even mainstream economic theory can explain why neoliberal reforms can be worse than useless.

Third, the presumption that the market is virtuous while the state is wasteful, corrupt and inefficient is simply wrong. This false dichotomy is often employed in order to justify state intervention on behalf of capital (for example, privatisation and the curtailment of trade union rights facilitate capitalist abuse, consumer 'fleecing' and the increased exploitation of the workforce). In fact, states and markets are both imperfect and inseparable. They include many different types of institutions, whose borders cannot always be clearly distinguished. For example, the inland revenue service, financial services regulatory agencies, accounting and consultancy firms and state-owned and private banks are inextricably linked to one another, but the precise nature of their relationship is necessarily circumstantial.

Fourth, economic policies normally do not involve unambiguous choices between state and markets but, rather, choices between different forms of interaction between institutions in the two spheres. Privatisation, for example, may not imply a retreat of the state or even increased efficiency. The outcome depends on the firm, its output, management and strategy, the form of privatisation, the regulatory framework, the strength and form of competition, and other factors.

Fifth, developed markets arise *only* through state intervention. The state establishes the institutional and regulatory framework for market transactions, including property rights and law enforcement. It regulates the provision of infrastructure, ensures that a healthy, trained and pliant workforce is available, and controls social conflict. The state establishes and regulates professional qualifications and the accounting conventions, and develops a system of tax collection, transfers and expenditures that influences the development of markets, firm performance, and employment patterns. Since capitalist economies rely heavily and necessarily on state institutions, attempts to measure the degree of state intervention are simply misguided. What *really* matters is the gains and losses for each type of state policy, and the implementation of purposeful and co-ordinated policies.

This approach to markets and states does not deny the Marxian claim that the state is 'a committee for managing the common affairs of the whole bourgeoisie'⁸ or that it is 'an essentially capitalist machine ... the state of the capitalists, the ideal collective body of all

capitalists'.⁹ The reasons are easy to understand. First, the state is *constitutionally* committed to capitalism by custom and law, and state institutions are geared towards, and have been historically shaped by, the development of markets, wage employment and profit-making activities. Second, the staffing and policy priorities of the state institutions are heavily influenced by the interest groups represented in and through them, where capital tends to be hegemonic. Third, the reproduction of the state relies heavily on the fortunes of capital, because state revenue depends upon the profitability of enterprise and the level of employment. Fourth, the economic and political power of the capitalists, and their influence upon culture, language and habits, is overwhelming, especially in democratic societies. For example, although the commodification of votes, state control of the media and the imposition of openly ideological selection criteria for state officials are usually associated with the strong-arm tactics of African chiefs and Latin American landlords, they are nowhere more prominent than in the United States.

In conclusion, economic policy and its effects are both context-dependent *and* structured by the needs of capital. On the one hand, pressure for or against specific policies *can be effective*, and the ensuing policy choices *can* improve significantly the living conditions of the majority. On the other hand, these potential successes are limited. When faced with 'unacceptable' policies, the capitalists will refuse to invest, employ, produce and pay taxes; they will trigger balance-of-payments crises, cripple the government, paralyse the state and hold the workers to ransom. And they will not hesitate to resort to violence to defend their power and privileges. History abundantly shows that most state institutions, including the police and the armed forces, will rally around the moneyed interests and seek to protect them against challenges from below.

Globalisation

'Hyper-globalism' is the international face of neoliberalism. During the 1990s, analysts and pundits stridently claimed that developments in technology, communications, culture, ideology, finance, production, migration and the environment have modified the world beyond recognition. Drawing on these superficial insights, the 'hyper-globalists' argue that globalisation entails the supremacy of international over domestic institutions, the decline of state power, and the relentless domination of social life by global markets.¹⁰

Neoliberals have been at the forefront of the hyper-globalist assault. Most neoliberals proclaim both the virtues and the inevitability of the coming world market for everything (except labour, to be kept caged behind borders). They argue that markets ought to reign unimpeded by national legislation and meddling international organisations and, implausibly, claim that policy subordination to *global* imperatives is essential for *national* welfare.

Hyper-globalist views have been discredited by a range of critical studies. These studies show, first, that global integration builds upon, rather than denies, the existence of nation states, which remain the seat of legitimacy and political and economic power. Rather than withering away because of the penetration of TNCs, vast international capital flows and the weight of international treaties, the critics have argued that powerful states promote international integration in pursuit of their own agendas, especially improved competitive positions for home capital in key business areas. Second, global neoliberalism has been associated with undesirable outcomes, including increasing poverty and inequality, the debasement of democracy and the erosion of the welfare state, to the benefit of powerful corporations and financial interests. Third, the critical literature claims that globalisation is neither new nor overwhelming. It was preceded by similar episodes, especially before the First World War; it is not truly 'global', being largely restricted to trade and investment flows between developed countries and, even in this restricted sphere, capital is not 'free' to move at will; finally, in spite of appearances to the contrary, the net macroeconomic effect of trade and financial liberalisation is often very small. Fourth, the critics argue that the hyper-globalists conflate 'global' markets with the theoretical construct of perfect competition, characterised by perfect information and costless capital mobility. This confusion provides ideological cover for pro-business policies and for aggressive state intervention to foster private capital accumulation.

These critiques of hyper-globalism have led to three policy conclusions, which may or may not be mutually compatible. Some have argued for 'localisation', or the decentralisation of the world economy with increasing reliance on local production and exchange. Others have emphasised the need to democratise policy-making, including an increased role for sector-specific trade and industrial policy and national controls on capital flows. Yet others have pursued 'internationalisation', or the reform and revitalisation of

international institutions (the UN, IMF, World Bank, WTO, EU, ECB, and so on), in order to promote the positive aspects of globalisation.¹¹

Unfortunately, there are severe problems with each of these alternatives. 'Localisation' promotes small capital vis-à-vis large capital, represented by TNCs. This can be analytically misguided, because it ignores the close relationship that exists between large and small firms. For example, small firms often cluster around and supply parts and other inputs to large firms, provide cleaning and maintenance services, and so on. Their relationship can be so close as to render 'separation' between these firms impossible. Moreover, small firms tend to be financially fragile, lack the resources for technical innovation and the adoption of new technologies developed elsewhere, cannot supply large markets, and often treat their workforces more harshly than large firms. Finally, curbing the TNCs will inevitably reduce the availability of important commodities across the globe, including foodstuffs, electronic appliances and industrial machinery.

Attempts to 'recover' industrial policy for progressive ends can be successful; however, misguided policies can be useless and even counterproductive. Finally, 'internationalisation' is utopian. Most international institutions are firmly under the grip of the neoliberal-globalist elites, and it is unrealistic to expect that control can be wrested from them. In most cases, these institutions ought to be abolished, to be replaced, when necessary, by alternatives designed from scratch.

The insufficiencies of these critiques of hyper-globalism are often due to the misguided opposition between the global, national and local spheres. This separation mirrors that between markets and states, discussed above. In general, those spheres should not be contrasted as if they were mutually exclusive, because they constitute one another and can be understood only through their mutual relationship.

Specifically, the presumption that the local and national economies are the building blocs of the global economy is misguided. The so-called 'global' economy is nothing but the commuters daily going to the Manhattan financial district and the City of London, manual workers clocking into position in the Ruhr, English-speaking call-centre workers cycling to their jobs in Mumbai, stevedores working in Maputo, and hundreds of millions of workers producing for people living in distant lands, and consuming not only locally produced goods but also commodities produced

elsewhere. In this sense, there is little difference between domestic and cross-border economic transactions, and economic growth necessarily encompasses the simultaneous development of the local, national *and* global economies. In fact, there are reasons to believe, first, that important aspects of production and finance have always been 'international'. Second, that long-distance trade has been *more* important for social and economic development than exchanges between neighbours. Third, that capitalism originally developed neither in a single country nor in discrete regions, but locally, regionally and internationally *at the same time*.

Terms like 'globalisation' or the 'internationalisation of production and finance', on their own, are simply *devoid of meaning*. Capital is neither national nor international; it is a relationship between people that appears as things or money. Consequently, there is nothing intrinsically national *or* international about capitalist institutions, production or practices. Detailed studies have shown, for example, that 'globalisation' is not a homogeneous, unidirectional and inevitable process taking place between neatly separated national economies. Globalisation does not tend to 'eliminate' the nation state, and recent developments in production, finance, culture, the environment, and so on are profoundly different from one another and must be analysed separately. What is often called 'globalisation' is, in fact, a set of more or less interlocking processes, some articulated systemically and others largely contingent, moving at different speeds and in different directions across different areas of the world economy. Some of these processes tend to erode national states and local identities, while others reinforce them.

Both wholesale support for 'globalisation' and wholesale opposition to it are profoundly misguided (for example, it makes no sense for a *global* protest movement to be called 'anti-globalisation'). What matters, at the local, national *and* global levels, is what is produced and how, by whom, and for whose benefit. In the early twenty-first century, as in the mid-nineteenth century, the distances between people matter less than the relationships between them. Similarly, geography remains less important than the social structures of control and exploitation that bind people together within cities, between regions, and across the world.

Corporate power

The new 'anti-capitalist' movements are famously critical of the large corporations, especially TNCs. This section argues that the market

power and political influence of TNCs raise important ethical and economic questions. However, TNCs are not new, and their recent expansion is not the harbinger of fundamental changes in the economic and political landscape. Therefore it would be misguided to try to turn them into the main focus of resistance.

Several commentators sympathetic to the new movements claim that one of the most important problems of contemporary capitalism is the excessive tilting of power towards the large corporations. The causes and implications of this process are usually left unexamined, although they are presumably related to neoliberalism and globalisation. It is also left unclear what should be done about it, other than imposing unspecified curbs against corporate power.

This is clearly insufficient. Arguments along those lines are often fruitless because they are not based on a consistent theory of the state and its relationship to the corporations, and on a theory of monopoly power and capitalist behaviour, without which corporate practices cannot be understood. For example, although it is right to claim that the state is controlled by capitalist interests and forces (see above), it is wrong to ascribe boundless power to specific groups or interests, such as the TNCs, financiers, landlords or foreign capitalists. No social group can exist in isolation, and none exercises unlimited power.

Let us analyse in more detail the claim that 'large firms' control production, exchange, distribution and the political process. This view is incorrect for four reasons. First, it artificially disassembles capital into 'large' and 'small' units (see above). Second, it suggests that small firms, such as tiny grocery stores, family-owned newsagents and small farms conform more closely to local interests, as if they were independent of the large firms which they represent and that provide them with inputs and markets, and as if small firms were renowned for their promotion of employee interests. Third, it erroneously implies that the evils of capitalism are due to the large firms only, and that these wrongs can be put right by anti-monopoly legislation and domestic market protection against foreign firms. Fourth, this view misrepresents 'competitive capitalism', as if it had actually existed at some idyllic point in the past. In this idealised image of Victorian capitalism, unsightly features such as poverty, imperialism, slavery, genocide and the forces that transformed 'competitive' into 'monopoly' capitalism are arbitrarily expunged.

Sleights of hand such as these, and the lack of a theory of capital, the state, competition and monopoly power, explain the

coexistence of critiques of corporate practices with pathetic apologies for capitalism. For example, in the words of a well-known critic of 'globalisation':

My argument is not intended to be anti-capitalist. Capitalism is clearly the best system for generating wealth, and free trade and open capital markets have brought unprecedented economic growth for most if not all of the world. Nor is ... [it] anti-business ... [U]nder certain market conditions, business is more able and willing than government to take on many of the world's problems ... I mean to question the moral justification for a brand of capitalism ... in which we cannot trust governments to look after our interests in which unelected powers – big corporations – are taking over governments' roles.¹²

This approach is profoundly misguided. The outrageous behaviour of large corporations, from the East India Company to Microsoft, and from ITT to Monsanto, is not primarily due to their size, greed, or the support of states that they have hijacked at some mysterious point in time. Corporate practices and monopoly power are due to the forces of *competition*. By the same token, our collective addiction to McChickens and corporate logos is not simply due to the crude manipulation of our desires by brutish TNCs. Corporate behaviour (and its welfare implications), is ultimately rooted in the dominance of a system of production geared towards *private profit* rather than *collective need*.

Democracy

Several critics have recently highlighted the increasing emasculation of democracy, the erosion of citizenship and the declining accountability of the state even in 'advanced' democratic societies. These processes are often blamed on the capture of the state by corporate and other interest groups. However, this view is misleading, and the explanation is inadequate.

This section briefly reviews the relationship between the state, capital, the political regime and economic policy. Along with most of the literature, it claims that political freedom is immensely valuable, and that the spread of democracy across the world has been possible only through the diffusion of capitalism. However, this section also shows that *capitalism necessarily limits democracy*, and

that the expansion of democracy into critically important areas of life requires the *abolition* of capitalism.¹³

A remarkable distinction between precapitalist and capitalist societies is the separation, in the latter, between the 'economic' and 'political' spheres. This separation means that, under capitalism, 'economic' processes – including the production, exchange and distribution of goods and services, the compulsion to work and the exploitation of the workers – are generally carried out 'impersonally', through market mechanisms. It is completely different in precapitalist societies. In these societies, economic processes are directly subordinated to political authority, including both personal command and state power, and they generally follow rules based on hierarchy, tradition and religious duty.

The separation between the economic and political spheres has three important implications. First, it leads to the constitution of a separate 'political' sphere. For the first time in history, the owners of the means of production are relieved from public duty, which becomes the preserve of state officials. The separation of the political sphere establishes the potential and limits of state intervention in the economy, including the scope of economic policy and the possibility of 'autonomous' political change, with no direct implication for the 'economic' order. The substance and degree of democracy is a case in point (see below).

Second, separation entrenches capitalist power within the 'economic' sphere. Manifestations of economic power include the ownership and control of means of production (the factories, buildings, land, machines, tools and other equipment and materials necessary for the production of goods and services), the right to control the production process and discipline the workforce, and the ability to exploit the workers.

Third, the separation between the economic and political spheres is relative rather than absolute. On the one hand, the 'political' power of the state and the 'economic' power of the capitalists may lead to conflict, for example, over the conditions of work, the minimum wage, pension provisions and environmental regulations. On the other hand, we have already seen that modern states are essentially *capitalist*. Experience shows that the state will intervene directly both in 'political' conflicts (for example, the scope of democratic rights) and in purely 'economic' disputes (for example, pay and conditions in large industries), if state officials believe that their own rule or the reproduction of capital are being unduly

challenged. When intervening, the state relies on the power of the law, the police and, *in extremis*, the armed forces.

The existence of a separate political sphere, explained above, implies that capitalism is compatible with political (formal or procedural) democracy. Political democracy includes the rule of law, party-political pluralism, free and regular elections, freedom of the press, respect for human rights, and other institutions and practices that are essential for the consolidation of human freedom.

However, capitalism *necessarily* limits the scope for freedom because it is inimical to *economic* (substantive) democracy. These limits are imposed by the capitalist monopoly over the economic sphere, explained above. For example, the franchise and political debate are not generally allowed to 'interfere' with the ownership and management of the production units and, often, even with the composition of output and the patterns and conditions of employment, in spite of their enormous importance for social welfare. In other words, even though political campaigns can achieve important transformations in the property rights and work practices, the scope for democratic intervention in the economic sphere is always limited.

The limits of capitalist democracy come into view, for example, when attempts to expand political control over the social affairs are constrained by the lack of economic democracy – typically, when governments or mass movements attempt to modify property rights by constitutional means. The resulting clashes were among the main causes of the defeat of the Spanish Republic, the overthrow of Chilean president Salvador Allende and, less conspicuously but equally significantly, the systematic failure of attempted land reforms across Latin America. Mass movements attempting to shift property rights by legal means but against the interests of the state have also been crushed repeatedly, in many countries. In these clashes, the success of the conservative forces often depends upon the arbitrary limitation of political democracy. This implies that political democracy is rarely able to challenge successfully the economic power of the capitalist class (embodied in their 'core' property rights). This is not a matter of choice: *the advance of political democracy is permanently limited by the lack of economic democracy.*

Tensions between economic and political democracy generally surface through the ebb and flow of political democracy and civil rights. These tensions are nowhere more visible than in the 'developing' countries. In recent years, multi-party democracy and

universal suffrage have been extended across the world, the repressive powers of the state have been curtailed by the United Nations and the International Court of Justice, and by the precedents established by the Pinochet affair and the prosecution of officials of the former Rwandan government.

In spite of these important advances, the forward march of political democracy has been severely hampered by the exclusion of economic matters from legitimate debate. The imposition of neoliberalism across the world is the most important cause of these limitations. Because of neoliberalism, worldwide policy-making capacity has been increasingly concentrated in Washington and in Wall Street, leaving only matters of relatively minor importance open for debate, both in 'developing' and developed countries.

Specifically, in the 'newly democratic' states of Latin America, sub-Saharan Africa and South East Asia the transitions towards political democracy were generally conditional upon compromises that ruled out substantive shifts in social and economic power. Even more perversely, in these countries *the imposition of neoliberal policies often depended upon the democratic transition*. After several decades attempting to subvert democratic governments and shore up dictatorships across the globe, the US government and most local elites have realised that *democratic* states can follow diktats from Washington and impose policies inimical to economic democracy more easily and reliably than most dictatorships. This is due to the greater *political legitimacy* of formally democratic governments.

This argument can be put in another way. Repression is often necessary in order to extract the resources required to service the foreign debt, shift development towards narrow comparative advantage and support parasitical industrial and financial systems. However, dictatorships can rarely impose the level of repression necessary to implement neoliberal policies. This is something that only democratic states can do successfully, because *their greater legitimacy allows them to ignore popular pressure for longer* (however, the recent upheavals in Argentina show that this strategy is also limited).

In this sense, the neoliberal-globalist project involves a fundamental inconsistency: it requires *inclusive* political systems to enforce *excluding* economic policies. These policies demand states hostile to the majority, even though democratic states are supposedly responsive to democratic pressure. As a result, we see across the world the diffusion of *formally democratic* but *highly repressive* states. We also see the perpetuation of social exclusion and injustice, in

spite of political pluralism and the consolidation of democratic institutions in many countries.

'Democratic neoliberalism' has consolidated *economic apartheid* both within and between countries. Economic apartheid includes the increasing concentration of income and wealth, the segregation of the upper classes in residential, work and leisure enclosures, their unwillingness and inability to interact with the poor in most spheres of social and civic life, the diffusion of organised and heavily armed criminal gangs, and unbridled corruption in state institutions.

Economic apartheid and the evacuation of economic democracy can be at least partly reversed through successful mass struggles. These struggles can limit the power of industrial and financial interests, and open the possibility of policy alternatives leading to improvements in the living conditions of the majority. However, democracy can be extended into critically important spheres of life *only* if the capitalist monopoly over the economic sphere is abolished. In this sense, the success of the struggle depends on the extent to which the democratic movement becomes *anti-capitalist*.

THE WAY AHEAD

The previous section has shown that we should not expect significant transformations of contemporary capitalism through appeals for the restoration of state power, the reform of international institutions, campaigns for corporate responsibility or the expansion of formal democracy. Reforms are certainly possible in these and in other areas, and they can increase greatly the power and influence of the majority. However, these reforms are always limited and, even if successful, they will be permanently at risk because they fail to address the root cause of the problems of contemporary capitalism.

Strategic success depends on five conditions. First, *holism*. Successful challenges against different forms of discrimination, 'shallow' democracy, the inequities of debt, the destructive effects of trade and capital flows, environmental degradation, corporate irresponsibility, and so on, require the consolidation of sectoral struggles into a single mass movement against the global rule of capital – the root cause of these wrongs.

Second, whilst the movement ought to remain *international*, it should focus its energies in the *national* terrain. This is only partly because the potential efficacy of the struggle is maximised at this level (it is much harder to mobilise successfully in the international sphere). It is also because national states play an essential role in the

choice and implementation of economic policy, the operation of markets and the limitation of corporate power. Moreover, 'global capitalism' is organised primarily nationally, and its actors (TNCs, international organisations, global markets, and so on) depend heavily upon state promotion and regulation.

It was shown above that *there is no such thing as global capitalism* independently of national states and local workers and capitalists. By the same token, the most effective means of influencing 'global' developments is by exercising pressure upon national states. In fact, it is because the national states are the critical and, at the same time, the weakest links in the 'global economy' that capital endlessly repeats the myth that globalisation renders the state powerless and irrelevant.¹⁴

Third, the movement should develop further the *ability to mobilise large numbers of people by non-traditional means*, and pursue innovative forms of struggle.

Fourth, the growth of the movement depends heavily upon its ability to *incorporate the immediate concerns* of the majority. These include issues related to unemployment and overwork, low pay, lack of employment security and rights in the workplace, the degradation of heavily populated environments, the provision of public health, sanitation and clean and efficient transport and energy, and so on. Success also requires closer attention to the *workplace*, which is the basis of capitalist domination and economic power. Unity between economic and political struggles, and challenges against both capital and the state, especially through mass confrontation against *state economic policy* and its consequences, are important conditions for growth and victory.¹⁵

Fifth, given the limits of political democracy and state power, the achievement of equality and the elimination of poverty and exploitation within and between countries demands *transcendence*, or the abolition of capitalism. These conclusions are explained and substantiated by every chapter in this book.

LEAVING CAPITALISM BEHIND

Social reformers, utopian socialists, anarchists, social democrats, Marxists and many others have questioned the legitimacy and desirability of capitalism for at least two centuries. However, it is beyond dispute that Marxism provides the basis for the most comprehensive critique of this social and economic system, including the development of the radical alternative to capitalism: communism. The

Marxist analysis of transcendence can be divided into two areas: the critique of capitalism and the importance of communism.

Several problems of contemporary capitalism have been discussed above and, in each case, the root cause of these problems and the limits to their potential solution under capitalism were highlighted. Some of these problems can be remedied within the current system, for example, the erosion of political democracy, lack of corporate responsibility, and absolute poverty. In contrast, other problems cannot be resolved, because they are *features* of capitalism; among them, unemployment, exploitation of the workforce, economic inequality, the encroachment of work upon free time, systematic environmental degradation, the lack of economic democracy, and production for profit rather than need. Problems such as these can, at best, be concealed by propaganda and mitigated by economic prosperity.

Marxists claim that the limitations of capitalism can be eliminated only through the institution of another form of social organisation, communism. The misrepresentation of communism in the past two centuries cannot be put right in this book. However, three comments are in order. First, communism should not be confused with the political systems associated with the USSR or China.¹⁶ Second, communism is neither inexorable nor unavoidable. Capitalism will change and, ultimately, be displaced, only if overwhelming pressure is applied by the majority. Failing that, capitalism may persist indefinitely, in spite of its rising human and environmental costs. Third, communism is neither an earthly version of paradise, nor the 'end of history'. Quite the contrary: communism marks the end of the *prehistory* of human society. Communism will eliminate the socially created constraints of poverty, drudgery, exploitation, environmental degradation, and other limitations currently caused by the manic search for profit. Removal of these constraints will allow history to *begin*, because human beings will, finally, free themselves from the dictatorship of moneyed interests, destitution due to the existence of large-scale property, and inequality engendered by wealth and privileged upbringing. *Economic equality is essential for political equality*, thus allowing everyone to become a valued member of a truly open society.

The struggle against capitalism is part and parcel of the struggle for democracy in society and in the workplace, against profit and privilege, and for equality of opportunity for everyone. These are

the struggles that define the new movements, but taken to their logical conclusion.

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NOTES

1. I am grateful to Ben Fine and Mike Lebowitz for their helpful comments and suggestions.
2. Marx and Engels (1998, pp. 13–14), emphasis added.
3. Resistance against IMF policies in poor countries is documented in WDM (2000).
4. See German (2001, pp. 126–7).

5. 'G7 activists no better than Bin Laden' (*London Evening Standard*, November 5, 2001). Similar claims were reportedly made by US Representative Don Young, US Trade Representative Robert Zoellick and Italian Prime Minister Berlusconi, among others (Karliner 2001).
6. See Fine, Lapavitsas and Pincus (2001).
7. See Arestis and Sawyer (1998) and Fine and Stoneman (1996), on which this section draws, and the references therein.
8. Marx and Engels (1998, p. 12).
9. Engels (1998, p. 352).
10. This section draws on the critical surveys by Radice (2000) and, especially, Fine (2001).
11. For a similar analysis, see Callinicos (2001).
12. Hertz (2001, p. 10).
13. For a detailed analysis, see Wood (1981).
14. See Wood (2002).
15. Barker (2001, p. 333) rightly argues that 'Putting a brick through the window of Starbucks is a moral gesture, but an ineffective one. Organising Starbucks workers is harder, but more effective – and hurts the Starbucks bosses more ... We need to focus on people's lives as producers and not simply as consumers – for there is a power in producers' hands that consumer boycotts can never match. In any case, many consumers can't afford to "choose".' Isaac Deutscher made a similar point to student activists in the mid-1960s: 'You are effervescently active on the margin of social life, and the workers are passive right at the core of it. That is the tragedy of our society. If you do not deal with this contrast, you will be defeated' (cited in Wood 1988, p. 4).
16. See Chattopadhyay (1994).

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