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## Potentials and Pitfalls

Debates on the Global Economic Crisis and the Three  
Way Fight

Don Hamerquist and Dave Ranney

October 10, 2008

For the past few months, members of BTR, the Threewayfight blog, and others have been debating fascist potentials and their significance for a liberatory political project. The questions which this debate provokes lead to the need for an evaluation of current conditions, and an assessment of what has changed since previous high points of struggle. In the midst of this debate, capitalist markets were rattled with what has now become a global economic crisis. We're posting edits from the two sections of the debates here: debates on the crisis, and debates on fascism. We hope that folks find them useful, and will weigh in.

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Retrieved on June 20, 2019 from [web.archive.org](http://web.archive.org)

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**9/21/08**

**Don H.:**

M. included this observation in his remarks on the BTR fascism discussion:

*“The history of the left is littered with groups that have ended up in the metaphorical ditch after having hitched their ride to a supposedly impending crisis in the functioning of capitalism. It’s true that the past is often no guide to the future, but I’m highly skeptical of claims that capitalism is currently headed toward a major crisis.”*

Despite M’s “highly skeptical” view, the events of recent days certainly look like a capitalist crisis and spokespeople for the system are commonly describing the situation in apocalyptic terms. Perhaps he thinks that it is just not a “major” crisis – only a slight “downward economic adjustment” in our corner of the global capitalist system, a momentary hiccup that we should look beyond. However this doesn’t explain why the major spokespeople for capital, accompanied by the flock of professional commentators on its workings, are uniformly describing the situation as a looming disaster for the entire global capitalist financial system and are bitterly debating the proposed remedies. Should they all relax? Has M. found some underlying limits on the problems that all of them have overlooked? Is this emerging bailout remedy that will cost a minimum of half a trillion dollars of public funds a stupid over reaction to some minor glitches? Is the palpable panic part of a massive attempt to confuse the more gullible sections of the people, including the small circles of revolutionaries and cover up some “adjustment”(s)? If so, what adjustments...and why cover them up?

There is no evidence of capitalist complacency in the current situation – but there is a good possibility that many left radicals will relax and snooze their way through it. I recommend that those who see the current situation as just “capitalists just being capitalist” make sure they understand the concept and the function of “leverage” and then google – ‘collateralized debt obligation’ and ‘credit default swap’. This should provide some recovery therapy for business as usual disorders on the left.

capital is responding by trying to intervene and “tame democracy.” Argentina’s defiance of IMF seriously undermined its political and even economic viability. But it was a real shot across the bow. We will discuss the role that Bolivia is playing in this when I see you.

There is lots more to say but please let me know if there is any interest in discussing this more widely.

See you soon,  
Dave (Dave Ranney)

unregulated by the state. The institutional arrangement of NAFTA, WTO and IMF rules created a total dependency on the U.S. economy, fragmented and flexibleized the peasantry and working class and essentially undermined all the old clientist relations that were the power base of the PRI and the target for the left.

Mexico depends on the U.S. Economy for 85% of trade including basics like food. The model for the role of the state is emerging in this context with the creation of a regional defense based initiative called the Security and Prosperity Partnership (SPP) in 2005 by the Presidents of the US, Mexico and Prime Minister of Canada. The SPP web site says that the initiative – part of NAFTA Plus – “understands North America as a shared economic space” in which “security leads to prosperity.” This was referred to by the State Department as “armoring NAFTA.” This has been presented under the general rubric of a regional component of the war on terror and war on drugs. With the failure to negotiate FTAA, a series of bi-national trade agreements are also being used as a wedge to extend the reach of the SPP agenda. Even Bolivia has a unit of the military completely trained and equipped by the U.S. to “conduct the war on drugs. Generally there have been more people trained at the new version of School of the Americas in the past 10 years than through the entire cold war era. A key component of this is that after the overthrow of Somoza by the Sandinistas in 1979 the U.S. abandoned its cold war era practice of supporting and arming brutal dictators to control and contain “communism.” It was replaced by a form of “democracy building” that NACLA calls “Plutocracy” or rule of the few using democratic electoral processes. What I believe is happening now is the development of a crack in these initiatives that is tied to contradictions of the current mode of accumulation. In South America and parts of Central America the contradictions of neo liberalism have become so severe that there is growing unity among nations that is grounded in being anti neo-liberalism. What these nation states are for and the class forces they represent are quite varied and often contradictory. But U.S.

The essential problem is not that M’s view has been overtaken by events – although it has. In my opinion his position was wrong when he wrote it some months ago as the current situation was just developing. Similar positions have resulted in similar mistakes since this type of argument became fashionable on the left some decades ago. I’m not arguing that an objective analysis of capitalism is unnecessary, but that analysis must look for the breaks and transformations in the structure of capital that will determine the environment for radical political work and set the potential for insurgencies. By emphasizing the elements of stability and continuity in capital and discounting the current financial panic as a planned manipulation, M removes the imperative to develop a popular radical position for the issues of the day and tends towards confining strategic options to that long march through the institutions which has destroyed so much radical footwear – perhaps he would spice it up with a little parecon.

This is not to deny there are some elements of validity in M’s position. I assume it is a reaction against the strand of economic/historical determinism in the left tradition, particularly the self designated Marxist component, that ‘scientifically’ predicted the dual inevitabilities of the fall of capitalism and the success of communism. The mechanism to expedite the inevitable transition from capitalism to socialism was commonly located in the “boom/bust” capitalist business cycle. This supposedly would result in increasingly serious crises culminating in THE CRISIS where capitalism essentially collapsed. (I realize there are some more sophisticated expressions of the process, but this is its essence.)

Gramsci dealt with this issue in his criticism of Bukharin’s popularized ABCs of Communism, describing it as marginally useful as a morale booster for a working class movement that has experienced the class struggle as a string of defeats, but as “imbecilic optimism” for a revolutionary project that must create a future through organized and conscious struggle. (I love that term and will never miss an opportunity to use it.)

This crude economist notion of crisis was incorporated into the stage theory which defined imperialism as the final phase of capitalism, and saw WWI and the Bolshevik revolution as demarcating the “General Crisis of Capitalism”, the immediate prelude to international revolution. History developed differently. Official communist doctrine struggled with its crisis theory for a time, creating various subdivisions of the general crisis to explain the delay in its appearance. Following a brief resurgence during the 30s depression, the grand crisis theory faded into obscurity and was supplanted by the simple notion that capitalism would eventually succumb to an increasingly appealing “socialist” alternative. Of course we know what has happened to this pile of crap.

Crude determinist views of this sort reappear from time to time and present easy targets for ridicule by more sophisticated leftists. I’ve taken some shots myself. However, there is a potential for large mistakes in this reflexive criticism. Paradoxically, it can lead to a similar political posture to the one it criticizes, complacent reformist gradualism. The “imbecilic optimism” that treats eventual victory as guaranteed because time is on our side finds a functional equivalent in incremental reformism that hopes to hold on until capitalism bores itself into senility.

In its last years, STO attempted to develop an understanding of the restructuring of the capitalist labor process that was becoming evident in the U.S. and Europe. This involved taking another look at the issue of capitalist crisis. We began to draw a distinction between two notions of crisis, both of which can be located in Marx. The first was the cyclical boom/bust character of capitalist development. This has traditionally been the focus of the left which treated it in ways that parallel the treatment of the business cycle in official economics. The second notion of crisis, infinitely more important in my opinion and not included in official economic curricula, is the conception of crisis as a secular consequence of capitalist production approaching the limits of the law of value. It is important to recognize that neither of these notions equated crisis with collapse.

the present period represents a new mode of accumulation as a response to the crisis that emerged in the mid seventies.

I agree with Don’s formulation of crisis as capitalist production reaching the limits of the law of value. I have outlined elements of this new mode elsewhere. One important thing of the mode of production is that it turned debt into a global commodity to the extent that it heightened the duality between use value and value for many of the commodities it was financing. This was seen most clearly in housing in the U.S. where the price of the house is driven by the trading of mortgage backed securities and housing itself took on the appearance of a pure exchange value. I argued back in 2000 that the global credit structure in turn was evolving into a new manifestation of crisis that amounts to a Ponzi or a huge game of musical chairs.

One key thing about labor mobility being a possible social base for an internationalist perspective is that part of this new (since mid 1970’s) mode of accumulation is that labor is not simply mobile but “flexibilized.” Flexible labor means labor being “declassed” as they are reduced to individuals who can not only work anywhere but also be part timed, two or three tiered etc. This has necessitated an international attack on labor organization and an international ideological assault to individualize labor. This seems to me to be an important and critical area for struggle. So I think I am simply underlining what Don said about this.

With regard to the contradiction Don notes between the continuing need for a nation state and capital mobility there are some important issues regarding how this is being approached by capital that also point to important arenas for struggle.

There are two interesting issues of *NACLA Journal* (September/October, 2008 and January/February 2007) in this regard. In the 2008 issue several articles point to how NAFTA broke the concept of social compact which had been the framework within which the left in Mexico struggled against the state there. They define “neo liberalism” as a world of actors who are all “sovereign individuals”

without providing too much fuel for an already existing challenge from the political right.

In the current case, global capital has created mammoth financial processes – consider the market in credit derivatives – that are largely opaque, immensely profitable, and also very risky. They are also outside the range of any national regulatory structure. Yet when they overreach, as they have, the problems must be confronted through fiscal (taxes) and monetary (credit expansion) policies through the existing state structures. When and if, as is certainly not unlikely, the problems and their solutions result in mass protests, the police and military response to them will also be administered through nations. (I’ve made this point elsewhere concerning the “War against terror”.) There is a tension between the political and economic interests of global capital and the national frameworks that field armies, raise taxes, and print money. This will result in recurring crises that must be countered by a radical left, not because capital will be collapsing into a revolutionary situation, but because it quite conceivably might be strengthened by dealing with its dilemmas and/or because a radical challenge from the right might preempt the historical stage.

I was going to write a bit more but I want to catch the Bill Marr show to see how Naomi Klein forces a situation that refutes her book into a substantiation of it.

Don Hamerquist

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9/22/08

**Response from Dave Ranney:**

Generally Don’s short note on crisis fits with things I am thinking about and incorporating into talks.

There are some important details that could not be covered in such a short post. I argued in my book and generally in talks that

The former notion was cyclical and to some extent self correcting. The secular crisis creates the conditions for development of countervailing forces on the left and the right, but does not ensure their success. Nor does it contradict the potential for various types of capitalist recovery. Following the Chairman, unless it is pushed, capital will not fall – where the broom does not reach the dust will remain. So let’s push a bit – and stay alert for other broom wielders.

At the time, Marx’s *Grundrisse* had only recently become available in English. Its extended “Chapter on Capital” – specifically pages 699–712 – was our primary reference point. I’ve referred to this material elsewhere, for example in the section on crisis in my piece of fascism – page 22–28 – and don’t want to repeat it here. Perhaps I should say that of the very few comments on that piece, a number singled out this passage as being rather useless. Nevertheless, I still think it is helpful to check out the *Grundrisse* passages, keeping in mind that they were written about capitalist limits as a global system at a point in time when capitalism was hardly even regional, barely developed in most areas and only clearly hegemonic in a few European countries.

I’d like to approach the problems with a quote that is very different from the one of M’s that topped this piece. After citing the *Grundrisse*, Negri argues:

“This restive character of capital constitutes an ever-present point of crisis that pertains to the essence of capital itself; constant expansion is its always inadequate but nonetheless necessary attempt to quench an insatiable thirst. We do not mean to suggest that this crisis and these barriers will necessarily lead capital to collapse. On the contrary, as it is for modernity as a whole, crisis is for capital a normal condition that indicates not its end but its tendency and mode of operation.” (Negri & Hardt, *Empire*, p. 222).

In this view, as in mine, “crisis” should not be reduced to capitalist collapse, it is the new normality when capitalism has become global and no longer effectively has an “outside”. Of course, saying crisis is a “normal condition” is hardly sufficient, but Negri improves on M’s position by focusing our attention on contradictions, paradigm shifts, disequilibriums, and transformations as the “normal condition” of the political terrain. This sets a much more productive framework for further analysis.

Let me make a brief excursion. Martin Nicolaus now is probably best known as the translator of the *Grundrisse* into English. Before this he had a brief flame out career in the New Left, starting with Weather and working through the BARU; RCP, CPML and some more exotic Maoists. (You can detect the Maoism in his introductory material for the *Grundrisse*.) I have no idea where he’s been for over a quarter of a century – probably some type of liberal like so many others. In any case, in the late sixties he had a widely read debate with Ernest Mandel, the Trotskyist economist and head of the 4<sup>th</sup> International. The topic was one of the ‘Where is X Going’ sort that Trotskyists favored. Nicolaus argued that colonial conditions were being imported into the metropolis and that the proper strategy was to bring the national liberation movement along with it. It fit with his thirdworldist Weather position of the period. We frequently used his essay in educationals as an illustration of a political mistake for not dealing with the contradictions within the U.S. working class, specifically the white skin privilege, and for essentially denying that the working class was a potential revolutionary agent in advanced capitalism. Of course, we regarded Mandel’s Eurocentric and economist trade unionist perspective as pure crap.

I’ve frequently thought since that there was more substance to the Nicolaus argument than we realized – possibly more than he realized. It fits very closely with the argument in Negri’s *Empire*”

“The Third World does not really disappear in the process of unification of the world market but enters into

the First, establishes itself at the heart as ghetto, shantytown, favela, always again produced and reproduced. In turn, the First World is transferred to the Third in the form of stock exchanges and banks, transnational corporations and icy skyscrapers of money and command.” (Negri, *Empire*, 253–254.)

I think this notion of capital globalizing as both a cause of, and a response to the incorporation of the periphery is useful. In the first place it points to the mobility of capital, its increasing lack of ties to a definite place. In the second place it points to the exacerbation of political fractures that previously could be exported – remember the Cecil Rhodes comment that imperialism was essential to prevent 40,000,000 Englishmen falling into “bloody civil war” – it points to the import of populations and problems that previously could be externally quarantined.

Ultimately, I think, that the tremendous international mobility of labor will become the crucial element in the political conjuncture. This is where the working class is potentially on the offensive and where the ingredients of an internationalist perspective can find a social base. This is also one of the fault areas where fascist movements will emerge. Again, not conflating crisis with collapse, it is apparent that this labor mobility provides an element of the capitalist crisis. It challenges traditional methods of governing and labor discipline and any attempt to deal with it will necessarily undermine some aspect of capitalist hegemony or profitability.

However, the immediate manifestation of crisis is on the other side of the process, the internationalization of capital. There is a contradiction between the growing elimination of obstacles to the free movement of capital and the national state framework which still must mediate and arbitrate differences within capital to advance its overall class interests. Somehow this contradiction must be negotiated without undermining capital’s ability to respond to potential class challenges emerging from the mobility of labor and