

# Choice before Humanity: Socialism or Destruction

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## *Introduction*

1. The world we live in has many serious contradictions. To cite the most glaring one, the world today can produce enough food to feed several times the population of the earth but nearly a billion people suffer chronic hunger, even by official estimates which significantly underestimate the incidence of hunger. Similarly, the science of medicine has advanced so much that neither infants nor mothers need to die in the process of pregnancy and child birth, but hundreds of thousands of them die every year. Medicine to fight the dreaded disease of AIDS can be produced at low cost, but transnational pharmaceutical companies do not allow such low cost medicines to be produced and made available to people who need it. With science and technology as advanced as it is today, nobody in the world needs to be homeless, yet we have a very large homeless population even in rich countries. Food, clothing, shelter, education and health can be within every one's reach, yet millions are denied access to these basic rights. Ever advancing science and technology, instead of being used to solve problems that humanity faces, are being wasted in production of massive weapons of destruction and fighting terrible wars. The newest and most alarming problem that we face is climate change which has resulted from the processes of capitalist industrialization over the last two hundred years. Humanity today faces the threat of being wiped out either through catastrophic climate change or through a thermonuclear war. The basic reason for this sad state of affairs is the dominant socio-economic system in the world today called CAPITALISM.
2. Capitalism is an economic system in which the means of production (lands, machinery and so on) belong to a small part of the entire population (*capitalists*) while the vast majority which does not possess its own means of production must work for those who own the means of production and receive a wage or salary in return (*workers*). If they cannot find a capitalist who chooses to employ them, workers will have to face the threat of starvation. There are three essential features of capitalism:
  - All things –goods and services - are produced for sale in markets on private account – and these goods and services are called ‘commodities’.
  - A person's physical and mental ability to work – labor power –itself becomes a commodity sold to employers by workers ‘voluntarily’
  - Production of goods and services is done by capitalists solely with the objective of maximizing their profits
3. As a system driven by profits, capitalism naturally spreads to all places and takes over all sorts of activities with a view to making more and more profits. To the capitalist, it does not matter *where* (home town home country or abroad thousands of miles away and across oceans!) he makes his profits or *how* –running a factory, a college or even a brothel, it is all the same as long as the profits keep coming! Capitalism is inherently globalizing and hence gives rise to globalization. From the time capitalism emerged in Britain at the end of the

17<sup>th</sup> century till the first world war that began in 1914, capitalism spread globally, leading to colonization of Asia, all of North and South America, Africa, Australia and New Zealand and many lands in the Pacific and the Atlantic ocean regions by various European capitalist powers and, in Asia, Japan. In the course of this expansion, European capitalists looted the resources of the colonies. They exploited the working people of these lands, even enslaving them and sending them off to work in plantations and mines owned by them in America, Africa and Asia. After the industrial revolution enabled mass production at lower prices, they dumped their products in the colonies, capturing these markets and destroying the local industries.

4. But capitalism's inner contradictions were also becoming more severe. Two processes are basic to growth of capitalism. One is that the fundamental conflict between capitalists and workers leads to intense struggles such as the ones over the length of the working day, for higher wages, for better working conditions and so on. In this conflict, the mechanization of production becomes the weapon of the capitalists. With mechanization, not only can production be larger in scale and lower in cost, workers can be thrown out and a large reserve army of the unemployed created. This will weaken workers in their efforts to secure better wages and working conditions and enable the capitalist to undercut his rivals by selling his products more cheaply than them. The struggle of competition among capitalists also forces mechanization, leading to great increases in productivity. The benefits of this increase do not go to working people, but instead to capitalists and landlords. Further, the competition among capitalists leads to many losers and a handful of winners who then take over the assets of the defeated rivals. Thus, capital becomes increasingly concentrated (leading to large factories and scales of production) and centralized (with fewer and fewer capitalists controlling larger and larger shares of industrial wealth). Thus, in each sphere of production, competition gives way to monopoly. In each country, the monopoly capitalists become more and more powerful and wealthy and dominate not just the economy but also politics and society. On the other side, the ranks of the workers swell, with many peasants and artisans and small and medium capitalists ruined and their children becoming wage workers. Monopoly capitalists of various capitalist countries compete intensely among themselves in this emerging system of global monopoly capitalism which we call imperialism.
5. As against the increasing power of capital, wage and salaried workers, and peasants and artisans who were also being turned into wage workers gradually, come together based on their experience of capitalist exploitation. They see that they work hard to produce all the goods and services using natural resources and the modern machines and tools which have been also produced by other workers in the machine and tool making industries, using the scientific and technological advances made possible by the intellectual and manual labour of scientists and workers. But they also see that only a small part of what they produce with their hard work comes back to them as wages or salaries, and that most of it goes to capitalists and landlords and other property owners. Slowly, the organized class of workers emerges through many struggles and sacrifices, the trade union and working class movements and so on.

6. The first world war of 1914 -18 – which resulted from contradictions among the imperial powers acting on behalf of the monopoly capitalists of their respective countries and trying to grab territory and resources - put the brakes on the global expansion of capitalism from the end of the seventeenth century. In October 1917, a few months after the overthrow of the Czar, the first major breach in the imperialist system of global capitalism occurred with the victory of the working class in Russia led by the Russian Communist Party over the rule of capitalists and landlords. The capitalists of Europe tried to crush the Russian Revolution by sending in troops from 14 countries but the Russian revolution defeated them with the support of the Russian people. In 1922, the Revolution spread to neighbouring countries and the Union of Soviet Socialist Republic (USSR) was formed. Though the death of Lenin, the leader of the Russian Revolution, was a setback, the Revolution was able to resist encirclement and attacks as well as economic, diplomatic, trade and technology boycott by the Imperialist powers. The Revolutionary government abolished private property in industrial means of production, promoted cooperative, collective and state farms in agriculture and developed the economy rapidly through public ownership of the major means of production and central planning. Within the short period from 1928 to 1940, USSR became the world's second largest industrial power behind the US through socialist planning, without indulging in colonial exploitation, without any foreign economic or technical assistance and without exploiting the working class. During the same period, the capitalist world was in a deep Depression with stagnation in output and massive levels of unemployment that came down only towards the end of the second world war which took place between 1939 and 1945.
7. The end of the second world war in 1945 and the years that followed saw major changes in the balance of forces between those defending and promoting capitalism and those who wanted humanity to progress towards a more rational order, namely Socialism. First, the second world war as well as the crisis of stagnation in the capitalist world between 1914 and 1945 greatly weakened the global capitalist system. Second, while USSR had remained a sole socialist island till 1945, it was joined, between 1945 and 1960 by many East European countries, People's China with its huge territory and population, and North Vietnam, North Korea and Cuba, all of which moved towards socialism and centrally planned economies with public ownership of the major means of production. The strength of the forces of socialism increased dramatically while the forces of imperialism and global capitalism declined. At one point of time in the 1950s, a sixth of the world's territory and a third of its population was under socialist rule.
8. While capitalism had seen recurrent economic crises leading to stagnation in output and steep rise in unemployment and to bouts of very rapid inflation that put most commodities beyond the reach of ordinary working people, the socialist countries saw steady and rapid economic growth, elimination of the phenomenon of mass unemployment, stable prices and steady improvements in living standards for all the people instead of a handful of big capitalists and landlords and their hangers-on, as under capitalism. Many of the socialist republics of USSR had near zero literacy rates when they came into USSR, but within a couple of decades, all of them had nearly 100% literacy. Similarly, all health indicators – infant and maternal survival, life expectancy, quality health care and so on - improved

dramatically, not just for a wealthy elite as under capitalism, but for the entire working people. Decent housing for all was ensured, and workers were provided with vacations and a variety of publicly funded welfare and leisure services. Above all, working people were treated as equals and respected unlike under capitalism. All this led to the popularity of socialism as the preferred alternative to capitalism as an economic and social system.

9. But there were problems as well. Since most of the socialist revolutions had taken place in extremely backward countries such as Russia, China, Vietnam, Korea and Cuba, they had to travel a long distance to even catch up with the advanced capitalist countries in terms of economic output and basic living standards. Moreover, right from their birth, the socialist countries had to face the hostility of the advanced capitalist powers who saw Socialism as a grave danger to their freedom to go all over the world and exploit resources and people in the name of investment and growth. Socialist countries had to face not only denial of technology and economic cooperation but also military aggression and the arms race imposed on them by the rich capitalist countries. For instance, though the USSR had saved the world –including all of Europe and the USA - from the Nazis, sacrificing in the process 20 million Soviet lives and losing two thirds of their industry and urban areas to Nazi bombs and destruction, immediately after the end of the war in 1945, the US declared the USSR its main enemy and unleashed a massive arms race starting with the atom bomb (which it dropped twice on Japan in 1945) against the USSR. Forced to defend itself and the socialist world, the USSR had to spend precious resources in arming itself in self defense. As a result, it could not devote adequate resources to ensure very rapid increases in living standards of people, though it remained free of unemployment and ensured that people had all their basic needs met and had an increasing standard of living over time.
  
10. The weakening of imperialism and the strengthening of socialism after 1945 greatly helped the colonized nations to win their struggles for national liberation from colonial rule. The two decades from 1945 saw the dismantling of the colonial empires and the coming into being of more than a hundred and fifty politically independent countries across Asia, Africa and Latin America. From the 1950s to the beginning of the 1980s, this favourable balance of forces for the forces of socialism and national liberation continued, and enabled many developing countries to modernize their economies and make social and economic progress. The socialist developing countries grew rapidly and in a way that reduced inequality and ensured rising living standards for working people. But global capitalism/imperialism also managed to grow and consolidate itself while the Socialist bloc and the developing countries moved forward. The imperialist countries also created many obstacles for the development of the poor countries. Colonial rule had left the developing countries in a very poor economic and social state, and they were locked into a global economy dominated and controlled by the Imperialist powers. In many developing countries, the rich had managed to capture power at the time of liberation and they collaborated with imperialist countries against socialist countries and forces across the world. By 1980, the advanced capitalist countries had become much stronger in economic, political and military terms across the world. The profits their monopolies had made for over three and a half decades and the wealth they derived from their control over such crucial resources as crude oil led to the rise of finance capital by 1980. The balance of

forces in the world once again began to tilt in favour of the rich imperialist countries. They used their enormous financial and military resources to destabilize progressive governments all over the world. Through institutions such as the World Bank and the International Monetary Fund (IMF), and making use of the ruling classes in many developing countries, they forced these countries to adopt policies that weakened their economic self reliance and forced them to integrate their economies into the world capitalist system. They also put the socialist countries including the USSR under great pressure through military and financial measures. Wrong internal policies pursued by USSR and the costly rift between the two major socialist countries, the USSR and China also weakened Socialism on a world scale. All these developments led to the collapse of socialist regimes in Eastern Europe and USSR. By 1991 when the USSR was dismembered, it appeared to some capitalist ideologues that Socialism had been defeated, once and for all, by Capitalism. But events proved them wrong very soon. World capitalism entered a period of severe crisis in 2008 which is yet to be overcome.

### ***The path of post war capitalism***

11. To understand the story fully, let us turn to the nature of growth in global capitalism after 1950. In 1945-50, even while capitalism continued to spread across the world, the kind of hegemonic globalization that was in full flow earlier under the colonial dispensation, was briefly arrested. For the next 25 years, which was also the period of rapid capitalist growth, capitalist globalization had to co-exist with independent nation states, trying to develop their economies. Take the 1950s for example. A number of ex-colonies, including India, set out on a path of relatively independent capitalist development. The newly independent State worked on behalf of domestic capital, as opposed to the colonial State which served the interests of metropolitan capital. It raised protective tariffs against imports, undertook public sector investments, set up the industrial, financial and human resource infrastructure, encouraged import substitution and took a host of other measures including limited land reforms to promote autonomous capitalist development.
12. The fact that, immediately after 1945-50, a large number of newly independent countries pursued State-led development, resulted also in expanded markets for advanced capitalism. Given the technological monopoly of the advanced capitalist countries, the developing countries had to source most of their manufacturing sector equipments and technologies from them. So, while decolonization and the rise of a Socialist camp strengthened the Nation States and thus arrested the onward march of hegemonic globalization under the direct aegis of Imperialism, over time, it also contributed to the rebuilding of advanced capitalist economies and promoted the further internationalization of capital.
13. At the end of the second world war, the new situation in Europe required that the European governments play a very important role in the economies, in maintaining high levels of demand and high levels of employment. This was on account of the new political situation in the world and in Europe. If unemployment had gone back to the Great Depression levels, Europe would have faced the threat of a socialist revolution. There were

the socialist economies of Eastern Europe, there was USSR, these countries were recovering rapidly from the war, and had near-full employment. It was very likely that workers in Europe would turn east for inspiration. So the welfare State, a social contract between the European ruling classes and the labour movements led by social democratic parties, came into being. It was not the product of some benign, benevolent acts of the ruling classes. The European ruling classes recognized that, in order to survive, they will have to make a social contract with a section of the labour movement, they will have to keep unemployment within “acceptable” limits, provide some kind of social security, provide pensions and so on; so a minimal welfare state came into existence.

14. The ‘threat’ of socialism was no idle threat. There were two countries in Europe, which could have gone either way. The civil war in Yugoslavia was won by the Socialist forces while in Greece the forces of capitalism triumphed by a hair’s breadth.<sup>1</sup> European ruling classes saw the ideological and political implications of these struggles clearly.
15. In the 1950s and the 1960s, the new global capitalist economy expanded. The global capitalist economy experienced a five percent per year rate of growth of GDP for more than two decades with hardly any interruption, a record unprecedented in the history of capitalism. The major capitalist economies did not experience any synchronized recession between 1945 and 1973. There was a mild recession in 1958, but it was confined to the USA. This record of sustained growth without major downturns is often attributed to Keynesian demand management. Writing in the 1930s, the famous British economist Keynes had shown that that the capitalist economy left to itself would not reach a state of full employment because it would face the problem of inadequate demand. He had argued, against the then dominant conservative view opposed to state intervention in the economy, that the state must undertake expenditure and raise the overall level of demand in the economy, to maintain high levels of employment. In fact, the responsibility of the State to maintain high levels of employment and output was written into law in Britain at the end of the second world war. As noted earlier, this was not really out of benevolence, but out of fear that, if unemployment levels rose sharply, workers would turn to Socialism. This was the change in the balance of class forces which also contributed to the victory of national liberation struggles in the third world, and the rise of workers’ movements in the advanced capitalist countries. The two decades following the end of war in 1945 thus saw a global advance of democracy.
16. By the early-mid 70s, fundamental changes came about in the world economy. The rapid growth of the advanced capitalist economies from the mid 1940s to the mid 1970s had made the giant global corporations of world capitalism very strong. They had become powerful monopolists. They were able drive up prices when the economy approached high levels of output and employment. The trade unions in advanced capitalist countries had

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<sup>1</sup> It is interesting that post 1991, imperialism systematically dismembered Yugoslavia. Perhaps, it is historic justice that European capitalism faces its deepest crisis today in the wake of the refusal of the working people of Greece to accept meekly its diktats.

also become very strong. When monopolists raised prices, workers demanded higher wages. This price-wage spiral resulted in a state of inflation, with prices rising rapidly. So advanced capitalism had to deal with inflation from the early 1970s onwards. For the advanced capitalist economies, the 1970s turned out to be years of what has come to be characterized as “stagflation”, meaning the simultaneous existence of slow growth and rapid price rise, with unemployment rates creeping up.

17. In a capitalist economy, unemployment is not a problem but a solution. We need to understand this. For you and me, for working people, unemployment is a problem. For capitalism, unemployment is a partial solution, as long as it does not get so high as to cause social unrest. As long as unemployment exists, workers can be held in check. Trade unions can be held in check. Capitalism likes some amount of unemployment, not too much, because then there will be social revolt, but enough unemployment to keep the workers on their toes, afraid of the threat of unemployment. The threat of dismissal is the capitalist mechanism for disciplining the working class. Even during the heydays of Keynesian demand management, unemployment never fell to anywhere near zero.
  18. In the 1970s, when three decades of economic expansion had led to low levels of unemployment, this meant a rise in the bargaining power of workers, and, with the huge rise in the power of monopolies on the one hand and an increase in the bargaining power of workers on the other, a period of inflation emerged. This was further exacerbated by the rise in the price of crude oil decreed by the Organization of Petroleum Exporting Countries (OPEC) in 1973 and again in 1978. A key objective of President Reagan when he became President of the US was to put an end to inflation by breaking up trade unions and smashing the bargaining power of workers in the US. His other key policy goal was to weaken the USSR by dragging it into a massive arms race. This was also the time that Thatcher became the Prime Minister of Britain. As representatives of the emerging finance capital, the two leaders shared the twin agenda of weakening the trade unions in the advanced capitalist economies and greatly weakening the USSR in the global struggle against Socialism. In order to finish the USSR off, the US under Reagan launched a massive rearmament programme. Some of us still recall the development of Pershing and Cruise Missiles, the launch of the “Star Wars”-the so-called Strategic Defence Initiative (SDI). Reagan was determined to finish off USSR. He repudiated every arms control and limitation treaty that the US and the USSR had signed in the 70s, went on the offensive and forced USSR to spend lot of money on armaments. This arms race imposed on the USSR certainly contributed to the collapse of USSR by the end of the decade of the 1980s.
  19. Reagan and Thatcher systematically set about destroying the workers’ bargaining power in order to tackle inflation without curtailing the power of capital. They actively promoted the rise of finance capital, propagated and implemented pro-rich economic policies lowering tax rates for the rich, even while cutting back pro-poor welfare programmes.<sup>2</sup> The economy was rapidly deregulated and State power was used to smash workers’ struggles. Thatcher smashed the mineworkers’ struggles in the UK and Reagan bludgeoned the
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airline pilots into submission, breaking their strike. These were only iconic instances. The attack on workers was of course an all-round attack.

20. Over the long post war boom from 1945 to 1973, the trans-national corporations (TNCs) from the rich countries were able to accumulate enormous surpluses. The oil TNCs also made huge profits from the OPEC-imposed oil price increases in 1973-and 1978. The enormous cash reserves of TNCs and the money made by OPEC countries contributed to substantial increases in the liquidity in the international financial system. In addition, workers and employees in the advanced capitalist countries were saving money for life after retirement. These led to the rapid growth of pension and provident funds and mutual funds of various kinds. All of these together led, by the end of the 1970s, to a huge increase in liquidity in the global economy. These funds were naturally seeking profitable investment outlets. This was the start of the *contemporary process of globalization*. This process is essentially globalization of capital as finance. This is not globalization primarily of industry, of technology, of science, of production, though these also happen to varying extents. Moreover, it is a new kind of finance. Earlier, we had national finance. We had British capital, French capital, American Capital. What has emerged since the late 1970s, on the other hand, is international finance capital. Very rich people, big companies, in several countries, have invested in financial assets in other countries. Global finance capital today is international in character. Lenin had already explained in his classic work *Imperialism* the rise of finance capital in the global economy between 1870 and the beginning of the Great War in 1914. What we now have, from the 1980s, is the further evolution of finance capital to that of highly mobile and foot-loose international finance capital, its global mobility in real time having been made possible by important advances in technology, especially in the field of information and communication technology (ICT). While a large number of wealth holders may hold some part of this global finance capital, its ownership and control is in fact highly concentrated and centralized.
21. What does this new power - centralized global finance capital, personified by a bunch of huge global speculators in currency, share and money markets - do? It seeks to make as much money as possible in the shortest period of time. With the click of a computer's mouse, it can move billions of dollars across financial markets around the world. It can operate round the clock since one or another financial market somewhere in the world is open at any time during the 24-hour day. It is not keen on long term investments in setting up productive facilities, undertaking production, finding markets, dealing with labour and host country governments and so on, It seeks to make quick profits through speculation in currency, stock and other financial markets. For this purpose, it wants to create uniform rules of the game across entire the world, so that it can enter into and exit from various markets located in different territories without let or hindrance and operate on the basis of minimum regulation by national governments.
22. How do you make money from money, without having to bother with the cumbersome process of production and marketing and so on? One simple and ancient way is to first lend the money to get interest. Second, you can put money in the stock market. Third, you can put money in the currency market, you can buy US dollars, sell them, buy German

Marks, sell them, buy British Pounds and sell them and so on. So we can make money, from money, without bothering to employ many workers, run industries, face strikes, bribe governments, avoid all that, by simply putting your money into stock markets and currency markets. You can also lend money to governments by buying government securities, governments will tax the people and give you the money back with interest!

23. So, from the 1980s onwards, the main demand of global finance capital was financial deregulation. Not simply in the US, but in all countries in the world. In its drive to prise open the financial markets of all countries, global finance capital has been hugely successful. You must see the contrast. In 1974, towards the end of the era of global democratic advance from 1945 onwards, in the 37th general assembly session of UN, the developing countries, together with Socialist countries, managed to pass a significant resolution. The resolution called for the establishment of a new international economic order (NIEO). It demanded reparation from the advanced capitalist countries for the depredations and plunder of colonial rule. It demanded a more democratic international order. In hardly twelve years after 1974, in 1986, a fresh round of negotiations among the member countries of the then General Agreement on Tariffs and Trade (GATT) began in Punta del Este, a resort in Uruguay. Called the Uruguay round, these negotiations were marked by a strong push from the developed capitalist countries for a global economic system governed by rules favouring the advanced countries and their TNCs. Unlike in the UN in 1974, the demands in 1986 came not from the poor countries but from the rich countries. Rich countries said to the developing countries, 'Open up your economies. Let our finance capital enter. Let our commodities enter. Lower your tariff walls. Remove quantity restrictions on imports. Open up your stock market, open up your financial markets. Change your patent laws to provide greater patent protection to our products. Open up your agriculture. Remove all regulations on how we can do business in your economies.' Between the mid 1970s and the mid 1980s, the world changed dramatically with the rise of global finance capital. Following the crisis in advanced capitalism in the late 70s, their ruling classes strongly pushed the strategy of opening up of third world markets, opening up of financial markets everywhere, and imposing a new set of rules in the game under the aegis of the World Bank, the IMF, and ultimately the WTO. This was the new situation. Now, this was the context of financial globalization.
24. At the level of economic ideology, once the Keynesian mechanism of demand management, of government keeping an economy at near full employment levels of output by undertaking the necessary expenditures, was discredited with the emergence of stagflation in the 1970s, the monetarist/neoliberal counter revolution to the Keynesian revolution of the 1940s and 1950s triumphed. It represented the interests of dominant finance capital with its insistence on minimal regulation and its abhorrence of inflation. It was declared that government policy would make no impact on the rate of unemployment. A so-called natural rate of unemployment was postulated. It was argued that this rate would prevail in the long run, and government trying it to reduce unemployment below this level by undertaking demand creation measures would only lead to inflation. This was the start of era of neo-liberalism. The change was dramatic. As late as 1971, Nixon, the then President of the US, had famously declared, "We are all Keynesians now."

### *Capitalism in Crisis*

25. Neoliberalism cannot, however, solve the basic problem of capitalism as an economic system. I will spend a few minutes discussing the nature of capitalism as an economic system. What is the essence of capitalism? In capitalism, there are two contradictory forces. On the one hand, competition among capitalists drives capitalists to innovate and technologically advance, to mechanize, to automate, try and increase productivity from mechanization, so that they may lower their unit cost and sell at a marginally lower price in order to defeat their competitors and capture the market. This is one part. But more important, the class struggle between capital and labour is fundamental. What does it do? For the capitalist, the worker is a source of profit. But the worker is also a nuisance because, unlike the machine, the worker will go on strike. Capitalists naturally prefer machines, since they do not argue nor go on strike. No strikes, no problem. So capitalists will constantly try to eliminate labour, by mechanization or automation. Also, if they depend on the skills of the worker, then, they cannot rapidly adjust levels of output to serve changing markets, they cannot expand scales of production quickly. And if the production process is crucially dependent on the skills of the workers, the bargaining power of the workers will be high. So capitalists prefer to constantly make workers redundant. Class struggle between capital and labour as well as the competition among capitalists thus leads to the constant replacement of labour by machinery under capitalism. Capitalism constantly renders the skills of the working people redundant. It creates unskilled labour on mass scale. Before capitalism, we have heard of artisans, we heard of skilled agricultural workers, but not of a mass of unskilled labour. Unskilled labour on a mass scale is a product of capitalism.
26. It is true that capital needs the worker to generate surplus value and thereby profit. But each capitalist looks at the worker as an element of cost. 'Try to get rid of the worker, mechanize, automate' -this is the refrain of capital. This aspect of production relations under capitalism leads, via the processes of mechanization and application of micro-rationality to each element of the production process, to a sustained increase in productive forces. The productive power of the society advance rapidly. Technology improves all the time.
27. On the one hand, as seen above, the production relations of capitalism, the competition between capital and capital, class struggle between capital and labour compel a rapid growth of productive forces. But on the other hand, same capitalist relations of production do not allow the purchasing power of the masses to go up correspondingly. The capitalists want to limit wages, and to dismiss workers. The purchasing power of the mass of the population grows rather slowly under capitalism. There is thus a constant contradiction between the rapid growth of producing power and the much slower growth in consuming power in society. This periodically results in a crisis, in the inability of society to ensure that its consuming power matches its productive power. Periodic crises remain therefore an integral part of capitalism. No matter what the government does, it cannot forever prevent crises under capitalism. Crises-which also arise from the anarchic and unplanned character of capitalism and from other sources-will come and go. Capitalism does not collapse by itself merely because it is crisis-ridden. Those who share a vision of a more

rational and just society will have to work for transcending capitalism. But capitalism will periodically, again and again, no matter what the state does, no matter what the government does, go into crisis. So business cycles consisting of phases of expansion, recession, depression, recovery and expansion again constitute an inevitable feature of capitalism as a system. It is part of the essential nature of capitalism as an economic system. Marx talked about it at great length in *Capital*. He talked about the anarchy of capitalism, about the crisis of under-consumption, about the tendency for the rate of profit to fall.

28. The current economic crisis of capitalism is thus not an aberration but an inevitable aspect of capitalism as an economic and social system. In a capitalist economy, demand is a constant problem. Under capitalism, there is always a tension between rising productive power and slowly growing consuming power. There is of course a great deal of advertising and other efforts to promote consumerism, all that happens, but does not always work. It is not enough. So capitalism will frequently go into crisis.

### **The Current Crises of Globalization**

29. Apart from the inherent tendency of capitalism as an economic system to go through business cycles involving both expansion and recession, there are features specific to the current crisis of global capitalism. I have used the term 'crises of globalization', not crisis in the singular, deliberately. The most visible crisis, especially highlighted by the media, is the continuing global recession. In recent years, the focus has been on the Eurozone developments, where what is being portrayed as a crisis brought about by the profligacy and 'living beyond the means' ways of the state and the people of specific European countries such as Greece, Spain, Italy, Ireland and Portugal, is really not a crisis of sovereign debt but of massive attacks by speculative finance that has managed to defeat all attempts to regulate it and the dominance of neoliberalism in both policy and ideology. While finance capital operates globally, and with minimal control by governments, given increasingly free movement of capital as finance across country borders, the nation-states, including powerful metropolitan states remain paralyzed and ineffective in responding to the crises repeatedly caused by financial speculators in country after country. After being initially pushed on the defensive in the wake of the crisis of 2008, finance capital in the US and elsewhere, has managed to regroup its forces and effectively prevent any serious regulation of its operations by national governments or international agencies such as the IMF. Neoliberalism, discredited intellectually for long by economists not wedded to the dominant neoclassical tradition, and even officially in the wake of the global crisis of 2008, continues to inform the policies of all major capitalist governments, not the least because of the material - and not just ideological - power of finance capital in these countries.
30. The inability of governments in the western world to address the serious economic crisis of Europe and the US - and with a continuing stagnation of the Japanese economy - has spawned a political crisis of confidence among the global ruling classes as well. The idea that somehow, countries like China, India, Brazil and South Africa - patronizingly called emerging economies - can provide the stimulus needed to overcome the crisis of stagnation in the metropolitan capitalist world is of course completely far-fetched, given

the relative sizes of the economies concerned and their own dependence on exports to the metropolitan economies to sustain their economies. In any event, given that finance capital will frown upon any fiscal expansion in any of the major nation states on their own, and the near-impossibility of coordinated action by all the major States together, global deflation as a means of reviving global growth remains a non-starter. The chickens of globalization have come home to roost.

31. But there is also the climate crisis, a classic outcome of an economic system driven by private profit that has no mechanism for rational management of natural resources and protection of environment. There is the emerging food crisis, where neoliberal policies across the globe have had the most devastating consequences, made much worse by the role of speculative finance and trade in global commodity markets. What the various kinds of crisis in the globalized capitalist world of today bring home is the utter untenability, from the long term standpoint of survival of the human race and civilization as we know it, of the profit-driven capitalist system.
  
32. The solution to the problems of humanity can only come from a rational, planned economic system that is not driven by the goal of private profit maximization but by the objective of preserving the earth as we know it and ensuring decent lives and participatory democracy for working people. Historical experience shows us that, socialist regimes, even when they captured power through a revolutionary process in extremely backward countries, were able to eliminate unemployment and mass deprivation. They were able, through social ownership of the means of production and central planning, to eradicate poverty, greatly improve health and educational standards of the people, and bring peace and prosperity to the people. The resolution of the problems humanity faces today also requires the social ownership of the means of production and central planning to ensure sustainable development for all in every country. It further requires a global consensus on issues of climate change, food security and avoidance of war, all of which can only take place under a system of socialism in all spheres- economy, polity and society. It is the historic responsibility of the working class to fight for and achieve such a socialist transformation of the world. It will of course not happen overnight nor across the world at once. Our struggle for socialism will have to be primarily at the level of one's own country to begin with. Gradually, forces of socialism will have to collaborate more and more as we confront the power of global capital. The working class of India is a major contingent of the world working class, both by virtue of its sheer size and by virtue of its heroic struggles and rich experience in battles for both national liberation and socio-economic progress. We, as a component of the Indian working class, cannot allow the present bleak moment of the upsurge of communal fascism and neoliberal globalization to dominate our consciousness and weaken our will. Surely, we shall overcome all these challenges and adversities, and move forward in the struggle for Socialism. We have no right to opt out of this struggle, for the alternative before humanity is: Either march forward to Socialism, overthrowing Capitalism. Or see humanity being destroyed by the relentless drive for corporate profits.