Two Crises

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Capitalism routinely creates crises for the working class. To transform society, we need to create a crisis for capitalists.

There are two types of capitalist crisis.

One type, the one most debated among political economists, is caused by firms and individuals going about business as usual and inadvertently driving profit decline and recession. In this instance, crisis is internally caused, by capitalism’s own regularities and uncoordinated by extramarket forces.

But there’s also another type, the kind that used to keep the rich up at night: the kind of crisis caused by average people disrupting business as usual.

We live at a time of record misery for average people. If we want to change that, we have to think about the second type of crisis — and how workers can take advantage of them to wring social-democratic concessions out of politicians and the wealthy.

A Self-Imposed Crisis

As part of the accumulation process itself, there are several ways that businesses can cause the first kind of crisis while simply going about their normal day-to-day routines: growing employment could lead to profit squeezes, changes in the composition of labor and machines within firms could spur on a falling rate of profit, firms might overproduce and lose profits because of insufficient demand, and individual investors might overvalue stock-creating bubbles that eventually pop.

This type of crisis is a kind of “collective action failure,” the net result of decisions that seem
good for the firm or individual but turn out to be bad for everybody.

When a crisis hits, policymakers respond to try to revive profitability. But they are also forward-looking and will try to stop such crises from happening in the first place if their advisers raise sufficient alarm.

Sometimes they will promote capitalist growth at the expense of workers. Other times, they will do it in ways that actually benefits workers.

It’s foolish to think that politicians are always explicitly trying to undermine the well-being of working people. Their main goal is often to promote a healthy investment climate. All things being equal, policymakers are not intervening for particular capitalists, but rather for capitalism itself.

Take the example of Herbert Hoover and the Great Depression. There is substantial debate over how responsive Hoover was to the onset of the Depression, between 1929 and 1931. But one thing is clear: he did not do enough to revive profitability and the economy, and as a result he lost his reelection bid against a more interventionist Franklin Delano Roosevelt.

Policymakers understand this historical lesson and are keenly aware of the danger of being perceived as hurting the economy and firm profitability for fear that they will lose their jobs. If they let firms run amok and create a crisis for themselves and everyone else, politicians will move as quick as they can to pick up the pieces before they suffer any electoral consequences.

A Crisis Caused by the Working Class

Yet there is another kind of crisis — one that is the result of concerted collective action such as strikes, protests, riots, and boycotts. This is the kind of crisis illustrated in Frances Fox Piven and Richard Cloward’s Poor People’s Movements and the legitimation crisis of James O’Conner and Claus Offe.

Life in a capitalist economy generally depends on what Piven and Cloward call “conformity with established roles and compliance with established rules.” But people can withhold their cooperation from a number of institutions in ways that make life difficult for elites and policymakers.

Of primary importance to capitalist crises of this sort is the extent to which people conform to the rules and expectations of firms. Disrupting a firm’s operations through coordinated labor actions like slowdowns, sabotage, and strikes are specifically intended by unions to eat into its profits. This is what makes labor organizing a threat to capitalists in the first place.

But it makes labor disruption a threat to politicians as well. On a large-enough scale, intentional work slowdowns and stoppages can depress an economy, digging into corporate profits and slowing down growth.
Politicians at all scales of government are plainly aware of this possibility, and often move to stop it before it happens or to interrupt it as the economic turbulence unfolds. As in the case of a “capital strike,” where firms withhold their investments to indirectly pressure states and policymakers, these kinds of crises are a result of collective action.

Politicians will intervene in all crises and often try to pre-empt them. But sometimes they are forced to deal with class struggle; other times, elites are just responding to volatility in the market.

A central question for radicals is, under what conditions might politicians actually intervene to rebuild decaying social services and strengthen the tattered safety net? Part of the answer lies in the fact that they won’t unless they feel threatened.

Consideration of the two kinds of capitalist crisis points to a strategic prospect for reversing our present course and redirecting American capitalism toward more solidaristic institutions and arrangements. Crises open up historical opportunities for institutional change. Even the threat of a crisis can spur policymakers to act. But how politicians react can be widely different.

Consider the stark contrast in political responses to the Great Depression and the Great Recession: in 1935 the Social Security Act and the National Labor Relations Act, while vastly inadequate, benefited millions of Americans, granting them a degree of retirement security and union organizing rights. But in response to the crisis of 2008, we got the the Emergency Economic Stabilization Act, which bailed out banks “too big to fail.” Besides a few small programs on issues like housing and unemployment, average Americans received little.

The Balance of Class Forces

What matters in these moments of structural possibility, where politicians are moving to act, is the balance of class forces, or the balance of power between fractions of labor, capital, and other interest groups in society.

In moments of economic uncertainty, whose interests have greater leverage over policymakers? The 2008 crisis unfolded in a period of near silence on the part of labor and popular movements and historically low levels of labor organization. It was only after the Occupy Wall Street movement rose in 2011 and was crushed nearly two months later that the popular dialogue changed and economic inequality became a salient political issue. But in terms of creating political opportunities for social-democratic and socialist policy change, OWS itself was a case of far too late and far too little to shift the balance of class forces in favor of the working class.

Politics in times of social calm can appear unbendable to advocates for even mild social-democratic reforms. In normal times, when working people are unorganized, capitalist democracies are more tightly beholden to elite interests.

In large part, this is where we find ourselves today. In this setting, working people have to both
make and threaten crises that trigger a structural response from policymakers and be strong enough within the context of those crises to exact concessions from them.

The capacity on the part of working people to either cause crises or make politicians worry that they are on a path to crisis is not enough to ensure that policymakers will intervene with social-democratic resolutions, however. Indeed, historically they usually do not. Since the inflation crisis of 1970s, when policymakers pinned increases in the value of the dollar on union wage gains, austerity has overwhelmingly been the political response. In many parts of the capitalist world, it remains so because the working class have been increasingly atomized and unorganized.

But the two are certainly connected. The degree to which labor militants were able to cause political panic during the context of the 1930s was far greater than the subsequent strike waves of the organized labor movement.

Without a doubt, higher levels of labor militancy contributed to making the policies of the Roosevelt administration progressively more social democratic. But in the years after the passage of the Social Security Act, labor’s strategic approach shifted away from the kinds of militancy that have the potential to cause crises and strike fear into the hearts of policymakers. Voting and party politics has largely replaced disruption.

Philip Murray, president of the CIO, summed up the change in a 1947 Labor Day speech. Pointing to the first half of the 1930s, he said that “it was against great odds that the Congress of International Organizations fought in those days. But men and women fought splendidly — and they won.”

But from Murray’s view, the problems that confronted labor after the war “can be solved only by political action.”

The shift, toward formal politics and away from militancy, was reinforced by the AFL-CIO’s first president, George Meany, who in 1955 declared that “the scene of the battle is no longer the company plant or the picket line. It has moved into the legislative halls of Congress and the state legislatures.” Rather than use labor’s power to disrupt business as usual, union leaders elected to engage in the decidedly less threatening tactic of polite politicking. Workers have been paying the price for this strategic shift ever since.

A Path Forward?

Labor is now at its weakest since the 1920s. Unions are barely able to do what they once did for their own members, let alone for the working population at large. Is it fantasy to suggest that working people at this point in history could both create a crisis large enough to force policymakers to intervene and be in the position to ensure those interventions promote social-democratic and socialist institutions?
It is certainly unlikely — but not impossible.

Recall that union density through the first five years of the Great Depression, between 1929 and 1934, hovered around just 10 percent. Today it is nearly the same. To exact changes in the US system of old-age security alongside progress in other welfare institutions, unions and working people should take a lesson from that past era. Though small, the organized and unorganized alike acted collectively and militantly and used one tactic that has today faded into memory — the strike — to spur policymakers into action.

We are not locked onto a path of marketization. But only large-scale collective action can get us off it to begin build a system that ensures that working people can live comfortable, empowered, and flourishing lives.

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