

‘Actually Existing Capitalism’ Its Crisis and the Left

Joel Rocamora, February 12, 2009

“It’s a classic financial mania. You live in a little world of greed and everybody around you is interested in spinning the story to make the greed sound like a good investment.”

International Herald Tribune
January 13, 1998

“The truth is most of the individual mistakes boil down to just one: a belief that markets are self-adjusting and that the role of government should be minimal. Looking back at that belief during hearings this fall on Capitol Hill, Alan Greenspan said out loud, “I have found a flaw.” Congressman Henry Waxman pushed him, responding, “In other words, you found that your view of the world, your ideology, was not right; it was not working.” “Absolutely, precisely,” Greenspan said.”

Joseph Stiglitz, “Capitalist Fools”, [Vanity Fair](#), December 10, 2008

Neo-liberalism is dead. Its pall bearers, led by the United States and the United Kingdom, are the countries who most avidly pushed it in the last three decades. It has been killed because the avatars of neo-liberalism, greedy, unregulated financial institutions, provoked the 2008 financial meltdown, because cleaning up after them requires the kind of government intervention which was anathema to neo-liberal orthodoxy.

The death of neo-liberalism does not mean the death of international capitalism. Neither does it mean that workers and the poor will now get the fruits of their labor, that economic justice will now reign. What it means is that the ideological hegemony of neo-liberalism is finished, that the main thrust of ongoing discussions, regulating finance capital and government stimulus plans, run counter to neo-liberalism.

To be sure, the corporations, opinion makers and governments who benefited from neo-liberal economic arrangements are, even now, attempting to shape a new economic ideology which will enable them to retain their economic and political power. But they are doing it under less than ideal conditions. To start with, the crisis is not just in the ideological sphere.

By one estimate, as much as US\$17 trillion in stock values have been lost internationally. Worst, the main form of accumulating asset value in the past decade, financial speculation, cannot be availed of. As Peter Wahl put it: “The main problem for the Western elites is the fact, that the neo-liberal system in place is not capable any more to guarantee an orderly and stable accumulation.” (Wahl 2008)

American capitalism has been called “casino capitalism”. One measure of neo-liberalism's decline is that it is now being called a “Ponzi scheme”. As Tim Lee, an American financial consultant put it: “The financial system as a whole has had the characteristic of a Ponzi scheme if we look at it fundamentally. ... we should think of the true value of assets as being derived from the future flow of goods and services that the assets can lay claim to or produce. If market prices of financial and real estate assets rise a lot but there is no increase in the ability of the economy to provide goods and services in the future, then the apparent increase in wealth is illusory.” (IHT 2 Jan 2009, p.14)

Redesigning Capitalism – The Context

Even those who are losing power understand that there are going to be major rearrangements in the international political economy in the coming years. Because redesigning capitalism is, more than anything else, reallocating economic power, there will be a struggle for control over reforms. The main players are the United States, the European Union, Japan and the BRICS (Brazil, Russia, India, China, South Africa) countries. The main arena for reform struggles is likely to be the G20.

The role of the US is constrained. It's not just that the international crisis began in the US, the most important problems requiring solutions derive from the dominant international economic position of the US. The United States has only 20 per cent of world GDP, but its imports have made it the locomotive of world trade, determining not just the volume of trade but what products are produced. It is the combination of American dominance and unrestrained American finance capitalism that makes finding solutions so difficult.

Quite simply, the US has been living way beyond its means. It has been running massive trade deficits averaging six percent of its GDP for years. To pay for these deficits, the US has become the world's biggest debtor, consuming more than half of the world's savings. The Bush administration has also been running massive budget deficits. With bailout costs, these deficits are about to reach astronomical levels. Smaller economies in the South with these problems would have been put under a regime of IMF conditionalities. In the US, these problems were allowed to accumulate until they became not just American but international problems.

The cost of the war in Iraq and Afghanistan, estimated at US\$3 trillion by Joe Stiglitz, has contributed substantially to these budget deficits. More importantly, the Bush administration's handling of these wars has depleted the US' political capital at a time when its profligacy has depleted its economic resources. A lot of people's hopes for the reversal of Bush administration economic and political policy is pinned on the incoming Obama administration. There will certainly be change, but how much will not be determined until Obama is a few months into his term.

The IMF and the World Bank have been bystanders, their financial resources and powers insufficient to do much about the crisis. Where the IMF has come in, in Eastern Europe and Iceland, it has imposed the same conditionalities as in Asia a decade ago. At

the height of the crisis , on October 11, 2008, the G7, the world's biggest economies, met in Washington. Instead of coming up with a joint plan, all they could come up with were a few broad guidelines on what each nation would do to save its own financial system. It soon became clear that the G7 would have to make way for upcoming economic powers, so the dynamic for reform shifted to the G20 which met in November 2008, and is scheduled to meet again in April 2009.

The November 2008 G20 declaration was full of platitudes. "We underscore the critical importance of rejecting protectionism... within the next 12 months, we will refrain from raising new barriers to investment or to trade in goods and services... we shall strive to reach agreement this year on modalities that leads to a successful conclusion to the WTO's Doha Development Agenda with an ambitious and balanced outcome." (Halimi 2008) The work to shape agreements still needs to be done, nobody expected serious change at a conference hosted by a lame duck president.

The importance given to G20 has a lot to do with the BRICS countries. The importance of BRICS countries derives from the size of the countries, and from the fact that they did not blindly follow neo-liberal dicta, and yet had high growth rates. The most important are China, India, Brazil, and Russia. These countries benefited from the rise in commodities prices. More importantly, they used these resources to industrialize and to build a domestic market. They even developed a number of highly competitive multinational corporations.

China is particularly important because it has become the manufacturing capital of the world, the main source of cheap manufactured imports especially for the US. At the same time, the ruling Communist Party has used its control to impose very high savings, and build up what by now is estimated to be two trillion dollars of reserves. These reserves have been used to buy huge amounts of US bonds and securities, making China the main US creditor. Chinese assistance in paying for huge US current account deficits serves Chinese interests by preventing the devaluation of the US dollar and enabling China to maintain its trade competitiveness. This interdependence impose mutual vulnerabilities but it also gives China a major role in the ongoing reform process.

Latin America is important less for its economic clout than for its in-your-face opposition to neo-liberalism. In the past decade, more and more progressive leaders such as Lula of Brazil, Chavez of Venezuela, Ivo Morales of Bolivia, and Kirchner of Argentina have gotten elected. The most important economies in Latin America with the exception of Mexico have seized control over natural resource extraction, then used the resources to intervene massively in the economy, and to promote more social equity. These policies have been particularly disruptive for American ideological hegemony because Latin America has historically been an American sphere of influence.

The Washington G20 declaration was repeated at the APEC meeting that followed in Peru. But the declarations masked serious differences, especially between the EU and the US. At a European conference in early January, French President Nicolas

Sarkozy made a veiled attack on the US when he said: “In the 21st century, there is no longer a single nation who can say what we should do or what we should think.” Earlier differences within the EU on how to respond to the crisis appear to have been resolved with Germany finally agreeing to finance a large stimulus program. In a bid to influence the next G20 meeting in London, April 2, European leaders will meet in Berlin before the meeting to hammer out a common position.

Return of the Nation State

The spread and speed of contagion from what had been an American financial crisis is an important measure of the extent of globalization. Globalization, in particular, pressure on governments in the South to deregulate their financial markets brought American vulnerabilities to the rest of the world.

“Part of globalization involves economic and financial deregulation. This mania of deregulation that began in the U.S. was exported worldwide. Japan, Thailand, Indonesia and the Philippines all adopted varying degrees of financial liberalization which intensified the competition local banks faced from other financial institutions such as mutual funds, stock markets, bond markets, and foreign banks. Intensified competition and the search for higher profitability pushed banks to enter into new and riskier activities. Even as the financial system became more liberalized, the central banks in these countries did not step up their supervision and monitoring. In short, reckless liberalization without proper regulations and supervision opened the floodgates to financial irresponsibility.” (Mah-Hui 14)

The logic of globalization is that solutions to the crisis also have to be in the globalized sphere. The response thus far, in fact, has been the opposite, important policies have been made by and for the requirements of the nation state. The most important reason is that it is the nation state which has borne the burden of bailouts and stimulus programs. The other reason is that despite globalization, national financial systems remain different enough that policy-makers want to suit regulation to the particularities of their financial institutions. It is a lot easier to deregulate than to re-regulate.

If we look at what has been done so far, there has been a lot of talk about international cooperation but very little concrete international action. Hardly anything has been done to contain the spread of asset destruction. Most of the effort has been to contain damage to financial institutions, to get banks to lend by buying their toxic debt, or to extend new equity. Another major area has been to inject capital into the economy, the much vaunted stimulus packages, in an effort to contain the effect on the real economy. Despite attempts at coordination, in the end the size of financial packages was determined by national governments with the needs and particularities of their financial systems and economies as the main determinants.

As analyst George Friedman put it:

“...what is most important is to see the manner in which state power surged in the summer and fall of 2008. The balance of power between business and the state, always dynamic, underwent a profound change, with the power of the state surging and the power of business contracting. Power was not in the hands of Lehman Brothers or Barclays. It was in the hands of Washington and London. At the same time, the power of the nation surged as the importance of multilateral organizations and subnational groups declined. The nation-state roared back to life after it had seemed to be drifting into irrelevance.” (Friedman,2008)

In the end, it is the nature of the crisis itself and its still evolving aftermath that will determine responses. Funds to contain the damage to financial systems, most importantly in the US and the UK, could be had only from governments because it is only governments, and quasi-governments like the EU, which can print money. Because international trade and the flow of investments across borders will be severely restricted for at least a year and possibly many more, governments have to concentrate on domestic production and the local market.

The capacity of international capitalism to impose neo-liberal policy has been severely weakened. It is now possible for national governments to adopt policies that in the past would have gotten criticized or worst by the IMF, the World Bank or the credit rating agencies. That measures which go outside neo-liberal parameters are being undertaken first by the United States is a crucial fact. If, say Japan, in response to its own property-bubble crash in the 1990s wanted to impose similar measures, it would have been immediately punished.

Workers

What has happened to workers, especially in countries of the North goes a long way towards explaining the sources of the financial crisis. For almost half a century, labor's share of the domestic product has been steadily declining in favor of profit. With lower real wages, growth in demand of goods and services has been slow, and investment opportunities in the real economy in turn low. At the same time, the share of capital has increased at an accelerating pace, generating pressure for all kinds of “sophisticated” financial instruments for keeping capital circulating. The faster the velocity of speculative circulation of capital, the greater the risk of collapse.

“This credit expansion was the result of structural changes in income redistribution experienced mostly but not only in the US and the UK since the mid-1980s, exemplars of the “neo-liberal capitalist model”. The wage share has declined and corporate profits have surged as inequality of income distribution in the USA has reached levels not seen since just before the 1929 depression. While the *average* wage increased significantly up until 2006, the *median* wage did not improve at all; it even fell in several “old industry” US states.” (Sapir,2009:28)

In an attempt to counteract the decrease in demand attendant to lowering of real wages, workers were obliged to borrow more and more. The US' increasing debt was mirrored in workers' increasing personal debt. Workers were encouraged to have several credit cards and run up larger and larger debt. "The expansion of "personal finance" transformed the worker into a customer anguished by debts. American workers were imprisoned in a network of compromises with the banks in order to be able to pay their costs of housing, education, health and retirement." (Katz 2008)) It was the attempt to get workers to take on the largest possible personal debt, buy a house, that led to the collapse of the whole financial system.

Decline of the economic power of labor was contingent on cutting down the political power of labor. This meant the slow dismantling of benefits to workers won over centuries of struggle, the consequent increase in the power of management to fire workers framed as "flexibilization", and the reorganization of the labor process to make unionization extremely difficult. The collapse of the economic underpinnings of this political process, the American financial system anchored on heavy personal debt and highly volatile financial speculation, opens up political opportunities for labor. An attempt to recoup labor's economic losses can be framed as increasing demand in the economy. Short of finding another "bubble", the only source of stimulus for growth is on the demand side, that is, wages.

One might actually see this process unfolding in the heartland of globalized capitalism, the United States. Barack Obama's election victory was in some measure due to the extraordinary effort of the AFL-CIO, the American labor center, to secure his victory. In key states such as Pennsylvania and Ohio, AFL-CIO money and hundreds of thousands of volunteers, were crucial. Even before his inauguration, Obama was already repaying his political debts. Obama's Secretary of Labor, Hilda Solis, is close to the AFL-CIO. Solis has pledged to secure passage of a bill which would greatly facilitate union organizing. Obama's stimulus package redresses the Bush administration's focus on saving banks to providing jobs and improving government services.

The Left

This crisis is what the Left has been dreaming about for years, one that validates predictions, that is deep enough to shake the very foundations of capitalism, so deep that the very attempt at finding solutions has seriously divided the main centers of capitalism. There is a new openness to alternatives in the general public. There is a lot of activity among progressives to respond to this challenge. But I do not yet see intellectual or political logic to the response of the Left thus far, certainly not in the Philippines, nor in international circuits accessible to me.

One problem is that different levels of discourse are mixed together. There is no clarity about audiences; often progressives sound like they are only talking to each other. Emotive words like "socialism" are bandied about as if everyone knows what it means. It would be useful therefore to differentiate between different intellectual tasks, identify end goals, orientational statements, how to mobilize public support for proposals, how to

engage the official process. It would also be useful if people understood that these levels of discourse interpenetrate.

Everyone agrees that "...civil society actors' strategy has to be at the level of the radicalism of the crisis ... They must seize the chance to influence the basic direction of the reform process." But as the AEPF Beijing Declaration says. "To capture people's attention and support, proposals must be "practical and immediately feasible." Commenting on the Declaration, TNI says "There is no "maximalism" here. The Declaration points a path between merely reestablishing the status quo and assuming that actions must be "revolutionary or nothing." Unfortunately, many progressives do not follow this sensible advice. (www.casinocrash.org)

Within the Left, in the Philippines, within *Laban ng Masa*, we have to seriously confront the need to organize discourse on "socialism". We cannot use "socialism" to demarcate differences among us unless we specify what it means. The only theoretically elaborated meaning of "socialism" that I know of, one connected to actual practice, relates to its Marxist-Leninist interpretation. There are experiences in places like North Korea, Cuba and Venezuela, but they have not succeeded in becoming iconic the way Marxism-Leninism did through a good part of the 20th century. Within our ranks, sometimes I feel that our understanding of "socialism" does not go much beyond, "as long as it is not 'actually existing capitalism'."

I fully agree with Walden Bello that "The challenge is to overcome the limits to the progressive political imagination imposed by the aggressiveness of the neo-liberal challenge in the 1980s combined with the collapse of the bureaucratic socialist regimes in the early 1990s. Progressives should boldly aspire once again to paradigms of social organization that unabashedly aim for equality and participatory democratic control of both the national economy and the global economy as prerequisites for collective and individual liberation." I think that much of civil society internationally already "aspire ... to paradigms of social organization that unabashedly aim for equality and participatory democratic control of both the national economy and the global economy..."

Another problem is civil society's uncertain stance towards national and international structures of power. TNI, for example, says "practical and immediately feasible" proposals are "possible because, even under the domination of globalization from above, people have been developing alternatives within the world's nooks and crannies." True enough. But we cannot change the world if we only stay in its "nooks and crannies". We have to aspire to seize our societies' 'commanding heights' the better to democratize command structures, to move those 'heights' closer to the plains where people are.

TNI asks "What is the agency for pursuing constructive alternatives and resisting destructive ones? It starts with the "powerful movements against neo-liberalism" that have been built over past decades. These will grow along with public anger at the abuse of public funds for private subsidy, the crises of food, energy, and the environment, and the deepening recession." Again, I cannot but agree. But TNI itself has a "New Thinking"

project focused on Left political parties that go beyond social movements. Outside of Latin America, TNI knows more than any other NGO about the progressive governments which have resulted from these political projects.

There are questions of tactics. TNI says “These programs may well fail in halting the downward spiral of the global economy. But *they open the door to new forms of more social and public economy*. This raises a key issue: do we propose steps that will make things worse the better to create openings for more thoroughgoing change? If we say our program has to be “the opposite of the five trillion dollars of bail-outs, rescues, and subsidies provided to business in the past couple of months” does it mean we oppose all of these programs? The UK government’s nationalization of key banks? Certainly the Bush/Paulson “rescue” of banks by buying toxic debt, but also the Obama program of stimulating economic activity through social services and relief for home owners?

Progressive organizations such as FDC often mix longer term economic goals with specific short term demands. An early January 2009 statement identifies the following, imminently reasonable long term goals:

1. replacing the free trade approach with managed trade, which would promote domestic industry and agriculture;
2. moving towards a healthy mixed economy in which private enterprises coexist with cooperatives, private-public partnerships, and state enterprises;
3. undertaking income and asset redistribution to create a dynamic internal market that will fuel demand and provide a long-term stimulus to ecologically sustainable economic growth. (Freedom from Debt Coalition Statement, 13 January 2009)

More careful reassessment of short term demands have to be made in the new context. Old FDC demands such as “a moratorium on debt servicing, the cancellation of illegitimate debt” have to be reassessed in the context of the greatly changed international financial situation. In the past, these demands were made as “waving the banner” demands with no expectation of the government taking the demands seriously. Repackaged as negotiating positions in the current discombobulated international financial situation, it might actually be possible to get some concessions that would alleviate the Philippines debt situation.

Focusing discourse on “socialism” and “participatory policy-making” takes us out of contention in mainstream discourse. It’s not that I am against these ideas, but unless we introduce more detail, unless we connect these ideas to what has to be done, to getting loans out, to new regulations for the financial system, to getting out of recession, we are only barking at the moon. I am not saying we should concentrate our intellectual energies on these highly technical immediate policy level issues. We should concentrate instead on connecting “socialism” to these issues by developing discursive foci on the political economy of labor, on national economic production, and on the role of government.

Engaging Walden Bello. In an article published in Washington DC on the day before Christmas 2008, Walden Bello challenged progressives to fight against “Global Social Democracy” (GSD). Progressives, Bello said “...are still fighting the last war, that is, against neoliberalism”. They should instead focus on GSD because it is going to be the “coming capitalist consensus”. Bello gives four reasons for opposing GSD:

“First, GSD shares neoliberalism’s bias for globalization, differentiating itself mainly by promising to promote globalization better than the neoliberals.

Second, GSD shares neoliberalism’s preference for the market as the principal mechanism for production, distribution, and consumption, differentiating itself mainly by advocating state action to address market failures... This is very different from saying that the citizenry and civil society must make the key economic decisions and the market, like the state bureaucracy, is only one mechanism of implementation of democratic decision-making.

Third, GSD is a technocratic project, with experts hatching and pushing reforms on society from above, instead of being a participatory project where initiatives percolate from the ground up.

Fourth, GSD, while critical of neoliberalism, accepts the framework of monopoly capitalism, which rests fundamentally on deriving profit from the exploitative extraction of surplus value from labor, is driven from crisis to crisis by inherent tendencies toward overproduction, and tends to push the environment to its limits in its search for profitability. Like traditional Keynesianism in the national arena, GSD seeks in the global arena a new class compromise that is accompanied by new methods to contain or minimize capitalism’s tendency toward crisis. Just as the old Social Democracy and the New Deal stabilized national capitalism, the historical function of Global Social Democracy is to iron out the contradictions of contemporary global capitalism and to relegitimize it after the crisis and chaos left by neoliberalism. GSD is, at root, about social management.”

Walden and I have debated politics for almost forty years, always from the vantage point of how best to advance the progressive cause. We don’t have disagreements about fundamentals. At least, I don’t think so. Where we’ve tended to disagree is on approach, on tactics. In this instance, I would not identify social democracy or GSD as he calls it, as the main progressive target. Neo-liberalism has lost its ideological hegemony, finance capital and its ideological defenders are weakened, but they are still very powerful.

Of the four reasons that Walden mobilizes for fighting GSD, I agree most strongly with his Marxist analysis of monopoly capitalism. My problem is with where he takes his analysis. The logic of Marxist analysis of monopoly capitalism is the fight for socialism. Walden does not use the word anywhere in this or any of his other recent articles. Understandably so given the collapse of “actually (not anymore) existing socialism”. Instead Walden mobilizes what we might call the “world social forum”/anti-globalization

movement ethos of participation and democratic decision-making. I completely agree with this. Akbayan, in many ways, is an attempt to give expression to this ethos.

But I would approach social democracy differently. “Third Way” social democracy, like Tony Blair, has gone the way of neo-liberalism. It is now thoroughly discredited. But what Walden calls GSD is post Third Way. I may not agree with everything Gordon Brown, or George Soros, or Joseph Stiglitz says, but I certainly agree with several of the things Walden says they are pushing. Who among us will disagree with the following?

- Growth and equity may come into conflict, in which case one must prioritize equity;
- Free trade may not, in fact, be beneficial in the long run and may leave the majority poor, so it is important for trade arrangements to be subject to social and environmental conditions;
- Unilateralism must be avoided while fundamental reform of the multilateral institutions and agreements must be undertaken – a process that might involve dumping or neutralizing some of them, like the WTO’s Trade-Related Intellectual Property Rights Agreement (TRIPs);
- Global social integration, or reducing inequalities both within and across countries, must accompany global market integration;
- The global debt of developing countries must be cancelled or radically reduced, so the resulting savings can be used to stimulate the local economy, thus contributing to global reflation;
- Poverty and environmental degradation are so severe that a massive aid program or “Marshall Plan” from the North to the South must be mounted within the framework of the “Millennium Development Goals”;

Framing a Progressive Response

I hesitate to use “socialism” because after the collapse of “actually existing socialism”, if someone asks me what socialism is, I would not be able to answer. Those who continue to use “socialism” in countries like China and Vietnam, and in social democratic countries in Europe cannot, I insist, differentiate it from capitalism. Those who control international capitalism are even now busy crafting a new ideological paradigm to replace neo-liberalism. We cannot effectively counter this process unless we admit that our ideal, socialism, still needs to be re-created, that some of the elements of a twenty-first century socialism may be found in European varieties of capitalism in countries like Sweden.

In contrast to the Marxist-Leninist “socialist” paradigm which was anchored on authoritarian politics, our socialism should be recreated in a democratic, and participatory process. There are more than enough ideas in the anti-globalization movement, many of them exchanged enthusiastically in the progressive bazaars of World Social Forums. The bulk of these ideas tend to be small scale and community based defensive responses to globalization. The challenge is to translate these ideas and the ethos behind them into identifiable goals out of which concrete policies can be derived. We can go further with these ideas if we bring them into the state instead of always operating outside of it.

Without letting go of paradigmatic goals such as “socialism” and “participatory democracy”, I want to suggest a number of goals which, under current conditions are within the range of possibility, or at least can serve as bases for broad societal coalitions that the Left can lead or minimally participate in. Because of time constraints and my own limited knowledge of detailed economic analysis, this is only a sketchy outline. These goals can serve as criteria for judging more specific policy proposals and at the same time as a rough guide for future discussions on alternatives.

- **Control finance capitalism**

The dominance of finance over the real economy has to be broken. I do not know enough about economics to lay out all that needs to be done to achieve this. I do know that there are civil society proposals for this, including re-regulation to the taxation of capital transfers to reduce the hypertrophy and power of the financial sector. Proposals for regulating the financial sector have focused on transparency and accountability. Achieving a reversal of GDP shares will require more than this.

- **Demand-side economics**

Supply side economics and its focus on macroeconomic instruments has biased economics towards the financial sector. We need a “demand side economics” for pushing a change in the balance of power towards the demand side, towards wages and salaries, towards social equity both nationally and in relations between advanced capitalist countries and the South.

Finance capitalism, in particular its Anglo-American variant, exacerbates income distribution. The logic of the crisis is that short of creating another bubble, the only candidate for stimulating growth is the demand side, simply, wages. But who said capitalism is logical. To push this reversal, the power of labor has to be rebuilt. Obama’s political debts to the AFL-CIO should help in the US. In Europe, pressure on labor has been accompanied by pressure on the social security system, so labor can get support from middle classes. In the South, labor has no choice but to work with other social movements to elect progressive governments.

- **Stable and predictable national and international financial system**

We have to work out how to relate to the “official” process, to policy options that are only now within the range of possibility. Current conditions make reducing exchange rate volatility an option. Together with keeping inflation under control, we might be able to build coalitions with segments of business to push for the government to regain control over exchange rates. Given the speed of contagion from the American crisis, capital controls should sound much more reasonable. This part is the most complex because it involves international relations. But it is also an arena where civil society has had a lot of experience. The terrain for civil society intervention today offers many opportunities because ideologically international capital is in retreat.

Progressives will not have a voice in G20 and other official discussions. But there are at least two G20 countries who might carry some of the advocacies of the Left, Brazil and Argentina, possibly South Africa and India. G20 and other “official” discussions, however, can be influenced through public discourse, in the media and academe. This is where it is important to shape advocacies which are not so distant from what will be discussed in official meetings. What I mean here is not that we shape the ‘intent’ of our advocacies close to those of capital, more that the “discursive location” of our advocacies cannot be too distant from what is discussed in official circles.

- **Seize the state**

This is where the “participatory democracy” ethos of international civil society comes in. Participation despite repression may be most satisfactory emotionally, invited participation suspicious, participation as in Sao Paulo remains the most productive. The maximization of opportunities for changing both national and international economies is possible only where there are governments who support change. The “return of the state” necessitated by the current crisis makes this arena of struggle more important than in the “downsize the state” years. But civil society still has to develop capacities for relating to the state in other than “watchdog” roles.

“The vision of such democratic control, however, is not of either a centralized national or a centralized global economy. It is closer to what [Walden Bello elsewhere described](#) as the “co-existence” of a variety of “international organizations, agreements and regional groupings” that would allow “a more fluid, less structured, more pluralistic world with multiple checks and balances” in which nations and communities can “carve out the space to develop based on their values, their rhythms, and the strategies of their choice.” (TNI)

The fact that the main centers of capitalism have had to move from the G8 to G20 is a small step towards Walden Bello’s “more fluid, less structured, more pluralistic world.” There are challenges specific to Asian progressives. In the aftermath of the Asian

financial crisis of the 1990s, Japan proposed a fund that could be accessed by Asian governments facing speculative attack on their currency. This was vetoed by the IMF and by the US Treasury Department. This has since been set up in the Chiangmai Initiative, then recently the fund was significantly increased without comment from its former oppositors.

Regionalism in Asia, in East and Southeast Asia, is complex. For progressives, APEC is a dead end, so big it is unwieldy, and dominated by the US. ASEM at least provides a forum for Asia – Europe discussions and has not tried too hard to suppress its “shadow”, the Asia-Europe Peoples’ Forum (AEPF). ASEAN is ineffective politically and economically. But ASEAN Plus Three (China, Japan and South Korea) has the potential to become a significant regional economic body. Its not ALBA, but then we don't have a Chavez in our region. If the US ceases to be the repository of Chinese and Japanese surplus, and developing the Chinese domestic economy cannot be rushed, there could be a large influx of capital to Southeast Asia akin to what happened in the second half of the 1980s.

In the Philippines, discourse on the financial crisis has not been joined. The government follows an 'ostrich strategy' not realizing that when you stick your head in the sand, you make yourself vulnerable to being kicked in the butt. Progressive discourse has tended to take the “gloom and doom” stance. In fact there are perfectly useful positions taken by people such as Ben Diokno. Even if our financial system, if only because of its limited size has not been too badly hit, the international recession is going to affect our already difficult jobs situation. The Left should make itself responsible for responding in a way that maximizes the potential for change in the situation. Much of public discourse has focused on *threats*. We should also look at *opportunities* for shifting economic policy.

Walden’s recent piece for FDC (“The Change We Want”) provides a good beginning for the kind of discussion on policy direction (not just specific policies) in the Philippines that is needed. The situation at this time provides an opening for the kind of reorientation that Walden proposes. Control of financial flows, industrial policy, focusing on the domestic market, these are all policies that everyone is getting into. Even if they wanted to, the enforcers of international capitalism are not in a position to punish new policy initiatives. What is needed is political will. But that’s a whole other discussion.#

Readings

Walden Bello, “The Coming Capitalist Consensus”, Published on Wednesday, December 24, 2008 by [Foreign Policy in Focus](#), Washington, DC

Walden Bello, “The Change We Need”

By **Walden Bello**, President, Freedom from Debt Coalition, Senior Analyst, Focus on the Global South, Professor of Sociology, University of the Philippines

(Revised version of a talk given at the Forum on “Why is Obama Worried and Gloria Isn’t?” PRRM, Quezon City, Jan. 13, 2009.)

www.casinocrash.org is the TNI site for discussions on the financial crisis

George Friedman, “[2008 and the Return of the Nation-State](#)”, October 27, 2008

Serge Halimi, “What’s the G20 for?” *Le Monde Diplomatique*, December 2008

[Claudio Katz](#), “A crash course in capitalism”, *IV Online magazine* : IV406 - November 2008, Economy

Michael Lim Mah-Hui, “Globalization And Banking Crisis: From Tokyo To Manila” *Paper prepared for the seventh Asian Public Intellectuals Workshop on the theme “Asian Alternatives for a Sustainable World: Trans-border Engagements in Knowledge Formation”*. Yogyakarta, Indonesia, November 22-26, 2008.

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