

# Occupy Wall Street in Context: Systemic Crisis and Rebellion

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The main flaw of the Occupy Wall Street movement, according to the establishment media, has been that the protesters themselves have only been able to articulate a "vague" sense of grievance. This, it is argued, is evidenced in the protesters' disorganized and rather scattered complaints. What is it, the media bemoans, that all those demonstrators occupying city parks across the nation in an apparent protest of everything from the death penalty to corporate greed really want?

Of course, the reason for the varied grievances of the Occupy participants lies in the fact that the protests have spawned in response to *a systemic crisis* afflicting the day's hegemonic economic order—i.e., neoliberal capitalism, or neoliberalism. And as this crisis of neoliberalism has intensified, its internal contradictions have become ever more pronounced. The crisis-stricken system thus churns out: mass unemployment and swelling wealth inequality, state sanctioned violence and repression, and a privatized and gridlocked political system. Is it any wonder, then, that assorted grievances abound in the Occupy protests?

The crisis of neoliberalism, and the revolt it has now set off, is not without precedents, though. The current worldwide unrest—from Cairo to London, from Santiago to New York—resembles that of forty-years ago. In fact, it has been since the late 1960s, particularly 1968, that such wide scale unrest has occurred. And, lest we forget, it was in the wake of this latter revolt that the capitalist model was made anew, as neoliberalism began its rise to dominance (about which more will be said below).

Clearly then, we are in the midst of a worldwide period of transition and tumult—a world revolution. The neoliberal era is at its end, and the formation of a new economic paradigm to take its place has begun. This, needless to say, is not to imply that we are on the precipice of a more equitable and just society. The experience of the 1960s, as that of 1848, demonstrates that crises and popular uprisings can be suppressed or seized by the right. The parameters of the neoliberal successor, in other words, are not preordained, but will be determined through the course of struggle.

Therefore, the question faced when assessing Occupy Wall Street is whether the movement will be able to sustain itself, grow, and eventually summon the power to function as a vehicle for resolving the current systemic crisis in a way that can lead to a more equitable economic and political order. Or, conversely, whether the promise and hope epitomized in the Occupy movement will be beaten back by a reactionary counteroffensive.

So then, in order for us to more clearly decipher the parameters of the particular alternatives we face, and better understand the historical context in which the Occupy movement has developed here in the U.S., we must first go back in time and address the rise and eventual collapse of neoliberal capitalism.

## Neoliberalism's Antecedent and the Crisis of Profitability

Escaping the destructive forces of total warfare, the U.S. emerged from the Second World War as not only victorious, but also an economic superpower. The triumphant post-war decades thus saw unprecedented levels of economic growth (nearly 5-percent annually). What's more, this economic

expansion occurred within a Keynesian framework, which held that government had a necessary role to play in correcting market failures. This framework helped to open the political space necessary for the New Deal Democrats to construct the pillars of the fragile American social safety net (unemployment insurance, Social Security, Medicare/Medicaid, etc.). And, by the waning years of the post-war boom, Keynesian economics had crossed party lines. As President Nixon was purported to have claimed in 1971, "We're all Keynesians now."

The post-war years also led to the formation of an unofficial accord, or social contract, between capital and labor. The accord generally held that workers were entitled to a decent share of the wealth they produced. And coupled with the Wagner Act of 1935, permitting collective bargaining, union membership ballooned and working class power increased. For with high union density, worker wages were able to rise in relative harmony with corporate profits and executive pay. This helped form the much-revered American middle class, cementing the American Dream and its notion of universal economic opportunity and prosperity in the psyche of the working public. And, in fact, from the early 1950s to 1980, social mobility did indeed rise.

The post war boom, however, did not last in perpetuity. By the 1970s, growth faltered and the social stasis began to crumble. Rising unemployment accompanied by rising inflation (i.e., stagflation) left traditional Keynesian prescriptions inept. The Keynesian model and consensus were cast in doubt. Still, the crisis was not solely of Keynesian economics, but rather a crisis of capitalist competition and profitability.

By the 1970s, both Germany and Japan had rebuilt their industrial cores from the ruins of the Second World War and began to challenge U.S. economic supremacy abroad, as well as within the U.S. This placed further strain on an already weakening U.S. economy, functioning to erode profit margins. The profit rate in the U.S. declined between the late 1960s and 1973. Keynesianism, it was learned, was unable to avoid the falling rate of profit.

Marx wrote about what he deemed "The Law of the Tendency of the Rate of Profit to Fall" in Volume III of *Capital*. Marx calculated the rate of profit by dividing surplus value (i.e., the rate of worker exploitation) by total capital (i.e., both "constant" and "variable" capital). Marx argued that over the long term investments in constant capital (land, materials, machinery, etc.) increase at a greater rate than those made in variable capital (labor). This, then, has the tendency to drive down rates of profit. As Marx wrote: "The gradual growth of constant capital in relation to variable capital must necessarily lead to a *gradual fall of the general rate of profit*, so long as the rate of surplus-value, or the intensity of exploitation of labour by capital, remain the same."

Hence, in order to resolve the crisis of profitability—a crisis afflicting capitalists—the capitalist class must seek to increase surplus value (i.e., worker exploitation). Put differently, the crisis must be resolved via an intensification of the class struggle. In the 1970s, this meant that the social accord of the post-war years had to be broken, and the Keynesian economic model had to be replaced. The only way out of the crisis was through the development of a new model, one that would be able to both extract concessions and squeeze greater profitability out of the working classes.

## **The Rise and Record of Neoliberalism**

On September 11, 1973 (that other 9/11), the democratically elected president of Chile, Salvador Allende, was toppled by military coup d'état. Leading the coup forces was the U.S.-backed Chilean Army General, Augusto Pinochet. On assuming power, General Pinochet immediately began to rollback the social programs and modest nationalizations that Allende's government had begun. To oversee Chile's economic transition toward a free market economy, Pinochet turned to a group of

University of Chicago-trained economists, dubbed the "Chicago Boys."

The Chicago Boys were students of the American economist Milton Friedman, who himself came from the Austrian school of economics. The Austrian school adheres to a *laissez-faire* philosophy and preaches the wonders of free capital flows and free markets as means by which to stimulate economic growth (what is known today as neoliberalism). Thus, when faced with rampant inflation and falling productivity in Pinochet's Chile, the Chicago Boys began to liquidate state-owned assets and slash governmental programs. Initially, the economy responded favorably—that is, inflation abated and the economy began to grow. Growth, however, was aided in large measure by the end of a national capital strike, launched by the country's ruling elites in response to Allende's victory, that had paralyzed the economy.

Though the Chilean neoliberal "miracle" was dubious and to be short-lived, it came at a particularly opportune time. With the Keynesian model floundering in the west, western policy makers were on the lookout for an alternative economic model. And neoliberalism, baptized in the bloody waters of the Chilean coup, appeared promising. With the 1980 election of the conservative Ronald Reagan to the U.S. presidency, the rise of neoliberalism in the U.S. became imminent. Its arrival was then punctuated in a high profile labor battle one year later.

In 1981, faced with a strike of unionized air traffic controllers (PATCO), President Reagan fired the striking controllers in near mass (11,000 out 17,000). The move broke the union and paved the way for more attacks on labor in the decades to come. The election of Reagan and the breaking of PATCO was a pattern mirrored in Britain, which saw the rise to power of the conservative Margaret Thatcher in 1979. Thatcher's attack on labor began with a series of anti-labor laws and, in 1985, culminated with a resounding defeat of a miners strike. And once firmly established in the U.S. and Britain, neoliberal class war polices were soon promoted to countries around the globe through varying degrees of coercion and force under the rubric of the "Washington Consensus." The class struggle the world over was transitioning into a period of class war.

The fact that the inception of the neoliberal era in both Britain and the U.S. was christened by a salvo fired at organized labor was of course no coincidence. As David Harvey argues in his book, *A Brief History of Neoliberalism*, we ought to view neoliberalism as a "project to achieve the restoration of class power." The working class and labor gains of the post-war accord years, after all, had only seen the sons and daughters of the newly prosperous middle classes turn around in the 1960s and revolt against the established order on their university campuses (most prominently in Paris and at UC-Berkeley). And such social unrest, coupled with falling rates of profit, required a response from the elite—they had to restore their class supremacy. And restore class supremacy they have.

In the U.S., Reagan's confrontation with PATCO functioned to give direction to the project for the restoration of class power. In the subsequent decades, attacks on organized labor proliferated. As the AFL-CIO reports, businesses today spend upwards of \$4 billion annually on union avoidance (i.e., union busting). As a result, since 1980, the burgeoning union avoidance industry has led to the precipitous decline in union membership, falling 40-percent to a unionization rate of just above 10-percent today. The ramifications of the decline in unionization, though, have reached far beyond organized labor, for as unions go, so goes the broader working class.

In 1981, as the Economic Policy Institute notes, the wealthiest one percent of Americans owned 24.8-percent of the nation's wealth. By 2007, their share had increased to 34.6-percent. Over this same time period, the average yearly U.S. income grew by just over \$11,000, yet the richest 10-percent collected 98-percent of this gain. And since 1979, the wealthiest fifth of American families have seen their income increase 49-percent, while the bottom four-fifths have seen an increase of

family income on average of only 7.3-percent, with the bottom fifth registering a *net loss* of family income of 7.4-percent.

In effect, we see, neoliberalism flipped the redistribution of the Keynesian welfare state on its head, funneling wealth from the pocketbooks of the working classes to the portfolios of the economic elite. (The present cries of the Occupy Wall Street movement against the 1-percent holding sway over the other 99-percent, we see, are not mere hyperbole.)

And it's been with this vast expansion of economic inequality that scores of accompanying social ills have arisen. As the British researchers Richard Wilkinson and Kate Pickett state in their 2009 book, *The Spirit Level*, "Inequality seems to make countries socially dysfunctional across a wide range of outcomes." Wilkinson and Pickett tirelessly document how inequality negatively impacts everything from physical and mental health to levels of violence, and even societal trust. Hence, the apparently "diffuse" grievances of Occupy protesters are in reality intertwined.

### **The Collapse and the Political Crisis**

By 2008, neoliberalism had run itself aground. The bursting of the U.S. housing bubble and the crash of the speculative financial sector signified to the world the catastrophic folly of the neoliberal model. The experiment to bring the self-regulating market of economic textbook lore into reality—what the economic historian Karl Polanyi deemed in his 1943 book, *The Great Transformation*, a "stark utopia"—had failed. Even the most strident of neoliberals acknowledged as much. As former Federal Reserve Chairman Alan Greenspan painfully acknowledged, "I made a mistake in presuming that the self-interest of organizations, specifically banks, is such that they were best capable of protecting shareholders and equity in the firms."

In fact, it was neoliberal free market ideologues like Treasury Secretary Hank Paulson and his Wall Street brethren who immediately turned to the state for salvation. And with the salvation granted via TARP, neoliberalism became little more than a farce.

Yet, because both the Democratic and Republican parties had moved toward building a neoliberal consensus over the past three decades (all were now neoliberals), the economic crisis quickly morphed into a political and governing crisis as well. For neither could offer a viable path out of the crisis, for neither was in possession of one. The Thatcher quip that "there is no alternative" to neoliberalism had become self-fulfilling.

Thus, facing an increasingly angry electorate and an economic system in disarray, both political parties have since chosen to engage in seemingly petty and dangerous political brinkmanship and crisis governing, as was seen most spectacularly in the debt ceiling debate of this past August. But with no ideological alternative to neoliberalism, both are actually forced to engage in such political theatre, for if they don't, their bankruptcy would be exposed for all to see. We can expect, then, the orchestrated political spectacle to continue until the economic crisis is resolved. Expect ample reason to occupy and revolt.

### **The Crisis of Ecology**

The crisis of neoliberal capitalism, it must be noted, has coincided with a worldwide ecological crisis. The move toward the stark utopia of an unencumbered market holds dire consequences for both society and nature. As Polanyi wrote, "allowing the market mechanism to be the sole arbitrator of human beings and their natural environment would result in the demolition of society." Nonetheless, try and demolish we have.

As a July report from the United Nations Department of Economic and Social Affairs states,

"Continuation along the previously trodden economic growth pathways will further exacerbate the pressures exerted on the world's resources and natural environment, which would approach limits where livelihoods were no longer sustainable." To quell any doubts of such claims, the report goes on to note that, "The current species extinction rate is about 1,000 times higher than the rates that prevailed over the planet's history."

The ecological crisis—although no doubt exacerbated by the previous three decades of shrinking environmental protection—is more fundamentally a crisis of capitalism. The underlying engine of capitalism, one must remember, is capital accumulation. This accumulation, moreover, must never cease. As Marx wrote in Volume I of *Capital*, "The circulation of money as capital is an end in itself, for the valorization of value takes place only within this constantly renewed movement. The movement of capital is therefore limitless."

However, there exists a problem with this insatiable quest: we live in a finite world. Although the movement of capital within a capitalist system is limitless, the system itself is not. One can open only so many new markets and offshore production only so many times. Moreover, there exist only so many barrels of oil and so many tons of coal to extract from the earth. In brief, capitalism, whether it is Keynesian or neoliberal in nature, is an *unsustainable* system. It is not a matter of if it shall reach a terminal crisis, but when and if humanity shall survive.

So then, as we barrel toward ever-greater economic and ecological ruin, what are our alternatives?

### **Alternative Constructs**

At the present, there appears to be three principal alternatives taking shape. The first alternative originates from the Tea Party-beholden Republican Party. It seeks a resolution to the present crisis by intensifying the class war, wringing even greater concessions from the working class. Troublingly, this course has been able to gain significant traction.

Its advance can be seen in the attacks on organized labor levied in Wisconsin, Ohio, and elsewhere. It is also seen in the calls for drastic "entitlement reform" (code for cuts in Social Security and Medicare/Medicaid) and the draconian anti-immigrant laws popping up in states across the nation (from Alabama to Arizona). In short, it is nearly identical to the neoliberal capitalist model of the last thirty years, only with a heightened level of working class and democratic suppression—a sort of authoritarian neoliberalism. The ramification for democracy, ecology, immigrants, and working people if such a dark alternative were to coalesce into the parameters of our successor economic system would obviously be grave.

The second alternative comes from the Democratic Party establishment. With the party controlled by its corporate financiers, yet still choosing to don the cloak of the "peoples' party," this alternative seeks to resolve the crisis by splitting the difference between failed Keynesian and neoliberal prescriptions. While the New Deal Democrats turned to bold Keynesian policies to save capitalism, the modern Democratic Party has turned to Keynesian-lite policies in order to save the neoliberal ideology. This is seen in the effort President Obama and Congressional Democrats have placed in implementing tax cuts and modest infrastructure spending as a means with which to stimulate growth (Keynesian prescriptions), while also calling for "shared sacrifice" and "entitlement reforms" (neoliberal prescriptions). Despite its obvious limitations, we may call this the more "responsible" of the establishment-sponsored alternatives, given that it merely throws us into the abyss, rather than rocketing us there.

The third and final alternative comes from the ideals embodied in the Occupy Wall Street

movement. In short, we can say these ideals run counter to all those found in the alternatives above. In other words, the movement composes the second half of what Polanyi defined as society's double movement. As Polanyi argued, the movement toward a free market utopia, and all this would entail, creates a counter movement to conserve both people and nature.

For the Occupy movement, the conservation of society is to be achieved via the expansion of democracy—economic and political. Yet, the protesters, to the alarm of the establishment, have not sought democratic expression via recognized electoral means. There will be no candidate endorsement from the Occupy movement, the protesters insist. Rather, the movement appears set on expanding democracy outside of established channels, as it seeks a transformed society that is somehow democratic in a new way. Well, what exactly does this, and can this, mean?

## **A Democratic Vision**

Writing in his 1917 work, *State and Revolution*, the Russian revolutionary V.I. Lenin offered what a society that is "democratic in a new way" might be.

Lenin started by arguing that the state was nothing more than an instrument for class oppression—a "special regressive force" wielded by the ruling class to suppress all others. Thus, representative democracy, necessarily functioning within the confines of the state, is an instrument in the oppression of the working class by a nation's economic elite, or bourgeoisie. The "democratic republic," as Lenin argued, was, "in practice, the dictatorship of the bourgeoisie." Or, as the Occupy protesters of today would say of the American political system: a dictatorship of the 1-percent.

Therefore, the task of the working class in seizing power, Lenin argued, becomes the overthrow of bourgeois democracy—i.e., the dictatorship of the bourgeoisie—and the installing of worker democracy in its place. (He called it a dictatorship of the proletariat; in today's terms perhaps we might say a dictatorship of the 99-percent. But what we mean here is full rights for all people; no rights for capital.)

A worker democracy, however, is to be merely a transitional phase on the path leading toward a socialist society. It is to allow the working class to seize power and suppress the economic elite so the state may "wither away." The abolition of the state, Lenin argued, will thus see the transition from "formal equality" (i.e., representative democracy) to "real equality" (i.e., "from each according to his ability; to each according to his needs"). In other words, it will see the transformation to a socialist society—a society that is "democratic in a new way."

Doubtless, this particular vision for a radically democratic society goes further than the Occupy movement has gone itself. At the present, the movement remains politically diverse and still quite young. But, as it continues to develop and mature, the socialist alternative will continue to bubble to the fore. For as the movement develops popular consciousness, Occupiers will come to realize that the economic and political inequality they seek to eradicate are part and parcel of the capitalist system, and can only be truly dissolved through systemic change. A change, no less, only possible through a socialist revolution capable of creating a society "democratic in a new way."

So then, will Occupy Wall Street be able to abut the forces of reaction and actually serve as a vehicle through which to move toward creating such a democratic society?

Perhaps. At this juncture, though, it is certainly too premature to make any predictions on whether the movement shall succeed. But crises, for better or worse, do create opportunities. And the opportunities and hope for creating a new world abound admits the convergence of systemic crises and class awakenings. In the end, after all, our world shall be remade anew, the struggle lies

in *for whom*.

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