

Late capitalist restructuring and social inequalities

The economic and political crisis of the foremost countries of historical capitalism, from which it seems increasingly difficult to emerge, is a system crisis, as it seems so much more evident analyzing the historical process. We can indicate the turning point in the early seventies, when the consumer society exhausted its propulsive drive without it being possible to export it to countries in the South of the world.

The most obvious and significant sign was a sharp fall in the rate of profits outstripped throughout the 1970s in the most industrialized countries. In both the United States and the average of United Kingdom, Germany, French and Italy the decline in profit rates as to capital investments was about 5.5 percentage points between 1970 and 1980: a heavy downturn difficult to stop by means of traditional economic measures.

At that point, the leading entrepreneurial groups, on the two sides of the Atlantic, were faced with a crossroads. On the one hand, it was possible to regain lost profit margins by innovating production methods, product types, and work organization. But this involved more and more courageous investments, as well as changes in living systems (housing, transport, communications, personal and household goods, etc.) that had characterized the consumer society in the previous decades. On the other hand, easier shortcuts and solutions could be made without changing scenarios and social relationships.

The second road started, and the responses to the crisis consisted of three main strategies.

- 1) The first of these strategies consists in the way large and medium firms have resorted increasingly to delocalization of their production and investment abroad, as from the early 1980s. In previous decades, their investment mainly concerned their habitual partners, i.e. in the other more developed countries. Now, however, when these states are themselves fraught with similar problems, the new wave of delocalization and foreign investment has involved a much wider range of countries, with preference for those providing large workforces at low cost and capable of exploitation with minimal legal or trade-union regulation. Further constraints are similarly lacking in matters like environmental protection, tax obligations and suchlike.

*Former Full Professor of History of Labour at the University of Bologna (Italy)

ignazio.masulli@unibo.it, www.ignaziomasulli.it

The magnitude of the phenomenon has been and continues to be much greater than it is believed. In 2015, foreign direct investment made by non-financial corporations in Italy was 25% of GDP in France, 51% in France, 42% in Germany. In Great Britain, foreign investment accounted for 54% of GDP. Even in the US, a country that is supposedly centripetal more than centrifugal, in 2015, foreign direct investment was equivalent to 33% of GDP. It is clear that productive delocalization of these proportions has led to millions of less jobs in the countries of origin.

- 2) Secondly, thanks to ongoing developments in microelectronics very high levels of automation in industrial production and computerized services have been achieved. To be sure, the pressure towards greater automation was nothing new in the history of industrial capitalism, as launched with the mechanized loom, followed by the production line, and so on. But who could have foreseen the levels of automation made possible by the revolution in microelectronics?

As is well known, the roles of that revolution have been extraordinarily innovative in the fields of information and communication. While applications introduced in production technologies have obeyed the same logic that has characterized the entire industrial age since the introduction of the mechanical frame. A logic aimed to produce the same amount of good and services with increasingly less workforce, favoring the use of the least qualified and, therefore, more easily interchangeable and precarious, as well as less remunerated. Delocalization and automation were then interwoven in facilitating the use of unskilled labor force and exploited to the least developed countries.

- 3) Again, in the aim to respond more rapidly and easily to the fall in rates of profit in the early 1970s, increasing amounts of capital have been diverted to financial investment, reaching unusual levels as shown by the statistics. This has led to a rapid rise in the power and autonomy of financial capital, the latter obtaining a dominant position in the economic system as a whole. By consequence, there has also been a progressive financialization of businesses in the most diverse sectors. Soon the main purpose of companies has become to meet the needs and expectations of shareholders. This led to an assessment of the company's results on the basis of the greater or lesser appreciation of their financial securities, rather than on the basis of the results achieved in terms of production and market terms. On the other hand, the pursuit of technical-productive concentration in ever-wider scale has further strengthened the role of financial capital in all sectors.

These three responses to the 1970s crisis have long gone so far as to become the main strategies of capitalist restructuring in the last thirty years.

All this has been made not only possible but openly favored by the neoliberal policies inaugurated in the early 1980s by the conservative Governments of Thatcher and Reagan. Policies that have found substantial continuity in the governmental action of the various Blair, Schröder and other gravediggers of European Social Democracy, in tandem with the Clinton administration, from the second half of the 1990s to the current epigones.

Over the last decade, the further strengthening and concentration of the dominant power system has flattened even more the political equilibria. Large coalition or pseudo-alternation governments in various European countries have emphasized the void of alternative policy proposals. Add the one-sided austerity policies, labor flexibility and social spending cuts predicated by the European Union and diligently adopted by the governments of the member states, and you will explain the reason for that sort of political plagiarism that it seems difficult to get out of.

It should also be remembered that, thanks to the three main strategies of the late-capitalist restructuring mentioned above, the oldest developed countries have established strong alliances with traditional dominant groups and new social classes on the rise in the in major countries of Asia, Africa and Latin America leading them to pursue development models and processes of modernization at all similar. And where such alignments have met with resistance, it has resorted to every kind of pressure, economic, political and, if necessary, military.

The result is a system of economic, financial, techno-military, political and media power, as concentrated, as extensive and pervasive.

It is not surprising, therefore, that in the last thirty years there has been a decisive and further shift of strength relations between capital and labor for the benefit of the former. This has allowed economic and political dominant groups to step up the dismantling of labor and social rights gained by working classes from the post-war to the 1970s.

Some of these restorative policy objectives deserve to be mentioned, either because they have directly contributed to increasing social inequalities and because they continue to be pursued by the governments of most of the EU countries with the support of its central institutions.

A recurring objective is the so-called 'active labor policies'. This definition recurs is frequent in the work laws introduced in the major European countries since the late 1990s to present.

The first, launched by Blair in 1998, was intended to reduce workers' rights and welfare benefits to them. According to him, citizens had to get out of the "addiction and laziness" determined by social welfare measures and become responsible for their own fate by actively seeking a job.

The motivation was the same supported by Thatcher and Reagan. In fact, the measures envisaged were aimed at pushing citizens to accept any work, even heavy and poorly paid. This dramatically cut social spending and favored downward competition in the labor market.

The same principle was adopted by the Hartz Commission established in Germany in 2002 by Gerhard Schröder. Even Jospin's socialist government in France, who was more aware of the risks in the welfare system's revision, adhered to the paradigm of "active labor policies" by promulgating, in 2002, measures similar to those adopted in Great Britain and Germany. In Italy, similar measures have been found easy in the populist liberalism of Berlusconi governments. Neither were effectively opposed by the center-left coalitions, however, characterized by paralyzing internal tensions.

A second objective pursued with tenacity concerns the ever-increasing freedom of dismissal granted to entrepreneurs and practicable for simple economic convenience. In Great Britain the already plagued land in this sense by Thatcher and Major governments has made it easier for Blair to overcome regulatory constraints. In Germany, where there were more rigid rules, they were fought in practice by the entrepreneurs and with the government's tolerance. In France and Italy, trade union resistance has been stronger on this point, even though entrepreneurs have gained the widest and growing flexibility in contractual terms and types, with the consequent proliferation of precarious work patterns.

The third objective concerns the encouragement given to union bargaining at the enterprise level compared to the national one. Also, first mentioned by Margaret Thatcher, it has been reaffirmed in full by Blair's New Labor. Yet in this case the intent is to weaken the contractual capacity of workers and trade unions.

Moreover, the pursuit of these goals is parallel to deliberate deconstruction of the social state. Indeed, the above mentioned measures were regularly accompanied, in all the countries referred to, by drastic rescheduling of pensions, which had long since uncoupled from the highest income earned in working age. At the same time, increasingly severe cuts have been made to health systems. In this and other areas, quasi-market management policies were adopted, or anchored to pre-set budgets. The various forms of assistance have been limited to those "really needy" on the basis of means tested criteria. While the whole system has been marked by growing privatizations and private insurances, especially in the pension and health care sector.

All this has done nothing but reducing the real wage and with it the margins of an even low redistribution of wealth. On the other side, however, there has been constant reduction of corporate taxation and income, with the clearest advantage of the highest.

In this framework of general contraction of social policies, the pursuit of the three main objectives

that characterized labor law has had increasingly heavy social effects. And they have characterized even more drastic measures following the 2008 crisis. Today, the measures taken by Cameron and May, the Jobs Act of Renzi, such as the Loi Travail repropounded by Macron, as well as the policies of one-way rigor that continues to be pursued in Germany, are a kind of completion of a long path that has very much contributed to the increase in social inequalities.

(The quantitative data of such inequalities are well known and I think it is convenient to come back to them during the discussion and comparison for a more in-depth analysis).

The failure of economic strategies and neo-liberal policies is in the eyes of everyone. The crisis and the prolonged recession are the most obvious symptoms. The strong and growing technical-productive and financial concentration has ended with the braking and tendency to stop the enlargement of production bases, but such an expansion is a vital dynamic for capitalist development.

In social terms, the costs were enormous. Inequalities have grown to such an extent as to determine a kind of sloping plane in the social stratification on which not only the working classes but also the middle classes continue to slide. This means that for the majority of the population of the countries of historical capitalism the possibility of social mobility and the hope of improving their own conditions and those of their children have come to an end. Which is the cause of deep malaise and discomfort in the majority of the population.

We must therefore react to this new economic and political dictatorship by claiming a real right of resistance. How?

The late-capitalist restructuring process ongoing over the last forty years has compacted a block of dominant power enormously strong and extended on international scale. It exercises its dominance in the most unilateral and irresponsible way. It has reduced us from citizens to mere consumers and, as such, forced to obey the interests of the dominant economic groups and to conform to the systems of life that are more responsive to those same interests.

But this is also one of the major weaknesses of the mega-apparatus. In fact, you can use the consumer condition as a weapon in the fight against the system.

The right of resistance must be challenged, jointly, in the struggle against the unbridled commodity of labor and nature.

In the past few years, there have been numerous campaigns of sabotaging the products of multinationals that exploit child labor under intolerable conditions. Several campaigns have involved pollution and environmental disasters caused by large oil companies and others. There

have also been important campaigns to raise public awareness, but not enough to cause trend reversals.

In order to achieve lasting changes, boycott and sabotage actions must be conceived as the primary means of social and political conflict.

As far as work is concerned, in the face of the blackmail of delocalization, the attempt to negotiate and the instrument of strike are often insufficient. It is therefore necessary to sabotage companies that transfer their production to low labor cost countries.

Another effective way to strike can be to deal with "bad competition" cases where, through mergers or acquisitions more or less forceful, big companies seek to reach even more productive and financial concentrations. The consequences entail a shrinking of the whole sector's production fabric with heavy employment implications. In these cases, boycotting products can be accompanied by other forms of sabotage aimed at hitting the nodal passages of the capital value chain by profiting from its transnationality and complexity.

The need to tackle environmental failures that expose entire communities to irreversible alterations to their habitats and threaten their health is becoming increasingly stringent. Heavy industrial pollution, abusive landfills, storage of toxic materials and more, have sparked and continue to provoke lively reactions to populations directly concerned. Too often, however, the struggles remain limited. A more systematic commitment and capable of defeating the interests and logic that lead to such results also require new forms of civil disobedience that, while respecting the laws, leave the defensive trenches and encourage decisively alternative movements.