

## Social Security and the Global Crisis

*Andreas Exner, Vienna, 28<sup>th</sup> Nov. – Conference “Social Developments in China and Europe”*

In 2007, few people believed that the financial turbulences in the US housing market would have any significant repercussions on the world economy, let alone that they would trigger a financial 9/11 as the failure of Lehmann Brothers 2008 was called afterwards. Even less would have argued, that the global system of capitalism headed full speed into a systemic crisis that would shatter its foundations in a way the world hasn't seen since the interwar period in the 1930s. Though, there have been such people and we can draw on their analyses.

My task here is to develop a line of thoughts concerning the challenges to social security in a time of global crisis. This task thus involves a threefold analyses: (1) what is the character of crisis, (2) which role does social security play and (3) how does the crisis influence security? All three questions relate to the question, which kind of society it is, that we actually live in.

Before we get into some detail concerning these questions, we should make a stop and remind ourselves, that the discourse of crisis is anything else than new. The challenges and the character of the current crisis might be new or partly new, but the diagnosis of crisis for sure is not. Actually, the discourse on crisis was a permanent companion of worldwide economic, political and social developments from the beginning of the 1970s on. I will make a second stop and would like to propose to talk about capitalism, if we try to understand what kind of mess we got into since 2007 and if we try to understand why all this happened.

Capitalism is a complex social formation and its analysis is not easy. Yet its main mechanisms are not so hard to understand. We can clearly differentiate them, with some intelligence, if we compare our way of life and mode of production to former periods in time. The great sociologist Immanuel Wallerstein thus stressed the point over and over again, that capitalism in its most obvious form is a system that produces for the sake of profit and reinvests its profits in the production of more profit. This process of continuing “auto-valorisation of value”, as Karl Marx called it, is the process of accumulation of capital.

The main goal of production in this system is profit. Any actor – be it a household, an enterprise or a state – that tries to act in a way which gets in the way of profit production will be punished. Any actor that tries to enhance profit production will be rewarded. The system thus creates its own psychological and institutional requirements, which in turn strengthen the profit motiv in their turn. Crisis in terms of this system means: falling rate of profit, i. e. that the amount of capital that has to be set in motion produces an ever shrinking return of money surplus; and it means a shrinking mass of profits, the sum of total money surplus that feeds the systems expansion in the end.

Such a situation the world economy faced at the end of the 1960s and during most of the 1970s. Profit rates were falling. Enterprises had to struggle with reduced cash flows and lowered their investment expenditures in turn, because the fordist mode of productivity growth encountered technical barriers. But this was not a purely economic process, but at the same time a social one: Firstly, not only technical barriers made profits fall, but social limits to productivity gains were set by workers, resisting the speeding up of assembly lines and so on. Secondly, workers struggled quite successfully for an expansion of wages and of social security, strengthened by full employment. Thirdly, societal consensus of fordist growth eroded, 1968 being the chiffré for that. Finally, at the beginning of the 1970s a new kind of ecological awareness appeared: a minority realized climate change as a future problem for mankind, and resource scarcities were seen as a possible threat by many since 1973.

In short, the developments of the two following decades, which were named the period of neoliberalism, were an attempt to restore profit rates by fighting back workers organizations, enforcing new forms of social control by expanding market principles, integrating subversive desires for freedom into the expansion of capital, and by weakening the threat of resource scarcities by an attack on third world countries and an enhancement of resource efficiency.

This attempt, as it was correctly analyzed by a minority of social movements and some observers, was bound to fail in the longer run. Economically, profits were restored mainly on the basis of growing debt, especially in the USA. Socially, exploitation of labor was intensified. Ecologically, the growth paradigm was re-legitimated as indicated by phrases such as “qualitative” or “sustainable growth”. Profits revived, but economic growth in terms of capital expansion remained rather low. Actually, capital costs rose constantly, while the productivity of labor did not grow correspondingly. So the Fordist tendencies of crisis were still in force, and neoliberalism can be seen as a short intermezzo in a long road downwards.

Since 2006, the climate crisis cannot be overlooked any longer, thanks to the struggle of social movements which put it on the political agenda. Resource scarcities became obvious before the economic breakdown 2008 in terms of unprecedented price hikes. Peak Oil, the maximum of global oil production and the end of cheap oil has entered the discussion of the mainstream. No solution to the global fall in profits is in sight, besides illusions of a quick recovery that are based on the short-lived effect of deficit-financed public programs.

All these problems have their roots in the capitalist mode of production. Abstract valorisation needs concrete physical resources, and these are limited; it also depends on the consensus of people to be controlled and instrumentalized for abstract valorisation, and this consensus is also limited; finally it needs growing dumping grounds and people to accept pollution, with obvious limits as well. The limits of growth are the limits of the physical and human world to a boundless expansionary principle, the positive feedback cycle of abstract economic growth. The limits of growth appear as a crisis. Since these limits are reached on multiple levels, with the current crisis a general crisis of capitalism has begun.

So what about social security? Let me be clear about the fact, that social security is, other than economic growth, no inherent feature of capitalism. It is always and in each expression the result of popular struggles that put limits to capitalist expansion. Yet these struggles could until now be integrated into capital valorisation and sometimes had the indirect effect of even accelerating capital accumulation. For instance, public services partly replaced family ties as a social security net and thus enabled the expansion of wage labor and capital in turn.

Modern social security in terms of public services is a function of capital accumulation: Firstly it is financed by taxes on the valorisation process, be it wages, commodities or profits; secondly, it pushes further the expansion of capital by substituting family and other non-commodified relations by public security structures; thirdly, it is made necessary by the very expansion of capital in order to secure consensus of wage laborers to their control by capital.

Capital expansion now is in a deep crisis. The state has jumped in to rescue capital and acts as a lender of last resort for the system. Yet the excessive growth of debt will exacerbate the crisis tendencies of neoliberalism. Public debt will backfire sooner or later, possible scenarios ranging from state bankruptcies to inflation or deflation. Even more importantly, growth confronts us with a severe ecological dilemma. The necessary restructuring towards renewable energies needs growth of GDP. Yet, if growth would revive, scarcities would appear quickly again, pushing the economy in the next crisis. Yet resource scarcities are increasing also in a crisis, which will make the shift to renewables ever more difficult.

If capital expansion reaches its limits, social security will come under increasing attack during the next years. The only way out of this dead end of historical development is to leave the capitalist mode of production behind. A solidarity economy which orients itself towards fulfilling needs instead of producing profit is one necessary starting point, a guaranteed basic income and, even more importantly, a social infrastructure for all is another one. A new mode of production and a new mode of social security is needed in order to make the necessary de-growth of the capitalist economy feasible and to be able to re-define prosperity.