

# Economic Crises, Historical Regression and Social Conflicts: An Essay

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**Abstract:** The hypothesis of this article is that social pact carried out by European states collapsed irreversibly in southern Europe and it was seriously questioned in northern Europe, after the fallout of the global economic crisis in 2008. At various levels, most markedly in southern Europe than in the north, it has opened a historical dynamics of social regression. Greece, Portugal and Spain, for example, “Latin americanized” in three years with poverty rate growing to 40 to 50% of the population. However, in urban contemporary societies, the destruction of the average living conditions of the majority of the population could never be done “cold”, that is, no colossal resistance.

**Keywords:** labour, austerity, revolution, economic crisis, class struggle, capitalism

*Where there is a will there's a way*

Popular Chinese wisdom

*Times change, as do our wills  
What we are - is ever changing  
All the world is made of change  
And forever new qualities*

*(..) Of evil remains resentment  
and of good (if there was any) the longing.*

*Camões*

## **Introduction**

The wager of this essay is that the social regulation accomplished by the European States has entered in irreversible collapse after the precipitation of the world economic crisis in 2008. In different forms, more gravely in the South than in the North of Europe, a historical dynamics of social regression has already begun. Greece, Portugal and Spain, for example, have become “latin-americanized” at a frightening rate in the last three years.

Nonetheless, the destruction of the mean conditions of existence of most of the population in contemporary urbanized societies never takes place “in the cold”, that is, without colossal resistances. The challenge,

thus, for the European working class is to construct an impacting social force capable of preventing the socio-economic measures that are promoted by the Troika and implemented by the national governments. The emergence, in 2016, in France, of a resistance of hundreds of thousands in the streets, of movements like the strike in Greece, of the “a rasca” generation<sup>1</sup> in Portugal or the unsatisfied with the Spanish State, the largest numbers from decades in Europe, signaling a new rioting amongst the youngest.

If, however, an answer does not arise from the organized workers movement unified with the youth on an European scale, it will be impossible to defeat the adjustments that the European bourgeoisie needs to do in order preserve their global market position and to avoid the drop of values of the security titles. This process is yet in dispute. We must remember that, in current conditions, the destruction of the social pact that sustains the most advance world would suffer international consequences. A defeat this serious would establish a new relationship of power between classes. This answer is yet to be constructed. There is still time. Internationalism is no longer just a fair pragmatic formula, but has become a necessity for trade unions and politics in general.

The European working class of the early twenty-first century is different from the proletariat of thirty years ago, but this does not authorize the conclusion that it is weaker. It is a less homogeneous working class in many dimensions, in comparison to its prior generation, because the social weight of the industrial working class is smaller. It is a class with more social and cultural differentiations, with a smaller degree of participation on the organizations that represent them. And, it is also, a class less sure of itself, worn-out after decades of small defeats that were accumulated.

But, it is also bigger in numbers, more concentrated and much more academically instructed. It is a class with the potential to attract to its field the majority of the pauperized middle classes. It is a class much more aware of the international amplitude of its struggle and furthermore, much more critical than the older unionized and political directions: social-democracy and Stalinism. It will have to learn, in a near political future, the real greatness of its strength. It must break up from the influence of old apparatuses and construct new organizations as instruments of struggle to be able to collectively represent their interests. It will have to discover how to break the political limits of the domination of the electoral regime that protects capital.

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<sup>1</sup> “Geração à Rasca” is the name given to a set of protests that took place in Portugal and other countries around the 12th of March 2011.

### Economists and historians: crises and revolution

A popular wisdom teaches us that all crafts has its vices. Economists and historians have different points of views when the theme is the relationship between economic crisis and social conflicts. Both have no trouble in recognizing the growth of social conflict, as a tendency, when the impact of economic crises deteriorates the conditions of existence of the working class. However, even if inspired by a Marxist tradition, the focus of each discourse is different. There are too many reasons for this mismatch but, we advance here the two major ones.

The first one is based upon the fact that, on the last one hundred years, we witnessed more severe economic crises than social collapses. The economical crises of capitalism were recurrent but only through exceptional circumstances these precipitated revolutionary situations. The crisis related to the underproduction of pre-industrial societies were conditioned by the fluctuations of the farming world - soil erosions, dry periods, floods, earthquakes, epidemics - or, because of political and war pulsations, i.e, exogenous factors to the economic life, therefore random factors. On the other hand, the crisis on the capitalist era were provoked by endogenous reasons and assumed the form of regular cycles. Those destructive collisions of over-accumulation of capital and underproduction of commodities has been predictable for the past one hundred and fifty years and there is a broad repertoire of knowledge available from distinct orientations in order to comprehend it. The explanations as to why only in certain societies the economic crisis was a trigger of social discontent are diverse and the answer lies on the previous history of each nation.

The second one is that economists were educated not to be impressed with the “exterior” drama of events. For sake of their education, they seek the ‘internal’ laws of the capitalist system: the regularities, the cycles, i.e., the manifestation of a predictable pattern. Marxist historians on the other hand, have another theoretical inclination: they are enthusiastic to find within an apparently disoriented sequence, within the confused or chaotic chain of the facts, a conducting line of explanation the ties it all to class struggle. They contextualize the economical crisis looking for periodizations that consider other variables, beyond the strictly objective determinations.

One thing is for sure, the economical crises of the contemporary world were a necessary condition to the opening of revolutionary situations, but not enough of a reason to make the people willing to revolutionize and throw down a government. In fact, the normal conditions of domination, at least until the Second World War, the sacrifices imposed on the way of life of popular classes in those countries where the process of transition of agrarian economy to urban economy - i.e., almost all Latin America, Asia and Africa, perhaps, some areas of the Mediterranean of Europe - were absorbed without major tensions as temporary measures for different reasons. Maybe,

because a perception of serious injustice was not clear enough, or perhaps because it looked like it could be compensated ahead when a recovery would take place, or yet, because it was still possible a transitional return to the agrarian world, or because the political directions of workers inhibited or slowed down the gravity of social riots. On fully urbanized countries it was very hard to contain the social destabilization caused by economical crisis as it became clear after the German tragedy right after 1929<sup>2</sup>.

Economists could be theoretically more optimists on their investigations (optimists in terms of self-confidence in relation to their conclusions), because they have assumed as a presupposed thesis that the behavior of the individuals are rational and predictable. Even when they consent that the modern society is divided into classes and admit that, as a premise, the decisions that the individuals are conditioned by social pressures, they prefer to consider that classes are coherent in their interests. In other words, they disregard inconsistencies that are manifested within situations that a class effectively live and also, the conscious degree that this class managed to build based upon their interests. The methodological danger of economicism is to imagine that, in the context of social life, two instances of the same cause essentially provoke the same consequences and to construct a theoretical model emptied of space and time, where classes made out of flesh and bones and struggles simply disappear. When the theme are the economic crisis, the risk of an economist approach consists in neglecting that within history there are regularities, but there are no replays - repetitions are not possible.

On the other hand, historians learned to live with the theoretical unsafeness, because they accept the fact that there are no direct correspondence between the economic interests and the political behavior of classes. A dominant class or a dominated one could act against their immediate aspirations in order to future gains, or the contrary, to sacrifice their perspectives in name of immediatism of their needs, depending on many factors, amongst those, the reciprocal quality of the directions of the class struggle. Historians look at conflicts privileging the analysis of the political relationship of power that the social classes embedded their disputes, and reconstructing the fields of possibilities that were set on a certain situation. When they let themselves be blinded by the passion of their theme, historians can be excessively condescending with the past and, if consumed by skepticism, can become dangerously cynical.

2 HOBSBAWM, Eric J. **History of Marxism VI**. Translated by Carlos Néilson Coutinho [et alli]. Rio de Janeiro, Paz e Terra, 1985.

Nevertheless, it was not a particularly controversial topic in historiography to recognize that the economic crises in contemporary urbanized societies have tended to bring about social conflicts and, in rare circumstances, revolutionary situations. Recessions are destructive interruptions. They are potentially a moment of maximum vulnerability of capitalism. Clashes in the productive capacity generate immediate changes in the relationship of forces, because the escape of the crisis increases the competition between the companies and the States, and requires an increase in the exploitation of workers. When they are not able to defend themselves, the system gains historical time to recover itself.

The historical limit of capital was and remains as the limit of the process of valorization. Its expansion was dependent on the possibility of extracting the surplus value through the depreciation of wage or by increasing the work intensity; the possibility of reducing the costs of reproduction of labor by cheapening of commodities that account for popular consumption; the ability to increase productivity by replacement of living labor by dead labor; the expansion of the world market; and increased financialization; and commodification of public services.

However, there are not technological innovations that, by themselves, could be sufficient to preserve capitalism. The introduction of new technologies does not reverse the decline in the average rate of profit which regulates the pulse of the capital. The world market expansion limits are running out on their last frontiers, Asia and Africa. The dangers of an unregulated financialization manifested acutely in this last economic crisis.

In short, without increasing the exploitation of labor, and without the protection of the countries at the center of the world market through raising the transfer of wealth of the periphery, capitalism has no future. The expropriation of the work should be considered, however, on the scale of the world market. The export of crisis costs to peripheral countries was one of the historical features of how the imperialist countries preserved governability in the center of the system. But this too had and still has its limits. The national bourgeoisies in the semi-colonial countries, especially those where the majority of the population is already urbanized, can not risk social confrontations with its workers without careful political calculations. Therefore, there is not a strictly economic escape to the crisis. The escape of each crisis depends on a political and social outcome.

In contemporary times, the possibility of increasing the extraction of surplus value has been conditioned on the degree of radicalization of the class struggle. Capital has learned from the experience of

previous economic crises, and fears the dangers of misrule. The working class cannot watch the destruction of its achievements without fierce resistance. Therefore, the outcome of this crisis remains still open.

### **Crisis and Conflicts: the example of Portugal post-Troika (2008-2016)**

“We want a strong State in the economy,” many argue in Portuguese society nowadays, especially Keynesian economists. They insist that the neoliberal project is to remove power from the State and that the answer to this “liberal fanaticism” is the struggle for strengthening the role of that State.

We do not share this hypothesis. We have never had so much State as we do today and the center of egalitarian and free social demands, the heart of emancipatory projects (which have to respect the individual freedom, which is not a footnote in social change, but their heart), consists of removing force from this State and returning it to the base organizations of society, originated in places where people work, live and to other places yet to be invented, in a period where the informal and home-based work has gained giant proportions (50% of the employed population are in these precarious work conditions).

Through its economic weight, the State conditions private economy in order to maintain and expand its profit margin, no matter that the same profit can transubstantiate in income as Public-Private Partnerships. There is a certain democracy of shares in that procedure. Thus, the market shares determine the preference of the State for the salvation of certain types of capital, resulting in a simultaneous erosion of wage levels and the existence of small independent producers, i.e. those that produce according to their own strategy in a given competitive market. Small dependent producers, i.e. those that produce for a customer, a larger group, are only actually a department conditioned by its unique customer strategy. The State today conditions through public debt and other fixed income, such as public-private partnerships, whose rate of return is only higher (in some cases, 14%, 18%) in the drug business; the State regulates labor flexibility, creating a tangle of laws, internships, etc. (And not, as they wrongly say promoting the “deregulation”, since flexibility is deeply *regulated* by the State), which promotes and creates job insecurity and unemployment; the State determines wage cuts to the public sector, which serve as entrainment and example for wage cuts in the private sector; the State never got so much tax revenue in its history; the State substitutes the traditional employer-employee conflict, assuming by way of general laws (overtime, unpaid internships, regulation of flexible hours, etc.); the cuts of mass wages (direct and indirect cuts); the State encourages the privatization of public assets, directly expropriating basic services (WSD,

SS, DE) or using public funds to directly support private businesses (private health, private banking, among others).

The State that almost everyone lovingly embraces in the southern European society is the social State. Strictly speaking, the social State is historically above all the *social wage*: people pay taxes and social contributions they want to see returned in public services that the state does not give, but returns. Second of all, the social State is not a gift of the State, it was born against the State, under the factual situation where armed workers in 1945 in northern Europe, and in the social struggles of 1974-1975, with the Portuguese revolution and its contagion to Spain and Greece in 1974-1975 - when an increase and extension of pension reforms and the unification of health services in public health services planned and general and free education for all occurred.

The State of nowadays increasingly appears as what it always was: an increasingly complex tool (with agents and structures, particularly often with the contradictory agents of the State itself) to promote concentration of social wealth in the hands of few, and not a public source of confidence and public welfare for majority living under their rule. In Portugal for instance in the year 2014, there was 870 millionaires who had a fortune equivalent to 45% of GDP (GDP is what is produced by the whole population).

The welfare management of unemployment, the recapitalization of companies, securitization of the Social Security fund, the commodification of the social functions of the state, the very management of the workforce at the headquarters of social consultation - the European neo-corporative tripartite model of management of the restructure of labor - all these changes have been made and implemented having as their epicenter the strengthening of the State and its role in the double-strand aspect as the regulator and the funder getting more and more present, and not by its absence, as erroneously attributed to the so-called “neo-liberal phase.” The State has not diminished. Rather, it has been reinforced.

No political party with parliamentary representation in southern Europe suffrages today a defense of a distinct society, an alternative way of social organization, refusing any social utopia. This attitude is observed programmatically. Even the promise of full employment - although we live today with real unemployment of 25% in southern Europe, in Portugal the same - has disappeared from the public campaigns of these parties which, without exception, insist on putting the emergency programs - minimum wage, unemployment benefits - as a panacea for the historical problem of poverty caused by unemployment and low wages, today more than the relocation, unemployment is the wage regulator. The lack of exits, which causes individual despair, it is seen with the naked eye in the reproduction of dominant discourses. Recovery policies of the bankrupt assets in 2007-

2008 are, from right to left, known as 'austerity' and 'escape from the crisis' is a rhetoric tool used by all, hiding the fact that, since 2009, a minority sighted relieved because it would be out of the crisis it had entered in 2007 and 2008 - the bank and the bankrupt assets of large companies - and the other part of the population, the majority, who work for a living, and small and medium-sized enterprises, entered this crisis. The 'money' has not evaporated, it simply went from one side to the other.

In agony to decrease wages in order to recover from the largest fall in profit rates of history, the policies applied since 2008 dared a historic jump, to destroy the social basis of democracy-liberal regime, created by the social pacts of 76- 78 in Portugal, Spain and Greece. However, this led to the opening of a Pandora box. It is yet to be proven if the stability of regimes will subsist to the degradation of the conditions of living of the vast majority of workers. "Peace" in southern Europe today has two names: political police/dictatorships or broad social rights (1975-1986). All other historical times, in our contemporary epoch, are marked by the ungovernability and dialectically have as a consequence the obstacle to accumulation, euphemistically invoked outside the critical scientific means, such as "social stability."

The development project post 1975, the "Europe with Us" - a model of relative impoverishment in which profits and wages grew together, that is, the rich became richer, but the poor were less poor, the essence of the social-democratic project - has collapsed. The progressive modernization of southern Europe was a failure, and consolidated modernization through retrocess. "Give me a war and I shall make the GDP grow!" Destroying fields, closing plants, eliminating the production capacity, disinvesting in training the workforce and science, encouraging the forced emigration ... The throwback model prevails in the political choices of those who have been at the helm of the destinies of these countries - the model of cheap labor. Which is incompatible with the development of wealth and well-being of the population.

History is a process, not a fatality. It's a film, dynamic, and not a static photograph. We are the ones doing it, in its tragedies and joys, a process made of social subjects and not a divine teleological delusion. It comprises choices, pacts or conflicts, defeats or victories, sometimes also ties, though, we know these are not lasting.

The economic decline after 2008 was not avoided, but it produced a massive proletarianization, urbanization and education of the overwhelming majority of the population, combined with the achievements of the revolution, especially the social State, may be the social force capable of emerging welfare idea for the population. As Friedrich Hebbel

said, quoted by Antonio Gramsci: "To the youth it is often censored the belief that the world begins only with them. But the old believe even more strongly that the world ends with them. What's worse?"

### Management of Crisis or Crisis of management?

This crisis does not stem from a management problem, but the urge to remunerate bankrupt capital with public funds has brought to light a series of moral scandals, corruption and mismanagement associated with great leaders of banks or companies. *Too big to fail, too big to jail...*

They did not fail. The liabilities were nationalized to a historical dimension, but the assets remained protected. The phenomenon helped to explain to the major media the crisis as a problem of corruption and mismanagement. But we can not confuse the *appearance* of the phenomena with its essence. That is, as they look/appear and how they are in fact. The shadows and the reality.

Balzac, in his burlesque satire on debt - '*The art of paying off your debts and satisfy creditors without spending a cent*' - explains that "among the lenders we may have, there are always some sensitive and kind that end up liking the debtors."

While in 2008 the director of a large German company advised its staff to read Karl Marx's *the Capital*, the televisions around the world sought to find in the fever the causes of the disease. Insisting that the greatest crisis of the post-war capitalism was a problem of evil men at the helm of a good system.

George W. Bush literally and openly said in 2008, staring his fellow citizens right in the eyes, that if they did not authorize the trillions of aid to General Motors or Bank of America, the largest companies in the world's largest economy would bankrupt and dragged world capitalism to a great depression. These values, known as the "money helicopters" that Ben Bernanke, chairman of the FED, the US central bank system, poured on Wall Street (New York stock exchanges) will be advanced by the State and then paid with taxpayers' money - that is, with a real drop in wages of 25% in the US since 2008. Although some demonstrations then wield a Wall Street door to sign that read "Jump you fuckers!" - referencing the shareholders suicides of 1929 - but, this time, no one jumped. And American capitalism was saved not because it was a robust system, but because the biggest public support of the entire history of mankind was mobilized to its aid.

First, the colonial exploitation, then the neocolonial exploitation, after the transformation of China into the world's factory to produce

goods for 70 dollars a month. From crisis to crisis, poverty and barbarism, capitalism in its downward phase of historical mode of production, monopoly capitalism (2/3 of the workers of the world who work in SMEs work in fact, as already noted, in large corporations subsidiaries) was now saved by the State, i.e. the wage cuts, rising unemployment and the erosion of the social wage. Thus began the massive impoverishment of the middle classes in developed Europe and the US, something that the periphery of the world already knew long ago.

Without the Bushs, Madoffs, Oliveiras and Costas and Salgados of this world, the world economy would progress? Nope. But it is clear that the exponential increase in corruption - a slurry that every day opens new holes before the amazement of millions of honest people who live of their work - is not a lapse. The more the value of private capital is dependent on the State, the greater is the corruption. It made more honest people to depart from the top companies, leaving a morass of amorality and management when bankruptcies come forward.

We live in an 1929 delayed crisis. It is not a financial or *subprime* crisis, but a cyclical crisis that begins in US industrial production, in its military, automotive industry, and has its most obvious symptom at the financial level, with the stock market crash and the collapse of Lehman Brothers and of stock markets. But let us not confuse pneumonia with fever.

Pneumonia is the *tendential falling of the rate of profit*, caused by the contradiction between production for the needs and profit. Fever is the stock market collapse, the way the crisis *appears*, showing the depreciation of property, because of deflation in prices of production, here lies the *essence*. We say this without diplomacy: whoever does not realize the law of labor-value stated in Marx's *Capital* cannot explain the society where he or she lives. The law of value is to the economy as the law of gravity is for physics. Economists, on their majority, in the form of political commentary or academic work, act as if money produces money. Exalting on ascents and descents of the stock markets as if they had life of their own, and even the critics of what is called "neoliberalism" - the neo-keynesians - consider that we live in a 'casino' economy, and that the main problem at the root of the crisis, would not be the contradictions of production, but instead the lack of regulation of the financial system.

But if we live in an economy dominated by the financial sector, in this casino like model, why are financial aid worthless without the wages of the people?

What happened in 2008 was a massive help to the financial sector

and three months later, they've looked at the people and said: "Now it's up to you, with your reforms and paychecks, so pay!" Because what was proved by this crisis is that the production, the salary and labor are crucial. The securities and the shares without work are just worthless pieces of paper.

The economic cycles of the capitalist production, described in Marx's *Capital*, which occurred in the nineteenth century, roughly every 10 years and nowadays every seven years (are mapped by the Department of North American trade) have a life cycle that can describe as follows: crisis period, expansion, accumulation peak, crisis... the origin of the cyclical crises is the devaluation of property by constantly increasing capital (investments, machinery, technology, etc.) in relation to variable capital (wages). In the capitalist mode of production, crises derive from the overproduction of capital and not scarcity, as in the Middle Ages. When the *cost of labor*, the only source of *value*, increase against the constant capital, there is an increasing devaluation of property, which makes it to fall the average rate of profit. , Thus the crisis.

Usually at the end of the cycle, before entering in crisis (i.e., before a drop in profit rate, deflation of output prices, etc., which often manifests itself with falls in the stock markets), there is a high rate employability of the labor force or unitary labor cost. In this crisis, unemployment reached unprecedented structural levels, which means that the degree of depreciation of capital - and the need to trigger the most devastating counter-cyclical measures - this time was much higher. We are on top of a volcano. We are, from the standpoint of capitalist production, at a historical fork.

In the US, contrary to what is erroneously referred to in the manuals, the unemployment rates of 1929 were only reversed when the US entered the war in 1941. It was the war economy, transforming the *unemployed into soldiers*, productive forces in factories on machines of destruction, which reversed the accumulation crisis.

Since 2009, at least, the order emanating from the European Commission is to capitalize the bank. The advent of the 2008 crisis has banks in possession of a number still unclear toxic assets. Since then, each State tried to use all his strength to change these toxic assets (devalued) by fresh assets (with value).

These aids to banks led the government to observe impassive and serene a debt in which Portugal, increased from about 69% in 2008 to 102% in 2011. When it reached 102% "markets shook-up", i.e., shareholders feared getting stuck with a default in their hands. The titles pass to the

category of waste and the PS government, resigned, with the approval of the PSD and CDS, asking for help to the *troika*. After the 'distress call' the debt jumps to 130%. The State is bankrupt now more than ever, specially referring to the payment of the public debt and, way much more bankrupt than it was before requesting the loan. The rescue became a kidnapping.

It wasn't on the grounds of "monetizing the capital invested" that was requested the loan of the *troika*, but on the grounds to "avoid State failure." But well, the State was not bankrupt. It was in good health, and only comes into rupture after saving these capitals and Portugal banks. Only the salvation of the assets of BPN and BES putted together corresponds today to 10% of GDP. But virtually all banking was soon in 2008, connected by a catheter to public funds. The loan itself from the *troika* stipulated that its value of 70 billion euros, was to recycle the public securities categorized as waste and, not to pay salaries and State functioning, and 12 billion to recapitalize the banks. Worthless securities, just painted paper, were exchanged for securities value (wages, pensions, social State).

At the level of the ECB, they have had, on one hand, a historic fall in interest as well as in the mandatory deposits of banks at the ECB (the interests were in March 2015 at 0.15% and the minimum deposit at -0.1%). The ECB also loosened its policy both in facilitating access to credit directly through the ECB - which in normal situations is highly unadvisable and costly - as it became much more flexible in accepting guarantees of banks (accepting dubious securities as collateral). On the other hand, the public debt offered a safe investment (albeit with the intervention of the *troika*, in the case of Portugal), allowing the exchange of assets. In the case of Portugal, in 2009 it was created a line of guarantees offered by the State of 20 billion euros (Sócrates Government) and a credit line of 12 billion euros (under the *troika* program). All this implies that the whole bank system is bankrupt, and it only survives if it is connected directly to the State by a catheter of capital.

If we recall the BPN - whose operation of nationalization was announced as "profitable in the future" by José Sócrates - this deduction becomes indisputable: taking the president, Oliveira e Costa, who took some vacation time at home - which the press then called a "house arrest" - the former reference shareholders retained ownership of only part of the group with no toxic assets. And those who work for a living fully paid the bill through the constitution for the loan from the *troika*. Therefore, the conclusion is that the BPN, although it didn't broke, from a formal standpoint - it should have, and the State should have been limited to ensure the deposits at a medium level. But the BPN was "saved" by the State. And this rescue was requested, so that the State didn't let the

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investors who saw their fortunes shaken by the crisis in the bank to leave. Therefore, to say that the State has lost about 9 billion euros is only half of the story. The other half of it, is that some avoided to lose around 9 billion euros: its investors. In the "spirit" of entrepreneurship that they preach because they are investors, they should have supported the risks of their own activity.

Today, the interests of the debt represent the largest share of the State budget, more than the entire budget on education or health. We are talking about 8 billion euros in interests. In the Middle Ages, to live out of interests was considered usury, in the twenty-first century its awarded with *honorary* doctorates and crosses of merit.

The countercyclical measures ("austerity measures") that followed, in order to pay the interests of this debt, consist of *the expropriation by accumulation*: 1) raising taxes; 2) unemployment, precariousness and salary reduction; 3) privatization of public enterprises; 4) substantial reduction of the social functions of the state, which is accompanied by a general movement of commodification of public services. During this process, as already mentioned, the country has achieved over 50% of poor population and 30% of millionaires. Perhaps, it will be marked for history from this immense social change the following phrase: "the Portuguese people lived beyond their means." The Portuguese people? Which Portuguese people?

At its first moment, the crisis does not affect the workers. On the contrary, there are falling prices, as occurred in Portugal in 2008. But, what happens is that measures to "overcome the crisis", to reset the average rate of profit, based on the destruction of wealth by getting rid of products to keep the prices, or as in 1929, to burn coffee inside locomotives, not allowing it to get in the market which would bring prices down. To maintain profit rates is necessary to sabotage the economy, to destroy production and wealth, causing millions of unemployed and miserable workers. What is commonly called on the television the "decrease of the unitary cost of labor" has a counterpart which is never explained, to "increase the return on invested capital." These are the two sides of the same coin. Pedro Ramos, former director of the department of national accounts, the National Statistics Institute (INE), made the calculations and found that the weight of the work for others and on their own, dropped from "53.2% of gross in domestic product in 2007 to 52.2% in 2013 (...). The labor factor lost €6.6 billion. The capital surplus gained EUR 2.6 billion."

The Commissioner for Economic Affairs, Pierre Moscovici, in early 2015 concluded that "five countries - France, Italy, Croatia, Bulgaria and Portugal - had excessive imbalances requiring decisive political action

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and specific monitoring.”The concern was legitimate - from his point of view, or from that of the interests which he defends.To understand this, we must enter the political economy grounds, in other words, to grasp the weight that politics has on the economic expectations of the *troika*.

The imbroglia made by Moscovici is this: how to simultaneously reconcile the price recovery of their properties, expressed in income/ interest earned by the capital in the compensation of the debt, as well as the governance of the European Union itself and its countries.

### **Crisis or Opportunity?**

One of meanings of the word crisis is “dangerous situation or moment, difficult or decisive.” On the other hand, the crisis appears as “opportunity”. The definitions are suitable for the usage that the entire society has made out for this word with respect to the events of 2008.

What is dangerous, difficult or decisive for those who live of their jobs? Like any cyclical crisis that occurs in the capitalist system since the early nineteenth century (this type of crisis is a solely related to capitalism, since the pre-capitalist crises were shortages crises, shortages caused by bad harvests, wars, etc.), it manifests itself primarily by an overproduction of capital. An expression of this are the economic bubbles, but on a deeper level we have, for example, the physical quantity of produced houses which are far beyond necessary and, with prices much higher than the reasonable. It is observed also an increase in the unitary labor costs, most particularly in the US, which are the system engine, and therefore, making the crisis to be global. Looking from another angle, we see a deflation (decrease of value) in both the price of the property as in the price of goods. All this is, to a worker, is the best that could ever happen: the prices are falling.

The same cannot be said for banks and for the industry (whether for goods or services) that depend on the price of this property to ensure the interest, dividends or income earned, based on the capital invested there. Therefore, these sectors react to the crisis with counter-cyclical measures aimed at reversing the profit fall cycle. Central banks cut interest rates to create liquidity, companies dismiss personnel or close, to stanch the profit drop (to throw oranges in the garbage to avoid selling them at a price below the average profit rate, using the image of 1929) and governments dump their helicopters full of money into banking and industry, to exchange the assets devalued by valued ones, i.e. for reforms, wages, public companies. One exchanges real wealth - wages and public goods - for undervalued securities. It is precisely this movement to *combat the crisis of capital's valorization* that begins the *crisis of devaluation of wages*. It is important to understand that this is not about the same crisis, we are

not all in the same place in this boat - there are people in the basement, most of them, and some on the deck and others at the helm.

The interests of the public debt before the *troika's* intervention in Portugal reached unbearable values. Insupportable because they walked to the imminence of a pure and simple default. In other words, banks and other rentiers holders of these securities were about to get a hand full of nothing. The intervention of the *troika* assured that these securities were systematically exchanged. The State operated the exchange of previous securities classified as waste for new bonds rated and guarantees of EU member States. Hence the lower interest rate. However, the differential aspect between the interest before and after the loan had been covered with a sharp increase in the volume of debt, which had magically grown about 30%. Therefore, a short slice of interest is paid but now, on a much larger cake, which brutally increases the amount to be paid. The extra growth of the cake has to be guaranteed with the direct and indirect salaries (utilities) and workers pensions - the only good trading currency left. The perception of both the government and the *troika* was right - there was no alternative to ensure the earnings of capital but to swallow with an unprecedented political determination the workers' wages and their pensions of retirement - because someone had to pay the bill!

What was the real alternative? To drop the private capital. What would be the cost of this way out alternative? It would be high, certainly, but not as high as the cost of the escape *a la troika*. To drop these private capitals would cost us the long time it would take to rebuild the country, because of the course that the Portuguese economy took in recent decades and that has weakened its productive fabric as a producer of goods or social wealth. All this process of favoring the return on capital, from privatizations and concessions (PPP), carries in itself heavy costs for the State which, in the end, result in an incentive to fixed income without investment or expenditures, i.e., are in fact subsidies to sabotage production. But the cost of these enabling profit / income policies turned out to be unrealistic and beyond the means of a whole nation, which essentially depends on your own work. In these circumstances, the price to pay for any alternative exit or escape that faced the, so called equity markets would be high, but in any case, would never be as high as the cost of what was said as the “only possible way”, that of the *troika* and of the so called parties of the power arc.

There are those who have proposed an alternative - the parliamentary left opposition, among others, have argued in Portugal the renegotiation of the public debt. The argument that we leave here is this: a favorable renegotiation to the majority of the Portuguese population will be faced by the “markets” as a *default*, a suspension, which will lead to a flight of capital. Therefore implying, in both cases, public control over

the banking and financial system, risking that the country could get even worse without capital to start investments and production.

The European Commission is well aware of the minefield which is stepping into. On one hand, is experiencing a period of deflation that cannot foresee a miraculous way out. In order for us to understand this, it should be noted that the interest rate of the European Central Bank (ECB) is at historically low levels of 0.05% (March, 2015). Why is this important? Because this is one of the measures to reverse the cycle. And its ceasing to exist. It is precisely through such rate that the ECB ultimately, defines the amount of liquidity (money) there is in the market. Taking that into the account, we are in an ascending period of the economic cycle and, if everything was normal there would be no reason for that rate to be so low. The normal behavior of central banks is precisely to rise that rate in rising periods of the economic cycle, to be able to decrease them on the descendent period. Functioning as the truest countercyclical weapon, and it doesn't matter if the justification parameter to use is inflation. To put and to take money is nowhere different from the behavior of anyone who opens or closes a tap depending on your need of more or less water. This starts to become quite clear to Brussels and Frankfurt - that the tap is running out of water, which would be disastrous when the next downward cycle period comes. And the truth is that it will come. That was what Keynes use to call the *liquidity trap*.

The world economy continues on the brink of the danger of facing a depression. The interpretative key of the situation links to the evolution of this crucial issue. The prospect of an international economic stagnation for up to a decade, deserves to be characterized as a historic stage of the decline of capitalism. The social and political consequences are unpredictable. The impoverishment and therefore, the growth of social inequality should open a situation of social conflicts which is only comparable to the seventies, perhaps even the thirties. Europe remains the weakest link in the system, in particular the degree of risk exposure of its financial system, full of rotten papers, and addicted to cheap money released by their central banks.

The feeling of relative relief that arose in the first half of 2012 compared to the undisguised concern of the second half of 2011, was achieved because, the renegotiation of Greece's debt was finally completed. And the European Central Bank released a mega-loan for financial system in an astronomical proportion of almost a trillion euros. The other alternative on the table, the contractionary policy from Merkel's barbarians, the German pre-Keynesians, who demanded a constitutionalisation of austerity, inspired by the neoliberal countries of the eurozone (a policy advocated also by some sectors of the Republican

Party in the US), is even more worrying.

But this break-time should not reduce the uncertainty at stake. Unemployment in Europe is still increasing, particularly among young people: in Spain it exceeded the incredible level of 50%. The evolution of the job market in the US economy remains in a catatonic-growing pace, but for now, the FED did not make a new round of quantitative easing (QE), i.e. the emission of dollars, the financial tsunami that Obama promotes to make exports more expensive for Asia, Africa and Latin America. Relations between the center and periphery of capitalism should know reactionary changes as re-primarization and, in some regions, deindustrialization and denationalization as well as recolonization.

The argument of this article is that the vertigo of this historical decline threatens Europe. And a much more dangerous future, politically speaking, rises at the horizon, in a worldwide scale. Three terrible projections are presented as more than plausible, but probable in a near future: (a) the confirmation of the trend of an extreme drop in the average wage in all core countries (US, EU and Japan), reducing the distance that separates the production costs with peripheral countries (Latin America, Asia and Africa); (b) unemployment exceeds 10% of the economically active population at the European scale, but exceeds 20% among young people. For the first time since 1945, if the younger generation doesn't fight with determination to succeed, it will be poorer than the older; (c) the withdrawal of public policies of the so-called social welfare, and the social security of the older population, unemployment social support, and access to free education of the youngest, three of the priority targets of those adjustments.

It has always been variable, in each society, the capacity of absorption of this inequity elevation. What was considered monstrous, and yet, bearable for the masses in some nations, such as the hyperinflation above 100% per year (Brazil, 1982/92), or unemployment over a third of the economically active population (Argentina, 1995-2001) and that proved to be unacceptable to others (Bolivia, 1985).

It has been argued at lengths by liberal inspired scholars that the crises would be a form of austere economic regulation - strict, severe, but necessary; even benign, because even if they've produced, temporarily, the destruction of less efficient companies, they also allowed to create later on, more favorable conditions for growth. They've added that European economies needed to adapt to the competitive adverse conditions in the world market. The ruin of the European model of social policies would be offset in the future by productivity gains. This type of analysis is, however, unsustainable.

History has always been a battleground of ideas and it is not only the future that was in dispute. The distinction between what in the past was progressive, from what was regressive which was supposed to be the core of any historically contextualized research. But it is less simple than it may seem.

To understand the apparently chaotic transformations in this sequence, which ones were changes that opened the way for a less unequal world, and those which preserved injustice, should be the first duty of a serious research. The most elementary intellectual honesty is tested at the moment of separating what was progressive from what was reactionary.

An analysis inspired by Marxism should, with even more reason, try to discern the meaning and significance of the transformations. What happened can and should be explained, because it was inserted in a field of possibilities. The capitalist economic crises were not natural fatalities such as earthquakes. What is irrefutable is that the crisis opened in 2008 remains far from over, and no one can predict the destructive cost of what is yet to come.

The most serious of all the crises of capitalism was, of course, the crisis of 1929 and by far, the most catastrophic one. The ten years that followed the “crack” of the New York Stock Exchange were the most sinister decade of contemporary history, and culminated in the Second World War. History suggests, however, that any serious economic crisis of capitalism has produced some degree of social unrest and political instability in each of the affected countries and, more often, on entire continents. However, the impact of global economic crises in the last hundred years did not affect equally the different nations, and the sacrifices imposed within each country were distributed disproportionately among the classes, which resulted in increased social injustice.

The shock waves from the economic destruction, with its terrible social consequences were less catastrophic in the economic crises after 1929, mostly because Keynesian policies have shown greater efficiency in the long term, dampening the apocalyptic consequences of a depression across all related in this line. This is how the central banks were created, remembering that they did not exist before 1929, as well as a whole preventive financial architecture, which demonstrated great effectiveness for more than three decades. However, this protective armor via the stimulation of household consumption, and state demand culminated in an inevitable credit crisis.

### **The strategical limits of “austerity”**

The fiscal Keynesianism of recent years was a preemptive response to the fear of a workers’ and popular reactions to mass unemployment, if the recession degenerated into depression. It is better a devaluation of the dollar, than the unemployment above 20% of the economically active population in unemployment of the US. It is better the increase in the issuance marketable securities and increase of the debt, than to have the factories occupied. It is better the inflationary pressures, than the marches of hundreds of thousands in the streets. It is better the fiscal deficits than general strikes. It is better the compensatory social policies than the falling of governments. But these emergency responses culminated in 2011 with the danger of default in Greece and Portugal, among others.

The State debt is nothing but the anticipation for the present fiscal revenues of the future, the taxes that will be paid in the years to come and, in the longer term, for future generations. Unlike companies, States cannot fail, but may fall into situation of default or bad debt based on the incapacity of the scrolling interests, with the moratorium of the debts.

The time of economic crises has always been one of the moments in which the possibilities of transformations accelerate. The leaders of key States within the European Union do not disguise or conceal their determination that, in order to preserve its place in the world system, they will have to recover positions in the world market. However, this strategy cannot be painless, therefore, conflicting. In order for Europe to manage to hold positions in the distribution of the cake of wealth in the world market, other continents and countries will have to lose them.

Historically, the political repertoire available for this reposition were five alternatives: (a) the substantial reduction of the average wage, through a reduction in real wages, even if the nominal/titular has no variations (i.e., the inflation), or via the increase of the unpaid work journey, by the pressure of high unemployment, i.e., the elevation of extraction of absolute surplus value in order to increase the competitiveness of its productive capacity; (b) accelerating the renewal cycle of fixed capital by introducing new technologies that reduce costs and decrease the proportion of variable capital, increasing the extraction of relative surplus value; (c) the enlargement of the global market share via the expansion of external foreign trade which would compensate the reduction in domestic consumption; (d) the reduction of production costs by deflation of imports of raw materials, generating surpluses in the balance of payments; (e) the expansion of rentiers benefits through the exportation of capital, i.e. the growth of financialization.

These five strategies have limits of increase to their execution. There is a limit to increasing exploitation. This limit is not fixed, it is not strict, however, is not indefinite. There is a limit to the degree of exploitation, in every nation, the ruling class can impose on the proletariat, without very serious social conflicts. This limit is political and refers to the level of the tension that the “muscles and nerves” can endure. They are political and social variables that refer to the stability of electoral regimes. Greece lived over 15 general strikes in less than two years. These strikes, even with the fires, with the suicide of a retired worker in Athens in 2012; as well as the general strikes in Portugal and Spain between 2011 and 2012, some of the largest of their national histories, still occur under the framework of control of union apparatuses, therefore, no serious threat to the political regimes of capital domination. The presence of an extreme right wing election with 20% of the votes in the German-speaking countries and Scandinavia should be interpreted also as a yellow warning sign.

Second of all, there are limits to the immobilization of capital in the form of new equipments and technologies, not only because the scientific research progresses at their own pace, but because the risk of acceleration of the increase in production capacity are high in conditions of increased competition, therefore generating idleness: but to produce what, where, to sell to whom? There are also limits to the expansion of global market share. In the last twenty years the growth of international trade market grew at the rate of 5.4% per year, according to the WTO<sup>3</sup>, while the world GDP growth was a little higher than only half this rate<sup>4</sup>, even considering the huge results of some Asian countries such as China and India. Fourth, it does not seem simple that Europe can count on a deflation of commodity prices, in particular, the most crucial commodity, oil, due to international geopolitical conflicts.

Finally, there are limits to the financial flexibility of the last thirty years, where it became clear after the bankruptcy of Lehman Brothers in 2008, and the global scandal of CDS. The proposal of regulation of tax havens or of controlling the derivative markets hung in the air. The avalanche of fictitious capital almost led to the destruction the financial system of the US, and by contagion, the panic almost plunged the world

3 The WTO website offers statistics regarding the growth of world trade markets and can all be found here: <http://stat.wto.org/StatisticalProgram/WSDBViewData.aspx?Language=E>  
Research done in march, 2012.

4 The UN website offers statistics regarding annual series that trace back from 2011 to 1946 and can all be found here: [http://data.un.org/Data.aspx?q=Gross+Domestic+Product&d=SNA&f=group\\_code%3a401%3bitem\\_code%3a8](http://data.un.org/Data.aspx?q=Gross+Domestic+Product&d=SNA&f=group_code%3a401%3bitem_code%3a8)  
Research done in march, 2012.

economy into a depression<sup>5</sup>. Therefore, and because there are other disputes of interests between the US and Germany, there are tactical differences between Washington politics and Berlin: so, while Obama boosts monetary expansion, and favors the dollar devaluation, Merkel condemns and defends the euro exchange rate. The strategy in place, therefore, deserves to be qualified as a “flight forward” to gain time, and it has little consistency.

Let us explain: in the contemporary era, no society, no matter how reactionary are the forces of inertia of its ruling class, can remain immune for a long period of time to the pressure of economic, social and political changes, but internal mobility within the system have revealed themselves not to be very elastic. An anti-worker strategy and anti-popular “flight forward” decreases dramatically, the internal social cohesion of a nation, which cannot get stronger in the long term, its political stability, that is, to weaken the international system of States. In other words, the consequence of drugs prescribed may be worse than the effects of the disease.

Changes are necessary, with greater or lesser intensity, because capitalism is a system that, in our time is structured in the following form: (a) a global market where the social division of labor is very unfavorable for most nations, and inequality tends to increase; (b) an extremely hierarchic international State system, in which the possibilities of the States that are in the semi-periphery and in the periphery to raise the level of their integration was very little. In other words, contemporary capitalism is an imperialist order: perpetuates social and national inequalities, which means that the injustices and tyranny in the world are not diminishing. Unlikely, in the center and periphery, are simultaneously, getting worse.

When the economic situation is attenuated in a region, it deteriorates in another. What should be emphasized is that when the

5 Derivatives are financial assets that derived from the value of another financial asset or commodity. Can be also financial transactions that have as trading based on the price of an asset - securities of public or private debt, currencies, commodities - traded in the futures markets. Of all derivatives, the most dangerous seem swaps (credit default swaps, CDS). Swaps are a hedge, something like an insurance policy to cover (hedge) a possible debt default. But there are major differences with insurance. These operations are not regulated. The institutions that offer this type of contract are not required to maintain reserves related to these operations. CDS were invented by banks precisely to avoid the demands on reserves. If another institution absorbed the risk (in exchange for a premium), the bank could release its reserves. CDS were used also to circumvent the restrictions that pension funds had to lend funds to companies with insufficient risk rating. The current crisis has manifested itself as the financial crisis occurred when the devaluation of these papers, that is when they began to melt the fictitious capital. A study by Morgan Stanley reports that the volume of CDS contracts will come in 2012 and 2013, the height, respectively, 3.2 and 3.3 trillion. In 2010 and 2011, these stocks are up 1.3 - 1.6 trillion. Available in: <http://www.alencontre.org/index.html> Accessed in March 2012

ruling class in a country proves to be unable to make these changes in a negotiated manner, i.e., through reforms it precipitates a situation of social crisis. When the changes are postponed, the ruling class gains time, but the nation starts to decay. More serious, however, is the case when the ruling class of a nation not only demonstrates to be unable to carry out the reforms, but tries to lead the implementation of counter-reforms that are the destruction of the achievements of the previous generation.

The economic crisis opened in 2008 went through various stages, but still remains unsolved. It is possible that the stagnation that hit the central countries is extended indefinitely, or until the production costs have fallen to such a low level that investments in Europe, USA and Japan again become attractive. The deadlines for this process to be completed can be faster or shorter, conditioned by political and social possibilities for the regressive adjustment without causing uncontrollable social instability.

The economic mobility in the world in the last thirty years was greater than the political mobility. The changes in the morphology of the world market, the space where they dispute the role of each nation in the international division of labor, are still much more accelerated than the changes in the State system. In conditions of relative stability, i.e., while the impact of the economic crisis does not unfold into revolutionary or war situations, the policy remains slower than the economy. In other words, the international system of States has historically been more resistant than the world market.

The place of each country in the International State System when it precipitated the most serious economic crisis of the twentieth century, it all depended on four strategic variables: (a) the size of their economies, i.e., capital stocks, natural resources - as territory, land reserves, mineral resources, self-sufficiency energy, etc ... - and humans - amongst them, their demographic strength and the cultural stage of the nation - as well as the biggest or smaller dynamics of the industrial development, i.e., its position in the *world market*; (b) the political and social stability, bigger or smaller, within each country, i.e., *the capacity of each ruling class to defend internally, its system of domination preserving the order*; (c) the size and capacity of each State to maintain control of their areas of influence, that is, its military deterrent force, which depends not only on the field of military technique or quality of their armed forces, but also the greater or lesser degree of social cohesion in the society, therefore the State's ability to convince the majority of the people of the necessity of war; (d) the long-term alliances of States with each other, and the balance of power that resulted from formal and informal blocks, or its *network coalition*.

Following the crisis of the seventies of the twentieth century, the

European situation of stagnation potentiate the fall of dictatorships in the Iberian Peninsula - which opened to revolutionary situations - as in Greece, and finally the crisis of the dictatorships in the Southern Cone of South America. Long lasting regimes maintained by support from Washington during the decades of the cold war, as the Somoza dictatorship in Nicaragua and the Shah Reza Pahlavi in Iran, were overthrown by democratic revolutions. Japan has strengthened the world market, while Europe weakened.

The first economic crisis of the twenty-first century suggests that we will spend the next few years in major changes in the international system of States, and even the positions of each economy in the world market. The first one was the defeat of the political project that Bush, when in front of the White House, wielded in the last decade. Obama's election meant for US imperialism the need to admit the failure of its military occupation in Iraq. But 'Iraqization' in Afghanistan remains a challenge without no military solution.

The US seeks to gain military positions against the growing strength of the Taliban, but their allies, the British have acknowledged that negotiations with the moderate wing of the Taliban would be unavoidable. The tendency of a "Talebanization" of the Iranian regime grows after the fraud of the last elections. The endorsement towards fascism of the State of Israel turns increasingly unsustainable the Zionist policy, and it causes an increase in the "Iranization" of the Palestinian resistance, threatening the preservation of the dictatorship in Egypt, the most populous Arab country in the Middle East, which is "Palestinizing" itself.

The need for greater coordination between the US government and the European Union jumped with this crisis. The injection of trillions of dollars made it possible to avoid, at least among 2008/2012, transiently, a leap from recession into depression. But not only is it still not guaranteed a recovery of the economy, stopping the growth of unemployment, as there are new dangers on issuing currencies and on the growth of public debt. The devaluation of the dollar has meant a reduction in the average wage for the American workers, and cheapening US exports, but causes inflationary pressures and the devaluation of capital to holders of EDF bonds, threatening the dollar's position as a reserve currency .

In this sense, the US have 'europeanized' itself, economically, because the last stronghold of world capitalism - the first time since the thirties - is forced to live with unemployment rates equal to 10% of the economically active population. The FTAA project defeat in the previous historical period was also the expression of a new relationship of power in South America, which saw the rise of more independent governments in

Washington in Venezuela, Bolivia and Ecuador. The Latin Americanization of the social situation in Eastern Europe, with the advancement of social inequality, indicates that a new weak link emerged in the system of States. No one can predict the social consequences that an interruption would have for the a strong growth of the Chinese dictatorship over the last fifteen years.

### Conclusive Notes

*When men cease to dream, all mankind will be defeated*  
Leonardo Padura

The historic decline of the nation is a possible strong hypothesis. But, it is not the right one. The crisis of the accumulation mode reached levels of unusual contradictions. While we have on one side the birth of a monopoly - today apparently corseted by hundreds of 'companies' - on the other side an army of employed or unemployed workers are born. Where CUF/Siemens dominates in the health business, it is born on the other side across thousands of doctors who have lost their offices; where the EDP establishes more than half of their earnings in taxes fees, on the other side, thousands of people who spend four months to a full year in the cold are born, listening to the civil protection advises of how to use "blankets and to drink tea" in the twenty-first century; where Jerónimo Martins and Sonae group dominate the distribution, on the other side former farmers and small tradesfolk are ruined, who then go to the side of paid employees; where banks swallows in five years 47 billion, equivalent to 28% of GDP, we witness the birth on the other side of schools without teachers, unemployed teachers, students without classes, low growing quality of care and scientific education. How many scientists and doctors were expelled from the country or placed on the precariousness and unemployment levels in recent years? And this encounter results from of the history which its the identification of the majority of the population with the same common program.

A program that can take shape: political freedom, real democracy, the right to work, social State, transparency in public management, expropriation of banking and of the financial sector. This program may have more political force in Europe, because it has more social base, and not only in Southern Europe, than a right-wing program based on protectionism, xenophobia and on the conflict between people and nations. But there is a historical time - that today we would not know how to calculate - to unify this diffuse program into consistent and democratic political projects. Or watching the social breakdown and a cataclysmic replay of 1939-45.

In order to organize society and promote social welfare to everyone is not acceptable to sabotage production, pay farmers not to produce,

close factories and businesses, destroy productive capacity, put 47% of the population in poverty and halt the development of science and technology, as it has been done. What should be done is to ensure that the strategic companies - banking, water and sanitation networks, energy, communications, etc. - are kept under public, democratic control. With all, and the effort of all, the responsibility of everyone, for everyone. Why the population has no public control over their companies, public companies, the State? With this investment mass it ensures that all who are able to work will produce and the working day is reduced, ensuring the production of goods and services - against the shortage - and enforcing the sustainability of the welfare state.

The recovery of the spirit of *full employment* is a historical emergency, one of the unshakable certainties of our civilized common destiny. Full employment is the only way to avoid wage relegation applied to the whole society and it is the only guarantee of sustainability of the welfare State and for Social Security. It is a minimum civilizational requirement, is the protection of "children and parents", who were in the programs and public campaigns of social democratic parties in the 70s and that today, with five times more unemployed, were abandoned. Trade unions and leftist parties put them in a corner of their programs, with very small letters. Or, worse, replace them by the requirement of an unconditional basic income, which is a check for survival given to all people, not as a counterpart required for an effort for the production for society. Portugal reached the maximum level of unemployment of its history and no party - any party - made full employment a flag, from 2008 until the present day.

*Real democracy* as it screams in the streets of Hong Kong, London, Brasilia and along Wall Street does not correspond the regressive projects or the hopelessness, its quite the contrary. A globalizing advancement of the economy was accompanied by unspeakable tragedies in Africa, the Middle East, an endless plunder of countries living between imperial invasions and domination of despotic monarchies, but was also born in these years, a civilizational internationalism that demanded things that until the 50's were taken as privileges, such as minimum requirements of civilization: health for all, are demanded on the streets of London; screams for public transportation of quality in Sao Paulo; secular and free education is flag in the streets of Madrid. The welfare state built as a concession to the workers movement, for this to be accept being disarmed in 1945 - who does not remember the epic scene of the 1900 of Bernardo Bertolucci where, while trying to convince the *partisans* to surrender their weapons - they've shouted "but we are armed against the boss" and at the other side the answer: no, "the war has ended, but so did the bosses"? It was not over, but it gave way the means to the construction of the welfare

state, which today is a great civilizational flag in the developed, urban and educated world. This “common heritage” of living labor, employees, manual or medical workers, peacefully unifies a precarious electrician in southern Europe and a Swedish conservative lawyer - there is a minimum of civilization, health, education, social security afforded by high rates productivity, which requires that the State, who compulsively collects taxes, to return services and common goods, taken as the minimum mark of the common welfare. The welfare state is one of the last to be targeted by this accumulation process, and its erosion could generate a massive resistance of the people against a State that does not act as trustee of the contributions of the population to the same social status. And it has become more and more clear another state, a more visible and more hassle - the one with an umbilical link between private and public accumulation funds, which the most obvious example is the tax leakage of big business. This State is organized in a regime - the democratic representative - whose crisis is visible not only in Portugal but in the whole Southern Europe - whose the abstention is between 40 to 60%. From this standpoint, the standpoint of the regime, we are in a historical transition in which the regime and labor rights are in a violent confrontation. This crossroads brings a revisitation of the past - the tendency to a “bonapartezation”, or for a dictatorship of the capitalist State which does not exist or political rights are severely restricted, can't be found today a social base as obvious as it could in the past - no one doubts that in Western countries to ensure accumulation by means of the restriction of political freedoms which will generate a mass of social conflicts.

If there is no reason for a religious pessimism, the key question of the organization is yet to be answered. One puts an end to fear by building alternative political and social organizations that give strength and protection to the people, so that they feel they can fight while being supported.

How should it be done? That is the most difficult question. How to organize a dispersed, atomized, precarious and cyclically unemployed workforce? What to do with the trade unions? Will they know how to renew themselves or will they commit a hara-kiri, refusing to adapt and preferring to die with their bureaucracies? How to power structures parallel to the State to create social solidarity and political force? What parties do we need? Basically, the key question is this: how to transform the depressive individual hopelessness into civilizational collective strength. Individuals despair, but societies find ways out.

Translated by Rodrigo Gonsalves

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