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Close the IMF, abolish debt and end development: a class analysis of the international debt crisis

The political targets of this article are reformist understandings of international debt and development. Opposing theories which 'blame the victim', Cleaver construes international debt as 'a weapon against the working class', and the debt crisis as 'a product of working class power'. Repudiation of debt is accordingly the necessary Marxist political response.

● The left has responded to the international debt crisis in two ways: a reformist response which has, at best, called for debt relief and renewed lending, and a more radical response which has called for flat out cancellation of the debt. Unfortunately, the analyses upon which these positions have been based have contributed little to either a useful understanding of the crisis in terms of class relations or to the construction of appropriate working class political strategies to deal with it.

Among the reformists, most of the critical commentaries written by those outside capitalist policy circles, however sincere their concern with the negative consequences of the crisis, have failed to understand it in terms of the changing relations of power between the working class and capital. In case after case the analysis reflects capital's point of view, most usually by accepting its own definitions of the relevant actors: private banks (and other forms of private capital), nation states or national governments, and international agencies (such as the IMF or the World Bank). To the degree that the working class makes an appearance at all, it is seen as the victim of capital's predations and blunders.[1] For others, who have used Marxist analysis, the problem has been much the same: by fetishistically understanding capital's 'logic' without regard to the determining power of the working class, there is no analysis of that power which might provide a point of departure for an evaluation of useful strategy. Working class struggle appears in such treatments principally as a response to falling standards of living. (MacEwan 1985, 15–16, MacEwan 1986, 201–202, 206–207).

Such analyses have led directly to reformist politics: at best, calls for debt reduction and renewed – albeit more democratic – lending, at worst calls for the imposition of austerity which echo the policies of the IMF. In his book *The Money Mandarins*, Howard Wachtel (1986, 210–211) goes so far as to call for 'sacrifices by all parties,' and to argue that 'greater monetary stability has to be purchased at everyone's expense.' Similarly, in *The Nation*, I.F. Stone (1987) joined the attack on 'the biggest consumer binge of all time' and wrote 'The United States needs a dose of austerity as surely as do Argentina, Brazil and Mexico.' More recently, in *Socialist Review*, Lou Ferleger and Jay Mandle (1988, 108, 110) have also argued that 'Austerity, a reduction in imports, will be required; the only question will be whose austerity.' All we can do, they say, is to distribute 'the burden of that austerity as fairly as possible.' With radicals like these who needs the IMF? We can have no hope of determining possibly fruitful directions of action for dealing with the debt crises that confront us unless we begin by rejecting all such solutions aimed at stabilizing capitalist finance and by identifying the nature and sources of working class power which have precipitated those crises.

More interesting have been those more frankly radical responses which call for the cancellation of the debt. Less concerned with the viability of the financial system and more outraged at the costs to the people being exploited to pay the debt, a number of groups and authors have called for unilateral action to abrogate existing borrowing agreements. Notable among such groups are the Debt Crisis Network (DCN) in the United States and International Counter-Congress which met in Berlin in the Fall of 1988 to protest the Berlin meetings of the International Monetary Fund and World Bank – key managers of the global debt crisis. In its statement of principles the DCN declared its support for 'the call by some non-governmental organizations and governments in the south to cancel payment of the debt.'[2] In its September 24, 1988 declaration the Counter-Congress called not only for 'a global cancellation of debt' (rather than conditional cancellation or debt relief) but also for 'reparations' for past damage. While more radical in their conclusions, these groups' analyses of the debt crisis rejoin those of the reformists by focusing on the victimization of people (and of the environment). To decide between reformist or more radical demands, as well as to discover the best strategies for achieving them, we need both to recognize how social struggles have precipitated and prolonged the crisis and to discuss how that power can be developed.

This essay, therefore, outlines an analysis in terms of those powers of determination which the working class has exercised in the emergence and evolution of the crisis.[3] This approach recasts our understanding of the crisis as a crisis of capitalist power brought on and perpetuated by the ability of workers in various parts of the world to undermine capitalist planning and accumulation. This approach recasts our view of the relations among nationstates in terms of the class relationships within those nationstates as moments of a particular international composition of class relations.[4] It recasts our understanding of the logic of capital as a system of rules which must be imposed and whose functioning is contingent upon the ability of capital to manage working class power. It does this by shifting the perspective of analysis from that of capital to that of the working class.

There are three parts to this outline. The *first*, traces the origins of the crisis to an international cycle of working class struggles which ruptured global capital accumulation. The emphasis here is on the complementarity of struggles of workers in different countries and regions of the world and on the accumulation of debt as part of capital's attempts to deal with those struggles. The *second* part locates the continuation of the crisis in the failure of capital to overcome those struggles and to restore conditions for a new cycle of accumulation. Finally, the *third* part of this essay argues that existing working class power has been, to some degree, and should continue to be, at least partially, focused on the illegitimacy of the debt and organized to force its abolition. While the call for the abolition of the debt has been very much in tune with popular struggles in the debtor countries, a class analysis of those struggles and of others in the so-called 'creditor' countries is required to formulate appropriate strategies to achieve this end. The current emergence of debt crises in the United States – crises of federal debt, of the savings and loan industry, of family farm mortgages, of student loans – provide a golden opportunity for the coordination of working class struggles both North and South. Calls for overall IMF-style austerity policies in the US, for hundredbillion dollar bailouts of the S&L's, for the tracking down of student defaulters, all have in common the aim of reducing real income in favor of capitalist control.

Analyzing the emergence of the debt crisis requires discovering how these financial problems constitute parts of the evolving structure of class relations – a process which involves situating the fetishized world of money and finance as moments of class struggle. On the surface, the debt crisis is a purely monetary and financial problem: how to manage international flows of capital so that the debtors of the Third and Second Worlds (and tomorrow, the United States in the First World) can repay their debts. Thus, the current literature on the debt crisis deals primarily with issues of liquidity vs solvency, the relations between private bank loans and official, especially IMF, sanctions, conditions of debt rescheduling and internal policy changes in the debtor countries. But, understanding these problems of liquidity, debt financing and adjustment in class terms requires analyzing two prior phenomena, both rooted in the changing structure of global class relations. The first of these is the build-up of the debt whose repayment has become an issue of conflict and crisis. Why did the businessmen and governments in the debtor countries take on hundreds of billions of dollars of international debt in the 1970s? Why were such large sums available to them at rates they thought they could handle? The second is the combination of the rapid rise in interest rates in the early 1980s that raised the cost of the debt to levels difficult to repay and the global recession in growth and in trade that made earning the foreign exchange necessary to repay the debt equally difficult.

To understand these interrelated phenomena in class terms requires grasp of the state of the global class composition during the period in question, about 1970 to the explosion of the debt crisis in 1982. Elsewhere, I and others have argued that this twelve year period was part of a somewhat longer period of crisis of the global capitalist order which has lasted from the mid-1960s to the present.[5] To make a long story short, let me just say here that we understand the onset of crisis to be founded in an international cycle of working class struggle which swept round the world in the second half of the 1960s, rupturing capital's global order West and East, North and South.

The crisis of the Keynesian era

That international cycle of struggles which escaped capital's ability to manage, and plunged the Keynesian era into a crisis to which capital has yet to discover an adequate response included rebellion both in production and in reproduction: *in the United States*: the civil rights and black power movements, the Chicano and Native American movements, the urban insurgencies that burned Watts, Newark, Detroit and other central cities, the student and anti-war movements, a wage offensive that ruptured the post-WWII productivity deals in the factories and, increasingly, the women's movement; *in the Third World*: new insurgencies in South East Asia, South Asia, Latin America, and the last anti-colonial struggles in Africa; *in Western Europe*: May 1968 in France, the revolt of Italian factory workers and students that led to Italy's hot Autumn of 1969, and an upsurge in the struggles of immigrant workers throughout Northern Europe; *in Eastern Europe*: a spreading insurgency that erupted from Prague's Spring to the Polish explosion in 1970; *in the heart of the socialist block*, Russia and China: growing resistance to State organized exploitation that can be traced from the Moscow food riots in 1962 through the Cultural Revolution to the sympathy strikes in Russia at the time of the Polish upheaval. Not only did all these conflicts occur in the same period but they were often directly linked, as in the case of the circulation of rebellion from rice paddies and jungles of South East Asia to American campuses, as in the circulation of insubordination from the ghettos of America's central cities to her factories.

The first economic signs of the extent and seriousness of the damage inflicted on the Keynesian order by these struggles included: at the national level: accelerating inflation, a growing productivity crisis, a decline in average corporate profit rates, and unmanageable government budget deficits; at the international level: growing difficulties with trade patterns, exchange rates and speculative capital flows culminating in the

American abandonment of the Bretton Woods system of fixed exchange rates in 1971. The change from fixed to floating rates which took place between 1971 and 1973 constituted a *de facto* admission on the part of national governments that they no longer had the power to manage accumulation internally in ways compatible with global accumulation. This change also constituted a deft shift of terrain on the part of capital: from the concrete worlds of production and reproduction to the abstract and fetishized world of money, from the city streets, factories, college campuses and rice paddies in which the struggles of the 1960s were being fought to the obscure back rooms of central banks and distant markets for foreign exchange. The working class has taken years to grasp and respond to this shift. During those years, capital has lurched along from one crisis strategy to another ever seeking a formula which will restore its control. The path of this search has been largely determined by the pattern of struggles world wide.

In terms of understanding the debt crisis, we have to look both at the individual struggles in various countries and at how capital has tried, and failed, to pit them against each other as the key to regaining control. This we must do to understand each aspect of the origins of the crisis mentioned above: the reasons for the heavy borrowing, how large amounts of capital became available, the source of the global recession that undermined the debtor countries ability to earn foreign exchange and the rise in interest rates which dramatically raised the cost of debt. let's look at these one by one.

The desire and need to borrow

First, what were the reasons for the heavy borrowing? A complete answer to this question obviously requires a detailed analysis on a case by case basis of the class struggle in each of the 'debtor countries' and of why the actual debtors (capitalists, elected officials and generals) were willing to borrow enormous sums from their foreign counterparts. Although such analysis is obviously beyond the scope of this paper, nevertheless I think we can give something of a general characterization of this borrowing. In most cases, the local administrators of capital wanted to use the borrowed funds to finance both their short run response to local struggles, especially military/police control of the working class and their longer run response: local industrialization with all of its attendant costs including substantial investment infrastructure.[6]

In the three largest debtor countries Mexico, Brazil and Argentina such development investment was clearly predicated on the political repression of local struggles, in two cases by military juntas. We should remember that the imposition of military rule in Brazil in 1964 came as a response to an upsurge in workers demands, that the background to Mexican borrowing included the massacre of students in 1968 and widespread repression of peasant land seizures in the late 1960s, and that the military in Argentina sought to build factories on the unmarked graves of the some 30,000 murdered insurgents. The borrowed money was a weapon in the reestablishment of accumulation after the local moments of the cycle of struggle mentioned above. The money was being drawn into these countries with the aim of turning it into capital by exploiting what were, at least temporarily, stabilized populations of workers.[7]

In other parts of the Third World, such as the Sahel, where the working class was weaker and nature provided capital with an alternative weapon, the response to struggle was not development but underdevelopment as drought was turned into famine and starvation was wielded against insurgent nomadic populations. In those countries borrowing for productive investment was a secondary response to popular resistance to capital. (Cleaver 1977)

In Eastern Europe, in Poland and Hungary especially, the heavy borrowing came after the failure to generate local surpluses and investment adequate to meet the growing demands of the working class. The violent rejection by the Polish people in December 1970 of government attempts to shift resources from consumption to investment by cutting food subsidies caused reverberations throughout Eastern Europe and the Soviet Union. With direct attacks on working class consumption ruled out by the level of militancy and organization, socialist managers were forced to resort increasingly to borrowed capital to finance the industrial restructuring they needed to meet local demands and to regain control over accumulation. This was by no means the only response – the Soviets, for example, in 1972 faced with poor harvests also concluded the greatest grain pact in history with American grain companies to immediately increase food availability in the Soviet Union – but it was a common and important one.

When violence erupted again in Poland in 1976, this process was accelerated and even the Soviets felt forced to revise their 1976–1980 five year plan to increase the production of consumption goods. (Cleaver 1977)

The availability of Capital

Second, lets examine the question of how large amounts of capital became available. The superficial answer to this is well known: the bulk of the capital loaned during this period came from the Eurodollar market, at first from deposits that found no takers in crisis-frought Western Europe and then from the enormous dollar surpluses generated by the OPEC countries through their nationalizations and quadrupling of the the price of crude oil in 1974. While part of those surpluses were used to import the goods required for development at home, the largest part of it, which exceeded their 'absorptive capacity' in the short term, was deposited in Western financial institutions, especially American banks. Those banks then found themselves with huge new resources available for loans – loans which we have seen to be both desired and needed by a wide variety of borrowers.

But while this story is well known, we need to pause here and look behind the surface flows of dollars; we need to penetrate the fetishism of money and question the changes in class relations that underlay these rearrangements of world capital flows. To do that means first and foremost recognizing that the rise of OPEC and its extractions of petrodollars from the rest of the world was not simply an affair of governments and nation state competition, not in the OPEC countries, especially those in the Middle East, nor in the relations between the OPEC governments and the governments of the 'oil importing countries.'

In the first place, the motivations of the OPEC governments lay not alone in simple greed, as they were popularly depicted in the West, nor even in justified repayment for decades of exploitation as some of their apologists have argued.[8] Rather, the need for control over oil production, higher oil prices and balance of payments surpluses was dictated by the growing, uncontainable demands of the workers and peasants in those countries. To show this as clearly as it should be shown would require, once again, a detailed examination of each case. I will discuss only a couple of examples.

The most obvious case, and one central to the story of the debt crisis is that of Iran – whose government under the Shah at that time was attempting to carry out two simultaneous projects: development at home and becoming a major military power in the region. Both were costly, requiring a lot of money, and both were reflections of popular struggle in the area. With respect to development at home, the situation in Iran was similar to that in Latin American debtor countries – rising popular demands were met by a combination of police state repression and investment. The Iranian counterpart of the Brazilian 'miracle' of accumulation based on repression, was the Shah as Modernizer who undertook a vast project of nation building backed by the torture chambers of Savak, the secret police.[9] With respect to the situation in the region – well, it is obviously a complicated story but suffice it to say, in this context, that every government in the Middle East fights a daily Orwellian battle to manage populations constantly threatening to escape control, and the most volatile and catalytic part of those populations, throughout most of the region are the Palestinians. The Shah's project of becoming the primary regional power clearly required dealing with those dispossessed and constantly insurgent people.

A second example of OPEC motivation, taken from outside the Middle East, is that of Nigeria in West Africa. The history of Nigeria since decolonialization is one of constant battle between the efforts of its neo-colonial governments to go on managing the structure of exploitation put in place by the British and the struggles of its workers and peasants to escape or reduce that exploitation. Time after time, the Nigerian government responded to popular demands by formulating multi-year development plans of accumulation only to see each one of them in turn undermined by popular resistance and upheaval. The culmination of one such cycle of struggle was the Nigerian civil war from 1967 to 1970. It involved a terrible cost for substantial sectors of the working class (especially in Biafra) but was eventually followed by the reemergence of growing class conflict. With a tradition inherited from the British of drawing surplus value from workers primarily through the manipulation of export prices – buying cheaply from Nigerian producers and selling at higher prices in world markets – the Nigerian government saw in OPEC and high oil prices a vital new source of capital to impose its development plans on both peasants and workers. It needed those external resources to restructure class relations at home in such a manner that more surplus value could be generated internally with less dependence on both volatile world markets and the workers who produced for them.[10]

To sum up this part of the argument: the *immediate* source of the money which financed the build up of debt derived from OPEC government responses to the struggles of people in their own countries and region.[11]

At the same time, we also know that the *original* source of the OPEC surpluses was the consumption income of workers in the oil importing countries as the higher prices for crude oil were passed on by capital to the final prices of everything from gasoline to football helmets. The question must be why did Western policy makers allow OPEC to carry out this gigantic process of surplus value transferal to the oil exporting countries? We know from past Western intervention in the Middle East – from the CIA overthrow of the government in Iran in 1953 through the British and French invasion of Egypt in 1956 and the American military intervention in Lebanon in 1958, to more recent support for the Shah and Saudi governments in the stabilization of the Persian Gulf – that Western governments have never felt helpless or reluctant to influence the evolution of politics either in the region or in particular countries. We also know, now, from those who were involved that despite the official condemnation of the 'extortionary' quadrupling of oil prices, and Kissinger's sending of the Marines into the Mohave to practice intervention into desert regions, that the US negotiators quietly let the OPEC countries know that the US government would not oppose oil price increases (Oppenheim 1976–77). Why did those policy makers look upon those increases with such tolerance?

European commentators' cynical interpretations turn around the view that the price increases hit Europe harder than the US and the inflation would undercut European competitiveness with American goods. There may be some truth to this but we can root even this understanding which explains things in terms of nation state competition in the changing class relations in both Europe and the United States. It is certainly true that the American trade balance went into deficit in early 1971 for the first time in decades, and that the devaluations of the dollar in 1971 and 1973, were aimed partly at correcting this imbalance – to some degree at the expense of Europe. But, we must also recognize that the source of declining American competitiveness lay not only in the accelerating inflation which was pricing American goods out of world markets, but that inflation itself was a manifestation of working class insurgency at home and abroad – from American factories where workers were pushing wages up faster than productivity, through the riot torn streets of American cities where the programs of the Great Society were trying to regain control, to the rice fields of Asia where the vast expenditures of the war against Vietnam were fueling inflation at home and around the world.[12]

Against this background, which had precipitated the crisis in the first place, American policy makers saw a great opportunity in the OPEC price increases which went beyond any competition with Europe. That opportunity lay in the combination of a reduction of working class income in the United States, through further price increases, and the necessary recycling of the petrodollars which would make them available for the capital investment which was widely understood to be necessary to undercut working class power and restore productivity and accumulation, not only in the US but also in Europe and elsewhere. The Western tolerance for OPEC, stemmed, at least in part, from a vision as to how OPEC could be used as a financial intermediary to transfer value from Western consumers to Western capital – something that Keynesian management had failed to accomplish.[13] The emergence of the petrodollar surpluses which would fuel the debt crisis can thus be seen to have been a worked out compromise among various national managers of capital seeking to deal with working class insurgency in both the oil exporting and oil importing countries.

Now, the success of the project of using petrodollars to finance development investment in the oil importing countries, especially the US and other OECD countries, but also the Third World, depended on the ability of capital to convert higher oil prices into a reduction in the real wage, i.e., in holding nominal wage increases below oil boosted inflation. In terms of international trade accounts this would translate into reductions in consumption imports to offset the higher costs of oil imports. As we now know, despite the global recession of 1974–75 and substantially increased unemployment this strategy failed to a considerable degree. Faced with the joint assault (of higher unemployment and accelerated inflation) on their standard of living, workers in the United States (on the average) were able to mobilize the power necessary to force increases in nominal wages enough to offset the additional inflation.[14] As this had the simultaneous effect of further undermining the profitability of investment in the US, petrodollars were diverted toward speculative rather than productive enterprise. Everywhere this happened around the world, to whatever degree, the result was a failure to limit non-oil consumption imports and the emergence of new or augmented trade deficits whose financing could only be accomplished through IMF coordinated action (the Special Oil Facility) and through the diversion of petrodollars away from investment loans by the private international banking system. These deficits and this diversion not only added to the growing burden of debt but also undercut the use of debt to finance productive investment.

Interest rates and recession

Let us now turn to the third essential moment of the emergence of the debt crisis in 1982: the global recession that undermined the debtors ability to earn foreign exchange and the rise in interest rates which dramatically raised the cost of debt. Once again, we can situate these events as moments of the changing pattern of class conflict around the world.

We know the policy changes that caused both the rapid rise in interest rates and the recessions of 1980 and 1981–82: the anti-inflationary shift in American monetary policies managed by Fed Chairman Paul Volcker which began under Carter and continued under Reagan. We should also know, by now, that throughout the 1970s 'anti-inflationary policy' was increasingly a euphemism for 'anti-wage policy.' Throughout at least the second half of the decade many, including most notably the IMF, had been calling, in increasingly urgent and strident terms, for a globally coordinated attack on inflation that would include not only tight money but also demand reduction measures (e.g., cuts in social welfare expenditures) and the breaking of 'structural rigidities' in labor markets (e.g., trade unions and wage indexation). In the United States, and later in Europe, those monetarist policies were accompanied by an explicitly supply-side effort to shift resources from workers to capital.[15] Those were policy recommendations whose class meaning should be recognized: direct and indirect attacks on a working class whose struggles have escaped control and whose behavior must be brought back into line with accumulation.

This shift in monetary policy, which had the direct effects of 1) dramatically raising interest rates, first in the United States, and then in all major financial markets, and, 2) in conjunction with an initially mild fiscal stimulus (from tax cuts and increased defence expenditures – partially offset by reduced social expenditure), of precipitating the Reagan Recession, constituted another major moment, after the shift to floating exchange rates and the recycling of debt, in the capitalist manipulation of money to regain control in the class struggle. This was the means by which, at last, the highest unemployment since the Great Depression coupled with reductions in income support for those losing their jobs was able to bring about substantial reductions in average real wages in the United States. To the degree that this occurred, the Carter–Volcker–Reagan monetarist attack on the working class succeeded, not only in the United States but elsewhere as real wages slumped and wage hierarchies were restructured around the world.

Thus the dramatic rise in interest rates which raised the cost of debt service so substantially, as well as the global recession which increased the difficulty of earning foreign exchange for those who had borrowed during the 1970s, must be understood as another phase in a decade long effort by capital to turn the crisis against the workers who had precipitated it. In this case, the focal point was conflict with workers in the United States, but the size and centrality of the American moment of global accumulation meant the rapid circulation of this new phase in the conflict to all parts of the world. In the case of the other creditor nations, such as Europe and Japan, the effect would be to cause a similar monetary tightening and parallel attacks on the working class through high unemployment. In the case of the debtor nations, both East and West the result was to dramatically increase the pressure on local managers to resolve their local difficulties with workers. The increased cost and difficulty of servicing the debt would be the proximate cause of the explosion of the crisis in August 1982 when Mexican capital declared its inability to cope and demanded a rescheduling of the debt in line with more realistic prospects of gaining control over accumulation.

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Having located the origins of the debt crisis in an international cycle of working class struggle, I now want to argue that the continuation of the crisis in the ability of borrowers to repay that debt lies in the failure of capital to overcome those struggles and to restore conditions for a new cycle of accumulation.

The major characteristics of the last six years of debt crisis have been the dramatic reversal in net capital flows from the debtor countries to the creditor countries and the continual wrangling over the schedule of debt repayment and the conditions for debt financing – i.e., of new loans to cover repayment of old debt. In this wrangling the IMF has played a central role as broker between creditors and debtors and as global enforcer of the capitalist rules of the game. Meeting the 'conditions' set out by the IMF quickly became a requirement for gaining new loans, and those conditions are essentially policies of austerity designed to increase the availability of foreign exchange (for repayment purposes) primarily by cutting imports and government expenditures. To the degree that local debtors are willing to make a serious attempt to follow IMF guidelines, they have been able to obtain the new loans necessary to roll over their debt. Where they have refused to meet those guidelines, they have been cut off not only from private loans but from IMF money as well. This central role for the IMF did not begin with the debt crisis, of course, it began in the mid-1970s as first the demands for debt began to accelerate and then as repayment difficulties began to emerge in the late 1970s. But, it was precisely that experience and the approaches worked out during that period that were brought to bear in the crisis phase that began in 1982.

The debate over debt

Within this context a wide ranging debate has sprung up between the architects and defenders of the IMF led bank approach to managing the crisis and critics who argue for other approaches. For the most part the debate has been between the IMF position that austerity, improved balance of payments and continued debt service are prerequisites to renewed growth and the critics' assertions that because growth is a better guarantor of both debt service and future growth, the current debt service load should be reduced and stimulative rather than contractionary policies pursued within the debtor countries.

The IMF approach has been hardnosed and insistent. Its austerity programs demand the shortest possible path to the restoration of debt service, trade balance, profitability and growth. That path is steep, rugged and painful. When we examine the typical IMF prescriptions we can see that they are aimed directly and self-consciously against those policies and institutions which are manifestations of working class power to resist exploitation in the debtor countries. For example, the almost universal IMF demand for cuts in government expenditures to reduce budget deficits is commonly aimed at cutting those expenditures which subsidize consumption, either directly through programs which provide cheap basic food goods, or indirectly through cuts in state and parastatal wages and employment. Such attacks have also been accompanied by pressure for denationalization or privatization to break the workers leverage with the state. Similarly, the common demand for the devaluation of local currencies also strikes directly at working class consumption of imported goods – which in many countries includes basic subsistence goods.

The IMF's critics, more impressed with its failures than its successes, and sometimes tempered with an humanitarian sympathy for those hardest hit by austerity have sought to find easier paths to adjustment. The two most common critical responses to the typical IMF policy demands are first, that such policies don't work to restore growth (the major liberal argument) and second, that the IMF is placing the cost of resolving a crisis of capitalist development on the victims of that crisis rather than on those responsible (the major leftist complaint).

The first response involves such arguments as the following: the universal imposition of austerity, devaluation and import reductions to generate foreign exchange can't work because while it is possible for large numbers of countries to become poor, it is impossible for everyone to devalue simultaneously or for everyone both to cut imports and still think they can continue to earn foreign exchange by holding their exports steady or expanding them. A related argument is that the cuts in government expenditures and imports brought on by devaluations have not differentiated adequately between unnecessary consumption imports and the necessary importation of raw and intermediary industrial goods. As a result, the drop in consumption has been accompanied by a parallel drop in investment and production instead of the hoped for expansion.[16]

The second response, the blaming the victim critique, involves either a mechanical Marxist analysis that the debt crisis is an inevitable manifestation of capital's internal laws – a view in which the working class always appears as victim – or the view that the origins of the crisis lie in capital's incompetence and mismanagement: in corruption and capital flight and with greedy bankers who recklessly pushed loans without regard to risk, of the central bankers in the imperialist countries whose misguided monetary policies precipitated the crisis in the first place and of the IMF whose approach has made matters worse. (Moffitt 1983, Watkins 1986).

In either the first or second responses, the prescription is for some kind of debt relief which would shift the burden of adjustment from the debtors to the creditors and from the working class to capital. Typically the alternatives include such things as: debt consolidation, stretching out the debt, reducing interest rates, or even writing off part of the debt to force the banking system to absorb losses and thus share the cost of adjustment. For some debt relief is explicitly sought to undercut more radical demands for total cancellation. (Sachs 1989) More generally, the basic idea is by reducing the burden on the debtor countries and by pursuing growth oriented policies to stimulate investment, production and demand, this will generate greater capacity to repay whatever part of the debt is not written off. Against the IMF's mailed fist of austerity, these critics propose the velvet glove of development. (Debt Crisis Network)

What we need to recognize when we examine the many sides of these debates is the common goal that runs through the various proposals and counterproposals: the restoration of accumulation. However the assorted prescriptions distribute the burden of adjustment, the ultimate object of all concerned is the reestablishment of the conditions and actuality of growth. In class terms this means nothing less that the overcoming of working class resistance and the launching of a new period of sustained capitalist exploitation. Implicit in this common goal is the understanding that the current period constitutes a crisis of capital's ability to manage working class struggle in such a manner as to generate expanded reproduction. What this embrace of the development alternative ignores is that the struggles which led to the debt crisis were revolts *against* development, against precisely that accumulation of capital the humanitarians want to promulgate. To go beyond this blindness requires learning to see in the demands and struggles of people around the world not only what they are struggling against, but also how what they are struggling for are often self-defined paths of self-valorization which move in a wide variety of directions.[17]

The continuing crisis

The persistence of the debates over the best method to proceed is itself the result of the failure of past attempts to achieve this goal of a return to development. Similarly, the repeated reschedulings of debt, under whatever conditions, are the result of the failure of past methods. Those reschedulings periodize the attempts and failures by capital to regain control over the working class – when control means not merely the power to repress but also the power to extract surplus value. Let us examine briefly a series of examples characteristic of the difficulties in enforcing conditionality and reestablish development.

Among the earliest examples, in the OPEC-debt era, of the failure to impose creditor dictated austerity is the almost paradigmatic case of Egypt in 1976–77. Hard pressed to manage its working class the Egyptian government turned to the IMF and to its Arab bankers for new loans. They in turn demanded the implementation of what would become typical austerity policies, especially the reduction of government subsidies for basic foods to finance an increase in agricultural prices. When his creditors insisted on these changes despite Sadat's warnings of possible consequences, the subsidies were cut. The result was a dramatic, overnight explosion of popular anger throughout the major cities of the country – an explosion which resembled, more than anything else, the similar eruption in Poland that same year. Within 24 hours Sadat was forced to rescind the cuts and the creditors supplied the loans without the previous conditions being met.

The history of struggles in Brazil, after the military coup in 1964, has been mixed. The military did prove able to oversee a period of heavy investment, intense exploitation and rapid growth – the Brazilian 'Miracle' – but with remarkable rapidity the Brazilian working class reorganized itself and at the very moment of the attempt to move from tight military control to a more open and flexible system launched a new cycle of struggle. That cycle was largely responsible for the repeated failure of the Brazilian government to implement its agreements with the IMF, especially those concerning the control of wages. Time after time the government would pass a wage directive limiting wage indexation to less than inflation only to have massive demonstrations force the parliament into refusing to turn the directive into law. (Dudley 1988) In this situation it is not surprising that well known economists like Celso Furtado have become outspoken opponents of IMF austerity and passionate advocates of a growth solution to the debt program. (Furtado 1984)

In neighboring Argentina, the tremendous debt piled up by the military, first in its war against its own people and then in the war with Britain over the Malvinas/Falkland Islands, brought an end to military rule and a return to civilian government. But even with this shift to a more legitimate government, capital has been unable to manage the legitimization and repayment of the accumulated debt. In neither the Argentinian middle class nor in the Peronist led working class has there been a willingness to accept the austerity demanded by the IMF. In Argentina, as in Brazil, the call for growth solutions have been widespread and Alfonsin has wavered between resistance and austerity. The recent defeat of his party and the election of a Peronist president together with widespread insurgency against rising food prices mark the continuation of the crisis for capital in Argentina.

In Eastern Europe the most dramatic case has been that of Poland. Following the upheavals of 1970 and 1976 and the constant build-up of debt during the decade of the 1970s, came the uprisings of 1980 and the birth of Solidarity – the most important rebellion in Eastern Europe since the Hungarian Revolution of 1956. Not a member of the IMF but accumulating substantial debt to Western Banks, the collapse of Polish government development strategy for dealing with growing working class demands led to the imposition of martial law, the outlawing of Solidarity and, shortly thereafter, to an official Polish demand for admission to the IMF. As we can see from Ronnie Phillips' paper on debt and class struggle in Poland, the strategy of the Polish government closely resembles those of other debtor governments in the West. (1987) Affiliation with the IMF was sought both for the access it would give to increased Western loans to roll over its debt, and for the extra external legitimacy the IMF would provide for the imposition of austerity. This crisis in Poland not only saw a dramatic collapse in investment but a government forced to allow the money supply to expand to accommodate dramatic increases in nominal wages (and in consumer prices) as it fought to maintain social stability while outlawing the primary expression of working class power. In order to obtain debt refinancing and membership in the IMF the government renewed its attack on working class income in 1986 through food price increases and cuts in consumption subsidies. The inadequacies of those measures were made obvious in November of 1987 both by the governments' introduction of a national referendum on austerity and economic reform and by the defeat of the government proposals. The subsequent legalization of Solidarity and the government's acquiesense to the overwhelming success of Solidarity candidates in recent elections both measure the growing desperation of the State. Its plan seems to be to harness Solidarity's popularity to the cause of austerity and reform. But even as some of Solidarity's top leadership have indicated their willingness to play such a game, rank and file workers have begun to resist autonomously. The debt crisis in the East continues.

Capitalist policy and class struggle in the USA

American policy makers, it will be recalled, adopted monetary restraint and increased unemployment in the period after late 1978 as anti-inflationary/anti-wage weapons aimed at a supply-side shift of resources from the consumption of the American working class to the investment of the capitalist class. However, despite the contribution of these policies (along with deregulation, attacks on unions and cuts in social programs) to the depression of working class income and despite other policies aimed at raising business profits (tax cuts, deregulation and the give-away of public lands and resources) to stimulate investment, by mid-1982 not only had business investment *not* expanded to offset the depression of consumption but as a result the increased unemployment had grown into a major global recession. By the time Mexico declared its inability to repay its debt in August of 1982, the Reagan White House was involved in bitter disputation not only with a wide variety of groups whose resistance had effectively blocked further attacks on the social wage (after the initial reductions gained in the summer of 1981), but also with the business community over proper strategy. When, in the fall of 1982 under pressure both at home and abroad, Volcker reversed the key monetary policy from restraint to expansion to bring down interest rates, especially for consumers, he was effectively abandoning a central strand of the White House program. The subsequent recovery that dates from 1983 to the present represented a major failure in capitalist policy. It was a failure because despite the fall in real wages and the class decomposition of a number of industries through deregulation, the successes achieved by the beneficiaries of social and entitlement programs in blocking further reductions coupled with ongoing resistance (both at home and abroad) to industrial restructuring prevented either a sufficient rise in profit rates on productive investment or the generation of state surpluses to induce or finance a new cycle of investment. Instead, the recovery was consumption led – a return to the working class led growth of the Keynesian era – with most new investment to expand productive capacity being that induced by the expansion of consumption.[18]

Subsequently, and for the last five years, capital in the United States has opted for speculation over productive investment, fueling real estate bubbles, takeover mania and the long bull market on Wall Street – what even *Business Week* has called 'the casino society.'[19] Yet, however many Wall Street traders have struck it rich in these years of almost 19th Century like capitalist greed and speculation, we must not lose sight of the fact that it all represented a tremendous avoidance of real investment, a gigantic capitalist aversion to precisely the supply side launching of accumulation which the Reagan White House had tried to induce. Moreover, we should not confuse ourselves by thinking that the avoidance and aversion were irrational acts. We should instead see in them responses to the failure of both recent and past attempts to decompose the working class into a profitably malleable labor force. Long were the discussions during this period of the weaknesses of American management, especially vis à vis the Japanese. Few were the imaginative attempts to formulate new approaches to labor control.[20] What restructuring investment there was during this period mostly followed old paths, either continued automation, as in the automobile industry, or geographical displacement of existing technology into new pools of foreign labor as in the electronics industry or union-busting industrial reorganization as in the deregulated airline industry.

Two by-products of the failure of the Reagan strategy were the constantly ballooning Federal budget deficit and an expanding trade deficit fed by the resurgence of consumption. Both of these deficits had to be increasingly financed by overseas borrowing. To attract the money necessary for that financing, the Fed, under both Volcker and Greenspan, has had to maintain enough monetary restriction to keep American interest rates attractive to foreign investors. That in turn has limited their ability to use lower interest rates to stimulate domestic productive investment. This they might well have done, given the drop in the inflation rate brought on by the global recession induced drop in oil prices together with the successful attack on real wages at home. The continuing failure to eliminate, or even substantially reduce, the budget and trade deficits makes major reductions in interest rates impossible, however, and has forced American policy makers to seek a coordinated international solution to the problem by demanding that the other major Western countries, especially Japan and West Germany cooperate to bring down the value of the dollar and pursue stimulative policies, including monetary expansions to cut interest rates. All these measures are aimed at improving the trade deficit (by raising the cost of American imports, further undercutting the real wage, and by cheapening American exports) while allowing the Fed to further lower interest rates in the US. Japanese and especially West German resistance to these American demands have stemmed from their belief that the US government should put its own class relations in order, i.e., cut consumption fat out of the budget deficit and out of working class income, rather than undermining its allies' projects for maintaining control at home. The German Bundesbank's constant fear of inflation, which it always cites as a reason for limiting stimulative measures, despite unemployment at an historically high eight per cent, clearly reflects an underlying fear of a resurgence in German working class wage struggles. Within this context, debtor country demands for major interest rate reductions to ease their problems of imposing austerity will continue to encounter stiff resistance from monetary authorities in the creditor countries who need high rates for their own class purposes.

Today, not only does the debt crisis continue as a symptom of the continuing crisis in capitalist control and of the continuing power of the working class to resist decomposition, but it has spread from the Second and Third World to the First. The foreign financing of the American federal budget deficit together with private borrowing of foreign capital add up to some $400 billion and make the United States the world's larger debtor nation. As a result we are now witnessing the beginnings of a debate over this debt which strikingly resembles the ongoing debates about other countries debt crises. The litany is familiar. Americans are living beyond their means, consuming the world's wealth with borrowed money. Farmers have bought too much land and machinery by irresponsibly borrowing too much. Students have been financing their own education by borrowing and are now reneging on their loans. The build-up of federal debt is accelerating; it may reach $1 trillion by the end of the Century unless something is done. The solution? As always: a more or less severe constriction of consumption and a shift of resources toward savings and investment to generate the wherewithal to repay the federal debt. (*Businessweek* 1987, Petersen 1987) Inefficient farmers should give up their farms and go into other lines of work. Students should be tracked down and made to pay off their debts. Sound familiar?

3

Having seen how international debt has been a weapon against the working class and its crisis a product of working class power, we can now evaluate the alternative responses which have been put forward on the left.

Debt relief versus default

On the basis of the class politics of the situation, there seems to be a good case for siding with the radical demand for debt cancellation as opposed to the reformist demand for debt relief. We have seen how the build up of debt was itself a double crime, against those from whom the money was stolen (via OPEC) and against those to be used and abused with it. The acquisition of the debt can in no way be viewed as a legitimate process. The elites in the Third World who did the borrowing were neither democratically elected nor representative of the working class whom they now want to repay the debt. Moreover, the uses to which they have put the borrowed money have been, on the whole, antithetical to the interests of workers. While the use of the borrowed money to create jobs and wages may not have been as painful as that used to finance repression and murder, it was nevertheless used for the purposes of exploitation and the pacification of working class struggles. Domination's velvet glove may be less oppressive than its mailed fist, but it is no more desirable for all that.

A first conclusion, therefore, is that, at the very least, we can and should carry on a campaign to delegitimize the debt itself. It is not enough to argue that its cost has been to high or that it has already been repaid many times over in absolute terms – that is true of every home mortgage ever paid off. We need to tell the story of its origins and its purposes and attack the IMF and the banks' arguments that a contract is a contract and fair play requires paying back money you have borrowed.

Once we accept the argument that the debt is not a legitimate burden acquired by the bulk of the people in any country, then there is clearly no moral or ethical reason for continuing to repay it. The political case for repudiating the debt is also obvious, once you accept a working class perspective. The borrowing was done by capital, for capital and against workers. A second conclusion, therefore, is that we should not only denounce the debt but we should fight for its repudiation.

However, along side, the moral, ethical and political cases for repudiating the debt, we must also confront the strategic issue. Many who call for debt relief are undoubtedly convinced that any repayment, however reduced, is unjust but are also convinced that default would either do more harm than good or is impossible. Would not the repudiation of international debt result in the isolation of any country daring to carry it out, a cut off of any further access to international finance, the collapse in trade and production, rising domestic unemployment and further drops in living standards? Clearly if all lending, including official trade and development finance were terminated such results are imaginable. The threat of such cut offs have been used both by creditors to discourage default and by local governments to explain to their people why they have repeatedly given in to IMF conditionality. Under such circumstances doesn't it make more sense to renegotiate debt relief – perhaps through a debtors cartel – and continuing repaying a reduced debt in exchange for new development financing? Wouldn't such an approach reduce the burden on the poor and achieve rising standards of living through growth? The answer depends on whether we think these threats are likely to be carried out.

Given that net private capital flows are already negative, the real issue is whether creditor country governments and international development banks would respond to default by cutting trade and development project finance. For individual countries, especially small countries, the example of Chile under Allende and Nicaragua under the Sandinistas suggests a high likelihood that they would. For a debtor cartel made up of the largest debtor countries the probability seems much lower. A cut-off of US and European trade and finance with Latin America, for example, would cause serious damage to the North Atlantic economy and to US and European multinational corporations – as was been clearly demonstrated during the trade collapse of the 1980s. The size of such trade and investment interests of the creditor countries together with the need for future borrowing by debtor governments for social control and accumulation, makes it likely that the response to large scale collective default would be negotiation of future economic relations rather than destructive retribution.[21]

Moreover, whether the response to default will be retaliation or negotiation will depend in part on the circumstances under which collective default occurs. Past experience (e.g., Egypt in 1976, Venezuela in 1989) suggests that if default were to be perceived by creditors as a last ditch effort by debtor governments to retain power in the face of popular upheaval, retaliation is much less likely because it would undercut the ability of the local states to maintain capitalist order. The necessity of such political economic calculation has been drummed into the heads of central bankers and government leaders by periodic worker explosions strong enough to force the abrogation of miscalculated agreements.

International discussions of the debt and of future financial and trade relations would take place against the background of the socio-political crises which brought on default. At such a point, the class struggle would shift from the refusal of austerity to contestation over possible new relationships. For those who are interested in development, debate would ensue over which strategies of both domestic investment and international linkages would best produce growth. They would seek to orient such negotiations toward the restoration of flows of credit to finance accumulation.[22] Working class interests, however, demand the subordination of investment to the meeting of peoples' needs, outside and against accumulation. The pressures that produced default would have to be reoriented toward the creation of spaces free of outside control within which various parts of the working class can elaborate their own alternative visions and social projects. At this point the arguments of those such as Susan George and the Berlin Counter-Conference that beyond default lies the issue of development come to the fore. It is here that a serious debate must be engaged over the issues of development and self-valorization.

To accept the desirability of development, as I have argued elsewhere, is to remain bound within the project of accumulation and to be limited to disputing its form and the class origins of its managers. (Cleaver 1988) We can do better than this. All around the world are people in communities who have been elaborating social projects of self-valorization, ways of being and interacting which go beyond the work-centered, sexist, racist, alienated existence offered by capitalist development. These projects provide points of departure for alternative paths of social evolution. What is needed are the spaces and opportunities for their expansion. Either we believe in our ability to craft a new world, or we do not. Those of us who are convinced that we, collectively, have this ability can not accept being limited to some variation of accumulation.

To summarize the political agenda so far: we should attack the legitimacy of the debt, we should demand its repudiation and we should oppose any future acquisition of debt which would bind us within accumulation. To achieve these ends we need to 1) build and dissiminate the case against the debt and its repayment, 2) organize a popular mobilization with sufficient power to force a collective repudiation of the debt on a broad enough scale to minimize the chances of retaliation, and 3) prepare for shifting the focus of struggle from default to the opening of spaces of self-valorization outside and against accumulation.

Forms of organization.

To date the organizational forms that have been developed in the struggle against the debt have often been obscure, or limited, or unproven. Most important and effective, at least in some instances, have been the *popular upheavals* in the debtor countries against austerity measures aimed at workers. Prototypical were the insurgencies in Egypt which forced the cancellation of food subsidy cuts and those in Brazil which countered the austerity wage decrees. Unfortunately, not only have the results of such uprisings have been mixed – some have failed with considerable loss of life – but their internal organizational dynamics have remained largely unknown to those not immediately involved. There is no doubt that a variety of intellectuals, politicians, union leaders and cartoonists have contributed to the deligitimazation of the debt in those countries, but we know little about the dynamics of struggle in the working class communities where the explosions have originated. Given the importance of such popular upheavals, any effort to build a movement against the debt should include careful study of these explosive processes of class recomposition to learn how they can be linked in an international movement.

More limited but easier to grasp have been the efforts in the creditor countries to oppose IMF austerity and debt repayment. These include short-term, concentrated efforts such as the September 1988 Berlin Counter-Conference and longer term efforts such as the Washington-based Debt Crisis Network. Berlin militants led five days of protest and attack against the annual meetings of the IMF and the World Bank. What is interesting about those Berlin protests was the way in which a variety of autonomous struggles were woven into a unified effort. The call for debt repudiation was a central demand, but it was also a vehicle for the discussion of a wide range of issues (feminist, environmental, squatter, youth, peace) at the center of the crisis of class relations in Germany as well as in the world as a whole. (Interview 1988, Autonomia 1989) Future meetings could also provide occasions for other cooperative attacks on the IMF and for discussions of how to build the struggle internationally.

The emergence of the United States as a prominent member of the league of debtor countries creates a unique possibility. Given that most of the largest multinational banks holding outstanding debt are based in the United States and are subject to governmental regulation, an international struggle for the repudiation of the debt might come to include the demands of American citizens that its government take action against the debt and for the protection of debtors from possible reprisal. The strength of such demands could be an important determinant of the outcome of a conflict. The question is could a powerful enough class coalition be built in the United States to exert such pressure?

The possibility of creating such a coalition, perhaps even more comprehensive than the one in Germany, has grown in recent years because of the proliferation of several kinds of debt crises in the US. For example, since the early 1980s a series of financial changes which have attacked working people's income and reduced their access to consumer credit have certainly contributed to a declining sence of obligation toward financial institutions. These include: the elimination of most state anti-usury laws, the dramatic rise in the cost of consumer credit, the huge jump in the cost of homeownership, together with the scandel of Savings & Loan Banks (S&LS) diverting their deposits from home loans to fraud and speculation, and now the attempt by the government to bail out the bankrupt S&L industry using taxpayer money. Such circumstances should make it possible for those concerned with international debt to enter into debate with reformist groups such as the 'Financial Democracy Campaign' recently created in the US in response to the S&L crisis. Indeed the Debt Crisis Network published the FDC's Statement of Principles in its newsletter. (DCN 1989) More broadly, as Patrick Bond of the DCN has argued, there are a wide variety of anti-bank and anti-corporate campaigns in the US, Britain and Western Europe whose members could recognize, and mobilize around, the linkages between their struggles and those in the debtor countries. (Bond 1989a, 1989b)

Establishing and strengthening such linkages is what builds a movement. It is the kind of on-going struggle to which the Debt Crisis Network in the US has dedicated itself. Concerned not only with the struggle against debt but also with issues of popular self-determination, the DCN represents a response which is similar to but more sustained than the Berlin Counter-Conference. The only hope for sufficient coordination and cooperation to force default and then limit the ability of capital to retaliate lies in the power of working class refusal. Capital's attack is global in scope, and comprehensive in its use of money and financial mechanisms against the working class. Our response must therefore also be global and comprehensive. What we need is an international debt crisis network that by making connections among those being attacked by debt, recomposes the global class structure and undermines capital's mechanisms of domination. The capitalist management of the debt crisis has taught us, once more, that the key to its success is divide and conquer. The IMF and the banks have divided the world into creditor and debtor countries and insisted in dealing with debtor countries one by one – even though the creditor countries are full of debtors being attacked by the same banks. Ultimately our only possibility of effective response to this strategy is to overcome the divisions through the international organization of popular struggle against the debt and against development.

To build such a movement means linking many people around many issues. What Marxists can bring to such an effort is a class analysis of the genesis and dynamics of both the international debt crisis and its connections with other aspects of the general crisis of this period. The widespread use of money and financial mechanisms against the working class provides us with great opportunities to elaborate critiques of both the money form of social domination and of the possibilities for social organization beyond exchange value. In this perspective, our agenda for struggle should include not only attacks on the debt and its managers but also a more general challenge to banks and the debt they wield to control us. It is a time to fight the rescue of S&L's, to shift discussion from financial regulation to that of financial abolition, to critique both the price and money forms and to open discussion on how to reorganize the genesis and distribution of wealth in society without debt or money.

Others will stop short of such discussion and fall into the Proudhonist trap of monetary reformism – such is the case of those calling for the democratization of banking and monetary policy. (Financial Democracy Campaign 1989, Epstein 1985) We should remind them of the reasons for Marx's rejection of the 19th Century socialist schemes for the democratization of credit. Credit and debt, he showed, again and again, perhaps most forcefully in the *Grundrisse*, can not be appropriated by the working class, but must be destroyed. Capital, even without the capitalists, is still capital and needs to be abolished. In all his commentaries, Marx showed a clear awareness of the class nature of credit and of debt, of the way capital sought to use both against workers, and of the importance of the attack on both for the advance of working class struggle. (Ricciardi 1985, 1987) When there is no chance to destroy money and credit, it makes sense to attempt to use it for our own purposes – as Marx argued against Weston with respect to wages, and as we do with respect to wages, social welfare expenditures, school scholarships, strike funds and even credit. But in a period of profound financial crisis, when we have achieved the power to precipitate crisis and capital is struggling to restore its control, then the opportunities opened call for the clearist presentation of maximalist demand for the end of debt as one step to the abolition of capital itself.

Notes

1. One well known example of an analysis which deals with the crisis primarily in terms of capital's own categories, is Cheryl Payer's work. While careful in tracing and critiquing the actions and interactions of the capitalist players in the debt story, Payer hardly recognizes the working class as a substantive actor. For example, in her article (1987) we learn much about the actions of private banks, the US government, and various international agencies (such as the IMF). Of workers and their power we learn almost nothing: workers in the developed countries can be threatened by debtor country exports (pp. 199, 203) and 'poor people' (presumably at least some of these are considered workers) have been hurt by the debt crisis. In such analyses we lose the ability to view the situation, past or present, from our own point of view and thus to find strategies most appropriate to our goals. See also the articles by Wood (1985, 1988). Further examples of this kind of loss can be found in two other radical books on the current crisis: Watkins (1986) and Wachtel (1986). It was partly frustration with the complete lack of a working class perspective in these books which prompted me to write this essay.

2. The DCN's position on this issue has fluctuated from the radical to the reformist. While its Statement of Principles calls for debt cancellation, its more comprehensive booklet *From Debt to Development: Alternatives to the International Debt Crisis* is more reformist calling only for debt forgiveness to the poorest debtors and for debt relief and democratization of lending for others.

3. This approach to the analysis of the debt crisis is rooted in the

tradition of what I call, for lack of a better title, autonomist Marxism. For an introduction to that tradition see the introduction to my book *Reading Capital Politically*. Previous work on international monetary and debt crises within this tradition include: Marazzi (1977), Phillips (1980), Ricciardi (1985), Marazzi (1986) and Dudley (1988).

4. For a brief discussion of the concept of *class composition* see the introduction to the first issue of the journal *Zerowork* (1975), or for a more extensive discussion see Moulier (1986).

5. The most comprehensive statement of this interpretation was set out in the two issues of *Zerowork* (1975, 1977). Parallel analyses of the European crisis were developed earlier in Italy by the theoreticians of Autonomia and at about the same time in France and Germany by like-minded Marxists. See, for example, the Italian articles from the early 1970s translated and published in Red Notes (1979).

6. I don't want to ignore the more private but all too common motives of borrowers: the corrupt practice of skimming personal wealth off the edges of the massive loans and, often, depositing that wealth in foreign banks. Muckrakers have had a neverending source of dirt in this regard, but given the amounts that have actually been spent on investment in social control, I see no reason to think this is a prime motivation. Regardless of the percentages diverted into capital flight, be they high or low, the real issue in such flight is the reason for the export of capital – and that reason is to be found in the exporters' perception of high risk in their own countries as a result of intense class struggle – the same perception that motivated the official borrowing in the first place.

7. The successful utilization of borrowed money to finance accumulation is not a 'gain' to be recognized and defended by the Left, as Wood (1985) claims in an otherwise interesting article, but rather simply another case of the putting to work and exploitation of people – the standard capitalist method of social control, whether carried out by private or state capitalists. When Wood quotes Peter Kilborn of *The New York Times* that 'few Brazilians would undo much of the work of the technocrats . . . networks of roads, banking, telecommunications and electric power . . . a widely diversified industrial base,' he shows little empathy with the mass of the Brazilian people whose virtual forced labor created these wonderful byproducts of development and whose lives continue to be rendered miserable by them. Do we have to repeat endlessly the case against roads built for the rape of a country and its people, against banks whose only purpose is ripping off a share of surplus value, against telecommunications which serve primarily to facilitate social control and against electric power, 90 per cent of which is used for exploitation and pollutes rather than improves peoples' lives, against 'diversified industry' which in Brazil not only exploits people and nature but produces mainly for the rich and foreign markets.

8. The argument that OPEC acted to stem a decades long drain of wealth, and was especially motivated to do so after the decade of the 1960s which saw a steady decline in the terms of trade between oil and Western manufactured goods is undoubtedly true. But this explanation does little to explain the timing of shift in policy (which began well before the 7 days war) nor the uses to which the money was put.

9. It is normal to attribute development projects to the benevolence of farsighted rulers and policy makers. Certainly, this was the case with the

American portrayal of the Shah as a forward looking modernizer in the midst of Mediaeval backwardness. Yet, from time to time commentators have recognized the underlying social pressures to which the Shah and his state were reacting. One example is Moran (1976–77) which shows how those pressures were prompting Iran to demand ever higher prices within OPEC negotiations.

10. In a remarkable work that analyses the entire history of Nigeria from colonialism through to the 1980s, Izielen Agbon (1985) has delineated, in considerable detail, the cycle of struggle that led up to the Civil War and the one that has followed it.

11. Thus we can see the applicability of Midnight Note's analysis of the energy crisis (as a crisis in capitalist ability to impose work rooted in high working class entropy) in the OPEC countries as well as elsewhere. See: Midnight Notes Collective (1980).

12. Economists have traditionally treated these class forces in terms of either a cost-push (the excess of wage increases over productivity increases) or demand-pull (Great Society and Vietnam War) inflation. Some Marxists prefer to see it as a 'profit squeeze' inflation. All are correct but the point is to see how, each characterization reflects the same underlying phenomena: working class struggle which has ruptured the managerial abilities of capital. Competitiveness is always a question of the relative ability of capitalists to harness working class energy – to put it to work productively. Those capitalists who are best at this harnessing generally win the competitive battle. Thus the preoccupation of American capitalists these last years in learning the managerial techniques used in Japan whose manufactured products have been successfully invading US markets.

13. At least two parts of the economic discussions of the early 1970s have to be combined to see this clearly. The first is made up of the preoccupations with a 'capital shortage' – Martin Feldstein's work is a good example of this. The second is associated with the Trilateral Commission whose study groups on the international monetary crisis and the energy crisis were among the first to see the opportunities in the new situation. (Campbell *et. al* 1974a, 1974b. Together this material illustrates capital's own view of what Midnight Notes has called the neo-ricardian strategy of manipulating the prices of basic goods to undermine wages and shift value to capital. (Midnight Notes Collective 1980).

14. This maintenance of *average* real wages, however, was bought at the price of a substantial widening in the differentials between those with the power to maintain or increase their real wage and those who could not. Such widening differentials tended, *ceteris paribus*, to decompose previous structures of power in the working class in favor of capitalist control.

15. For a more detailed treatment of supply side economics and capitalist strategy in this period, along the lines of the argument of this essay, see: Cleaver (1981). (English original is available from the author.)

16. One of the statements of an emerging liberal consensus around a critique of the IMF along these lines was a report by the Institute for International Economics (1982) and signed by twenty six prominant economists. Signers of the document included Richard Cooper, C. Fred Bergsten, William Cline and Lester Thurow.

17. For an example of a recent, articulate expression of the refusal of development see: Esteva (1984) and Esteva (1985). The term 'self-

valorization,' which denotes the positive side of working class struggle to go beyond capitalist valorization and found new self-determined directions, is Toni Negri's (1984). For a discussion of the applicability of this concept in the Third World see Cleaver (1988).

18. For a more extensive discussion of this collapse of the Reagan offensive, see Cleaver (1986). Given the Reagan administration's success in attacking average real wages, and the methods it used to do so (unemployment, union busting, deregulation, and industrial restructuring), the expansion in consumption of this most recent period has clearly been based on a different structure of demand than earlier periods.

19. To some degree, it has been argued that at least some of the spate of takeovers and mergers of these last years, have been aimed at an industrial restructuring designed to give management more control over the labor force, lower costs and in general higher efficiency. To the degree that this is so, such changes must be considered part and parcel of the process of decomposition capital has been attempting in order to regain control.

20. During this period of reassessment of managerial style and methods, capital has had some openness to experimentations with worker participation in profits and in management. Increased attention has been paid to various forms of worker participation in Scandinavia and to co-determination in Germany. We have seen some movement in this direction from ESOPs to worker buy outs and take overs of firms in trouble. This attention has been encouraged by a burgeoning socialist literature on economic democracy and workers' control.

21. What of a spontaneous collapse of the global financial system that might achieve the same result as an intentional cut-off of finance? Given the way in which the creditor banks have been able to increase their loan reserves and reduce their exposure in the last few years, together with the ability of the Fed and other central banks to respond to default with an compensatory expansion of liquidity (as they did during the stock market crash of 1987) collective default would probably not produce a generalized financial collapse. As some have argued the crisis (as threat of collapse) is already over for the banks; it persists only for the debtors and for the system as a whole.

22. An exception to this rule among critics of the debt crisis and its management is Susan George (1988), who in her book suggested that debt monies (either that of repayment or new loans) should be placed in special funds which could be used to finance local projects democratically selected by grassroots organizations. Unfortunately, there seems little reason to believe that any ruling class or capitalist institution (including the IMF which she wants to use) would be willing to acquiesce to any such operations if it was truly devoted to building alternative social structures and bases of popular power.

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