

# **The Current Conjuncture: Situation and Prospects**

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I think in terms of radical equality, democracy, and justice. These, to my mind, are the animating elements of the socialist project. The problem is that the socialist project has been associated with the economies of Eastern Europe, centralized planning, overwhelming emphasis on the state, and complete eradication of the market. In the old socialist paradigms, the indigenous communities were associated with a lower stage of production.

My sense is that these connotations are not the only problems and, in fact, should be easy to solve. However a whole host of new elements, such as feminism and the environment, are incompletely captured by the term socialism. We have to subject the term to a minute examination of whether we should continue to use it or not. There are dimensions that are not incorporated into its original meaning. But in terms of animating ideals, we all share it at this point.

Globally speaking we have three interrelated crises - over-extension, overproduction, and legitimacy. More than anything, the crisis of over-extension refers to an increasing gap between the goals and resources of imperialism. What we're seeing is an inability, which is marked, to overcome that gap. The main manifestation is in Iraq, where the US is in very great trouble and in a very real sense, the country is like Vietnam. There are 135,000 US troops in Iraq but the minimum needed just to fight the Iraqi guerrillas to a stalemate is about half a million troops; that is impossible to achieve without civil strife in the US.

Ground troops and the ability to deploy them compose the real essence of a war of intervention in the Third World. That is why the US is desperate to get the coalition of the willing to commit more troops. Ever since January, it has been following a diplomatic track because of the crisis of military over-extension, which is to say, there is a new game in Iraq and that is the game of democracy and supporting the new government. The European countries have let bygones be bygones and concentrate on shoring up the new government. So far, this diplomatic track has failed and the US is facing a very severe crisis, not knowing how to get out of Iraq at this point.

The longer that the US has no exit strategy, the worse the situation gets, especially since the present Iraqi government can't even get its act together. It is a countrywide insurgency; political resistance is much broader than military resistance; and civil resistance is even broader than political resistance. The insurgency has been growing, especially in the Sunni areas and well within the Shi'ite areas. The push to establish the legitimacy of the so-called new government is failing drastically. At the same time the military situation is worsening. It does not mean, however, that the US will withdraw soon. The situation in Iraq and US embedded has affected US globally, militarily speaking.

If we look at Afghanistan, US controls at the most two cities. There is continuous and significant resistance, and not only by the Taliban. It is turning out to be a military failure. Afghanistan is exacerbating the crisis; the US has to maintain 15,000 troops in the country, with 30,000 support groups outside. In Palestine, the Bush-Sharon plans of withdrawal from the Gaza and consolidation of the West Bank as part of Israel are not succeeding. In fact, the Bush administration's moves to tie itself to Sharon in the most unqualified way has made it lose political capital with the Arab people in the region. Palestine is in a politico-military stalemate. Regarding the war on terror, I think even Richard Clark has admitted that this has rebounded on the US in a very bad way; instead of achieving its objectives, it has simply inflamed very strong anti-US sentiments throughout the world, especially among Arabs and Muslims. I think the US is fearful and worried that Muslims in Southeast Asia are moving more and more into fundamentalist forms of resistance.

Latin America is the runaway continent, both electorally and in mass insurrections. The anti-globalization wave and anti-neoliberal Left are very strong. In fact the Lula government, which used to be seen as the most progressive, has been left behind in many ways. In Argentina, government policy has been to radically reduce debt unilaterally; it has been able to get away with it with scarcely a reproach from the IMF. Mexican Foreign Minister Castaneda said that the elites now have to adapt their rhetoric to the anti-imperialist tenor of the continent. Otherwise they will not be able to survive politically.

I think the Atlantic Alliance in Europe is dead. The distance and antagonism between Europe, particularly the EU, and the US have really qualitatively increased. I think that intercapitalist competition is going to characterize the relations between the two in the coming period. In fact, the resistance of Germany and France against going into Iraq was not due only to the anti-war sentiments of the majority of their population but because a significant part of the elite already see the US as the main threat to their national security, and to their interests as a whole. Previously the US, especially during the Clinton period, was able to contain over-extension; it did not allow itself to get into this situation, but now the situation has exacerbated. The neoconservatives have really heightened this contradiction, with their massively ambitious projection of US military power as their main goal.

Overproduction and overcapacity, the growing gap between the installed capacity of the system to produce tremendous amounts of goods and commodities on the one hand, and the limited global capacity to consume these goods and commodities on the other, is the classical crisis of capitalism. Over the last 25 years in the North and South, income-constraining measures have been limiting purchasing power globally. It has led to a crisis of profitability. Growth rates, even before the 1990s, were already down. Production is in fact no longer profitable in the North, especially in manufacturing. There has been a massive flow of European, Japanese and American investments to the Third World. Most of that investment, in fact, \$53 billion in 2003 has gone to China, which is the last frontier and solution to the crisis of capitalism. Most of the 500 leading transnational corporations in the world have established China operations. This puts China in a particular role. On one hand, it is the backbone of capitalist profitability worldwide. Latest statistics show that most of the profits of US firms have come from its outside operations, particularly China. On the one hand, it has absorbed investments and allowed corporations to achieve a certain amount of profit that is no longer possible in the North. At the same time, it has added to the overcapacity crisis. Installed capacity in China is worsening the crisis and the role of China is being debated in ruling class circles. One thing is certain, without China they will be in real trouble at this point in time.

There has been a change in political economy from the Clinton to the Bush period. Clinton gave globalization a tremendous push; he was very sensitive to the transnational interests of the capitalist class. In fact, Clinton came out with certain policies that were detrimental to the position of US capital. These were aimed at reviving European and Japanese industries. Under Bush, there is now a

push for global economic policies that will mainly serve US capital at the expense of Japanese and European capital. One example is the exchange rate. The Bush administration has followed a weak dollar policy mainly to get the US economy to revive at the expense of Europe and Japan. In the WTO, Bush' policy is protectionism for the US and free trade for the rest of the world. It is not simply promotion of globalization but a very strong nationalist economics. This double standard is particularly marked and alienates the Japanese and East Asian and European capitalist classes. This is very different from the Clinton period. The ruling class during the Clinton period was Finance Capital and Wall Street. Under Bush, the dominant section of the capitalist class is connected to oil and the military industrial complex, a section that is closely connected to the military. There has been a major shift in the relations of factions within the US ruling class.

There was a global shift in the Third World from authoritarian rule to elite democracies. This took place not because, but in spite of the US. The problem is that the legitimacy of these democracies have been undermined by the United States. They used these elite democracies with fragile legitimacy to impose structural adjustment programs. One of the latest polls from Latin America showed that 53% of Latin Americans would prefer an authoritarian dictatorship if it delivered economically.

In the US, democracy has also gone into crisis. Many people believe that Bush is, in fact, an illegitimate president (2000 US elections). The way the Patriot Act has really constricted civil liberties, particularly for the lower classes in the US, cannot be underestimated as a break with liberalism. US democracy is in crisis - it is in a state of cultural civil war, with the Right much better organized at all levels of the political system. That is why the Democrats and progressives lost the last election. The hegemony of the Republicans over the different strata of the middle class and many sectors of the white working class is very solid at this point. While the rest of the world seem to be moving to the Left, the US Right has established the base that would enable it to rule for the next 25 years, even with constant crisis.

The third element of the crisis of legitimacy is the multilateral order. The US knew it could not just impose its hegemony; it couldn't do this bilaterally or unilaterally. It had to create forms of multilateral governance; it had to make concessions and not always get its own way. Under Bush what has happened is that the US has unilateralized the World Bank, the IMF and the WTO. The post-war multilateral instruments of global economic governance are now undergoing a tremendous crisis of legitimacy. Ever since the 1997 Asian financial crisis, the IMF has been used by the US to open up Asian economies further. We already know about the crisis of the WTO. With the appointment of Wolfowitz as its head, the World Bank was the last to be drawn fully into the unilateralization of multilateral agencies.

The elements of legitimacy should not be underestimated. Gramsci said that cultural hegemony is a much more potent source of stabilization and class rule than the military. I think cultural hegemony is the main mechanism of control and it is being eroded at this time. The US remains a strong imperialist power and capitalist global structures remain hegemonic. However, US imperialism is debilitated by overextension, overproduction, stagnation, erratic growth, deflation and lack of legitimacy. There is no revolutionary situation but radical social movements are on the upswing in many countries. When combined internationally at critical junctures, they can create a critical mass to provoke a minor crisis in the system, such as Seattle in 1999, Cancun in 2003, and possibly G8 in July and Hong Kong on December 2005.

I think we cannot overestimate how Seattle really shook the globalist project and the project of legitimacy. Prior to Seattle, globalization was still seen as the wave of the future. After Seattle, the whole thing changed. Because of Seattle, civil society movements were able to come together. Second was Cancun in 2003. The ministerial meeting in Hong Kong in December of this year is

shaping up to be a major confrontation, with WTO fighting for its life. There is a lot of hesitation in bourgeois circles about what will come out of Hong Kong. Either the WTO comes out permanently crippled or as the engine of global liberalization. I think that the SNR and other groups are trying to mobilize thousands of Filipinos to go there, and I think Princess Nemenzo is part of this process. The other thing is the G8 meeting where there's a promise of confrontation between the G8 and global civil society in July 2005. Yes, there is no global revolutionary upsurge at this point and yet radical social movements are deepening the crisis of capitalism, especially at critical junctures.

Let me just move very quickly to the local conjuncture because I think this is the subject of many ongoing discussions. The Philippine crisis is not just of one administration but of the EDSA state (that is, elite democracy allowing maximum competition among elites but a united front against lower classes). It has been very effective in preserving class rule but it is now in crisis. The EDSA state uses the masses themselves to legitimize the system, even if they are cynical and look on elections as a mechanism for income redistribution, as long as a significant number participates in the electoral process. This is a materialization of bourgeois democratic ideology and the way that legitimacy is reproduced and reinforced. I would contend that the ideology of the elite is democracy. This is why we really have to find ways to "bring" democracy to our side and prevent the elites from using democracy as a mechanism of legitimization.

My sense is that the system is now in crisis. I could be wrong but I do not see coup efforts materializing pretty soon. I think that this crisis of legitimacy can be extended. A number of factors are militating against the ability of any one group within the opposition to be able to take power. The other thing that I would like to mention is that one mechanism for strengthening, reinforcing, and reinvigorating class rule has been a populist strongman, or even an authoritarian regime. If we look at Philippine history from the 50s, we find very interesting dynamics between bourgeois democracy using legitimacy and strongman rule. I would contend that Magsaysay was such a strongman, with authoritarian tendencies who was able to restabilize the Philippine bourgeois system. Marcos was another. The big question is whether there will be an authoritarian stabilization with the current state in crisis. I think it is still in the future, but increasingly the "necessity for authoritarian stabilization" will emerge.

There is a comprehensive crisis of the system but no revolutionary upsurge. Why? There is the fragmentation of the Left and its lack of inspiring vision. There is a very strong sense of weariness, of cynicism, and perhaps the effects of many years of war. Exit, not resistance, has been the major source of gaining revolutionary energy. When 8 million out of 80 million Filipinos are outside the country, this has a qualitative impact on consciousness. Exit has become a real alternative to actual political action. There is a debate on the labor export policy because it is a block to our objectives. Globally speaking, I think the lessons that were derived from the events of the past five years is never to underestimate US imperialism, but never to overestimate it either. Imperialism and globalization are in very serious crisis. We must be able to seize the opportunity provided by that crisis.

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