

Financial Crisis? Systemic Crisis?

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Samir Amin

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Lecture Series



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1

Questions of Method

With the financial collapse of September 2008 begins the development of a major systemic crisis.

In order to understand the nature of this crisis, what is at stake, and from there to imagine the contours of the different alternative systems which will emerge progressively from the responses which the dominant forces in place – the states and governing classes, as well as the workers and dominated peoples – will give to them, it is necessary to go beyond an analysis of the unfolding of the financial crisis proper. But neither will it suffice to juxtapose this last analysis and those of other crises, in particular : (i) the crisis of accumulation in the real productive economy; (ii) the energy crisis, concerning a) the exhaustion of fossil fuels, b) the consequences of the growth associated with the model of utilisation of this energy (possible effects on the climate included), c) the consequences of the alternative policies put in place of using other energy sources (agro-carbons); (iii) the crisis of peasant societies submitted to an accelerated destruction and the agro-alimentary crisis which is associated with this. It is necessary to integrate all the dimensions of this major systemic crisis into a holistic integrated analysis.

I will introduce the debate on this question by a series of propositions concerning the major new characteristics of contemporary capitalism. Two major transformations have come about progressively over the course of the last decades. Even though these form part of evolutionary processes that began a long time ago, I would say the change in quantity has been transformed into a qualitative jump.

The first of these transformations concerns the degree of centralisation of capital in its dominant segments. This cannot be compared with what was the case only 40 years ago. Of course, monopolies and oligopolies are not a new thing in the history of capitalism, from the mercantile époque until the emer-

gence of cartels and trusts at the end of the 19th century (analysed by Hilferding, Hobson and Lenin). But today, one has to talk for the first time of a generalised capitalism of oligopolies which now dominate in all domains of economic life.

I will deduce from this observation two major consequences.

The first of these consequences is that this transformation has given a new face to imperialism. This imperialism always conjugated itself in the plural, and was manifest in the permanent conflict between the imperial powers concerned. From now on, one has to speak of the collective imperialism of the triad (United States, Europe, Japan) in the singular.

The second of these consequences is that the oligopolistic form of capitalism is at the origin of its 'financialisation'.

The second of the major qualitative transformations concerns the natural resources of the planet. These are not so abundant that one can consider unlimited access to their exploitation to be possible. These resources have become, in relative terms, extremely rare (if not on the way to exhaustion) and as a result the access to these resources can no longer be open to all.

In what follows, I will articulate analyses of each of these new evolutions of contemporary capitalism/imperialism, allowing the crisis of its financial aspects to be situated within the totality of the system, the logic and nature of the responses of the dominant powers to be understood, and the conditions of the emergence of alternative responses to be specified.

The list of 'what is new' in the organisation of modern societies certainly goes beyond the domains mentioned here. The literature often puts emphasis on the scientific and technological revolutions of our times: information technology, space, nuclear, exploitation of the sea beds, fabrication of new materials, etc. This is undeniable and important. I refuse, nonetheless, to apprehend this dimension of reality through the 'technological' penchant of the dominant discourse on the subject, making these innovations the primary motor of history and thereby calling on society to 'adjust itself' to the constraints that they command. In counterpoint, in the analyses which I propose, the technologies are themselves shaped by the dominant social relations. In other dimensions of reality, the observation of important factual changes is no less imposing. At the level of international relations, the emergence of 'new powers' cannot be dismissed from the realm of possibility. At the level of social relations, the list of indisputable 'new facts' can seem unlimited: the fragmentation of the labour market and the organisation of means of production, for example. Or the erosion of the old forms of political expression to the benefit of new – or renewed, reinforced – forms of affirmation of gender, of identity (ethnic, religious, cultural). I

think it is nonetheless necessary to relate the analysis of these realities to that of the logic of the reproduction of the system characterised by the major transformations on which I have focussed.

The crisis is systemic in the sense that the further pursuit of the model of capitalism employed over the last decades will become impossible. The page will necessarily be turned, over a period of 'transition' (of crisis) that will be brief or long, orderly or chaotic. 'Another world is possible', said the 'alterglobalists' of Porto Alegre. I would say 'another world is on its way', which could be even more barbarian, but which could also be altogether better, in different degrees.

The dominant social forces will try, in conflicts that will become more and more acute, to maintain their privileged positions. But they will not be able to do this unless they break with many of the principles and practices associated with their domination until now. In particular: renouncing democracy, international law and respect of the rights of the peoples of the South. If they manage this then the world of tomorrow will be founded on what I have called 'apartheid at a global level'. A new phase of 'capitalism' or a system that is qualitatively different and new? The question merits discussion.

The workers and the people who will be the victims of this barbarian evolution can defeat the social forces and reactionary politics (not 'liberal politics' as they try to call themselves) at work. They are capable of taking the measure of what is at stake in this systemic crisis, of liberating themselves from the illusory responses which still often have the wind behind them, of inventing adequate forms of organisation and action, of transcending the fragmentation of their struggles and of overcoming the contradictions which come from this. Will they thereby 'invent' or 'reinvent' the socialism of the 21st century? Or only advance in this direction, on the long route of the secular transition from capitalism to socialism? I would lean towards the second probability.

Globalisation – phenomenon inherent in capitalism, deepening itself over the successive stages of its deployment – implies that the world of tomorrow will not be better unless the peoples of the South (who make up 80% of humanity) impose this result by means of their struggles. Without this, the world cannot be better because the idea that, by humanist generosity, the workers of the North – who are equally victims of the system in place – could shape a global system better for the peoples of the South, lacks any foundation.



2

The Domination of the Oligopolies, Foundation of Financialisation in Disarray

The phenomenon described as financialisation of contemporary capitalism finds its expression in the expansion of investments on the monetary and financial markets. This exponential expansion, without precedent in history, began a quarter of a century ago, and has carried the volume of operations conducted annually on the monetary and financial markets to more than 2000 trillion dollars, compared with barely 50 trillion dollars for worldwide GDP and 15 trillion for international commerce.

The financialisation in question was made necessary by, on the one hand, the generalisation of the system of floating exchange rates (where the rates are determined day to day by what is called the market), and on the other hand, the parallel deregulation of interest rates (equally abandoned on the side of supply and of demand). In these conditions, operations on the monetary and financial markets no longer constitute, principally, the counterpart of exchanges in goods and services but are from now on motivated almost exclusively by the concern of economic agents to protect themselves from fluctuations in rates of exchange and interest.

It is self-evident that the vertiginous expansion of these operations for covering risks could not respond in any way to the expectations of those who used them. Elementary common sense should make it clear that the more the means of reducing the risk for a given operation are multiplied, the more the collective risk augments. But conventional economists are not equipped to understand this: they need to believe in the absurd dogma of the self-regulation of markets, without which their entire construction of the proclaimed 'market economy' would collapse. The 'market economy', which I have described elsewhere as a theory of an imaginary system which has no relation to capitalism as it really exists, is the cornerstone of the ideology (in the vulgar and negative sense of the term) of capitalism, its method of giving itself an apparent legitimacy.

It is therefore not surprising that conventional economists, despite their arrogance, were incapable of predicting what, for others, was evident. And when the collapse had truly happened, they were incapable of finding any explanation that was not simply 'accidental' - errors in calculation concerning 'sub-primes' and others. According to them, the problems could only be caused by minor accidents, without any dramatic consequences, that could rapidly be corrected!

The expansion of the monetary and financial markets which necessarily led to the catastrophe had been analysed perfectly, even before the collapse of September 2008, by politically critical economists, in particular Francois Morin, Frederic Lordon, Elmar Altvater, Peter Gowan, myself and some others (not many, alas). There is nothing to add here to these analyses from the way the events unfolded.

But we must go further. because in stopping at the financial analysis of the financial crisis, one leaves it to be understood that there were no other causes than the direct causes which were at its origin; which is to say, it is the dogma of the liberalisation of monetary and financial markets, of their 'deregulation', at the origin of the disaster. But that is only true in a first immediate reading of the reality. Beyond this, the question is to identify the social interests that are represented behind the adherence to the dogmas concerning deregulation of the markets in question.

Here again, banks and other financial institutions (insurance, pension funds, hedge funds) appear to have truly been the privileged beneficiaries of this expansion, which allows the discourse of the powerful to attribute all the responsibility for the disaster to them. But in fact, the financialisation was profitable to all the oligopolies, and 40 per cent of their profits came solely from their financial operations. And these oligopolies control simultaneously the dominant sectors of the real productive economy and the financial institutions.

Why, therefore, did the oligopolies deliberately choose the route of the financialisation of the system in its totality? The reason is that doing so allowed them simply to concentrate, for their benefit, a growing proportion of the mass of profits realised in the real economy. The apparently insignificant rates of return for each financial operation produce, taking into account the gigantic number of these operations, considerable volumes of profits. These profits are the products of a redistribution of the surplus mass generated in the real economy and are the rents of the monopolies. We understand therefore why the high rates of return of financial investments (to the order of 15%) were counterbalanced by mediocre rates of return for investments in the productive economy (to the order of 5%). This levy on the global mass of profits, operated by the oligopolies' financial

rent, means that the cause (the oligopolistic character of contemporary capitalism) cannot be dissociated from its consequence (the financialisation, that is to say the preference for financial investment rather than investment in the real economy).

As a result, the monetary and financial markets occupy a dominant position in the market system, because they allow the oligopolies (and not only the banks) to raise their rent of monopoly on the one hand, and to surrender competition between themselves for the sharing of this rent on the other. Conventional economists ignore this hierarchisation of markets, in place of which they substitute an abstract discourse of 'a general market economy'.

The expansion of the monetary and financial market conditions that of investment in the real economy and limits its growth. In turn, this weakening of the general growth of the economy brings about the same effects in employment growth, with the well-known associated consequences (unemployment, growth of precarity, stagnation – even reduction – of real salaries uncoupled from progress in productivity). The monetary and financial market dominates in turn the job market in this way. The ensemble of these mechanisms, which constitute the submission of the entire economy (the 'markets') to the dominant monetary and financial market, produces increasing inequality in the distribution of income (facts which no one contests). The market of productive investments (and behind it that of jobs) suffers at the same time from the reduction of its apparent direct rentability (counterpart of the levy operated to the profit of the rent of the oligopolies), and from the reduction of the expansion of final demand (weakened by inequality in the distribution of income).

The domination of financialised oligopolies imprisons the economy in a crisis of the accumulation of capital, which is at one and the same time a crisis of demand ('under-consumption') and a crisis of rentability.

The Responses of Those in Power: Restore Financialisation

We are now equipped to understand why the powers in place (the governments of the countries of the triad), themselves at the service of the oligopolies, didn't have any other choice but to put the same financialised system back in the saddle. The oligopolies need the financial expansion in question to affirm their domination over the economy and society. To question the domination of the monetary and financial markets over all the other markets would be to question the monopolistic rent of the oligopolies.

Can the policies that have been adopted to this end be effective? I don't think that the restoration of the system to the way it was before the crisis of autumn 2008 is impossible. But that would require that two conditions be fulfilled.

The first is that the State and the central banks inject into the system a volume of financial means sufficient to wipeout the mass of bad debt and restore the credibility and the rentability of the resumption of financial expansion. It would require astronomic sums, which some of us (including myself) predicted several years before the debacle of autumn 2008, against the advice of conventional economists and the 'experts of the IMF' (who only came around to agree with our estimations three months after the debacle !). But nonetheless it is possible that the powers in place will end up making the financial injection at the level required.

The second is that the consequences of this injection must be accepted by society. Workers in general, and the peoples of the South in particular, will necessarily be the victims of these politics. These politics do not have the objective of relaunching the real economy by the relaunching of the salarial demand (as Keynesianism proposed in its time), but, on the contrary, maintaining the levy constituted by the rent of the oligopolies, which is necessarily to the detriment of the real remuneration of workers. The plans of the powers coldly envisage the aggravation of the crisis in the real economy, unemployment, precarisation, deterioration of pensions assured by Pension Funds. The workers are already reacting, and will most likely react even more in the months and years to come. But if their struggles remain fragmented and devoid of perspective – as they still are for the most part – these protests will remain 'controllable' by the power of the oligopolies and of the States at their service.

That is the entire difference which separates the political and social conjuncture of our époque and that which characterised the 1930s. At that time there were two camps of opposing social forces : the camp of a left which claimed to represent socialism, composed of communists (with the Soviet Union giving the impression of evident success at the time) and of authentic social democrats, whilst the camp on the right could call on powerful fascist movements. That is why, in response to the crisis of 1930, there was on one side the New Deal and the Popular Fronts, and on the other side Nazism. The contemporary political conjuncture is radically different. The collapse of Sovietism and the rallying of socialists to social liberalism have terribly weakened the workers' political visions, deprived of the perspectives and the capacity of expression of an authentically socialist alternative.

The actual crisis of the oligopolies' capitalism has not been the product of an increase in social struggles imposing the reigning-in of their ambitions. It is the exclusive product of internal contradictions which belong to its system of accumulation. In my opinion, there is a central distinction between the crisis of a system produced by the explosion of its internal contradictions, and that of a society which undergoes the assault of progressive social forces which nurture the ambition of transforming the system. This distinction dictates to a large extent the possible outcomes. In a situation of the first type, chaos becomes a high probability, and it is only in a situation of the second type that a progressive exit becomes possible. The central political question today, then, is to know if the social victims of the system in place will become capable of forming a positive, independent, radical and coherent alternative.

For want of such an alternative, the restoration to power of the renting financialised oligopolies is not impossible. But in this case the system will retract only to jump higher, and a new financial debacle, even more profound, will be inevitable, because the 'adjustments' that are planned for the management of financial markets are largely insufficient, since they do not question the power of the oligopolies.

There remains the question of knowing how the states and the peoples of the South will respond to this challenge. The analysis of the challenge with which they are confronted, aggravated by the crisis in globalised financieration, is important here.



3

The Question of Natural Resources and the North/South Conflict

Questions relating to the way an economic and social system uses the planet's natural resources, its philosophical conception of the relations between human beings (and society) on one side and nature on the other, are major questions. The historical responses that societies have given to them have defined the mode of rationality which has governed their social and economic management.

Historical capitalism has largely ignored these considerations. It put in place a rationality that was strictly economic, inscribed in a short-term vision of time (the depreciation of the future) and founded on the principle that natural resources are generally at the free disposition of society, of disposable excess and in unlimited quantities. It only made exception to this to the extent that some of these resources became the object of private appropriation, such as the soil or mineral resources, but thereby submitting their usage to the exclusive exigencies of the rentability of capital which exploits their potential. The rationality of this system is therefore narrow, and shows its social irrationality as soon as the resources in question become rare, on the way to possible exhaustion, or when their usage, in the ways that the economic rentability specific to capitalism imposes, produces consequences which are dangerous in the long term (destruction of biodiversity, even climatic change).

Our purpose here is not to discuss these fundamental aspects of the question of the relation between society and nature, and even less to take a position in the philosophical debates concerning the formation of the different ways of thinking of the problem. Our intention here is much more modest and does not concern anything besides from the access to the usage of the planet's resources and its equal distribution, which is in principle and in fact open to all people, or on the contrary, reserved for the exclusive benefit of certain amongst them.

From this point of view, our modern world system must register, from now on, a qualitative transformation of decisive importance. Some of the major natu-

ral resources have become considerably rarer – in relative terms – than they were even 50 years ago, whether or not their exhaustion constitutes a real menace or not (which can certainly be disputed). An awareness now exists that access to these resources cannot be open to all, and this is true, independently of the question of whether their current usage jeopardises the future of the planet. The ‘countries of the North’ (I deliberately use this vague term to specify neither states nor peoples) intend to reserve the exclusivity of access to these resources for their own usage, whether it continues as it is at the moment, with lots of waste and putting in danger the not so distant future, or whether this usage is subject to the important corrective regulations proposed by some Greens.

The egoism of the countries of the North finds its brutal expression in the phrase pronounced by President Bush (one which his successors will not dispute): ‘the American way of life is not negotiable’. Many in Europe and in Japan think the same way, even if they abstain from proclaiming it. This egoism means simply that access to these resources will be largely forbidden to the countries of the South (80% of humanity), whether they intend to use these resources in ways analogous to the North, wasteful and dangerous, or whether they envisage other forms which are more economic.

It goes without saying that this perspective is unacceptable for the countries of the South, in principle and in fact. Besides, the methods of the market are not necessarily sufficient to match the rich countries’ demand for a guarantee of exclusive access to these resources. Certain countries of the South can mobilise significant resources to make themselves noticed in these markets of access to resources. Ultimately, the only guarantee for the countries of the North resides in their military superiority.

The militarisation of globalisation is the expression of this egoist conscience. It is not the product of a temporary excess of the Washington administration. The plan of military control of the planet by the armed forces of the United States was put in place by President Clinton, was pursued by President Bush and will be pursued by Obama. Certainly, in the pursuit of these objectives Washington always intends to use this ‘advantage’ for its own benefit, in particular to compensate for its financial deficiencies and to maintain its position of leadership, if not hegemony, in the Northern camp. It is nonetheless the case that the subaltern allies of the Triad are well and truly aligned with Washington’s plan for military control of the planet. Neither the Atlanticism of the Europeans, nor the submission of Tokyo to the concepts of Washington concerning the Pacific and Asia are likely to disintegrate, at least for the moment. Of course, the ‘missions’ - preventative wars, the struggle against ‘terrorism’ - engaged by the armed forces of the United States and their subaltern allies in NATO are and will always be

wrapped in the discourse of 'the defence of democracy', indeed its exportation, of 'the defence of the rights of self-determination of the people' (at least certain amongst them, and not others). But these disguises do not fool anyone who does not want to be fooled. For the peoples of the South, they act as simple reminders of perennial colonial tradition of a 'civilising mission'. The real and exclusive objective of the military programme of the North is the control of the planet's resources. The confession was made when Washington recently decided to complete its system of 'Regional (military) Command' and bases by creating an 'Africa Command'. The United States, and behind them Europe, are aiming towards the control of petrol (in the Gulf of Guinea, in Sudan), of uranium (in Nigeria and in Sudan) and of rare metals (in Congo and Southern Africa), and nothing else.

The North/South conflict has become the central axis of the major contradictions of contemporary capitalist/imperialist globalisation. In this sense this conflict cannot be dissociated from that which opposes the pursuit of the domination of oligopolistic capitalism with the progressive and socialist ambitions which could promote positive alternatives here and there, in the South and in the North. To think of the alternative, in particular in the immediate term and in response to the crisis, requires taking account of the right and desire of the countries of the South to accede to the resources of the planet. There will not be an 'alternative possible world better than this one' if the interests of the peoples who constitute 80 per cent of humanity are the object of almost total contempt in the dominant opinion of the opulent countries. Humanitarianism is not an acceptable substitute for international solidarity in struggle.

The countries at the centre of the global capitalist system have always benefitted from what I have called 'imperial rent', and the accumulation of capital in these centres has always been characterised by an 'accumulation through dispossession' of the peoples of the peripheries. The attempt today to reserve access to the major resources of the planet for the rich constitutes the new contemporary formula.



4

The Conditions of a Positive Response to the Challenge

It is not sufficient to say that the interventions of States can modify the rules of the game, or attenuate the errors. Once again we must define the logics and the social implications. Of course, one can imagine a return to formulas of the association of the public and private sectors, a mixed economy such as in the era following the Second World war in Europe and in the era of the Bandung conference in Asia and Africa when state capitalism was largely dominant, accompanied by strong social policies. But these kinds of state interventions are not what are required. And are the progressive social forces ready to impose a transformation of this significance? Not yet, in my humble opinion.

The real alternative consists in reversing the executive power of the oligopolies, which is inconceivable without their nationalisation with a purpose to their progressive democratic socialisation. Is it the end of capitalism? I don't think so. But I do think that new configurations of social power relations which force Capital to adjust to the claims of the popular classes and peoples are possible. This will only be possible if social struggles, which are still fragmented and altogether on the defensive come to crystallise in a coherent political alternative. The advances in this direction are evidently always unequal between different countries, and between different phases of their deployment.

The dimensions of the desirable and possible alternative are multiple and concern all the aspects of economic, social and political life.

In the countries of the North, the challenge implies that general opinion cannot allow itself to be constrained in a consensus defending their special privileges, compared to the people of the South. The necessary internationalism passes by anti-imperialism, not humanitarianism.

In the countries of the South, the crisis offers the occasion to renew a national development which would be popular and democratically self-centred, submitting relations with the North to its own requirements, in other words 'delinking'. That implies:

- i) National control of monetary and financial markets
- ii) Mastery of modern technologies as soon as possible
- iii) Restoring national control over natural resources
- iv) Putting into retreat the globalised management dominated by oligopolies (WTO) and the project of military control of the planet by the United States and their associates.
- v) Liberating oneself from the illusions of an autonomous national capitalism in the system, and backwards looking myths.

The agrarian question strikes more than ever at the heart of choices that will have to be made in developing countries. Development worthy of the name cannot be founded on growth – even strong growth – which is to the exclusive benefit of a minority – even if it were 20 per cent – abandoning the popular majorities to stagnation or even pauperisation. This model of development associated with exclusion is the only one which capitalism knows for the peripheries of its global system. The practice of political democracy, when it exists (and it is of course the exception in these conditions) will become extremely fragile if it is associated with social regression. In counterpoint, the national and popular alternative which associates the democratisation of the country with social progress, that is to say inscribes itself in the perspective of a development that includes – not one that excludes – the popular classes, implies a political strategy of rural development based on a guarantee of access to the soil for all the peasants. What is more, the preconceived formulas of the dominant powers – accelerating the privatisation of agrarian soil understood as merchandise – bring about the massive exodus that we have seen. Modern industrial development cannot absorb this superabundance of manpower, so these people cram themselves into shantytowns. There is a direct relation between the suppression of the peasants' guarantee of access to the soil and the accentuation of migratory pressures.

Can regional integration, in favouring the appearance of new poles of development, constitute a new form of resistance or of alternative? The response to this question is not simple. The dominant oligopolies are not hostile to regional integrations which inscribe themselves in the logic of capitalist/imperialist

globalisation. The European Union, the regional common markets of Latin America, Asia and Africa are examples of forms of regionalisation which become obstacles to the emergence of progressive and socialist alternatives. Can another form of regionalisation be conceived? One that is capable of sustaining the option of national and popular development, and of opening the door to a long secular transition to socialism for the peoples and nations of the planet? If this question does not pose itself for giants like China or India, it cannot be excluded from the debates concerning Latin America, the Arab world, Africa, South East Asia, and even Europe. For this last instance do we not need to imagine that the deconstruction of the institutions of the European Union, conceived since its origin to lock the peoples of this continent into so-called liberal (that is to say reactionary) capitalism and Atlantic alignment, is a prerequisite for its eventual reconstruction (if it is thought to be useful) in a socialist perspective? Is a new 'Bandung' politics possible for all the countries of the south, reinforcing the capacity of the countries of the three continents to force the collective imperialism of the triad into retreat? What would be the conditions of such a politics?

Advances in these directions in the North and in the South, based on the internationalism of the workers and the peoples, constitute the only gauges of the reconstruction of a better world, multipolar and democratic, the only alternative to the barbarism of an aging capitalism. If capitalism has reached the point where half of humanity is seen as 'superfluous' population, don't we have to think that it is in fact capitalism itself which has become a superfluous mode of social organisation?

There is no other alternative but one that inscribes itself in the socialist perspective.

Beyond the necessary agreements on the strategies of stages, founded on the construction of the convergence of struggles maintaining respect for diversity, and the advances that these must allow in the long journey to world socialism, reflection and debate on the socialist/communist objective remain inescapable: to imagine the emancipation from market alienations and others, to imagine the democratisation of social life in all its dimensions, to imagine means of management and production, from the local to the global, responding to the demands of an authentic social democracy.

Clearly, if the global capitalist/imperialist system which really exists is founded on the growing exclusion of the peoples who constitute the majority of humanity, and if the model of usage of natural resources produced by the logic of capitalist rentability is at once wasteful and dangerous, the socialist/commu-

nist alternative cannot ignore the challenges that these realities represent. An 'other style of consumption and of life' than that which gives apparent happiness to the peoples of the rich countries and is in the imagination of its victims, must impose itself. The expression of a 'solar socialism' (which we can understand as socialism plus solar energy) proposed by Elmar Altvater must be taken seriously. Socialism cannot be capitalism corrected by equality of access to its benefits, at national and global levels. It will be qualitatively superior or it will not be.