What is capitalism, exactly? And can we destroy it before it destroys us?

This text is based on a series of participatory workshops. It offers an introduction to economics, finance, and the theory of capitalism, for anti-capitalists. No previous exposure to economics necessary.

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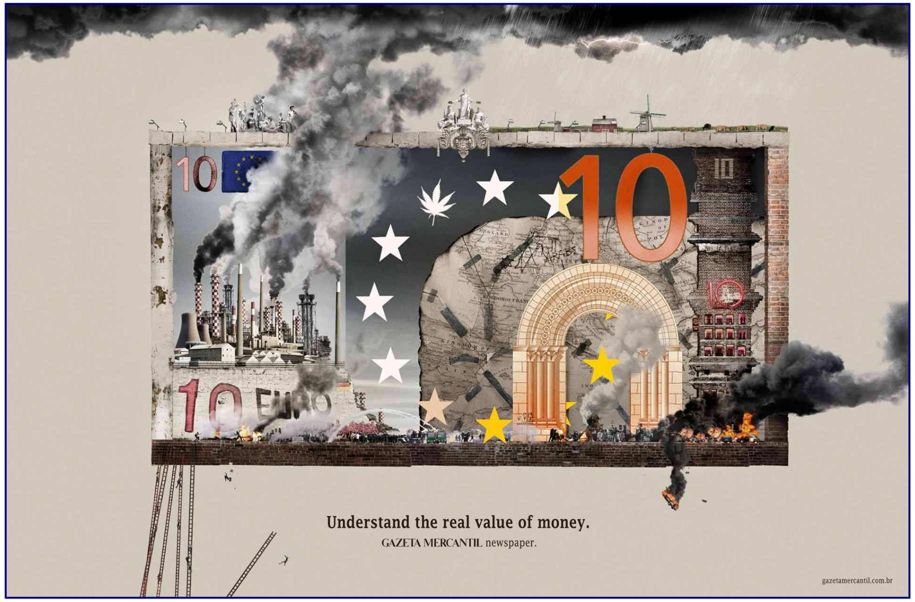
Kaput

capitalism
for anti-capitalists

volume 2: workshops 5-7 + reading list

Workshop 5. Crisis.



How credit crunched.

It started with the US housing bubble, and those infamous “sub-prime” mortgages. Between 1996 and 2006 US house prices went up 60% more than inflation. These were the days of the great real estate fantasy: if you could get on the ladder, you could just sit and watch the price of your property soar away. Money for nothing. And it wasn’t hard to join in: mortgage brokers were jumping over each other to offer loans to anyone, nevermind your income or credit history. Between 2000 and 2005 total US mortgage debt rose 75%. By 2007, the housing boom had created up to $8 trillion in supposed new “wealth” for US households.

The housing bubble was the biggest part of a more general phenomenon: the debt bubble. The debt bubble went hand in hand with a massive growth in financial markets, and especially the new frontiers called “securitisation” and “derivatives” (see Workshop 2). There were low interest rates for borrowers, and big profits for the bankers who invented new kinds of derivatives and securitisation bonds every week, and sold them to investors all over the world. US Financial assets grew from $48bn in 1990 to $194bn in 2007.

One of the factors behind the debt and finance bubble was low interest rates. In 2003 the main US interest rate, set by the Federal Reserve (US Central Bank) was just 1% – cheap borrowing for all. Then it started to rise again. By 2007 it was up at 6.25%. Suddenly mortgage repayments were a lot less affordable. Mortgage borrowers, especially those classed as “sub-prime” or high risk, started to default. The housing bubble burst.

Then the finance bubble burst. Northern Rock was a one of the UK’s five biggest mortgage lenders. Its story is typical: it was once a traditional “building society”, a “mutual society” theoretically owned (though not really controlled) by all its customers. Then it “demutualised” in 1997 and became a PLC. It used securitisation to expand in a hurry, selling bonds backed by its incoming mortgage payments. Then it got involved in sub-prime, in a partnership with US investment bank Lehman Brothers in 2006. In August 2007 it needed to issue a new run of securitisation bonds to refinance existing debts. But now no one wanted to buy mortgage-backed bonds. The Bank of England had to step in with a £3bn loan. It wasn’t enough to stop the UK’s first bank run in 150 years, and the government eventually took on all the bank’s debts, totalling around £100bn.

Northern Rock crashed because no one would lend more money to a firm embroiled in the collapsing mortgage market. But who

For more materials, with weblinks, go to:

network23.org/kaput

On the success (or otherwise?) of syndicalist economic organisation in Spain 1936 see:
Gaston Laval -- *Collectives in the Spanish Revolution*.
Parecon project:
http://www.zcommunications.org/zparecon/parecon.htm
Many anarchists have been highly critical of syndicalism. For a recent strong critique see:
Alfredo Bonnano -- *A Critique of Syndicalist Methods*.
See also his ***Let's Destroy Work, Let's Destroy the Economy***, and other writings, which can all be found here:
http://www.elephanteditions.net/
Also **Bob Black – *The Abolition of Work***
(http://theanarchistlibrary.org/library/Bob_Black__The_Abolition_of_Work.html)

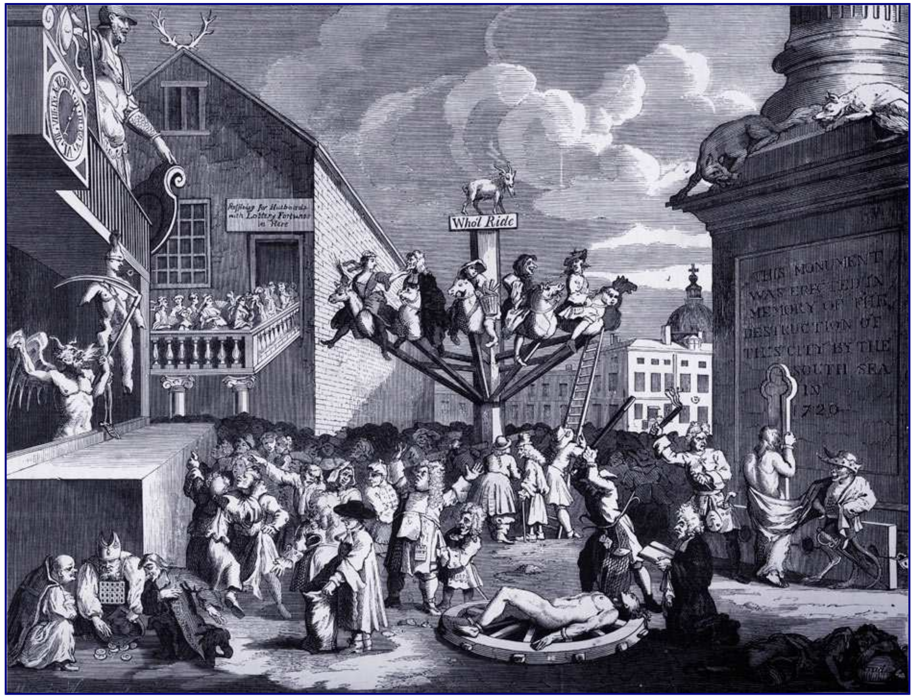
Primitivism and militant ecology:

There is a comprehensive library of primitivist texts here: http://www.primitivism.com/primitivism.htm
Derrick Jensen -- *Endgame* is becoming a new classic of green anarchism. You can also watch the movie *End:Civ* based on Jensen's ideas.

Mutualism:

If you can sort out the interesting stuff from the rabid misogynistic and anti-semitic rants, here is an online archive of **Proudhon**'s writings:
http://dwardmac.pitzer.edu/anarchist_archives/proudhon/Proudhonarchive.html
Kevin Carson is a contemporary Proudhon-inspired "mutualist" who calls himself a "free market anti-capitalist":
http://mutualist.blogspot.co.uk/

wasn't involved? Even if some banks and insurers didn't themselves issue mortgages they bought, traded, or insured mortgage backed securities (MBS). Investment bank Bear Stearns collapsed in March 2008. Then in September 2008 they started to fall like dominoes. Investment banks Lehman Brothers, Wachovia and Merrill Lynch. AIG, the world's largest insurance company. No one could tell who was "exposed" to how much bad mortgage debt. So no one would lend to any one: the credit market had "crunched".



The South Sea Bubble by William Hogarth.

400 years of bubbles
The same pattern of bubbles and busts has been repeated many times in capitalist history. Here are just a few examples.

- **Tulipmania (1637)**. One of the first recorded bubbles involved the Dutch tulip market, where collectors and speculators bought and sold rare tulip bulbs, even using futures contracts (early derivatives) to gamble on the rising price. Single bulbs could trade for the price of a whole farm — before the market crashed in 1637.

- **South Sea Bubble 1720**. One of the first *stock market* bubbles. The South Sea Company was a British corporation headed by leading politicians, originally set up to trade with South America. In 1719 it made a deal to buy up half the government's debt, which it funded by issuing new shares. South Sea shares became an investment craze, and the share price rose from £128 in January 1720 to £1000 in August. Many shares were sold on an instalment plan, so that people could invest and profit from rising prices before actually having to pay for their shares. Then instalment payments came due and a wave of selling started. By September the price had crashed to £150.

- **Bengal Bubble 1769**. Bubble and crash in the stock of the East India Company and London stock market.

- **Panic of 1796-7.** Trans-atlantic financial crash following collapse of a land speculation bubble in US.

- There were further financial "panics" in the US in 1818, 1837, 1857, 1869 ("Black Friday"), 1884, 1896. Banks went bankrupt, stock markets collapsed, and recessions followed. A number of these crashed were caused by fears about gold and silver shortages in the days when the money supply was tied to gold.

Marge Piercey – *Woman On The Edge of Time*. Another novelistic vision, this time of a society of self-sufficient small scale communes which also raises many issues about gender, sexuality, and cultural identities. Its beautiful utopian visions are embedded in a story of the dystopian present.

Anonymous – ***Desert***. Any discussion of capitalism and anti-capitalism risks irrelevance unless we consider what drastic climate change may mean for our future possibilities. This recent book is highly recommended for anarchists and anti-capitalists interested in thinking about life on a hotter planet.

Some anti-capitalist history:

David Graeber – ***Debt***. For the discussion of three forms of social relations used above. Also lots of history and anthropology of non-capitalist, and capitalist, social arrangements.
Luther Blisset – *Q*. Radical historical novel featuring German peasants war, Anabaptists, the invention of leafleting, free love, and international bank fraud. Described by its authors as a "handbook of survival skills".
Christopher Hill – ***The World Turned Upside Down***. History of the diggers, ranters, levellers, and others in the English Revolution.
E.P Thompson – *The Making of the English Working Class*. Massive scholarly reference on the early period of industrial capitalism in England, and resistance to it. Includes perhaps the most complete history of the Luddite movement.

Syndicalism, parecon, and critics:

Rudolf Rocker – *Anarcho-Syndicalism: Theory and Practice* Classic exposition of anarcho-syndicalism from 1938.
Emile Pataud and Emile Pouget – *How We Shall Bring about the Revolution*. Fictionalised manual for a syndicalist revolution beginning from a general strike, from 1909.

also a movie version, which should be on youtube. The other SI classic is **Raoul Vaneigem – *The Revolution of Everyday Life***. Both these, and more, are available at this SI online library: **http://www.nothingness.org/SI/**

On cultures, subcultures, and subcultural resistance, see **Dick Hebdige – *Subculture: the Meaning of Style*.**

The first part of ***The Coming Insurrection*** (by the "**Invisible Committee**") is certainly influenced by Debord in its style as well as content. The second part, which moves from critique to theses for new insurrectionary movements, is one of the key revolutionary works of our times.

But if you really want French theories of desire, nothing compares to **Gilles Deleuze and Felix Guattari – *Anti-Oedipus*.**

Workshop 7. Beyond.

Some favourites:

Peter Kropotkin *The Conquest of Bread*. Classic statement of anarchist communism from 100 years ago. While certainly outdated in some number of ways — e.g., its faith in labour-saving technologies — this is still about the best anarchist work on economics. Its main interest is in how to organise a revolutionary economy, learning from the experience of the Paris Commune in particular. But also has some real insights on economic theory in general, and a critique of Marx's economic thought and the "labour theory of value" .

Ursula Le Guin – *The Dispossessed*. Classic anarcho-syndicalist science fiction vision. Although a fantasy novel, this is also one of the best worked out programmes for what an anarchist society (and on a desert planet, too) might actually look like, warts and all.

- **Railway Bubble 1847.** Railway frenzy in the UK led to a bubble as the middle classes invested in hundreds of new railway projects, many of which never got built. The crash spread to banking and financial markets.

- **The original "great depression" 1873-1896**. An investment bubble grew in Germany and Austria after German victory in the Franco-Prussian War (1871). The Vienna stock exchange crashed in May 1873 and many banks failed. The crisis spread through Europe and to the US, leading to a 20 year world economic depression.

- **Paris Bourse crash 1882**. Crash following a bubble in the stock of bank *L'Union Generale*.

- **New York Stock Exchange crashes 1901 and 1907.**

- **The Wall Street Crash of 1929.** It was the "roaring twenties". The US economy was booming. The new middle classes came in their droves to invest in shares and high yield bonds, encouraged by investment banks like National City Bank (today's Citibank). The Dow Jones index of share prices grew by five times between 1923 and 1929, reaching 381.87 on 3 September 1929. Irving Fischer, one of the world's leading economists, predicted a "permanently high plateau" for the market. Without warning, the market dropped 11% on 24 October ("Black Thursday"). On 28 October, ("Black Monday") it fell another 13%. Despite some periods of recovery, the market continued falling for the next four years, reaching a 20th century low of 41.22 in July 1933.

Bubbles: investing or speculating?

It's quite common to hear bubbles and crashes being blamed on "speculators" — today's "hedge funds", and "currency speculators" are attacked by politicians of all kinds. They are not "real" or "serious" investors, just in it for short term gain. But what is speculation, exactly?

Take tulipmania as an example. Tulips were first imported from Turkey in the 16th century, and became a prized luxury good for wealthy aristocrats and early bourgeois. The first tulip investors were in the business of growing and trading new strains of the flower to sell to these rich buyers. Economists would say, they were investing in the "*fundamentals*" of the tulip business.

But when others saw the price keep rising, then new investors came in as *speculators*. They weren't interested in the tulip business. They might as well have been buying daffodils, or turnips. So long as the price kept going up, and new investors came in to buy on their investments at a profit.

A speculative bubble is based on ***confidence***. So long as you believe that new investors will keep entering the market, then you can expect to make a profit. In this way a bubble is like a pyramid selling scheme: it needs more and more buyers. But if speculators start to think that the price will fall, then they turn from buyers into sellers, trying to get out while the market is at a "high". Doubt can spread quickly, and the pyramid collapses.

How can you tell when a market is a bubble? In 2006 almost everyone thought the US housing market was solid. Economists developed theories to explain why the amazing housing boom was not just about speculation, but based on real "fundamentals":

http://www.independent.co.uk/news/business/analysis-and-features/what-price-the-new-democracy-goldman-sachs-conquers-europe-6264091.html
http://mobile.bloomberg.com/news/2011-12-09/european-crisis-timeline-from-maastricht-treaty-to-fiscal-union-agreement?category=
http://www.nytimes.com/2010/04/29/business/global/29banks.html
http://www.economist.com/blogs/freeexchange/2011/06/greek-debt

Workshop 6. Desires.

The section on self-interest is largely based on:
Albert Hirschman – **The Passions and the Interests:** *Political Arguments for Capitalism before its Triumph***.**

Michel Foucault's lecture course on ***The Birth of Biopolitics*** is also fascinating on liberalism, neoliberalism, "homo economicus" and the idea of human beings as "subjects of interest".

On the history of advertising and mass consumerism, **Stuart Ewen** is excellent. The section above largely follows his ***Captains of Consciousness***. His more recent book ***PR! A Social History of Spin*** is also good.

Adam Curtis' TV documentary series ***The Century of the Self*** also largely follows Ewen's account, with an added emphasis on the link between advertising and Freudianism. Some of the claims are a bit simplistic, but it is fascinating and entertaining. Last time we looked it was all up on youtube.

For the story of Meeker's complete and brutal incomprehension of a superior culture, and many other sad stories, see **Dee Brown –** ***Bury My Heart at Wounded Knee (An Indian History of the American West).***

Guy Debord's master work is ***The Society of the Spectacle***. There's

For a more in-depth look at different theoretical approaches (Keynesian, Marxist, etc.) to the 2008 crisis, see: http://libcom.org/library/crisis-stories

There are lots of books out on the causes of the current crisis. Two good ones are:
Graham Turner – ***The Credit Crunch*: *Housing Bubbles, Globalisation, and the Worldwide Economic Crisis***
Paul Mason – ***Meltdown***.
If you don't want to read Mason's book, his website also has a quick powerpoint run-through and other useful links:
http://www.paulmason.typepad.com/

Marxist geographer **David Harvey** also has some interesting thoughts. This animation of one of his talks on the crisis is a decent intro: http://www.youtube.com/watch?feature=player_embedded&v=qOP2V_np2c0

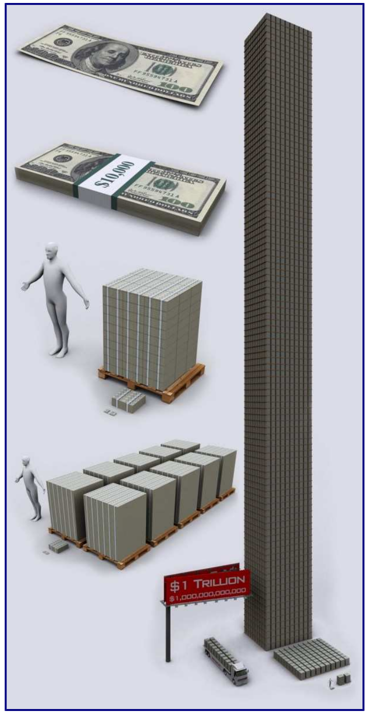
Foster & Magdoff – *The Great Financial Crisis*, Monthly Review Press, is also worth a look. It is good on financialisation, particularly with reference to the US economy, but lacks a global analysis. Note: most of the chapters are available as earlier article versions on the web: http://www.monthlyreview.org/0506jbf.htm

Two feature-length films on the crisis are worth watching. **Inside Job** is a good example of the "blame the bad bankers" approach, but has lots of useful info. Similarly, **Debtocracy** has useful info particularly on the politics behind the debt crisis in Greece.

For the European sovereign crisis, Corporatewatch's guide is good (to be published very soon): www.corporatewatch.org. And here are a few interesting articles you can read online:

http://old.atterres.org/?q=node/13&page=6

people were living longer, becoming "middle class" and demanding more space, etc. The few who doubted were considered crazy. Now the investors and bankers who developed the new mortgage finance industry are called "speculators". But at the time, they were "pioneers" and "innovators".



From crash to slump: how financial collapses effect the real world.

In Workshop 2 we saw how financial markets move financial capital from investors to producers. The financial markets are where key decisions are made about *what gets produced*. It's not just "speculation", but all investment, that relies on confidence. In a financial crisis, investors typically *flee to safety*. They move to what they see as *low risk* assets. For example, a scared investor might sell their shares and put their money in a bank deposit account. Or in a really serious crisis, even banks don't look safe, and depositors withdraw their savings – causing a *bank run*.

Traditionally "safe" assets include treasury bonds of major governments, gold, and other "commodities" like basic foods which there will be demand for even in the toughest times. Investors will be less ready to finance companies, or only at high interest rates. Companies that cannot raise finance will reduce production, or even go bust. They try to cut costs by, e.g., sacking workers or lowering wages. Unemployment means less people can afford to buy consumer goods, which hits the economy even more.

In the 2008 credit crunch, the crisis really hit when the ***interbank lending markets*** dried up. This is where banks lend to each other to cover their short term needs. The banks didn't know what bad debts from sub-prime and securitisation the others were hiding; so they just stopped lending to each other. Terrified of a run of bank crashes, governments stepped in to play the role of these markets. A similar crisis hit the ***commercial paper market***, where companies do short term borrowing.

The last great depression.

The Wall Street bubble had pumped money into US capitalism. After it crashed, investor confidence was shattered. Industrial production fell by 45% from 1929 to 1932. By 1933, 11,000 banks had gone bust, and unemployment went from 3% to 25%. As many as two million people were made homeless.

Economists argue about what could have stopped the situation getting so extreme. Monetarist economists (e.g. Milton Friedman)

Workshop 4. The state.

Max Weber's famous definition of the state appears in his lecture "*Politics as a Vocation*".

Some classic references in liberal political philosophy include:
John Locke *2nd Treatise of Civil Government*;
David Hume *A Treatise of Human Nature* Book III Part II (section 2 on the origin of property, section 7 on the origin of government) and his political *Essays*;
Jean-Jacques Rousseau *The Social Contract*.

Again, **Silvia Federici – *Caliban and the Witch*** is a brilliant feminist and anticapitalist history of the early days of capitalism and the nation state.

On the dark history of liberalism and its involvement with slavery, colonialism, etc., one book is **Domenico Losurdo *Liberalism: A Counter History***

For recent developments in neoliberalism and "disaster capitalism" **Naomi Klein -- *Shock Doctrine*** is really worth reading. There's also marxist geographer **David Harvey's *A Brief History of Neoliberalism***.

A good source for research on outsourcing of the state (with a UK focus, but a bit of global stuff) is **corporatewatch**.
Statewatch is a research organisation monitoring the growth of state power in Europe today — surveillance, border controls, etc.
See SIPRI (Stockholm International Peace Research Institute) for stats on military expenditure and the arms trade. Also the UK's Campaign Against the Arms Trade (CAAT).

Workshop 5. Crisis.

though you may have to fill out a registration form.
Fitch: Fitchratings.com
Moodys: http://www.moodys.com/
Standard & Poors: http://www.standardandpoors.com/
Workshop 3. Global power.

A good general introduction to World Systems Theory (WST) and global political economy is: **Herman Schwartz – *States vs. Markets***

The godfather of WST is **Immanuel Wallerstein** (google him).

Ha-Joon Chang -- *Kicking Away The Ladder* looks at how industrialised nations use protectionism to grow their nascent industries, then "kick away the ladder" to stop others copying them.

For a brazen neoliberal "institutionalist" theory of development and inequality, which comes recommended by Reagan and Thatcher, see **Hernando de Soto -- *The Mystery of Capital***. Know your enemy.

On the iron fist of the invisible hand: **William Blum – *Killing Hope***. A history of US military and clandestine interventions since 1945. www.killinghope.org and to download here:
sandiego.indymedia.org/media/2007/02/125025.pdf.

On the crisis and the current global shift: **Graham Turner – *The Credit Crunch*; Paul Mason – *Meltdown*;** and other references for Workshop 5.

The mainstream sources for global income etc. stats are the research and data departments of the IMF (www.imf.org), World Bank (www.worldbank.org), and OECD ("Organisation for Economic Cooperation and Development" – www.oecd.org).

Angus Maddison's historical global income stats are here**:**
http://www.theworldeconomy.org/

argue that the Federal Reserve should have created more money and slashed interest rates to keep bank lending going. (The Fed kept interest rates high to maintain the Gold Standard.) Keynesians argue that the government should have stepped in directly to create jobs and production. Keynesian policies were adopted in the New Deal from 1933. (See Workshop 4).

The depression spread from the US to the world. The US was a major investor in Germany, Latin America, and elsewhere. It was also the world's biggest producer and trader. In June 1930 the US passed the Smoot-Hawley Tariff Act, which set high taxes on foreign imports in order to protect American industry. This was a big blow to countries which traded with the US. Many of them retaliated with their own tariffs, hitting back at US exporters, especially farmers. World trade dropped in a new era of "protectionism".

…...

Collective action problems.

Financial crises often involve "collective action problems". A collective action problem is a situation where a number of people or groups (e.g., states or companies) all share an interest in a particular plan or solution; but, if they all act independently and pursuing their individual self-interest, they are unable to achieve that solution. That general definition is pretty abstract; but we can see how these "problems" keep cropping up in many concrete cases.

For example, in the great depression, the **best plan** *for many national economies would have been to keep global free trade going, so they could export their goods. But what is even better is if all the other countries keep on buying your exports, but you can* *stop their goods coming in to compete with your domestic products. And that's what the first protectionist countries tried to do: they put up import tariffs to protect domestic industry, while still hoping to export abroad. The problem was that everyone else then retaliated and did the same. The overall result was the* **worst outcome***: trade death for all.*

This particular type of collective action problem is also called a "free rider problem". *Every individual (or, here, state) hopes that everyone else will follow the best plan and trade freely; but they also hope that they can get away with being the exception (get a "free ride" off the others). The problem is that everyone thinks the same. And if you can't trust anyone else to stick to the best plan, then why should you do so yourself? The same logic recurs in many economic situations. Capitalists (*or workers*) often do better if they can get together in a cartel (*or union*) and, for example, fix a higher price* (wage): *but they have to be able to trust each other not to break the agreement.*

Indeed, an economic crisis and recession could be seen as one big collective action problem: the capitalist "best plan" is for everyone to keep on producing -- if everyone else also produces then there will be income to pay for your company's goods. But can you rely on all the other companies to keep on going? What can give you this "confidence"?

*Outside of economics, people do manage to co-operate and make plans together in many difficult situations. Note that in these collective action problems, the parties involved only pursue their "*__self-interest__*". These kinds of problems seem to be particularly rife in markets, and in general in capitalist environments where people (and organisations) have learned to act on self-interest alone. (See Workshop 6 for more on this point).*

the US is good, though generally quite US-focused. But pro-capitalist finance sites are usually more interesting and informative than the socialist ones. Here are a couple worth checking out:

Nouriel Roubini, the "doctor doom" of the economics profession, and his gang of researchers: http://www.roubini.com/
Paul Krugman, the guru of liberal economists, has a blog at the New York Times: http://krugman.blogs.nytimes.com/

If you want to do more research yourself on the intricacies of financial markets, there are various places to look for reports, statistics, etc. Often the most interesting are research reports by the investment banks themselves. Some of these you can find by googling about, though many are restricted access. If you are really inquisitive, one thing you could do is call up the banks' press offices and ask for their research on a particular topic saying you are a freelance journalist. Otherwise, a few other sources of info:

IMF: publish annual "global financial stability report", "economic indicators", and other interesting stuff:
http://www.imf.org/external/pubind.htm
World Bank: also lots of data and research publications, mostly public access: http://econ.worldbank.org/
ISDA (International Swaps and Derivatives Association), the international industry body / lobbying group for derivatives issuers and traders. Publishes research papers, anti-regulation propaganda, statistics and other info: http://www2.isda.org/

If you are interested in specific countries or regions, look at local central bank and finance ministry websites, and local industry bodies.

Those evil **ratings agencies** publish both their "rating reports" on transactions, and the underlying methodologies behind them, as well as more general research papers. These are a really important source of info on securitisation deals and such. Some are freely available,

"disaster capitalism".
Anonymous – ***Desert***. Any discussion of capitalism and anti-capitalism risks irrelevance unless we consider what drastic climate change may mean for our future possibilities. This recent book is highly recommended for anarchists and anti-capitalists interested in thinking about life on a hotter planet.

Some classic texts in capitalist economic theory:

Adam Smith – ***The Wealth of Nations***
David Ricardo – ***On The Principles of Political Economy and Taxation***
Karl Marx – ***Capital***
J.M. Keynes – ***The General Theory of Employment, Interest, and Money***
Milton Friedman – ***Free To Choose*****.** This being his more "popular" defence of capitalism.
Gary S. Becker – ***The Economic Approach To Human Behaviour***. Perhaps the most radical statement of the all-conquering ambitions of neoliberal economic theory and the rational choice model.

There are also some useful (though sometimes a bit technical) discussions and notes on different traditions in economic theory on the History of Economic Thought website of the **New School for Social Research** (leftie university in New York).

Workshop 2. Finance.

There are a few mainstream introductory books on global finance around. This one is okay:

Stephen Valdez ***Introduction to Global Financial Markets***

There is a lack of good "radical" studies of contemporary financial markets. Some of the stuff from the ***Dollars and Sense*** collective in

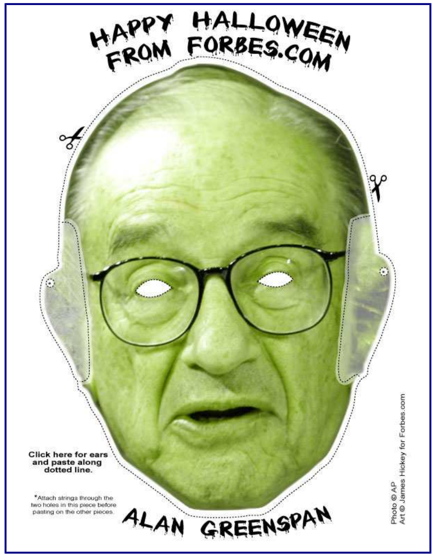
Causes of crisis: the liberal story.

In January 2009 Joseph Stiglitz, the leading left-of-centre economist, and a Nobel prize winner, listed three big mistakes behind the crisis. In March 2009 Rolling Stone Magazine published an article naming and shaming the "dirty dozen", 12 "bankers and brokers responsible for the financial crisis – and the regulators who let them get away from it."

Alan Greenspan, former head of the US Federal Reserve ("Fed", or central bank) was top of both lists. Greenspan was given the job by Reagan in 1987. He then followed two main policy ideas: cut away regulation from the financial markets; and use interest rates and the money supply to keep the economy booming.

Financial deregulation can't really all be blamed on Greenspan. The Garn–St. Germain act of 1982 started deregulation of the mortgage business, and led to the collapse of the tradititional "Savings and Loan" lenders. In 1999 President Clinton signed the Gramm-Leach Act, repealing the 1933 laws against banking practices which had helped cause the Great Depression.

In 1998, after the spectacular collapse of derivative-trading hedge fund Long Term Capital Management (LTCM), there were proposals for regulation of the new derivatives markets. These proposals were just dropped. Proposals to regulate the Ratings Agencies were also dropped. In 2002, after the Enron and WorldCom accounting scandals, the response was the weak Sarbanes-Oxley act. In 2004 regulation was changed to let US banks get into debt worth 30 times, instead of 12 times, what they held in capital.



Deregulation was not just a US idea. Governments all over the world now agreed that the old rules were "out-dated" and banks could be trusted to "self-regulate". The UK was at the forefront, as the Labour government promoted the City of London as a "financial hub" for Europe, where investment banks could operate free of "red tape".

Investigate further …

Workshop 1. An economic system.

Like other subjects, economics is a political battlefield. A battalion of ideology lurks behind every claimed "fact". What makes it even worse is how hard economists try to hide this basic point. So you get a mass of pro-capitalist economics textbooks which never talk about politics, or even history, and ignore the existence of any alternative positions. And also a few Marxist textbooks which are just as confident about their own dogmas. You may find that you will learn more from historians, and a few anthropologists, than from economists.

Some favourites:

Peter Kropotkin – *The Conquest of Bread*. Still the classic of anarchist communist economics.
Silvia Federici – *Caliban and the Witch*. Feminist history of the rise of capitalism and the state, the commodification of our bodies, the attack on women by early capitalist institutions, and the resistance.
David Graeber – *Debt: The first 5000 Years*. Big historical and anthropological study of debt, money, economic relations, and more. Not sure about all of it, but it's fascinating.
Albert Hirschman – *The Passions and the Interests*. Study of the rise of capitalist ideology and the very idea of "self-interest". (See workshop 6).
Michel Foucault – *The Birth of Biopolitics*. On liberalism, neoliberalism, and the birth of "economic man". Not an easy read.
E.P Thompson – *The Making of the English Working Class*. Massive, detailed, history of early industrial capitalism in England, the destruction of pre-capitalist social relationships, and the development of new forms of resistance.
Marshall Sahlins – ***Stone Age Economics*.** Hunter-gatherer economics and the "original affluent society".
Naomi Klein – ***Shock Doctrine***. Great on recent neoliberalism and

"I believe that, thanks to our free actions, individual or collective, we can arrive at a future of love, fraternity and equality. I desire for all just what I desire for myself: the freedom to act, to love, to think. That is, I desire anarchy for all humanity. I believe that in order to achieve this we should make a social revolution. But I am also of the opinion that in order to arrive at this revolution it is necessary to free ourselves from all kinds of prejudices, conventionalisms, false moralities and absurd codes. And, while we wait for this great revolution to break out, we have to carry out this work in all the actions of our existence. And indeed in order to make this revolution come about, we can't just content ourselves with waiting but need to take action in our daily lives. Wherever possible, we should act from the point of view of an anarchist, that is, of a human being."

America Scarfó

Liberals like Stiglitz accuse Greenspan of deliberately inflating the housing bubble. In 1997 the Asian Crisis, a panic in financial markets in "developing countries" hit trade in the US and caused a recession. Luckily the US economy was saved by the "dot com bubble": investment surged instead into a new craze, technology companies. Then that bubble burst in 2000. Would the US finally hit crisis? To stop a downturn the Fed cut interest rates. And kept cutting down to a low of 1% by 2003. This helped create a new bubble, consumer debt, as consumers borrowed more and more at cheap rates.

The two ingredients (deregulation and low interest rates) worked together. Abolishing the controls on banks allowed the development of a whole new "shadow banking" industry (See Workshop 2). Securitisation and derivatives allowed financiers to massively expand consumer lending in a hurry, without worrying about deposits or other safeguards. Whilst low interest rates meant millions of new customers could get in on the mortgage party. They also encouraged investors to chase more and more risky financial "products": as the rates on "safe" assets were now also low, they needed to take higher risks to get their profits.

According to the mainstream story, the crisis was the fault of greedy politicians and bankers, who forgot the lessons of the past and embraced neo-liberal faith in the market. In particular, a few powerful men made bad decisions, like abolishing regulations or cutting interest rates, which ruined the whole system. Alan Greenspan is the arch super-villain. Longer lists would include top politicians like Reagan, Clinton, Blair and Brown, and a range of other evil bankers.

Causes of crisis: looking deeper.

Financial deregulation certainly played a big part in creating the crisis. But there is lots more to the story.

There are many theories about deeper causes of the crisis (see *further reading* for a few). Here is one story, which we find convincing: "financialisation" and the debt bubble in rich countries is part of something much bigger, a global shift of power and production to parts of the old "third world". This crisis is part of the death pangs of the old US/Europe hegemony.

1) A global shift. We saw in Workshop 3 how manufacturing industry has been moving from rich countries like Europe and the US to the "Third World", especially Asia. That means: more and more of the stuff, from food to cars and gadgets, people consume in the "West" are produced far away in poor countries. Wages are much cheaper in the Third World: it is more profitable for capitalists to open, or invest in, factories in low-wage countries.

2) Financial hubs. As manufacturing has left rich countries, what has kept economies afloat in Europe and North America? The wealth in London or New York now does not come from manufacturing, but from profits on financial transactions. The US and UK are prime examples, but most "First World" countries have been following the same pattern. This is called "financialisation": the shift of capital into financial services. Or: bankers using the financial markets to cream profits off global movements of capital.

3) Service work. Obviously, not everyone in London and New York is making money off finance. But, until 2007, these rich economies seemed to be getting ever richer. Some of the money

Anarchism.

These workshops are about capitalism, and anti-capitalism. But they are also about **anarchism**. Anarchism means fighting for a life free of all kinds of domination and oppression — not just in some perfect world "after the revolution", but also right now in the way we live today. Living in the midst of capitalism, we have to start by creating small spaces of freedom, linked into resistance networks of solidarity and friendship. As we grow and learn, we expand our spaces and networks. There is no end to this struggle. There will always be more to fight for, more to dream of.

We don’t live in 1871 or 1936. We live in a very different globalised and high-information form of capitalism. We can learn a lot from history, but we also need to **experiment**, create, and develop **in practice**, our own new kinds of structures that can play these roles.

from finance spilled over into “service industries”: every investment banker needs an estate agent to upsize her property, a “barista” to make her cappucinos, a dogwalker, a pedicurist, an *au pair*, a lapdancer, and a migrant office cleaner.

4) Wages cut, debt explodes. But while profits and bonuses in finance grew, wages in the “First World” have stayed fixed for most people, or even gone down. In many European countries, unemployment, particularly amongst the young, is chronic. So how have people survived, and even kept on feeling “affluent”, part of a non-stop consumer culture? By borrowing.

5) Consumer debt boom. So a number of factors contributed to the growth of a massive debt bubble in the “rich” countries. Stagnant wages meant people *needed* to borrow to maintain their lifestyles. A shift into financial capital meant banks pushed debt as a new growth industry. Meanwhile, all this cheap credit was made possible by ***vendor financing*** from Asia. Capitalists in China invested their profits in financial markets in the West, funding sub-prime mortgages and consumer loans in the US and Europe.

6) End of the party? So far, globalisation means that workers in the Third World make everything, and a global middle class in the rich countries borrows the money to keep on consuming. How long can this go on? There are two big questions. First: how long will industrialists around the world keep on letting bankers in the West cream off big profits from their products? Will new financial markets develop that that bypass London and New York?

And, the even bigger question: how long will Asian investors keep on lending to support consumer lifestyles in the West? At the moment, they do this because Asian manufacturers still need customers in the west. With massive poverty and inequality, and not much of a middle class to buy the factory-produced goods, local consumer demand is not big enough to keep their profits rolling. But this credit boom is ending.

On this picture, the economic crisis in the west is not just about a few bad bankers. It is about a fundamental shift in power and production. And it is only just beginning.

Part Two: the European sovereign crisis.

In late 2009 a new wave of financial crisis began. This time it started with the market for European “sovereign” or government bonds.

The first target was Greece. On 14th January 14 2009 the rating agency Standard & Poors cuts Greece’s credit rating from A to A-. The company said it was worried about Greece’s ability to repay its rising national debt in the recession. The day after S&P’s announcement, the yield on Greek ten year bonds went up to 5.43%. (See Workshop 2 on how bonds work.)

This was just the beginning. On 16th December S&P downgraded

structures which are **versatile**, and can play different roles as situations change.

We can learn a lot from the history of past anti-capitalist movements. Very roughly, there have been three main approaches:

- Centralised, or statist, movements like Marxism aimed to take over the existing authority structures – the state, police, army, etc. – then use them to reshape economic and social relations “from the top”. Their focus was on building an efficient “Party machine” which could conquer the state — with votes, or with guns. If they were “successful”, they just ended up getting sucked into the same state system, and after a few years looked just the same as the old bosses.

- Escapist movements just tried to run away and set up utopia on a desert island. Unfortunately there aren’t many desert islands left.

- Bottom-up resistance movements – including mutualism, insurrectionary assemblies, syndicalism, and more – wanted to destroy the centralised authority structure, and replace it with something different altogether. So they couldn’t wait until “after the revolution” to build the new structures. They were already building, using, testing and developing them in their everyday life: workshops, federations, rebel bands, affinity groups, communes, assemblies, workers councils, etc. The same organisation methods, based on the same values of mutual aid, do two things: a) organise everyday resistance right now; and b) get ready to step in and replace capitalist structures when they retreat.

3. Hatching in the shell of the old.

Capitalism survives by spinning dreams. The basic story all over the world is the same: just hold on a bit longer, and you can have your place in the capitalist dream too. The new crisis is the beginning of the end of this dream. Crises of capitalism are opportunities for anti-capitalism. But these opportunities mean nothing unless we take them.

To look at Europe: millions of people, especially the young, migrants, the unskilled, and everyone else at the bottom, are being cut off from the job market and the welfare state. They are becoming **dispossessed**. If anticapitalists can suggest other answers, and build new alliances and communities of the dispossessed around them, then we have a chance to seriously challenge capitalism. But this won't happen automatically, just because conditions are getting bad. We have to make it happen.

How can we do this? It seems pointless to draft any grand plan of what a post-capitalist society would look like. We aren't anywhere near there yet. Anyway, maybe grand blueprints are never that helpful. What we need right now are answers to the immediate problems. What can we do in the face of mass unemployment and increasing poverty? How can we organise in our communities to deal with the end of welfare, and defend against attacks by increasingly repressive states? What do we do about the rise of fascism and nationalist movements? How can we take the offensive and help capitalist structures fall? Etc.

But when we tackle these immediate problems we can do it with an eye for the future too. First of all, we need to create the infrastructure for resistance. But the same infrastructure can also start to replace capitalist institutions. The idea here is to create

Greece again, to "BBB+". On 21 January 2010 Greece's 10 year bond yield was 6.248%, its highest since entering the Euro in 1999. On 2 February 2010 the Greek government announced a new "austerity package" to cut government spending and the debt. But the markets weren't listening. Investors kept selling Greek bonds.

Bonds and deficits. Most governments, like most companies, are continually in debt. Each year they take out new debts to pay back the old ones. This is called "refinancing" the debt. The main way governments borrow is on the sovereign bond market. Bond yields are the return investors get on *existing* bonds if they buy them off other investors. So why does a borrower worry about what happens to yields on its old debts?

The main reason is that the interest rate it has to pay on *new* bonds is usually set by the yield on existing bonds. So if yields go up, the borrower will have to pay more to refinance. The government may try to put off refinancing and hope the markets calm down – but sooner or later it will run out of money and have to come back to the markets to borrow more.

There are some other reasons that might also be important. One is if bond yields go up a lot, this may trigger "credit events" in Credit Default Swap (CDS) derivatives which insure its bonds. The banks who write the CDS contracts may have to pay out a lot of money. Also, banks and funds who hold existing sovereign bonds will see the value of these going down, and worry about the safety of their investments. Strictly speaking, these last two reasons are problems for the investors, not the borrower. But big investors may have a lot of influence over what happens next.

More pain, no gain. In May 2010 the European Union agreed the first “rescue package” for Greece, after two months of negotiations. The “***Troika***” of the EU, European Central Bank and IMF agreed to lend Greece Eu110bn. The Greek government promised to implement Eu30bn more in austerity measures: cuts and privatisations. The loan would be handed over in instalments, so long as the Greek state played ball.

But now Greece wasn’t the only problem. The crisis spread to other countries on the “periphery” of Europe, sometimes called the “PIIGS” (Portugal, Ireland, Italy, Greece and Spain). The same pattern: investor flight from government bonds sent yields up, as rating agencies, economists, journalists and politicians spread fear about governments’ ability to repay their existing debts. And then “rescue packages” from the Troika, on condition of harsh austerity cuts. The EU sets up a centralised bail-out fund called the “European Stability Financial Facility” (ESFF), with capital initially of Eu440bn.

But, as almost everyone predicted, the “rescue packages” don’t work, the market panic only deepens. In June 2010, Greek bond yields were above 10%. By the end of 2011, after yet more bail-outs and austerity measures, they were over 30%. Ireland has been bailed-out, Italy and Spain downgraded, and “austerity” cuts imposed all over Europe – even in countries like the UK which aren’t (yet) in trouble with the markets.

Nationalisation of the collapse. Why are the markets panicking about sovereign bonds? On the face of it, investors are worried about government debt. As we saw in Workshop 2, bond yields reflect risk: where investors believe there is a higher risk of not getting repaid, they want a higher yield in return.

Why are government debts so high? According to the neo-liberal

New localisms.

Geeky people in their “hackspace”, or tool-sharing workshop.

Or perhaps new technologies can actually help us move towards a more local scale of life. In the nineteenth and twentieth centuries, technological advances usually went hand in hand with massification: new machines, from spinning jennies to production line robots, needed to be concentrated in industrial scale factories close to sources of massive energy, and crowded humanity. More recent information-based technologies are encouraging decentralised production: “**all purpose computing**” can mean any of us can become a designer, engineer, artisan, with a small laptop and internet access to plans, designs and information. New “**future manufacturing**” hardware, e.g., **3-D printing**, will mean that we can manufacture even very advanced technological products locally, while solar cell and wind turbine technologies can provide local energy self-sufficiency. Could these advances help reverse two centuries of centralisation and industrialisation? Could **hackers** be the new radical artisans?

Future Primitive.
But in a scheme like parecon, which is rooted in the 19th century syndicalist tradition, post-capitalist economics still means large-scale production and distribution on a“national” or global scale. As the scale of ecological destruction from industry becomes clear, many anarchists have moved against large-scale production and call for a return to smaller, simpler ways of living. Could we go back to a world based in small more or less self-sustaining village communities? Or even, as some “primitivists” argue, back to a world without agricultural “civilisation” at all? Or perhaps we can create new kinds of “tribes”, “packs”, “bands” – find new ways to live in small-scale cultures, bringing together elements from the pre-capitalist past with possibilities our ancestors never had? Perhaps ecological change will force us to, whether we like it or not.

Collection of primitivist texts:
http://www.primitivism.com/primitivism.htm

politicians, and much of the media, the “PIIGS” were guilty of reckless spending, with governments supporting an affluent lifestyle for civil servants, pensioners, and others living off the state.

In fact, the truth is that European governments got into debt because they bailed out the banks in 2008.

In 2007, the average government deficit (how much the state spends more than it receives in taxes) was 0.6% across the Euro countries. Governments owed on average 66% of their GDP. In 2010 the average deficit was 7%, and average debt 84%. The table below shows some of the changes in specific countries:

	Deficit 2007	Debt 2007	Deficit 2009	Debt 2009
Spain	1.9%	36.1 % of GDP	-11.1	53.2
Ireland	0	25	-14.4	65.5
Italy	-1.5	103.5	-5.3	115.8
Greece	-6.4	105	-15.4	126.8
Germany	0.3	64.8	-3	73.5
France	-2.7	63.8	-7.5	78.1

Source: Eurostat / Economist Intelligence Unit estimates.

Basically, governments “nationalised” the bad debts of the banks. Spain and Ireland are two of the most dramatic cases. Both had some of the lowest national debts in Europe before the crisis. But also some of the biggest property bubbles. When housing markets crashed in 2008, banks in both countries were set to topple *en masse*.

In September 2008 the Irish state gave an unlimited guarantee to six big banks: it would cover all their losses. In 2009 it set up the "National Asset Management Authority" (NAMA), which took over Eu77bn in bad debts from the banks. By September 2010 the government had spent around 32% of the country's GDP on bailing out the banks. (This accounts for all of the rise in government debt in the table above.) In November 2010 Ireland took out a Eu85bn austerity-linked "rescue package" from the EU and IMF.

In Spain, the government set up a Eu99bn fund to support the banks in June 2009. The big banks survive the crisis, but many local "*cajas*" (savings banks) are shut down or bailed out.

Only Greece and Italy had big debt problems *before* the banking crisis. Greece's financial problems are not new; it has had a public debt over 100% since long before it joined the Euro in 2001.

Just about the debt? Are market panics in sovereign bonds really all about government debt? For example, Spain's yields and ratings were hit even though its government was below the European average. The UK, for example, has much higher government debt, but so far has not suffered similar "runs" on its bonds.

Whose bail-out?

Why did the "Troika" step in to "bail out" the Greek state? What would have happened if Greece had defaulted on its debts in 2010? It would, indeed, have caused a major crisis for the Euro. But also a more direct crisis for many major European banks and corporations – especially in France and Greece.

capitalism was now effectively commodifying and colonising not just work, but our dreams and values with its mass consumer culture. In the 1970s, **punk** appeared with its rebellious ethic of "**Do It Yourself**" (DIY). Punk squatters and drop-outs lived off the excessive waste of consumer society in the rich world where food, clothes, and all kinds of consumer goods are simply tossed away unneeded into the street. Living off the scraps of rich cities doesn't offer a sustainable alternative to capitalism, but the experimental ethos of DIY culture, and its attacks on passive consumer values, has important contributions to make to future resistance movements.

Possibilities from new technologies.

Could new computing and communications technologies help solve many of the coordination problems that non-capitalist systems faced in the past? In some ways, the possibilities of self-organisation and mutual aid on a massive scale seem to be demonstrated by new phenomena like the **free software** movement, or even projects like wikipedia. Thousands of people all over the world create new technologies cooperatively without any money being exchanged. Could internet technologies efficiently organise distribution of resources around the globe without the need for markets? For example, the "Participatory Economics" (**ParEcon**) scheme is an anarchist-influenced plan for a large-scale economic distribution system which uses computing power to take over the role played by capitalist markets in a "decentralised planning" distribution system. Ursula Le Guin, in her novel ***The Dispossessed***, also gives a vision of a computer-aided anarcho-syndicalist future. *Parecon project*: http://www.zcommunications.org/zparecon/parecon.htm

Prestes Maia squat, Sao Paulo, Brazil. The banner reads “We are Zumbi (rebel slave leader)”.

DIY culture.

In the richest countries like France, West Germany, UK, or US, workers’ resistance had all but disappeared, incorporated into completely tame trade union and parliamentary movements. But radical ideas were at least kept alive by flourishing “**counter-cultural**” movements mainly of students and youth. The student rebellions of **1968** started a resurgence of new interest in anarchist ideas. New anarchist and anti-authoritarian thinking saw how

The table below shows who held Greek bonds in September 2009 (as estimated by Barclays Capital analysts). Greece had a total of $390bn in debt. Over three quarters of that was lent by governments and private capital from outside Greece.

company “nationality”	banks	insurers	Investment funds
Greece	$55bn		$38bn
France	$24bn	$26bn	$4bn
Germany	$25bn	$8bn	$3bn
Italy	$7bn	$11bn	$8bn
Belgium	$9bn	$3bn	$7bn
Netherlands	$8bn		$12bn
UK	$11bn		$1bn

Source: Barclays Capital Research / http://www.nytimes.com/2010/04/29/business/global/29banks.html

By late 2011 the make-up of investors in Greece had changed substantially. The big international banks had sold most of their Greek bonds: the buyers were governments and, especially, the European Central Bank. According to figures from the Bank for International Settlements, German and French banks now owned just Eu2bn each in Greek debt. (http://streetlightblog.blogspot.com/2011/06/betting-on-pigs.html)

With the first Greek bailout package of May 2010, the Troika made sure that there was no default or “haircut” on bonds. A “haircut” is where bond investors agree to sell their bonds back at a percentage of the value: that is, take a loss on the debt.

In October 2011 the Troika arranged a second Eu130bn “rescue package” for Greece. This time investors would take a hit, losing up to 50% of the value. But by now the big banks were mostly safe out of Greece.

Whose crisis? “Debtocracy” and social war.

In November 2011 the Greek government fell in a political crisis around the second Troika “rescue” and austerity package. A government of “national unity”, of parties from the Socialists to the Far Right, appointed Lucas Papademos as “technocrat” prime minister. Papademos is an economist, former governor of the Greek central bank and vice-president of the ECB. A few days later Italy’s prime minister Berlusconi resigned, and was replaced by another unelected “technocrat”, Mario Monti. As well as being an economics professor, Monti was also an “international advisor” to investment bank Goldman Sachs. These “unity” governments shared a clear agenda: to enforce austerity packages.

When the credit crunch hit in 2008, there was some talk in the media of a “Keynesian resurgence”. Neoliberal economics seemed discredited. Left-wingers hoped governments would use their power over the bailed out banks to return to the postwar “social compromise”.

Instead, quite the opposite has happened. The current crisis has cemented the power of finance capital. Politicians of all parties have prioritised the demands of bankers, and taken neoliberalism to a new extreme with further privatisation programmes. In a classic use of “shock tactics” (see Workshop 4), austerity is presented as the “only possible solution” to crisis.

By cutting jobs and incomes, austerity will throw economies even harder into depression, accelerating the economic collapse of the


Workers’ assembly at Zanon occupied factory, Argentina.

Resurgence of workers control.

From 1917 until 1990 anti-capitalist resistance was often smothered by the Russian (and Chinese) backed Communist Parties. They funded and co-opted resistance movements, turning on any that were too radical or threatened to upset their grip on power. And yet pockets of resistance always kept reappearing – and more so as the Soviet empire weakened in the 1970s. In **Italy** there was a wave of factory **occupations**, where workers took over their workplaces and ran them with workers councils. A movement of “**workers control**” also grew up across the Iron Curtain in Yugoslavia. Similar movements in Latin America were largely wiped out by US-backed totalitarian dictatorships. But the old idea would resurface in **Argentina** in 2001 when workers occupied factories deserted by capital after the economic crash. Occupation movements are now on the rise in **Greece** and may spread as economic crisis hits more European countries.

Syndicalist cooking union, La Paz, Bolivia, 1935.

By the 1910s, syndicalism seemed to have a genuine chance in many European countries. Theorists like Pataud and Pouget, activists in the French **CGT** union, had their plans ready: when the moment was right, a massive **general strike** would collapse capitalism, and the new workers' organisations would step in. Faced with this threat, the capitalist elites fought back with extreme repression, imprisonments, assassinations against workers' leaders. But what ultimately saved capitalism was probably the First World War, a bloodbath of nationalist destruction. And then the Russian Revolution: the seeming success of the authoritarian Bolshevik "communists" in Russia undermined the surviving anarchist and syndicalist movements, as many switched to Marxism and the new idea of party and state-led revolution. The only serious syndicalist movement to survive was in Spain. In 1936 the anarchist **CNT** union put syndicalism into practice in Catalonia for a few short months, before it was wiped out by Franco's fascist armies supplied by Germany and Italy; tacitly supported by all the capitalist states of Europe; and attacked from within by Stalinist agents.

"developed world". But financial capital, and all those who invest in it, will do well, and that's what matters.

In fact, what we have seen in this crisis so far is that most of the elite are not really interested at all in getting national economies back to growth. Rather, many capitalists and politicians take advantage of the crisis as a profit opportunity for their own business (or their friends' businesses), even if it hurts the economy "as a whole" or "in the long run". By pushing demand down even further, austerity is the last thing that will "solve" the crisis. But it will bring lots of profit opportunities: wage cuts, even more deregulation, and plenty of privatised state assets to snap up cheap.

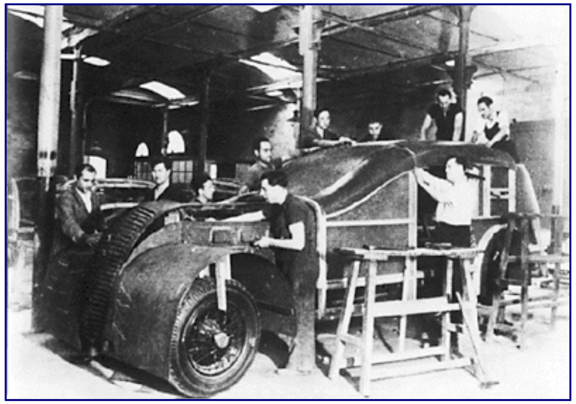
Workshop 6: our consuming desires

"*It's a power plant that runs its turbines on a gigantic reservoir of unwept tears, always on the verge of spilling over.*"
The Invisible Committee – *The Coming Insurrection*.

Homo economicus.

Open any standard textbook on economic theory, and you'll first come to the chapter on "consumer demand". The basis of the whole system, according to capitalist economics, is our *desire*. We, the consumers, want things; the market simply satisfies our desires.

But the people in economics textbooks are special. To construct mathematical models which prove that markets are "efficient", economists have invented a simplified creature whose desires are calculable and predictable. This character is sometimes called "homo economicus", "economic man", or the "rational agent". Rational economic agents are unlike human beings in a number of ways.



CNT worker run armoured car factory, Barcelona 1936.

Syndicalism.

The first mass **workers' movements** appeared in the factories and slums of the late 19th century. At the turn of the 20th century a new organising strategy emerged that seemed it might have the strength to overturn capitalism for good -- revolutionary syndicalism. Millions of workers had now joined radical trades unions open to all, skilled and unskilled. The idea was that factories would be run by workers directly, through their union assemblies; the big unions' federal structures would take over coordinating the distribution of the different factories' inputs and outputs. So: the same structures that workers had built to fight strikes and community struggles would directly turn into the basic economic institutions of the new world.

A barricade of the Paris commune (Rue Saint Sebastien, 10th arondissement).

Insurrections and assemblies.

In 1534 Anabaptist rebels took over the city of **Muenster** in Germany and set up an early form of socialist commune. But the first major workers' insurrection under capitalism is often considered to be the **Paris Commune** of 1870. The elected government of the city commune was not radically anti-capitalist, but many people in the working class neighbourhoods on the outskirts were. They came together voluntarily to organise everything from defence militias, to canteens and first aid clinics, to free self-run schools, and redistribute clothes and supplies. The commune lasted just two months before it was brutally destroyed by government troops. But it inspired many for the future. Revolutionaries built on its lessons to develop further ideas about how to self-organise neighbourhoods, and whole cities. In the 1917 **Russian Revolution** the slogan "all power to the soviets!" originally meant self-organisation by local **soviets**, neighbourhood and workplace assemblies. Lenin and the Bolshevik Party adopted the slogan to win popularity, then in fact crushed the soviets and imposed their own Party control.

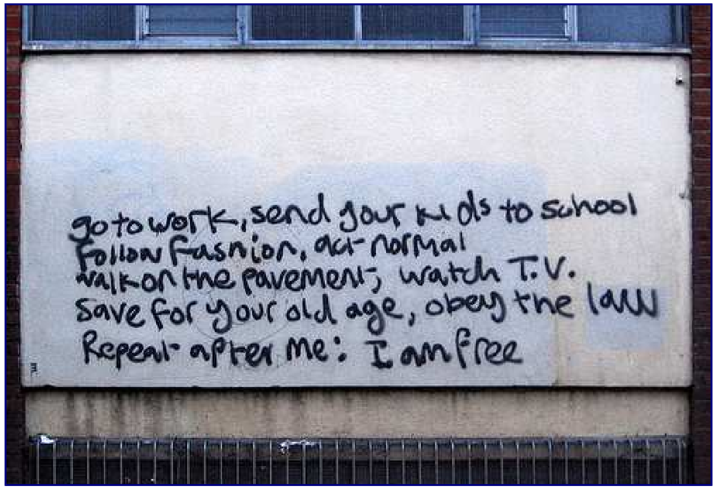
- **Our desires change and develop**. They are shaped by our histories and environments. And so, also, by the systems of power in which we live. In economic theory, however, rational agents' desires are fixed. The system itself has no influence on people's wants, it just "satisfies" them.

- **We have many different kinds of desires and values**, which often conflict with each other. In some situations we might act "selfishly", other times we might give our lives for a dream. In economic theory, rational agents' desires have to be consistent. Usually, rational agents are assumed to be "self-interested" – they ignore the needs and desires of other people.

- **Not all of our desires are for things which can be bought and traded in markets**. In economic theory, rational actors' desires are always desires for *commodities*. And in fact these desires are never satisfied – given the chance, economic theory says, people always want ***more***.

Economists argue that these assumptions about rational agents are harmless simplifications or "abstractions" which they need to make calculable models. But these models are used to devise and justify schemes which are imposed on real people. Economists, politicians, and capitalists fantasise about people who are "rational" commodity-hungry consumers. And, at least to some extent, the systems they help create can actually work to make us more like that.

In this workshop we will look at just a few of the ways in which capitalism, as it has developed, has indeed shaped our desires.



1) Greed is good: the idea of self-interest.

"*Dangerous human proclivities can be canalized into comparatively harmless channels by the existence of opportunity for money-making and private wealth …*" J.M. Keynes *General Theory* (London: Macmillan, 1936) p374.

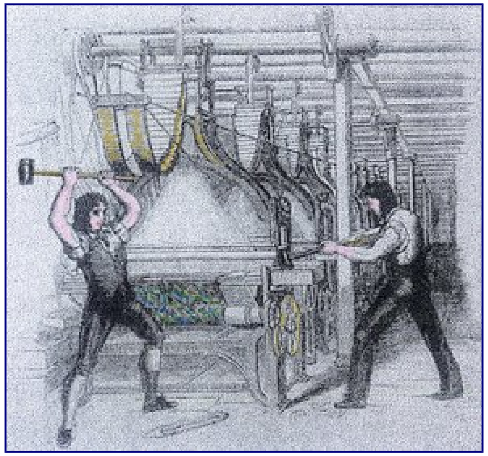
The term "***homo economicus***" first appeared in the 19th century, but the roots of the idea that people are self-interested rational agents can be traced back to the renaissance, and really takes off in 18th century "political economy". (This section follows Albert Hirschman's historical study of "*The Passions and the Interests*".)

As we mentioned in Workshop 1, for ancient Greek writers "economics" meant something like the management of a household (an aristocratic household, with its subordinate population of women, slaves and animals). To run a household efficiently, you need to calculate, make budgets, keep an eye on market prices, keep accounts. This was a necessary part of the life of a free citizen, but only a small part. No Greek philosopher

Mutualism and cooperatives.

Industrialisation increased rapidly in 19th century Europe, as millions were thrown off the land forced to join the new urban "proletariat". Many of the first urban workers to form radical anticapitalist organisations were skilled **artisans** who still maintained some independence. In France and other European countries, the ideas of the anarchist printer **Proudhon** became massively popular. Proudhon and others sought to organise skilled workers into co-operatives or **workshops** which would share tools, knowledge, and defend each other against the bosses. **Cooperatives** of workers in different trades, and in different towns, would then form federations to exchange their products and resources. (So Proudhonist **federalism** did involve some level of exchange at a bigger level, as well as mutual aid at the level of individual coops.) The idea was that these cooperative federations, by pooling their resources, could become altogether independent of capitalist markets. Thus they would create the "new society in the shell of the old". Similar ideas, though not always as radical, were developed in the cooperative movement in England, and elsewhere.

But a problem with many cooperative movements, in the 19th century and since, is that they have often failed to involve the people who really have the most to win, and least to lose, in the struggle against capitalism: the "**dispossessed**" masses of "unskilled" and "unemployed" (or work-refusing) people who have no resources to share.



Defending old ways.

Throughout history, radical movements have looked both forwards and back: proposing new alternatives for the future; whilst defending existing spaces against capitalist attacks. German peasant rebels, English Diggers, or later anti-enclosure rebels defended ancient rights to the use of "common land". The **Luddites** defended traditional arrangements on wages and working conditions which were being swept away by the capitalist market. **Russian peasant revolutionaries** in the 19th and 20th centuries saw the traditional village commune or "**mir**" as a possible base for a future without either capitalism or the Tsarist state. The **Zapatista** uprising in Mexico uses traditional systems of village self-government and collective land rights.

To sum up: as well as inventing new ways, anticapitalisms can involve defending, and reviving, pre-capitalist traditions of mutual aid which are still alive – because they have been fought for in centuries of previous struggle.

thought that citizens should approach other parts of their life in the same way. Values like bravery, generosity, serving the community of citizens, and dying a good death, were much more important than economic rationality.

In medieval Christian Europe, merchants, bankers, and others who profited from markets lived in an uneasy relationship with the aristocratic elites, who made their money from looting, cattle rustling, and dominating the land. This restricted role for the market was reflected in the values of the rulers and the church. The official position of the Catholic church condemned the desire for money and possessions as the "sin of **avarice**". According to Saint Augustine, avarice was one of three main sinful lusts, the other two being the lust for power, and sexual lust. Some medieval writers went against this official position and openly celebrated the aristocratic pursuit of "honour" and glory". But the bourgeois vice of avarice was treated with contempt.

The idea of "***interest***" – as in "national interest", "self interest", "class interest", or "your best interest" – comes together with the rise of capitalism. At first, in the renaissance thought of writers like Machiavelli, it meant the interest not of individuals but of rulers of states. Machiavelli, in his famous book "The Prince", advised rulers to be calm and calculating rather than swayed by momentary passions. The early "mercantilist" school of economics studied how princes could modernise their national government to out-compete other states and amass wealth.

Then in early capitalist thought, for the first time, economic self-interest becomes something good. It was praised as a "calm passion": if people focus on accumulating wealth they make calculated long term decisions, and they become predictable, stable, governable. For writers like Hume and Smith, self-interest has positive consequences for society. By pursuing gain, individuals create wealth and prosperity that spreads to everyone. And channelling peoples' energy into the pursuit of economic gain diverts them from more dangerous and violent lusts. (As seen in the quote from Keynes above, this idea was still going strong 200 years later.) Trade and business means stability, peace, and calm happiness for everyone.

By the nineteenth century, interest was no longer a "passion" at all. It had turned into a fundamental assumption about the way human beings are. Utilitarian philosophers like Bentham and Mill could now see people's desires, pleasures and happiness, as things to be calmly added up: calculating the "greatest happiness for the greatest number". In fact, by the 19th century the idea of interest had become so powerful that even many anti-capitalists, like Marx, now also saw everything in terms of economic interest.

2) Building the nation.

The growth of capitalism goes together with the rise of the nation state. In Europe, rulers created new national infrastructure to support the growing markets, such as:

- **Transport**: railways and canals, to move commodities.
- **Ports**: for international trade, defended and policed by customs systems and navies.
- **Armies** and **police** forces: to enforce property law.
- **Parliaments**: where capitalists and industrialists shared power with the old aristocratic elites.

Communist Utopias.

Historians like to say that early capitalism was a **radical** force overturning old feudal structures. This story hides the fact that there were much more radical ideas and movements around already. Revolutionary ideas were often clothed in Biblical language — the supposed slogan of the English peasant rebels of **1381** was "when Adam delved and Eve span, who was then the gentleman?" Heretical sects throughout Europe formed communities without private property or hierarchies. Most were wiped out with extreme violence. In 16th century Germany some 300,000 peasants rebelled against feudal authorities in the **Peasants Wars**, and published a charter of "12 Demands". Perhaps 100,000 of them were massacred. Soon afterwards appeared the **Anabaptists**, a radical Christian communist movement mainly in Germany and the Netherlands. In the **English Revolution** of the 1640s similar ideas reappeared. The **Diggers** called for people to defy property law, occupy unused land and farm it in communities. Some "**Ranters**" were still more radical: they opposed the family, or even religion altogether.

In **mutual aid**, we give to each other when we need help, without expecting anything in return. As the old tag goes: "from each according to their ability, to each according to their need."

Studying the long history of debt and money, Graeber argues that societies all over the world have always involved a mixture of these different kinds of relations. "We are all communists with our closest friends, and feudal lords when dealing with small children. It is very hard to imagine a society where people wouldn't be both" (p114).

State socialism talked about mutual aid, but in fact practised brutal hierarchy. Capitalism prioritises exchange relations. But exchange never takes over everywhere, and indeed capitalism relies upon many institutions – state hierarchies, families, community or "national" loyalties, etc. – that are not based mainly on exchange.

Maybe we can think of **anti-capitalism** as the struggle to stop spaces of mutual aid being colonised by relations of exchange (and, so, property) or of hierarchy. And to spread mutual aid relations instead. So, in practice: creating institutions and practices based on mutual aid, which can meet peoples' needs and desires better than capitalist and hierarchical systems. And also, necessarily, defending these new systems, making them strong enough to resist attack by those who want to control our lives.

2. A potted history of other worlds.

We don't have to start from scratch. If you dig underneath the failed history of state socialism, you can see people have been thinking about and working on many different anti-capitalist alternatives for hundreds of years.

Transport and national markets, as well as enclosure and the rise of big cities, meant people were on the move. Local ties and community identities, local customs, including languages and dialects, were lost. In the face of rising resistance and worker radicalism, the state's answer was the creation of stronger *national* identities. New institutions accelerated this process in the 19th and 20th centuries including:

- State **education** systems: teaching conformity, patriotism, and the "naturalness" of the market system.

- National mass **media**: controlled by capitalist media barons, and by advertising.

- National **welfare** systems.

Wherever resistance to capitalism was on the rise, nationalism was the response. Every time workers' movements started to threaten the elites, rulers mobilised patriotic feelings against the "foreign" or "unpatriotic" radicals. Just to take a few examples from English history:

- 1780s+: Patriotic "**Church and King mobs**", paid mainly in beer by crown agents, were used to attack and intimidate "Painites" and "Republicans".

- 1800s: **Napoleonic wars**. Repression against trade union and radical organisers justified by war conditions, radicals accused of being French spies.

- 1890s: Introduction of "**Aliens Act**", first major anti-immigration legislation, in a climate of media hysteria against Jewish "anarchists" and other undesirables.

- 1914+: **First World War**. Internment of foreigners, censorship and martial law. Patriotic upsurge (across Europe) helps dampen dangerous syndicalist movements.

- 1982: **Falklands War**. A new war, a new patriotic frenzy, helps the neoliberal Thatcher government back to power in the 1983 elections, despite recession and massive unpopularity before the conflict.

- 2000s: UK becomes world's most surveilled state, as government whips up and rides panic over Muslim "**terrorism**".

3) Mass production and mass consumerism.

But by the beginning of the 20th century capitalism in the most "advanced" industrial nations faced two very big problems.

- i) **Revolutionary movements**. More "enlightened" elites used workplace reforms, state education, nationalism, and

Three kinds of relationships.

Like all theory, this involves some over-simplifying, but we might follow anthropologist David Graeber's definition of three distinct kinds of social relationships. He calls them: hierarchy; exchange; and communism – or, in Kropotkin's term, "**mutual aid**".

In **exchange relations**, people swap goods by calculating "equivalences" (i.e., equal values). If I give you x, sooner or later you should give me y, which is worth the same. People are, at least in some sense, equal: it shouldn't matter, in a market, *who* you are, or what our relationship is, just what you have got to trade, i.e., your property. (In reality, the situation is rarely so "ideal").

In **hierarchical relations**, on the other hand, the way we relate to each other is all about who we are, our status. Kings and subjects, or teachers and pupils, or judges and accused, or parents and children, don't exchange goods as equals: they give "tributes" or "favours", make judgements, pay respects, etc. Ongoing relations involve patronage, support, loyalty.

State planning did not produce as much stuff as quickly as capitalism. Socialist state officials, just like other state officials, abused their power and set themselves up as an corrupt elite, a "new class" just as vicious as the worst capitalists.

Not a monolith.

We saw that capitalism is not monolithic. This means: first of all, it is formed of many interlocking institutions, rules, and relationships, all changing. You might imagine capitalisms without advertising, for example, or even without banks, or maybe even without states or families – though they would be very different kinds of capitalism from the one we know now.

But also, not all the institutions and relationships we live with now are fully capitalist. States, or families, or churches, for example, have changed in the last few hundred years as a result of capitalism, but they existed before. And even within a highly capitalist society lots of things are going on which are not very capitalist at all. Most people don't exchange their time for money with their friends or lovers. We help someone in need in the street without calculating how much it should cost. People still volunteer to fight and die for things they believe in.

The anarchist Kropotkin often used to point out lots of examples of what he called "mutual aid" at work even in very capitalist environments. For example, the Red Cross, or mutual insurance systems for shipowners, were set up by capitalist businessmen, but worked on quite non-capitalist principles.

For more on what climate change means for possible futures for capitalisms, and anti-capitalisms, see: Desert (*anonymous*).
http://theanarchistlibrary.org/library/Anonymous__Desert.html

philanthropy, to get and keep workers on side. But too many still saw capitalism as their enemy, and resistance was growing.

- ii) **Lack of consumers**. As production kept on growing, producers were running out of affluent customers who wanted to buy more stuff.

Mass consumerism saved the day for capitalism, and transformed the world. The change is often dated back to 1910, when Henry Ford set up the first "**production line**" in the Highland Park, Michigan car plant. On the original 1910 production line it took workers 12 hours and 48 minutes to assemble one car chassis. By 1914 Ford had got it down to one hour and 33 minutes, and the Highland Park factory produced over 1000 cars a day. Over the next 10 years "Fordist" methods were copied across American industries, as every producer raced to keep up. (This section draws on Stuart Ewen's book "*Captains of Consciousness*".)

But now the new factories were producing much more than the small upper and middle classes could buy. More intelligent capitalists could see what would have to give. The market had to be expanded, and the only way to do that was to welcome the workers into consumer society. US President Herbert Hoover made it clear in a famous speech in 1926:

"*The very essence of great production is high wages and low prices, because it depends on a* ***widening range of consumption*** *only to be obtained from the increased purchasing power of high real wages and increasing standards of living."*

The problem for capitalists here is that someone has to go first: if one boss raises wages, but her competitors don't, then she is at a disadvantage. (Another classic “collective action problem” — see Section 5). This was Marx’s argument for why wages will always be forced down to subsistence level, and capitalism be condemned to crises due to lack of consumer demand.

Marx died in 1883. He was, perhaps, half right. In the 1920s advanced capitalist economies did manage to solve some of their collective action problem, wages and living standards rose, and working hours fell. Ford himself had led the way with the famous five dollar work-day wage in 1914. But still wages didn’t rise nearly as fast as production, and the gap in consumer demand was largely filled by credit (mainly instalment plans), which indeed contributed to the financial boom and then the massive bust of 1928. It was really after World War 2 that workers’ living standards in the industrialised world increased rapidly, thanks to Keynesian government intervention.

Manufacturing demand. However, it turned out that just paying workers more, and giving them time to spend their wages, still wasn’t enough. Workers might decide to save their income instead of spend it, remembering the hard times that weren’t so far away. Or, rather than endlessly pursuing the lust of avarice, they might have other desires for their “free time” than collecting new commodities.

This is where **advertising** came in. Before mass production, advertising had been about highlighting special qualities of a product to make it stand out from similar commodities. The new breed of advertising gurus in a rapidly growing industry saw this as too primitive. The idea now was to create a “real or fancied need” for the product in the first place. Schooled in the latest psychological theories, advertisers sought to create new desires by appealing to “profound .. human instincts”. In particular, they

the earth's ecosystem, with implications that will be disastrous for most humans and animals on this planet.

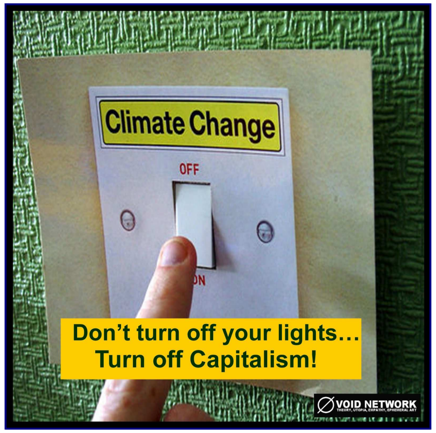
This doesn’t mean that capitalism as such is doomed. It may, once again, be transformed and survive.

But capitalists face major collective action problems: to solve their economic and ecological crises, corporations and states need to cooperate globally in ways they have never been able to achieve before. Most likely they won’t be able to do this. Markets and states will try to carry on as before, but keep on getting hit by new crises. Without growth, governments will not be able to keep us feeling “included” in capitalist prosperity. But if elites cannot maintain social order with the *carrot*, they will turn more and more to the *stick*, and try to keep populations down by force.

So, in many ways we will see the world turning backwards. Like in capitalism’s earlier days, we will live in societies of drastic inequality and violent social conflict. Billions of people will be left out of the “dream” of growth and consumption. Many may die. But are there other dreams that can take its place, and inspire resistance?

Marxism is dead.

One alternative dream which has died is that of Marxist state socialism. The idea was that the state can step in to “plan” mass economies, playing the role filled by markets in a capitalist system. State bureaucrats and technocrats could work out what goods needed to be produced, and where they needed to be distributed. The people would be happy as the system worked efficiently; the officials, despite their massive power, would somehow be immune from corruption and tyranny. It didn’t work.

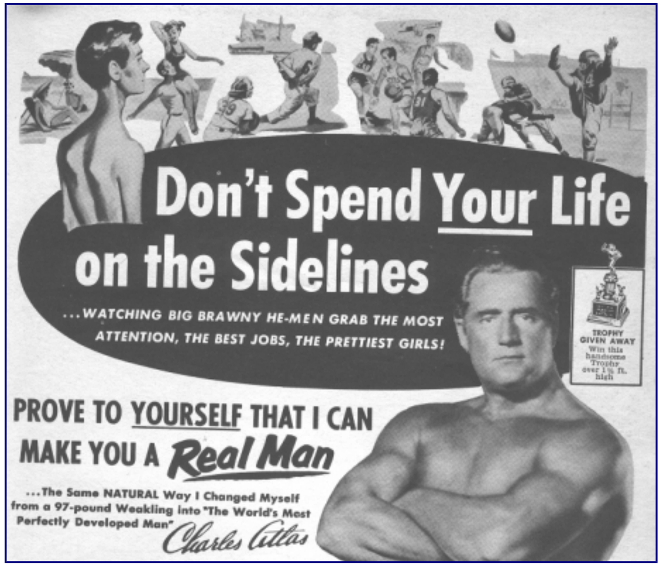


So what's next?

In many ways, capitalism has been very successful. The global capitalist economy is better than any previous system at producing massive quantities of commodities, and moving them all round the world. Many millions of people in the "developed" world manage to use, horde, and waste masses more stuff than their ancestors could ever dream of. Other billions of people in the "third world" don't do quite so well.

But capitalism can't last much longer in its current form. It is based on rapid growth, promising more and more commodities for everyone. Most people in the developed world are "doing good"; and workers in the third world can also dream that one day soon they will be included too. This massive growth has been fuelled by cheap energy: seeming limitless easy supplies of oil and other fossil fuels; and an ecosystem that can absorb seemingly endless environmental destruction without too major effects. But these resources are running out. The effects of global climate change are not yet fully perceived, but the strong likelihood is that the damage is already irreversible. Capitalism has dramatically shifted

targeted the "instinct" for "social esteem" — to fit in, to be wanted.



The main technique was to create feelings of "**social insecurity**" which their products were supposed to ease, albeit very temporarily. Adverts told women to fear ridicule, spinsterdom, or the sack, if their nails weren't fashionably polished. How could you hope to get ahead at the office if you had bad breath from not gargling with listerine? If immigrants wanted to be accepted they needed to dress like proper Americans. Be anxious about your body, your background, your neighbours, your workmates, the modern world is a rat race and you need to stay sharp to keep afloat. A 1938 article in the ad industry journal *Printer's Ink* put it bluntly:

"*advertising helps to keep the **masses dissatisfied** with their mode of life, discontented with* ugly things *around them. Satisfied customers are not as profitable as discontented ones.*" (Ewen p38)

This dissatisfaction is not one that calls for political or collective solutions. The solutions are individual, commodities available on the market. But there are always more problems to come, more lacks and failings, more commodities you need to buy to keep up with the others. Cultivating the “instinct for social esteem”, mass consumerism became an endless race on a treadmill, an incurable anxious need, an itch that can’t ever be scratched.

Advertising and rationality. How does the reality of contemporary consumer culture, shaped by advertising, fit with the economists’ idea of the rational agent?

The idea that desires can be changed and shaped goes against one of the economists’ basic assumptions. It’s interesting that, like some dark family secret, economic textbooks almost never mention advertising. For their part, advertising gurus have little to do with economic theory, but there has been a big crossover between advertising theory and psychology – in particular Freudian psychology which emphasises the role of unconscious instincts. (See “*The Century of the Self*” – particularly on Edward Bernays, the inventor of “PR”, ad guru par excellence, and Freud’s nephew.)

But in fact there is a lot in common in both the economists’ and the advertiser’s idea of what it is to be human. For both of them, human beings hunger insatiably for more commodities. And this is what makes us calculable – even our darkest instincts can be controlled, manipulated, and governed.

- **Markets**: places (real physical marketplaces, or virtual systems) where people trade commodites.

- **Private property**: systems of rules and laws about who has the right to use, exchange, make or destroy things.

- **States**: governments, police forces, armies, courts, prisons, border controls, and other state institutions, which enforce private property systems and market rules, and help create new markets and commodities by force.

- **Companies**: corporations which produce the goods sold on capitalist markets, or provide financial and other management services to keep things circulating around the globe.

- **Educators**: institutions, from schools to advertising agencies to families, which help reproduce our respect for the rules, and our desires for commodities.

- **Consumers**: all of us, so long as we keep on respecting the rules, working, buying stuff, playing the roles we’re offered by advertisers and educators (and each other), always wanting more commodities, and encouraging each other that all this is “normal”.

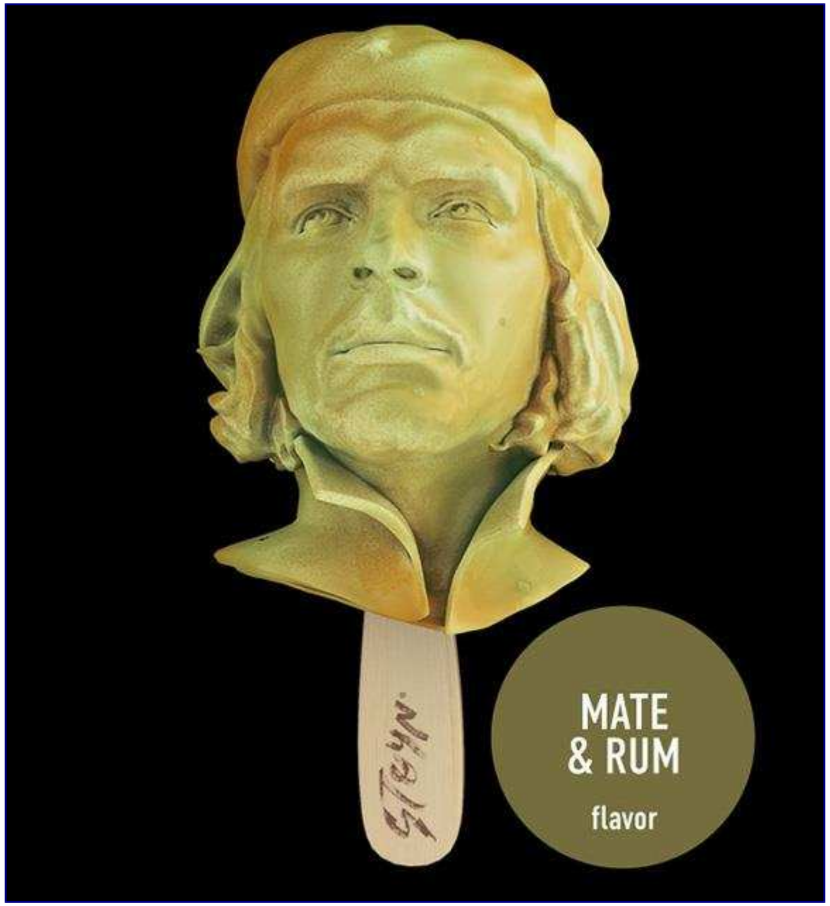
Warning: we should note that much of the way the authors understand capitalism and resistance is pretty ***Eurocentric***. This reflects where we come from. It would be great if future versions of these workshops could have a more global understanding. And maybe we need other collaborators to help with that.

Workshop 7. Beyond capitalism.

1. It’s a monster, but not a monolith.

So, what is capitalism, exactly? Capitalism is a handy term for the way in which economies, and also a lot more, are organised today. As we have seen, there is not really one definition or fixed idea of capitalism. There are really many different “capitalisms”, in different parts of the world, and in different times. Capitalisms have been constantly evolving, from the 16th century until now, and will keep on changing in the future.

We talk about the “capitalist system” as if it is just one thing. More accurately, we could say that there are capitalist institutions, capitalist relationships, capitalist rules and conventions, even – capitalist desires, identities, and dreams. For example, contemporary capitalist systems involve:



4) “Recuperation” and resistance.

The 1960s saw an outbreak of anti-consumerist rebellions amongst students and youth, mainly in rich countries. Counter cultures which rejected establishment values and desires spread with unexpected speed. Suddenly everyone took LSD and had group **sex** in parks. Some even took part in student occupations and new revolutionary movements.

One interesting new intellectual current of the 1960s was the **Situationist International** radical/art movement. According to the SI writer Guy Debord, society in advanced capitalist countries had become a “spectacle”. Commodification had “completed its colonisation of social life”. In the “society of the spectacle”, the only meaning left in our lives comes from the things we “have”, or try to have; all our desires are shaped by the “images” we passively receive from advertising billboards, TV screens, and see reflected back off the other consumers we try to keep up with.

If everything is produced for us by an immensely powerful capitalist system, what can we ever do to escape being just passive consumers? The SI’s answer was what they called (in French) “*detournment*” (there isn’t any great English translation – maybe “re-turning”, or “derailing” – or subversion). This means: we take the products and values fed to us by the system, but instead of consuming them passively, change them, mix them up, hack them, pervert them. Here the SI gave a theoretical name to what youth subcultures have always been doing. From the English “Teddy Boys” in the 1950s adopting aristocratic Edwardian fashion and turned it into working class machismo; to punks and queers who take derogatory labels and images and turn them into symbols of defiance.

But the flipside of subversion is what the SI called “recuperation”. This means: the establishment takes a “radical” symbol or value and makes it safe, acceptable, and marketable. The classic example is the face of Che Guevara on a million T-shirts. In the 1970s, a new wave of advertising execs found that they could make just as good money selling new “alternative” commodities to the youth. Was the lasting legacy of 60s counter-culture just some new lines in consumer products?

“Brothers and Sisters, what are your real desires? Sit in the drugstore, look distant, empty, bored, drinking some tasteless coffee? Or perhaps BLOW IT UP OR BURN IT DOWN. The only thing you can do with modern slave-houses — called boutiques — IS WRECK THEM. You can’t reform profit capitalism and inhumanity. Just kick it till it breaks.” The Angry Brigade — Communique 8.

Capitalism is an economic system, but it's not just that. If we want to survive capitalism, we don't just need to create a new economic system, we need to create a new *culture*. A culture that looks at capitalist values “with indifference and contempt”.

like it was working. Living standards (if standard of living just means the amount of stuff you have) were going up for almost everyone. Certainly, the rich were doing the best of all, getting most of the new stuff – and so, inequality has risen dramatically. But there was still enough new wealth left to improve incomes at the bottom.

A few basic principles of consumer economics at the start of the 21st century:

- Everyone wants more and more stuff.
- The economy can keep on creating more stuff for everyone.
- To keep it going we need to let markets be "free": regulation or redistribution would hurt the markets, and the engine of growth will stop.
- To keep it going, we all need to keep wanting more stuff.

There are a few problems with this line of thought, which are becoming increasingly apparent. For example:

- As we saw in Workshop 5, most people in rich countries were only getting more stuff because they were getting heavily into debt.
- As we saw in Workshop 3, rich economies as a whole only carried on getting more stuff because they were getting heavily into debt to poorer manufacturing countries.
- The world as a whole does still keep producing more stuff. But for how long? This growth has been made possible by cheap petroleum, massive quantities of easily extractable fuel. Cheap fuel is disappearing. And now the ecological cost of industrial growth is starting to hit us.
- Is more and more stuff really what we want? Is it giving us what they said it would? Is it what we really *want* to want?

5) Roles and identities.

Our desires don't appear from nowhere. They are embedded in the ways we live, in our interactions and relationships, in our habits and practices, in the value systems and power systems we live in. As advertising execs know, creating desires is fundamentally about creating ***identities***. You desire the car, the watch, the shoes because of *who* they make you: successful businesswoman, playboy, filmstar, upstanding citizen, loving husband, wife and mother. Or: gangster, bad girl, rebel.

Capitalism offers a repertoire of roles or identities for you to aspire to. Each one is a dream of how you can live, what you can be. Simplifying, we might identify a number of historical stages of capitalist dream creation:

- In its early stages (18th and 19th centuries), the identities you could aspire to were very much limited by obvious social hierarchies. As wages were pushed low and people could only afford necessities, workers were not of much interest to advertisers. Elites mainly tried to shape workers' identities and desires through the state (nationalism, schooling) and through religion. But their grip on people's desires remained fairly weak. Anti-capitalist movements had the space to thrive, and they offered people different desires, identities, and dreams. These alternatives were a real threat to the elites. (See Workshop 7). Lacking "consent", the state regularly had to turn to force to defend property and markets.

- In the 20th century, mass production and mass consumerism created new identities for workers in rich countries. Now many more people could be included in the capitalist dream. But the available identities were limited, uniform. Advertisers worked on the same lines as state education, promoting a basic set of roles: heterosexual nuclear family roles (husband and father, wife and mother); successful careerist; responsible citizen; patriot.

- After the 1960s, advertisers started to offer a wider range of identities. Even identities that go against state-promoted norms can be profitable. With less uniformity, there can be more tension between different corporate and state-promoted values — but they usually manage to get along in the end.

Old or new, conformist or "rebel", profitable consumer identities all need to share some basic properties.

- The role needs to be defined by commodities, by what you have.

- You have to remain dissatisfied and anxious in the role. You can never be quite sure that you're doing it right; there's always a risk of losing your place. Very often, this dissatisfaction is linked to anxiety about status — about your position relative to other consumers. But in any case, the essential result is: you always need ***more***.

6) More, more, more. Growth is everything.

"Their needs are so few that they do not wish to adopt civilized habits. What we call conveniences and comforts are not sufficiently valued by them to cause them to undertake to obtain them by their own efforts ... the great majority look upon the white man's ways with indifference and contempt." Nathan Meeker, US reservation agent to the western Utes, 1879. (Quoted in Dee Brown – *Bury My Heart at Wounded Knee*).

Economists, politicians, journalists, and anyone else you can see on TV, agree on one big thing: the goal is growth. Growth means producing and consuming more stuff. If the economy falls into recession or depression everything goes wrong. People lose jobs, people go hungry, hospitals close, and your granny has to sleep on the street.

By the early 20th century, most of the "**Left**" had accepted mass industrial production and consumption, but insisted that wealth should be spread more equally. Whether by revolution or income tax, there should be **redistribution of wealth** away from the rich to the poor. One of neoliberalism's victories is the idea that everyone can get richer together: the needs of the poor don't have to be satisfied by taking from the rich. If we can create enough stuff, at least some of it will "**trickle down**" to those at the bottom. The rich get richer, and the poor get richer too.

In the richest nations, until very recently, this idea actually looked