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War drive

Who gets the goods?

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WHEN WE CHANT 'NO BLOOD FOR OIL' most of us who have been organizing against the war the past few months reject the Bush administration's claims that the war was about 'weapons of mass destruction' or 'democratizing' Iraq.

[<https://internationalviewpoint.org/IMG/jpg/10usdemo.jpg>]

We understand that this war is about the control of the oil resources of the Middle East - about establishing US imperialist domination of the region. We are clear that corporations with close links to the Bush administration, like Halliburton and Bechtel, will reap huge economic benefits of this war.

What is not clear is the actual impact the war and occupation of Iraq will have on the US economy as a whole. While some US corporations may do quite well, the war and occupation may further undermine overall profitability and accumulation in this country and the rest of the capitalist world.

The economic contradictions of the US war and occupation of Iraq help us understand much of the divisions within the capitalist class, in this country and globally, over this war. The hesitation of some Democrats, the 'New York Times' and other representatives of US capital to support Bush's pre-emptive, unilateral conquest of Iraq reflects their unease about the risks and costs, both economically and politically, of the war and occupation.

These fears, and French and Russian commercial interests in Iraq, have also fuelled the European capitalist opposition. The gap between what the Bush administration wants and what it might get has led to sharp divisions within the US ruling class, and between the US and European imperialists. Let's examine why.

World economy in context

In order to assess the economic impact of the war and occupation on US and world capitalism, we need to understand the current economic situation. Most left and radical economists argue that stock market speculation and exchange rate manipulation fuelled the economic expansion of the 1990s.

This article argues a different position, that the economic expansion of the last decade is part of a long wave of capitalist expansion that began in the early 1980s. Over the past two decades, corporations in the United States have radically reorganized the production and goods and services.

As a result, the long term rate and mass of profit in US capitalism began to rise in the mid 1980s. The result has been over twenty years of growth, which has fuelled both a resurgence of US industrial competitiveness and two short cycles of capitalist expansion (1983-1989, 1991-2000).

Clearly, today the US and indeed the global capitalist economy is in the midst of a severe recession. It is not clear, however, whether this recession marks a change in the long-term economic trends that began in the early 1980s.

On the one hand, the recession could simply be a short-term, cyclical downturn in a long wave of capitalist expansion. Like the recession of the late 1980s and early 1990s, this recession might be relatively brief and could herald a new cycle of strong growth.

On the other hand, the recession could mark the beginning of a new long wave of capitalist stagnation, like the one that gripped the capitalist world from the mid 1960s through the early 1980s.

Long-term profitability stagnates or falls as the result of growing capitalization of production, which shows up as excess productive capacity - too many machines, equipment and buildings - in such key industries as telecommunications, transport and manufacturing. If profitability is beginning a long-term fall, the current recession will be lengthy and any recovery will be relatively brief and weak.

In either case, the war and occupation of Iraq could undermine the conditions that fuelled capitalist growth since the early 1980s, accentuating either a long-term or short-term downturn in capitalist accumulation.

Lean production/exploitation

The basis of the long wave of capitalist expansion that began in the mid-1980s has been the spread of 'lean production' methods across the US and global economy.

There are two key elements to lean production. The first is the reorganization of work in factories, stores, offices and schools. This reorganization of work has taken many forms: speedup, fragmentation of tasks, two-tier wage structures, outsourcing work previously done by unionized workers, use of temporary and part-time workers, increased management flexibility in setting hours and tasks, and cracking down on absenteeism while eliminating replacements for workers who are absent or retire.

Together these measures have resulted in fewer workers producing more goods and services at lower wages. The reorganization of work along the lines of lean production has raised the rate of exploitation (the ratio of profits to wages) of workers, increasing the amount of unpaid, surplus labour workers perform for capitalists.

The second element of lean production has been the reorganization of the capitalist firm. For the past twenty years, we have seen US and other capitalist corporations engage in waves of downsizing, mergers and acquisitions, bankruptcies and 'spinning-off' of unprofitable (or simply less profitable) operations. The result has been widespread destruction or 'devalorization' of less efficient and less profitable capitalist firms.

The rate of profit, the driving force of economic growth under capitalism, is the total profits derived from the exploitation of workers divided by total capital invested in plant and equipment. Lean production's reorganization of work has simultaneously increased the rate of exploitation and decreased total capital invested in plant and equipment, raising the rate of profit and spurring the economic growth of the 1980s and 1990s.

'Neoliberal' capitalist government policies have aided and abetted the spread of lean production across the US and world economy since 1980. Whether Democrats or Republicans are in office in the United States (or social-democrats or conservatives in Europe), capitalist governments across the world have pursued the same policies for over twenty years.

Neoliberal state policy has three key components. The first is global 'free trade.' As most of us know, the goal of the WTO, NAFTA, GATT, FTAA and the like is not simply to remove tariff barriers to the free movement of finished goods across national boundaries. More importantly, 'free trade' means removing any and all legal and political obstacles to the free movement of trans-national corporate investment.

Gutting environmental and labour protections, forcing governments to privatize publicly owned industries and services, and similar measures have helped create a world where US, European and Japanese trans-national corporations can seek out the most profitable investments and create global production chains that link part suppliers in the 'global south' to assembly plants in the 'global north.'

The second component of neoliberalism is the deregulation of the labour market. Across the capitalist world governments have moved to cutback or abolish social welfare, and to eliminate laws that restrict the ability of employers to hire and fire workers at will.

The aims of these policies are simple - increase the number of workers in the labour-market, increase competition for employment and maximize employer 'flexibility' in hiring and firing. The result has been a downward spiral of wages, benefits and working conditions.

Capitalist discipline

The third component is permanent fiscal austerity. Capitalist governments in Europe, the United States and Japan struggled successfully in the 1990s to close or eliminate state budget deficits, in order to limit or eliminate inflation.

Inflation is a problem because it allows some capitalist firms to survive the competitive battle in the market place by taking advantage of short-term fluctuations in the costs of inputs and the price of outputs. Limiting inflation disciplines capitalists by making the reorganization of work along the lines of lean production the only way for corporations to compete successfully in the domestic and global market.

We can see the social costs of lean production and neoliberalism all around us in falling living standards and growing inequality, within the industrialized capitalist countries and between the imperialist 'centres' and the less industrialized 'periphery.'

Workers in all parts of the world have experienced falling wages and are working longer and harder just to keep up. The meagre social safety nets that existed in most capitalist countries are being dismantled, leaving individual families solely responsible for their survival in an increasingly competitive, dog-eat-dog world.

The 'war of all against all' that lean production intensifies creates tremendous insecurity, which is a fertile ground for the growth of all sorts of social problems. Intensified competition for jobs, wages, housing, health care and the like is also a fertile ground for various forms of racism, immigrant bashing, sexism and homophobia, as each group of working people attempts to maintain their slipping social and economic position at the expense of other working people.

As we become hardened to widespread suffering here at home, we are more easily manipulated into supporting foreign policy adventures - bombings, economic sanctions - that spread the suffering around the world.

What US capital wants

The US war and occupation of Iraq are in some ways a logical outcome of the lean-and-neoliberal world of the past twenty years. US war objectives include not simply control of Iraqi oil resources, but the political reorganization of the

Middle East and Persian Gulf regions.

The stated US desire to use the war to help 'promote democracy' is really the goal of establishing regimes on the neoliberal model, hoping to remove obstacles to trans-national corporations, deregulate labour markets and impose fiscal austerity. In the minds of Bush and his closest advisors, the 'liberation of Iraq' is just the first step to remoulding the world in the US rulers' vision.

What US policy makers hope for, and what they may get, from the war and occupation may be two very different things. While their war objectives are consistent with the spread of neoliberalism and lean production, the actual effects of the US war and occupation may actually undermine stability and profit.

- ▶ The Bush administration has chosen to launch this war in the face of growing US budget deficits. The 'war on terrorism' will only exacerbate budget deficits fuelled by the current recession and the Bush administration's tax cuts for corporations and wealthy individuals. The renewed fiscal crisis of the state is being felt not only at the federal level, but also in American states and municipalities, which are cutting social services to fund 'homeland security.' The huge costs of the US occupation of Iraq - tens of billions for even a relatively brief occupation of six months - will place further strains on federal and state budgets.
- ▶ Growing budget deficits bring the danger of inflation. Capitalist policy makers (as indicated above) fear inflation because it creates the possibility of companies remaining competitive by taking advantage of market fluctuations, rather than ruthlessly reorganizing work and shutting down unprofitable operations. The Bush administration has been silent on how they plan to pay for the war and occupation, ruling out any increase in taxes. Cuts in US social services - already among the paltriest in the industrial world - will not be sufficient to rebalance the budget.
- ▶ The easiest solution is to grab Iraqi oil resources to cover the costs of the war and occupation and close the US budget deficit. Hence exclusive US control over the production and sale of Iraqi oil looms as a necessity, not an option for US policymakers.

This exclusive US control over Iraqi oil production might reduce domestic budget deficits, but can only heighten rivalries with other industrialized capitalist powers. Much of French and Russian opposition to the unilateral US war against Iraq is rooted in French and Russian investments in the Iraqi oil industry under Saddam Hussein's regime.

The US seizure of Iraq's oil fields and the use of oil revenues to close the US budget deficit would mean excluding new (and possibly expropriating old) French and Russian investments in Iraq.

Threat of trade war?

Excluding non-US (and possibly British) trans-nationals from investing in Iraq could spark a "trade war" - attempts to exclude US trans-nationals from investing in other parts of the world. The threat of such economic retaliation stands behind the recent French and Russian announcements that they would veto any UN resolution allowing US-British administration of occupied Iraq.

Put simply, to shore up one pillar of neoliberalism, fiscal austerity, US policy may undermine the other pillar, the free movement of trans-national capital across national border. While such renewed inter-imperialist rivalries are not likely to lead to military confrontations among the major capitalist powers - especially inasmuch as the United States remains the only military superpower - renewed protectionism could severely undermine global capitalist profitability.

Who gets the goods?

The potentially destabilizing economic effects of the war and occupation means that the war and occupation of Iraq will produce intensified attacks on working people here at home. To balance the war budget, social services will continue to be slashed.

To compensate for falling profits and increased global competition, US employers will continue their attacks on workers, both organized and unorganized. Racism, a mainstay for building support for imperialist and capitalist powers' military adventures abroad for two centuries, will grow as different groups of workers attempt, in vain, to defend their working conditions and wages against other groups of workers at home and abroad.

The close connection between the ongoing 'war against terrorism' abroad and declining living and working conditions at home provide both opportunities and dangers. The links between the wars at home and abroad, already well developed by anti-racist and global justice activists, must be high on the anti-war agenda.

Think about this: when Stephen Lewis, who heads up the United Nations task force on the AIDS crisis, was asked if the \$15 billion pledged by George Bush would make a difference, he replied that this amount of money per year, for five years, could actually defeat the epidemic now sweeping through Africa and threatening Asia and Eastern Europe. That would be \$75 billion - the amount that Bush has earmarked as the first down payment for the conquest and occupation of Iraq!

Explaining these links means much more than simply including slogans against racism, budget cuts and union busting.

Anti-war activists need to find ways to support struggles for economic and social justice that will develop in our cities and communities, even if those struggles do not take an explicit anti-war stance. Finding ways to support struggles - against repression, harassment of immigrants, union busting and social service cutbacks - needs to become an important element of anti-war organizing.

All this is a necessary part of the anti-war movement making itself a movement of the majority at home - of working people, people of colour and other oppressed groups. Making these links is also central to fighting racism. Indeed, if our movement cannot make the links, right-wing forces can use popular economic deprivation to advance their own pro-war, racist and immigrant bashing agendas.