

Austerity, debt and social destruction in Europe. CADTM, Transform Network and GUE/ NGL conference, European Parliament, Brussels, 31 May, 2011.

Ewa Charkiewicz, Left Feminist Network "Rozgwiązda", Poland
Notes for presentation

We can't look at debt only as debt and then at its consequences, such as perverse austerity measures. We need to reflect more on the role of debt in creating this kind of market economy that developed in Europe since 12th century (the establishment of usury, the invention of creating value from debt) that led to the current state of financial capitalism, or financialisation. The important features of this kind of debt dependent economy are expansion in terms of space, territorially as well as to social reproduction and affect, and speed up in the turnover of profits (accumulation of capital). The faster and greater expansion, the more pressures on social reproduction and environment, hence, as I will argue below, trade unions, left parties, feminists, environmentalists, anti-poverty networks have stakes in slowing down capital and reducing debt dependence of the economy.

Financialisation – as practice of government refers to primary role of finance in managing states, companies, and every day life.

- (i) Financialisation of the state has been enacted via primacy of macroeconomic policy and shifting decision making power to ministries' of finance and central banks. Political decisions are made with an investor's eye as well as with an eye on investors. Markets are created out of domains of social sector policies, and social analysis is preplaced with financial diagnostic of social and environmental problems. Governing takes form of budgetary allocations and in decision time frame reduced to budget /project cycles. The role of state is reversed. It no longer manages public needs, it is actively involved in creating new markets, it is reorganizing itself on the model of an investment firm, and it is legitimizing itself by support to investors.
- (ii) (Changes in the way firms are managed and the focus on value added management in corporations focused on constant pressures to increase investors' profits.
- (iii) (Financialisation of every day life was enacted with credit dependence, introducing concepts of life as planned project, notions of human capital requiring investment in oneself as business project.
- (iv) Higher value added generated in financial sector as compared to other areas of economic activities, and the emergence of new virtual economy made up of layers of debt based structured financial products (new kind of fictitious capital) with its revenues dependent on economies of production, reproduction and nature.

There is a profound crisis of political, and what we knew as state. Political is no longer political. Sovereignty migrated to capital and church. The separation between state and economy disappeared, and political has been subsumed under economic, with profound consequences for social reproduction, which is reprivatized to households and women. The political subject of neoliberal state is an investor, not a citizen. The current crisis is the result of neoliberal revolution in frameworks of thinking, governmental programs and policies, in ways companies are governed that in their cumulative effects transfer the costs of risk and hyper competition to

households and cheapen labor by way of pressures on wages, precarisation and intensification of work, accompanied by delegalization or abandonment of social rights. The changes have been introduced over years, by constructing discursive opportunities for shock therapies, as well as in incremental manner, with tactical arguments, masked with appeals to morals or claims to inevitability, and subversions of language of freedom and justice. First we were told there is no third way, and then the third way was there but it was neoliberal, and now we witness the collapse of left neoliberalism. Historically, this reordering of the world and every day life is comparable to scale of changes of industrial revolution. Paradoxically, we should all become anti-revolutionaries today.

1. The other Europe. The 'transitions' in Eastern Europe responded to, or at any rate provided the solution to decline in rates of profits and allowed for expansion and speed up of accumulation of financial capital. In the politico-economic cartography of unequal integration of Eastern Europe, and new EU member states with the old EU there are some affinities with processes of colonization. It is informative, that a few days ago American president offered transition as an example for North Africa, while several months ago president of the EBRD stated the Bank is ready to invest, provide policy advice for 'developing North Africa', what as we know would mean deepening integration of North Africa with global financial markets at the expense of local people, if it is to be pursued on the model of transition in eastern Europe.

Lessons from Eastern Europe are informative but there are few opportunities to reflect on experiences of transition. In political discourse left or right, Europe tends to imply Western Europe, or old EU, only. Eastern Europe continues to be the other Europe, an add-on, and has a status of skeleton hidden in the closet. This has its historical bio-political roots in sociobiology. (First institute to study race, established in 1921 in Sweden by Herman Lundborg was devoted to studying Slavs as an inferior race. In 1930s. Germans Nazi scholars took up these methodologies to develop scientific studies on Jews which produced knowledge and arguments that legitimized first stripping Jews of rights and property and then mass murders sponsored and executed in collusion between science, state, and corporations with system of psycho-material rewards to ordinary Germans; as Giorgio Agamben warns us this system is a hidden paradigm of contemporary politics). Politics of *cordon sanitaire* of Soviet Russia conceived in 1918 were continued in the policies of containment of the soviet block after the second World (or European) War. The racial pathologization of Slavs and Jews, and political pathologization of the soviet system conflated into each other and produced biopolitical discourse on barbarian Eastern Europeans, and provided justifications for conquest when the soviet system imploded and the region was opened to globalization, and partitioned into Central, Eastern, South, Western Balkan, NIS according to progress in neoliberal reforms, nation state formulas, and transatlantic geopolitics.

On the left, there is a grievance with lack of democracy, authoritarianism, and centralization of decisions in 'communist' party politburos which accounts for silence of the left on the topic of Eastern Europe. While these critiques are on the target, the problem is that we do not have studies to understand how economic processes and populations were organized and managed (socialist biopolitics and economic management). Under state socialism costs of social reproduction were shared between households and state (alike in some western welfare states), and ecological costs were offloaded to current and future generations. Sharing the costs of social reproduction has been discontinued in transition from socialist to neoliberal

state, and ecological debt increased with changes in production and consumption patterns. At the same time, subordination of development to economic growth and primacy of economic growth and economic managerialism was continued in neoliberalism. (But during state socialism economic managerialism did not extend to social sectors as under neoliberalism, its rationality and policy instruments were different). Concerning economic policies, the difference with welfare state capitalism concerned methods of valorization of economic activities (e.g. in socialist economies consumer prices were established on the basis of production costs (plus 2% to 10 % allowed for distribution costs) , and socialist economies were not dependent on debt, or debt was minimal, and based on fixed interest rates. While it has to be noted that socialist modernization generated ecological debt, laboring and reproductive body was treated as machine, and growth depended on women's unpaid domestic work, and due to shortages and patriarchal structures left intact the burden of domestic work was larger than in any other world region, nevertheless taking all problems into account we need critical reflection and research to study technologies of socialist government of the economy that will help us see how an economy that was not based on debt was organized. Post-neoliberal politics requires this kind of exercise in imagination beyond debt dependence.

Regarding transition, it is interesting to reflect that market reforms started before 1989. Hungary joined IMF in 1982 and Poland in 1986. Private companies were organized under umbrella of Komsomol in the USSR in 1980s. In Poland several attempts were made at commercialization of food prices, which actually triggered the emergence of Solidarity Trade Union after protests against socialist market reforms in 1976 and 1980. In 1986 laws were introduced in Poland that changed ownership of property from “the ownership of workers and farmers” to state ownership, and later paved way for privatization. The foundation for deregulation and economic restructuring was already laid by socialist party government.

2. Neoliberal state and debt dependent growth. Transitions began without debt, now massive debts (public, corporate, consumer debt) and outflow of capital from Eastern Europe is going on. E.g. between 1995 – 2005 the outflow of capital from Russia was 284 billion USD. Regarding pre-transition debt, the exception was Poland, which had huge debt and the state was on the verge of bankruptcy in 1989. This was one of the reason why socialist party managers entered into roundtable talks with opposition which led to arrangements in political power sharing, and paved way for “shock therapies”. “Free market” and democracy came to Eastern Europe in neoliberal form, and transition provided cheap new sources of labor (craving for employment, after state farms and industry were destroyed), low taxation and raw materials, as well as consumer markets and opportunities for profits from private, corporate and public debt products.

For middle and low income households transition was a permanent financial crisis. The groups most affected were former industrial and farm workers, and in particular women from these groups who had to shoulder the obligations for social provisioning and care in the context of lack of income. The second generation of transition, the majority of young people who enter labor markets today do not have any prospects of existential security now and in the future. Methods to calculate poverty thresholds actually obscure the scale of poverty, and enact new class racism of neoliberalism directed towards the poor. Transition implied delegitimation of social rights, and privatization of social sectors. What now amounts to cumulative radicalization of neoliberalism has been proceeding in incremental ways, with gradual steps, and is masked by rhetoric of catching up with West, return to Europe,

proclaiming new affluence and wealth - while actually poverty skyrocketed and after 20 years of transition many countries in the region did not reach the pretransition GDP levels, or plummeted below in the outcome of the latest financial crisis. (Colleagues from Hungary and Poland will talk more about it).

One of the important dimensions of neoliberal transitions was that to a large extent **preexisting means of livelihoods and industries have been rapidly destroyed** (as if war went through the territory) and new investment did not compensate for employment loss (e.g. in Poland between 1990 – 2000 net loss of jobs in the outcome of privatization and closures was 2.5 million while 1.5 million young people entered labor market), or jobs have been substandard. For impoverished populations, the only access to cash was to borrow from loan sharks, including UK based Provident, which like many other companies got a new lease on life by expanding to Poland, Ukraine, Slovakia. At the same time fiscal competition, corporate quest for profit, and self-serving interests and lucrative obedience to neoliberalism by local micro-class of managers of transition led to various forms of subsidies to business, from privatization shams enabled by law to establishment of special economic zones, which depleted public revenue. E.g. in Poland the mining rights are sold for 1.5 % of revenue (for comparison in Nigeria the government gets 50 % of income of oil companies from local drilling). Another example is Dell that moved factory from Limerick, Ireland, to special economic zone in Łódź, where in addition to tax exemptions it obtained the subsidy of 28 million euro. Dell left behind social debt in Limerick, which was partly covered by EU funds - 5 million euro assistance to community damaged by relocation of industry. Upon receiving the subsidy from Polish government Dell promptly sold its operation in Łódź to a Taiwanese company Foxcon. Public revenue is depleted by direct or hidden subsidies such as tax holiday and by fiscal competition, while at the same time governments are increasing debt to finance its public obligations, and investment projects.

Notably, in Poland the decision making power whether to incur debt or not, and how much to borrow is not with parliament, but with the minister of finance, and the only limit is the constitutional ceiling of 60 % and local elite desires and corporate pressure to join the euro zone, hence they have to meet targets that put caps on budget deficit, and forces them to take into account debt servicing costs.

The second aspect of transition was **that the logic of the market was extended to social sectors, and finally, to the state itself, when public administration was reorganized on the model of the enterprise.** Municipalities in Poland are behaving as investors, they create municipal corporations, and arbitrarily transfer what was common property (e.g. housing stock, sewage systems, or hospitals) into corporate assets. When the state is managed as a corporation, then property that generates revenue is an assets that needs to be maximized, while citizens who cannot afford life on private subscription, and need health care, education, communal housing, childcare, old age, unemployment or disability assistance – become liabilities that are minimized. They become “a dead weight” for budget, or as a laid off worker of Krosno Glass Works told me, are subject to “social euthanasia”. Notably, a recent solution to communal debt proposed by Minister of Finance in Poland was to create local markets for communal debts. Indebted municipalities can continue to borrow from banks and investment funds, providing that they buy the permission to incur debt up to 60 % of local revenue from other municipalities that are less indebted. (The lessons from marketization of climate policy have not gone unnoticed).

Countries such as Poland became laboratories for marketization of social sectors of government. First, health care, pensions, housing, child care, communal services, disability and social assistance, education became problems of finance (e.g. financial diagnostic superseded medical diagnostic in health care reforms in Poland), and then these new knowledge and arguments provided basis for policy decisions, while human rights arguments were displaced and invalidated. In case of health care, the decision whether a patient will live or die is not taken by doctors, but by financial managers of the new state Agency for Medical Technologies, which is functioning beyond any democratic control. If hospitals want to save lives, they have to in-debt themselves. Municipalities that are nominal owners of hospitals either have to pay debt or to marketize them. On the basis of communal property limited liability corporations have been established to provide services, and now they are in the process of being sold to international investors, which in turn take credit or create special investment vehicles to finance these purchases. The consumers will ultimately pay credit costs with rising health care, water or energy costs.

A significant part of the GDP growth in Poland (one of the few countries in the region where GDP growth superseded pre-transition levels) was generated with fiscal transfers from the EU (structural funds). However, EU funded projects had to be pre-paid, which means that the state had to borrow to prefinance these projects. On top of that, municipalities incurred debt to provide required co-funding of these projects, while the decision on investment priorities (where and what) were not taken locally, but they were predetermined and strictly regulated in Brussels. On top of state debt, corporate debt and private debt markets were expanded to countries in transition (renamed emerging economies). In a way transition has been a bonanza for various public and private debt products.

(3) Feminist critique. As we all know, for international financial institutions and governments, public debt becomes a problem when debt default risk looms. The problem is solved by cutting public expenditure in social sectors, by privatization and downsizing public administration, increasing exploitation of natural resources. Feminist scholars and activists have analyzed structural adjustment policies in the South or restructuring in the North/West to show that this entailed increase in poverty and reprivatization of social reproduction to households, and increased pressures on women's care work on top of their contribution to food production and paid work. While GDP growth may recover, crises and volatility of the global debt dependent economy plunge households into permanent misery. Given biological and socially constructed relationship with social reproduction women are responsible for provisioning families. Care work becomes an agony in the context of poverty and income insecurity. Hence feminist scholars address feminization of labor markets and feminization of survival, and analyze financial debt crises and precarization of work as the crises of social reproduction. When the state is shedding its responsibility for public services, care/reproductive work does not disappear, someone has to do it and finance it. As noted by some feminists economists, economic efficiency leads to social inefficiency. When the costs of social reproduction are not shared between households and firms (the process mediated by state via redistribution of income and social transfers) this particularly affects women from low income households, because they compensate with unpaid care work for lack of income and loss of services provided by the state. But middle class households are squeezed, too, into becoming a new global cognitariat. While debt seems to be hot air, in fact debt based economic system and speed up in the turnover of profits depends on increased inputs of work and resources, while

at the same time depletes them, e.g. by exhausting energies of the bodies forced to do low paid, unsecure work. Reproduction time of people and nature is on collision with speeded up time of reproduction of financial capital.

A new framework for feminist inquiry has been laid with conceptual extension of the concept of economy, beyond the sphere of production. Feminist scholars reconceptualize economy as different but interrelated economies: economy of nature, reproductive economy (care and subsistence), productive economy, and new economy of virtual financial products.

We need a gender and human rights audit of public debt. However, drawing on experiences and political methodologies of such projects, and on feminist gender budget analysis we need to go beyond the state to audit debt dependent economy, and to conduct a sort of debt product life cycle or product chain analysis focusing on the linkages between virtual financial economy, its inherent instability, and economy of production, and economies of reproduction and nature. Such analysis would be incomplete without the reflection on the role of the state in enabling financialisation.

(4) Alternative strategies which many of us here have already initiated come out of thinking together, and developing critical knowledge and analysis, and arguments to enable post-neoliberal politics. We have to think together with women and men who conduct local struggles.

- (i) We need to show what is taking place beyond the spectacle of democracy, and pinpoint in-depth causes of immiseration of growing numbers of people and mechanisms of transferring of social and ecological costs of economic growth and speeded up capital accumulation to social reproduction/care economy. The dependence of consumers, corporations and states on debts needs to be disentangled.
- (ii) The transformation of political into economic depends on the rise of new authoritarianism and intensifications of political controls. This is not only the case of the rise far rights politics in Europe as we have discussed it so far or the 'Berlusconi excess', the problem at the very core of neoliberal government of people and economy. When the state is governed according to economic rationality and the logic of enterprise, democracy becomes fictitious and social entitlements and human rights arguments are subverted or displaced. The Spanish calls for real democracy now are profoundly warranted.

When sovereignty migrates to capital and church, the new political subject of the state or EU is not citizen - but investor. Hence putting political energies to develop analysis, arguments, and broad public support for reforms from inside to reclaim the social and human rights is required. Markets pre-existed financial capitalism; we have to explore how to reorganize markets beyond dependence on debt so that they can meet human needs and share the costs of social and environmental reproduction, and to use these frameworks to press for reforms, and for strategic interventions in politics.

- (ii) Last no least, as social and environmental crisis deepens and neoliberal state and business actors are set to solve it by pushing social and ecological debt on the rest of us, and hedge their risk by transcending planetary boundaries as they prepare for

commercial exploitation of extraterrestrial space, and as the planet, resources and populations have been encircled with intensified techno-politico-military controls – there is an urgent need for development of practical local or translocal experiments in providing livelihoods that revive cooperative arrangements, create alternative companies and exchange systems between producers and consumers, redesign local markets - in a manner that slows down money flows, and transforms thinking on value to reattach it to costs of reproduction and to limit pressures on care, labor and nature.

Conclusions

From this perspective, various measures and struggles to address debt crisis include: (i) slow down in the accumulation of capital (eg. social or environmental regulations, including basic income, reinstatement of labor rights, and return to command and control environmental policies), (ii) definancialisation (iii) fair taxation systems and redistribution to share the costs of social and environmental reproduction (iv) experiments in alternative economic and exchange systems not based on debt.

Given that speed up in the accumulation of capital is at the costs of increasing financial, social and ecological debt, and at collision course with the time of human reproduction and reproduction of nature, and given women's biological and socially constructed role in social reproduction – feminists have significant stakes in addressing debt issues in a systemic manner. Feminism as a new social critique has to go beyond “impact on women” (making women visible is only a pre-requisite for critique) to make a new feminist sense of financialisation, and neoliberal capitalism.

(In this short note I draw on ideas from Rosa Luxemburg, Michel Foucault, Giorgio Agamben, Spike V. Peterson, Theresa Brennan, Janine Brodie, Mary Mellor, Ariel Salleh, Brigitte Young, Sylvia Federici, Ulrich Brand, Elmar Altvater, Diane Elson, Randy Martin, Christopher Newfield, Jacek Tittenbrun, among others)

PS. It is not only left parties, trade unions, human rights, feminist, environmental activists that need to reflect on it. With growing dependence on debt, capital is on a suicidal mission itself. The last temptation of Saint Capital, techno-fiscal new green deals do not challenge the entrapment of debt based economies. As Ludwig Mises stated, *'there is no means of avoiding the final collapse of a boom brought about by credit (debt) expansion. The alternative is only whether the crisis should come sooner as the result of a voluntary abandonment of further credit (debt) expansion, or later as a final and total catastrophe of the currency system involved.'* At the moment the costs of debt are offloaded to populations, buffer zone of care economy is exhausted while it is mistakenly treated as an unlimited sink and resource. Repressions and politico-technical & military controls allow to seize people but do nothing to safeguard the integrity of reproduction of human life which is ultimately the source of profits. If capital wants to save itself, it has to consent to human rights based reforms.

URL http://www.ekologiasztuka.pl/pdf/ECh_31_May_edited.pdf