

ALTERNATIVE ECONOMIC POLICIES AGAINST CRISIS AND UNEMPLOYMENT

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Contents	
1. Overcoming – or not – the contradictions of both wages and public expenditure	2
2. Origins and outcome of present neo-liberal policies	5
3. Which way out of the present crisis?	9
3.1. Reforming the system	10
a) Taxing profits and creating socially useful employment	10
b) An alternative use of productivity gains	11
c) A shift in the wage structure	13
d) Conclusion on reformist policies	15
3.2. Transforming the system	16
Postscript	18

In order to overcome the crisis and resolve the unemployment problem, need one *reduce* – or should one rather *increase* – wages, social allowances (unemployment benefits, pensions, family allowances, ...) and public expenditure (education, culture, public works, ...) ? In other words : need one continue implementing *restrictive* policies of a neo-liberal nature (as has been the case since the early eighties) or should one rather advocate a return to *expansive* policies of a Keynesian type² (as was the case during the period of growth 1945-1975) ?

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² After the name of the English economist Keynes, who advocated this kind of policies to overcome the great depression of the 1930's. In addition to public expenditure, Keynesian policies aim at increasing low wages in the first place (which are by necessity devoted primarily to consumption rather than saving) : they are thus a form of income redistribution.

To shed light on this issue, we shall first recall the contradictory aspects of both wages and public expenditure and show the conditions which must be fulfilled to overcome such contradictions (section 1). We shall then state the circumstances which gave rise to the present neo-liberal policies and show the deadlocks the latter lead to (section 2). Finally, after pointing out the limits of a return to Keynesian policies, we shall advocate alternative policies (section 3).

1. Overcoming – or not – the contradictory aspects of both wages and public expenditure

Enterprises need, at one and the same time, *profits* (this is what capitalist production aims at) and *markets* (the goods and services produced must be sold).

Now wages – both direct wages («take-home» pay) and indirect wages (social allowances) – have contradictory effects on overall profits and markets. On the one hand, they constitute a purchasing power distributed to people. From this point of view, it is in the enterprises' interest that wages be *raised* : this expands global *markets*. On the other hand, direct wages and social contributions to National Insurance (levied to finance social allowances) constitute the larger part of the enterprises' wage-cost. From this point of view, it is in the enterprises' interest that wages and social contributions be *reduced* : this lowers costs and increases *profits*.

Public expenditure has similar contradictory effects for enterprises. On the one hand, it *favourably* influences *profits and markets* : public subsidies and the payment of interest on public debt directly improve the profit rate ; national education takes charge of the workers' basic training³, which reduces costs and increases profits ; wages paid to civil servants and teachers, just like public sector contracts⁴, enlarge the outlets for enterprises producing means of consumption or means of production. Taking all these advantages into account, an *extension* of public expenditure would be desirable : it would increase the enterprises' *profits or markets*. On the other hand, public expenditure entails *levies* on companies and households : levies on companies directly reduce *profits*, levies on households reduce people's purchasing power, hence the size of the *markets*. Taking these disadvantages into account, a *limitation* of public expenditure would be preferable.

³ Ability to read, write, calculate, etc. (to say nothing of the assimilation of dominant ideology : competitiveness, submission to authorities, etc.)

⁴ « Public sector contracts » refer to all purchases made by public authorities : arms, roads, government offices, school buildings, office equipment, energy, etc

Is it possible to overcome the contradictions mentioned above ? In other words : can enterprises simultaneously enjoy higher profits *and* enlarged markets ? For this to take place, two conditions must be fulfilled.

The first condition is a *rise in general productivity*, in the sense that with a given number of workers (or inhabitants) the economy produces a larger quantity of goods and services. The growth of general productivity over a certain period of time (between year t_0 and year t_1) can be expressed, in an evocative way, by an extension of the « cake » produced, by an increase in the number of « pieces of the cake ») : in table 1, this number increases from 16 to 20 (given a constant population, this means that general productivity has increased by 25%).

Table 1. Growth of general productivity

t_0									
t_1									

The growth of productivity is a practically continuous process, more or less rapid according to periods. It is basically explained by technical progress, i.e. by the production and use of increasingly abundant, varied and efficient equipment. Technical progress, in its turn, is mainly due to the competition prevailing both between the producers of equipment and between the users of equipment⁵.

Given a rise in general productivity, the second condition enabling enterprises to increase both profits and markets is the implementation of Keynesian policies. This is illustrated in table 2. We assume that, between t_0 and t_1 , net wages rise in real terms by 17% (the number of rectangles N increases from 6 to 7); contributions to National Insurance and social allowances rise by 25%, just like taxation and public expenditure (the number of rectangles increases from 4 to 5 both for NI and G).

⁵ In branches which produce equipment, each enterprise seeks to extend its market by launching new and improved machines ; and in all the branches, enterprises compete with each other through the introduction of new and improved equipment aimed at reducing costs.

Table 2. Growth of general productivity and implementation of Keynesian policies										
t_0	W	W	W	NI	NI	G	G	P		
	W	W	W	NI	NI	G	G	P		
t_1	W	W	W	W	NI	NI	G	G	G	P
	W	W	W	NI	NI	NI	G	G	P	P
<p><i>Entreprises increase their <u>profits</u> (P) ; they also enjoy expanding <u>markets</u> due to the increase in the workers' purchasing power (W+NI) and in public expenditure (G).</i></p>										
Table 3. Growth of general productivity and implementation of « soft » neo-liberal policies										
t_0	W	W	W	NI	NI	G	G	P		
	W	W	W	NI	NI	G	G	P		
t_1	W	W	W	NI	NI	G	G	P	P	P
	W	W	W	NI	NI	G	G	P	P	P
<p><i>Entreprises enjoy a larger increase in their <u>profits</u> (P) ; but their <u>markets</u> stagnate due to the stagnation in the wage-earners' purchasing power (W+NI) and in public expenditure (G).</i></p>										
Table 4. Growth of general productivity and implementation of « harsh » neo-liberal policies										
t_0	W	W	W	NI	NI	G	G	P		
	W	W	W	NI	NI	G	G	P		
t_1	W	W	W	NI	G	G	P	P	P	P
	W	W	NI	NI	G	P	P	P	P	P
<p><i>Entreprises enjoy a still larger increase in their <u>profits</u> (P) ; but their <u>markets</u> decline due to the reduction in the wage-earners' purchasing power (W+NI) and in public expenditure (G).</i></p>										
<p>Symbols used in tables 2, 3 et 4 : W = net wage (or direct wage) ; NI = solidarized wage (or indirect wage) = contributions to National Insurance and social allowances ; G = intervention by the State = taxes and public expenditure ; P = entreprises' net profit.</p> <p>Note concerning the three tables : All the magnitudes are expressed in real terms (in constant dollars) rather than in nominal terms (in current dollars) : we thus neutralize the influence of possible inflation, i.e. a rise in prices between t_0 and t_1.</p>										

The new situation (at t_1) is obviously favourable to workers : their purchasing power has risen – both through direct wages and social allowances – and they also enjoy more collective goods and services (education, health care, and so on).

The new situation is also favourable to enterprises, and it is even doubly so : their net profit has increased (from 2 to 3 rectangles P in the example) and their markets have increased simultaneously (thanks to the rise in the wage-earners' purchasing power and in public expenditure).

What happens if the second condition is not satisfied, if neo-liberal policies are implemented ? « Soft » neo-liberal policies (table 3) consist in checking or freezing public expenditure and the wage-earners' purchasing power (direct and indirect). « Harsh » neo-liberal policies (table 4) consist in reducing these magnitudes (at least some of them).

For the workers, neo-liberal policies result in a status quo or a worsening of their living conditions : their purchasing power and the collective goods and services they can enjoy remain constant (table 3) or decline (table 4).

For enterprises, the same policies have contradictory effects (more pronounced with « harsh » policies) : on the one hand, global profits rise ; but global markets stagnate (table 3) or decline (table 4).

2. Origins and outcome of present neo-liberal policies

In order to ensure their profit (a necessary condition for their survival or growth), enterprises must be sufficiently competitive compared to national or foreign rivals⁶. This constraint of competitiveness drives them spontaneously in a twofold direction : on the one hand, introducing technical progress (which tends to reduce employment) ; on the other hand, limiting wages and putting pressure on the State to obtain measures reducing wage-costs and increasing net profits. *The capitalist system, based on competition and the search of profit, tends thus spontaneously towards the adoption of neo-liberal practices and policies.*

In order to counteract this natural tendency, there must be a balance of forces relatively favourable to workers, enabling them to require and

⁶ This constraint of competitiveness can be *alleviated* or *differed* in case of agreements between producers. But it never ceases to exist : no producer can afford to have excessive costs ; all the more so since agreements may always be broken.

obtain opposite measures from enterprises and the State, i.e. a rise in wages, social allowances and public expenditure.

In actual fact, the balance of forces was relatively favourable to workers during the period 1945-1975 : this can be explained in particular by the fear of « communist contamination » (workers had to be diverted from the alternative system of planned economies)⁷ and by the relative scarcity of labour (which stimulated the use of immigrant and female labour). During all that period, therefore, Keynesian policies were implemented, which raised global demand (both wage-earners' consumption and public expenditure). In a context of growing productivity, enterprises enjoyed both high *profits* and enlarged *markets* (see table 2). Having larger outlets, enterprises reinvested their profits in larger production activities. This was the « golden age » of capitalism, with a rapid growth of production, employment and consumption. Competition between enterprises, within each country as well as on an international scale, was always at work ; but thanks to the prevailing Keynesian policies, it used to take place in a context of generalized increases in wages and employment.

Since the 1980's, in all countries, the balance of forces has changed to the detriment of wage-earners. This is due to a number of circumstances : the fall in profit in the 1970's⁸ resulted in a fall in investment, and hence a rise in unemployment ; international capital mobility has exacerbated the « constraints of competitiveness » and the threats of closing down or relocating abroad ; in the face of a more and more global economy, national and international trade-unionism lacks the strength or combativeness to defend and promote workers' rights ; and the collapse of planned economy regimes leaves enterprises and groups an even freer rein.

In such conditions, the spontaneous tendency of capitalism becomes again dominant, enterprises and governments resume neo-liberal practices and policies : arguing from competitiveness and profitability constraints, they

⁷ The USSR exercised a very strong power of attraction after the Second World War. On a political level, it had contributed decisively to defeating the Nazi regime. On a socio-economic level, its planning system had made it possible to reach high rates of growth, to avoid the great depression of the 1930's, to secure employment and better living conditions for the workers (hence the pressure in Western countries for raising wages and setting up a system of National Insurance).

⁸ This fall in profit was basically due to the slowing down of general productivity (lesser innovation in industry, technological backwardness of the growing tertiary sector) ; it was aggravated by the later sharp rise in oil prices (in 1974, then in 1980).

put pressure on wages and employment, on social allowances, on public expenditure⁹.

Then begins a general vicious circle, since restrictive policies adopted by one country call for similar policies in other countries. If French companies, for example, are more « efficient » at « controlling » wages and employment, they develop their market share to the detriment of foreign competitors ; the latter are forced to react by adopting the same – or stronger – wage and employment reduction measures. Though being rational on a *micro-economic* level (each country seeks to improve the competitiveness of its enterprises so as to ensure their survival or growth), neo-liberal policies lead to a completely different *macro-economic* result : the spreading of wage and employment reduction measures entails a restriction of global demand and hence a slowing down of production, employment and consumption in all countries¹⁰.

All things considered, what are the results of the neo-liberal policies implemented since the 1980's ? As we know in theory (see above, tables 3 and 4), and as is confirmed by empirical data (see below, figures 1 and 2 concerning the European Union), the results are contradictory.

On the one hand, they *increase the enterprises' total profit*, and thus their financial potential for investment : this was the outcome aimed at.

But there is another outcome, not aimed at but inevitable : as they put pressure on the wage-earners' purchasing power and on public expenditure, these same neo-liberal policies *contract the enterprises' total market*, and thus their opportunities for profitable investment.

⁹ See for instance the policies launched by Mrs Thatcher in Great Britain, by Reagan in the USA, by Mitterrand in France (Keynesian in 1981-82, neo-liberal since then).

¹⁰ The ideology of competitiveness shows two aspects :

- On the one hand, it is an application of the ideology according to which the pursuit of one's particular interest (by each individual or enterprise or country) is the best way of tending towards general interest. As a matter of fact, as we have just seen, an action which is relevant from a micro-economic viewpoint may have completely adverse effects on a macro-economic level.
- On the other hand, competitiveness is assimilated to life (survival or growth). As a matter of fact, in so far as aggregate demand is stagnant, the search for competitiveness has a (short-term) deadly and (long-term) suicidal nature, hiding the following three facts : 1. a particular enterprise or country can only improve its position to the detriment of other workers, from other enterprises or countries (if we save our jobs, others lose theirs) ; 2. maintaining an advantageous position demands new concessions from wage-earners in the longer run ; 3. all wage concessions reduce the overall number of market outlets and bring about bankruptcy of the whole system.

Figure 1. European Union (15 countries) : Net return on capital stock (whole economy) (1961-73 = 100)

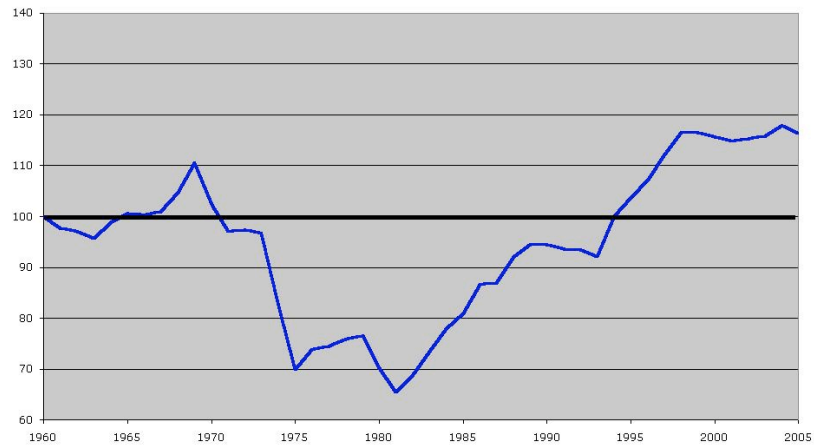
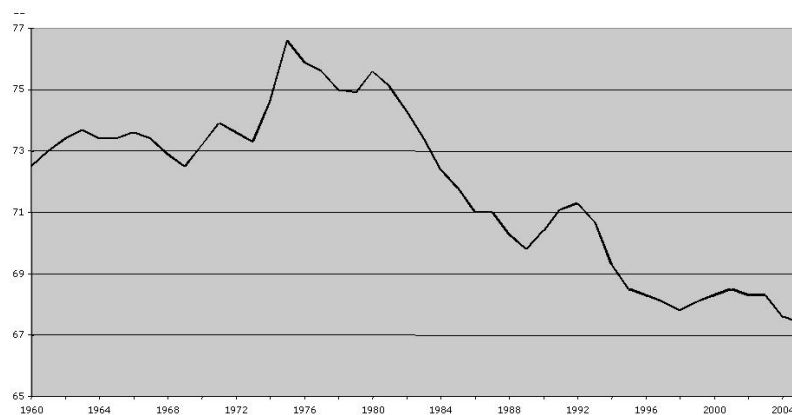


Figure 2. European Union (15 countries) : Share of wages in value added (whole economy) (%)



Neo-liberal policies implemented since 1980 have resulted in a recovery of profit rates (which had declined since the late sixties) and a fall of wage shares (hence a contraction of markets).

Source of figures : I. Cassiers, "Régimes de croissance et modes de régulation : survol d'un demi-siècle", *Quel modèle de sécurité sociale pour la Belgique de demain ? Actes des XIXèmes Journées d'études juridiques Jean Dabin* (December 2005, UCL), Brussels, Bruylant, forthcoming.

For lack of sufficient market outlets, enterprises reinvest only a small part of their profits in production activities. Total profit is then massively invested in *transfers of ownership*, which have taken on considerable importance since the 1980's :

- take-overs of private firms or corporations (hence rapidly increasing concentration of production worldwide, in all sectors of the economy : aeronautics, microprocessors, telecommunications, cereals, etc.) ;
- purchase of public enterprises (the phenomenon of privatization) ;
- speculation on currencies and securities (the « financial bubble » phenomenon)¹¹.

Such operations redistribute the ownership over means of production and money : for many enterprises or groups, they are a privileged way to grow and extend their sphere of influence, thus increasing their economic power. Such operations, however, do not raise production and employment : growth remains weak and unemployment goes on imposing itself.

The perpetuation of neo-liberal policies is thus absurd on a worldwide level : they ensure higher profits (and therefore a higher potential for investment) to the detriment of markets (and therefore of profitable investment opportunities). But *what is absurd taking the system as a whole, can make perfect sense to dominant companies and groups* : they survive and develop, whilst their less favourably ranking rivals go downhill and disappear. Hence the pressure put by the strongest groups (particularly those operating worldwide) in order to induce national and international authorities to continue imposing such policies.

3. Which way out of the present crisis?

The preceding analysis might suggest the following conclusion : in order to recover sustained growth and resolve the unemployment problem, the prevailing neo-liberal policies should be replaced by generalized Keynesian policies so as to significantly boost global demand.

¹¹ The development of the « financial bubble » is usually considered as a *cause* of the low rate of growth of the economy : driven by the prospect of speculative profit, investors would deliberately choose not to invest in production activities, which are less profitable. We think, however, that the development of the « financial bubble » is rather a *consequence* of the low rate of growth of the economy, which is itself due to the neo-liberal policies : limited by too narrow markets (owing to the pressure on wages and public expenditure), investors seek to increase their capital through other means, namely through various types of transfer of ownership.

Simply reviving growth, however, will not be sufficient to resolve the present structural crisis. Indeed :

- First, this would not be enough to solve *unemployment* : technical progress (robotization, computerization) has developed to such an extent that even rapid growth cannot alone ensure full employment.

- Second, a boost in production and consumption would worsen *ecological* problems : increasing the scarcity of raw materials upstream, while increasing the amount of waste and pollution downstream.

- Third, growth would leave the problem of *underdevelopment* unresolved on a worldwide scale : the development of the « North » has fed on the « South »'s poverty (reduced cost of labour-power and of exported produce from the Third World), but this poverty, an affront to our humanity, at the same time constitutes a formidable obstacle to the planet's economic, social and political stability (atrophying the world market, encouraging migration, increasing the risks of local or international war).

- More basically, reviving growth would leave unchanged the *basic features at the root of the endemic social problems* of the capitalist system (not only unemployment and ecological problems, but all inequalities, exclusions and attacks on human development). These basic features – which will be considered further (§ 3.2) – are the absence of democracy (i.e. the concentration of decision-making power), the search for profit and the competitive race.

Unemployment, environmental and development problems cannot therefore be resolved simply by boosting the kind of growth similar to that which prevailed after the Second World War. They can only be resolved through leaving behind the prevailing logic at the root of these problems. Leaving behind the prevailing logic means either promoting *reforms* within the system (§ 3.1) or aiming at the *transformation* of the system itself (§ 3.2).

3.1 Reforming the system

a) Taxing profits and creating socially useful employment

The growth of general productivity and the perpetuation of neo-liberal policies have increased the enterprises' profits to the detriment of the living standards of the populations and also to the detriment of the enterprises' markets (table 4). Through substantially increasing the taxation of profits (efficient fight against tax evasion and offshore paradises, increase in the taxation of companies' profits, of capital returns, of financial transactions, etc.), and through massively investing this money *in types of production which answer well known, but insufficiently fulfilled, social needs* (health care, education, caring for aged people, child care, council housing, mobility in the town and country, environmental improvement, etc.), public authorities would simultaneously reach three goals :

- a significant resorption of unemployment ;
- a reduction of the gap between the growth of profits and that of markets (hence reduction of the risks of instability involved in a « financial bubble ») ;
- and an answer to social needs which are now unfulfilled or insufficiently fulfilled (for lack of profitability).

The money raised by public authorities would be used to subsidize (partly or totally) production units oriented towards satisfying clearly identified social needs. Some of these production units (possibly capitalist enterprises, more probably non-profit public or private enterprises) would sell their goods or services at a low price ; other units (public or private institutions, voluntary organizations, networks of non monetary exchanges) would provide their goods or services free or almost free of charge¹².

b) An alternative use of productivity gains

Productivity is the ratio of the quantity produced (the volume of production) to the quantity of labour (which is equal to the number of workers multiplied by their average labour-time). We can write :

$$\begin{aligned} \text{productivity} &= \text{quantity produced} / \text{quantity of labour} \\ &= \text{production} / (\text{employment} \times \text{labour-time}) \end{aligned}$$

Technical advances and productivity gains play a basic and eminently progressive role. On the one hand, they enable us to increase the mass of goods and services put at mankind's disposal, apparently without limit. On the other hand, they allow human beings to free themselves from labour, to work less and enjoy more free time. Once people's current consumption needs are satisfied, it could be said that development ultimately aims, on the one hand, at reducing the area for labour so as to extend that for leisure, and, on the other hand, at fairly distributing both labour and leisure opportunities among all individuals¹³. This being so, one should not question productivity gains themselves, but rather *the way productivity gains are utilized*.

¹² All these production units subsidized by public authorities would aim at the satisfaction of social needs (against the criterion of profit). Some of them, like non-profit enterprises or voluntary organizations, are also more appropriate for applying the principles of democracy and co-operation (against the other two features mentioned : concentration of decision-making power and competition).

¹³ Whereas labour in most cases allows individuals to only develop a limited number of aptitudes, leisure time in principle allows them to fulfil different and varied aspects of their personality if they wish.

According to *capitalist logic*, the growth of productivity results above all in an increase of production and a decrease of employment (labour-time changes comparatively little)¹⁴.

According to an *alternative logic*, the growth of productivity can give rise to completely different evolutions.

The first change consists in sufficiently *reducing the normal labour-time*, so as to increase employment. This reduction in working time must be carried out without increasing labour intensity and without having recourse to supplementary hours : if necessary, enterprises must proceed with compensatory hiring. And it must be carried out without reduction in wages : this would be a catastrophe for most workers, especially for those less well-paid ; moreover, it would not solve the problem of the weakness of demand which is currently obstructing the system¹⁵. The measure advocated – which is equivalent to a rise in the hourly wage – must be financed by available profit and productivity gains : instead of being transformed into an increase in wages, profit and productivity gains should give rise to a reduction in working time¹⁶.

The second change consists in *checking production*, which makes it possible to enhance the reduction in labour-time for all workers. Obviously this checking of production is only applicable in countries with a sufficient level of development, in which the current consumption needs are satisfied (or could be satisfied through an adequate income redistribution). Besides enabling an extension of free time, checking production and consumption contributes to limiting ecological costs.

¹⁴ The increase in production is an objective in itself (« growth for the sake of growth »), both for each enterprise and for the system as a whole ; this leads to the growth of mass consumption, which is perpetually and artificially renewed. As to the reduction of employment, it enables each particular enterprise to reduce its production costs ; on the macro-economic level, such evolution results in dividing the working class (integrated workers versus unemployed), and reinforcing the workers' alienation (for lack of free time and due to their subjection to the requirements of mass consumption).

¹⁵ A loss of wage may be considered for the highest salaries, so as to level out the hierarchy of wages.

¹⁶ Reducing working time has its limits, however, even with compensatory hiring. It does not ensure the necessary development in areas of production concerning unfulfilled social needs. Besides, if it only involves the capitalist sector of production, it introduces a new duality between the workers of this sector (who benefit from increased leisure time) and the other workers (who do not). This is why it is advisable to simultaneously create jobs in socially useful production and reduce labour-time in all sectors.

c) *A shift in the wage structure*

The wage-cost for the enterprise breaks down into three components :

- an *individual* component, i.e. the *net wage* (or direct wage, or « take-home » pay) : the latter allows for the direct purchase of personal means of consumption ;

- a *solidarized* component, i.e. the worker's and employer's *contributions to National Insurance* : these finance the social allowances (or *indirect wage*) paid to workers in particular circumstances (unemployment, sickness, retirement, etc.) ; just like the net wage, the indirect wage allows for the purchase of personal means of consumption, but on the basis of solidarity between workers ;

- a *collectivized* component, i.e. income taxes levied on the wage : these make each wage-earner take part in the financing of *collective non-marketed products* provided by public authorities.

The shift considered consists in increasing primarily the last two components. Why should this be so ?

If the net wage is the most important component, that factor promotes the purchase of commodities, i.e. goods and services supplied on the market. As is well known, these are produced and launched on the market according to the criterion of *profit* obtainable (rather than that of social needs to be satisfied) ; moreover, the goods and services launched on the market are accessible to people on *unequal* terms, depending on each individual's purchasing power (which may be reduced to zero or prove to be insufficient due to various circumstances : unemployment, health problems, child-rearing).

If social contributions are considerable, one still promotes the purchase of commodity products, but solidarized consumption is enhanced : goods and services are still produced and sold according to the criterion of *profit* ; but they are now accessible to people on *more equal* terms, due to the payment of social allowances when necessary (substitution incomes are paid in cases of work interruption, complementary incomes in cases of health problems, child-rearing). A high level of National Insurance contributions therefore allows for a substantial redistribution of incomes and consumption and is an important factor in economic, social and political stability¹⁷.

If the taxes collected are considerable, the State is able to enhance non-market production and collective consumption, to develop the

¹⁷ In theory and in practice, social allowances can be financed through taxes rather than social contributions. The advantage of social contributions is that they are necessarily assigned to social allowances, whereas taxes may be used for multiple purposes.

production of goods and services which show two entirely different features : rather than being subject to the logic of profit, non-commodity production aims in principle at satisfying *social needs* ; and rather than being accessible according to each individual's purchasing power (direct and indirect), the non-marketed collective goods and services are in principle accessible to all on *equal terms*¹⁸.

Increasing the collectivized component of the wage does not in any way mean increasing the burden of taxes on workers : in accordance with the principles developed above, it is essentially from profits that the State must draw the resources needed to enhance socially useful production.

Similarly, increasing the solidarized component of the wage does not mean that contributions to National Insurance should be deducted from wages alone : solidarity will be extended by means of a generalized social contribution bearing on all incomes (including profits and returns on financial assets).

The effects of the policies advocated (increase in the taxation of profits and shift in the wage structure) are illustrated in table 5. The latter is built up on the same model as the preceding ones, but in it are added the concepts of wage-cost (= net wage + contributions to National Insurance + income taxes = $W + NI + G1$) and gross profit (= net profit + taxes on profit = $P + G2$).

The growth of general productivity and the adoption of alternative policies have the effect of improving the wage-earners' living conditions : this improvement, however, does not consist of an increase in the net wage (W keeps constant) ; it takes the form of an increase in the indirect wage (NI) and in the number of collective products accessible free of charge or almost free (thanks to increased levies – $G1$ and $G2$ – on wages and mainly on profits). Enterprises suffer a decline in net profit (P), but they are stimulated to reinvest it productively thanks to the increase in total markets (increase in the indirect wage – NI – and in public expenditure – $G1 + G2$).

¹⁸ The development of this « collective real wage » obviously depends on two additional conditions :

- the effective channelling of the money levied into the production of collective goods and services (rather than into such uses as the granting of subsidies to private enterprises or the payment of interest to holders of government securities) ;
- the wage-earners' effective access to the collective goods and services produced (effective access to all levels of education, for instance).

Table 5. Growth of general productivity and implementation of alternative policies									
t_0	W	W	W	NI	NI	G1	G2	P	
	W	W	W	NI	NI	G1	G2	P	
t_1	W	W	W	NI	NI	NI	G1	G2	G2
	W	W	W	NI	NI	G1	G1	G2	P

Meaning of symbols :

W = net wage (or direct wage)
 NI = solidarized wage (or indirect wage) = contributions to National Insurance and social allowances
 $G1$ = « collectivized » wage (= taxes on wage)
 $G2$ = « collectivized » profit (= taxes on profit)
 P = enterprises' net profit
 $G1 + G2$ = State intervention (= taxes and public expenditure)
 $W + NI + G1$ = wage-cost
 $G2 + P$ = gross profit = profit before taxes

Note : Just like in tables 2 to 4, all magnitudes are expressed in real terms : the effect of price rises is eliminated.

d) Conclusion on reformist economic policies

The perpetuation of neo-liberal policies multiplies social tragedies and entails a basic economic contradiction : it widens the gap between the growth of global profits and that of global markets. But it is favourable to dominant companies and groups : they consequently continue putting pressure on public authorities (both national and international) in order to obtain the continuation of such policies.

A return to Keynesian policies would need a change in the prevailing balance of forces ; but it would not suffice in solving the economic and social problems revealed by the structural crisis of capitalist system. To solve these problems implies the implementation of alternative policies : increasing public levies (essentially on profits) in order to finance various types of socially useful production, reducing working time in order to develop employment and free time, and shifting the wage structure in order to enhance solidarity.

Ideally such policies should be co-ordinated on a worldwide scale : both because the problems themselves are worldwide, and in order to avoid « distortions of competition » between trading countries. More realistically, one may think of implementing these policies at the level of an entity like the European Union, whose countries realize 85% of their international trade within the Union (to say nothing of the multitude of exchanges carried out within each country). In the absence of policies co-ordinated at a supranational level, the dilemma for each country is as follows. Either some countries take the risk of initiating alternative policies, reckoning on an imitation and spreading effect to other countries. Or else each country perpetuates neo-liberal policies in order to defend the competitiveness and profit of « its » enterprises : in such a case, the whole system goes on plunging into economic and social crisis, with the unavoidable consequences (increasing repression, commercial and military wars).

Given the pressure put by dominant companies and groups in favour of continuing neo-liberal policies, public authorities (both national and international) will not adopt alternative policies – like those advocated here – unless they are forced to do so by the pressure of social movements. The latter are active in numerous places, are getting better organized, must be supported and globalized. And if the system resists necessary and urgent reforms, it is increasingly the system itself that social movements will have to question, it is increasingly a revolutionary transformation that will be imperative in remedying the structural crisis of the capitalist system.

3.2 Transforming the system

Transforming the system means building up an alternative economy, which would function according to principles radically different from capitalist economy (see table 6).

Capitalist economy is fundamentally *antidemocratic*. Real ownership (i.e. the effective power of decision-making) is concentrated in the hands of a tiny minority of owners. The latter are those who take the basic decisions concerning production : what to produce (priority to individual cars or to collective means of transport ?), how to produce (preference for machines or for employment ?), where to produce, etc. While all these decisions affect – directly or indirectly – the living conditions of all citizens-producers-consumers, the latter do not have a say : on the contrary, they are conditioned (through advertising, through the mass-media) to ratify the choices made by a minority¹⁹.

¹⁹ This antidemocratic feature becomes more and more pronounced as growth proceeds : the concentration of capital contributes to the formation and reinforcement of an *oligarchy* dominating the whole of the world economy.

The other two basic characteristics of this economic system are well known. The owners – enterprises or groups – make their decisions (concerning the type of products, the production techniques to be used, plant location, etc.) with one objective in mind : *profit* and accumulation. And they *compete* amongst themselves to maximize their particular profit.

Table 6 : Comparison between a capitalist economy and a democratic economy

	<i>Capitalist economy</i>	<i>Democratic economy</i>
<i>Power of decision-making</i>	Monopolized by a minority	Shared by the greatest number
<i>Criteria for decisions</i>	Profit and accumulation	Satisfaction of social needs (democratically assessed)
<i>Relations between enterprises</i>	Competition	Co-operation

The alternative lies in the construction of a democratic economy, aiming at the satisfaction of social needs and based on co-operation amongst producers.

In such an alternative economy, real ownership is no longer monopolized by a minority : on the contrary, *decision-making power must be shared*, to the largest possible extent, by everyone concerned (via democratic planning, worker participation, consumers' control mechanisms, etc.).

The objective which must be given priority in production is no longer that of profit and accumulation, but that of *satisfying* democratically assessed *social needs* : the social needs considered to be of importance being obviously health, education and housing, but also the development of skills, respect for the environment, employment, dividing up work and leisure time and ensuring the quality of life in general.

These objectives are aimed at through radically differing methods : when profit disappears as a criterion, competition can give way to real *co-operation* between producers (co-operation organized through planning, via contracts between enterprises, etc.)²⁰.

The continuance or worsening of countless economic and social problems (unemployment, inequalities, misery, violence, environmental

²⁰ The three criteria put forward (democratization of decision-making power, priority given to the satisfaction of social needs, priority of co-operation over competition) also make it possible to critically assess – positively or negatively – any action carried out or contemplated (by public authorities, institutions, voluntary organizations, social movements, etc.) within the framework of the capitalist system itself.

damage, etc.) show that the construction of a democratic economy is on the agenda as a way out of the present-day structural crisis. Still more than the reforms considered earlier, such a transformation requires considerable pressure from social movements towards that end.

Postscript

Interested readers will find an analysis of the functioning and basic tendencies of capitalist economy in my latest and last book : Jacques Gouverneur, « *The Foundations of Capitalist Economy. An introduction to the Marxist economic analysis of contemporary capitalism* », Louvain-la-Neuve, Diffusion Universitaire Ciaco, 2005, 389 pages.

The book is available in three languages (French, Spanish and English). In each language, it can be downloaded *free of charge* from the website www.i6doc.com. It can also be ordered from the same website (at a price of 20€ in English and Spanish, 25€ in French). The useful URLs are as follows :

- in French : <http://www.i6doc.com/doc/a5economie>
- in Spanish : <http://www.i6doc.com/doc/a5economia>
- in English : <http://www.i6doc.com/doc/a5economy>