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## **The Global Financial Crisis Has a Social Cause: the World of Low Wages. An Interview with Emiliano Brancaccio**

by Waldemar Bolze

*Emiliano Brancaccio is a professor of Labor economics at the University of Sannio and advisor to the largest union of Italian metalworkers **FIOM-CGIL**.*

**You maintain that the financial crisis is not purely a technical financial phenomenon but has a social cause. Why?**

The starting point is the weakness of the labor movement, which has made a world of low wages possible. However, this world is structurally unstable, which we are now beginning to experience. Today every country tries to keep the wage level low, thereby diminishing the domestic demand, and must find foreign markets for its own products.

This mechanism has worked for the last ten years because the United States has functioned as a "vacuum cleaner" for surplus products of other countries. And not because the wages of American workers were so high, but because a huge private debt was accumulated in the United States. The system led to workers paying their mortgage debts with new loans and paying the interests on the loans with new credit cards.

**Could such a fragile credit structure actually hold?**

It was nothing other than a time bomb, which has now exploded. The consequences are once again passed onto workers and employees, while executives of Wall Street, who manufactured these explosives, could even profit from them.

Take, for example, the Paulson plan. It stipulates that the government is to buy the risky assets of investment banks and in return place fresh money at their disposal, leaving a possibility that the banks, once the storm has passed, can regain their titles. If the government pays high enough prices, the bankers can eventually pocket a nice profit at the expense of the state budget.

**What obvious impact will the current crisis have?**

Much will depend on its duration and depth. At the moment, the establishment is pursuing a strategy which Giuseppe Tomasi di Lampedusa spelled out in his book *The Leopard*: **"If we want everything to remain as it is, we must change everything."** The Paulson plan is an example of this strategy, because it consists of a barter of cash for debts, designed to intervene as little as possible in the terms of ownership and control of bank capital. The same applies to the sales of preferred shares to the government because these restrict the voting right at the meetings of shareholders.

### **Has the ideology of neoliberalism failed and are the days of capitalism numbered?**

The idea is amusing, but it would be naïve to assume an imminent end of capitalism. I cannot see how such a thing can materialize. The big absentee in this colossal state of emergency is precisely the labor movement. Rather, I see the possibility of a shift in relative power from finance lobbies to political pressure groups and also from Western and American political lobbies to Asian ones.

### **Can we then speak of the decline of the American empire?**

The appearance and all temporary upsurges and short-term successes notwithstanding, the American decline has continued for at least a quarter century. For this decline is symptomatic of the long-term development of the dollar, whose price -- converted to today's currency -- has fallen from 1.50 euros to around 70 euro cents within 20 years. This decline ensures distrust toward the dollar and will likely prevent the USA from playing the role of the "vacuum cleaner" for surplus products of other countries again. Since there is no alternative international hegemon, there is a danger that the international monetary system will hit a dead end. In that event, the development of this crisis could take on really dark and unpredictable characteristics.

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