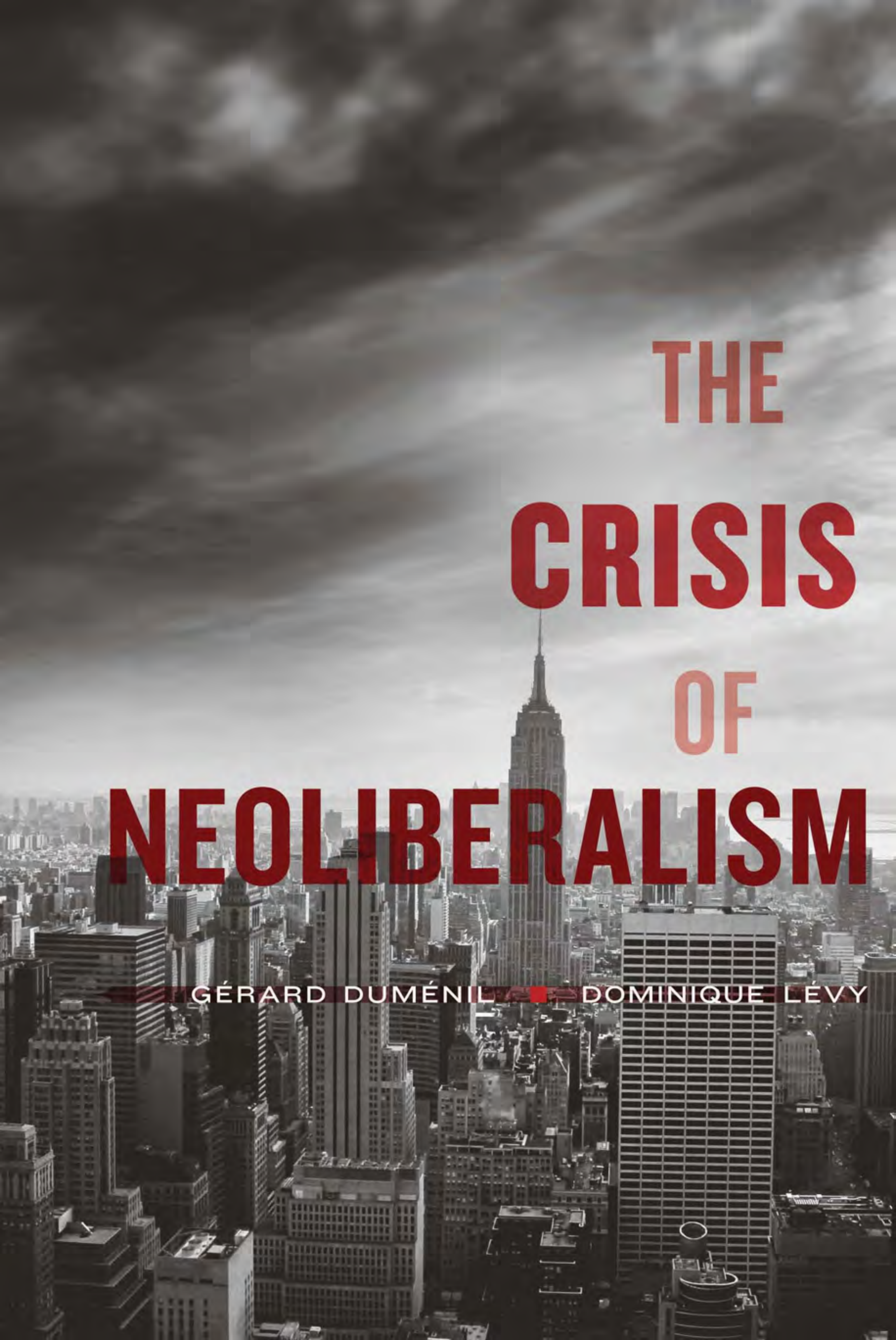
THE
CRISIS
OF
NEOLIBERALISM
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The Crisis of Neoliberalism

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CHAPTER

1

The Historical Dynamics of Hegemony

The present chapter focuses on hierarchies among classes and countries, more specifically, neoliberalism as a class hegemony and the global dominance of the United States in neoliberal globalization. The sequence of formation, climax, and crisis of neoliberalism is interpreted as an episode in the history of the rise and fall of such social and international configurations. Neoliberalism appears as the latest of three social orders, which jointly constitute modern capitalism, that is, capitalism since the turn of the twentieth century. The rise and fall of each of these social orders can be dated to the occurrence of major crises, or "structural crises," such as the present one. The historical dynamics of international hegemonies are, somehow, distinct, although the two categories of phenomena are obviously interrelated. For example, the crisis of neoliberalism adds to the threat pending on U.S. hegemony.

Neoliberalism as Class Hegemony—Imperialism in Neoliberal Globalization

Neoliberalism is a multifaceted phenomenon, the outcome of a whole set of converging historical determinants, and it is difficult to precisely determine its beginnings. Actually, the earliest expressions of the new trends were evident from the end of World War II when the basic features of the postwar society and economy were defined. Various developments surrounding the crisis of the dollar in the early 1970s, such as the floatation of exchange rates, or the policies enacted during the dictatorships in Latin America in the 1970s, can be considered early manifestations. Simplifying to some extent, one can contend, however, that neoliberalism was first established in the United States and the United Kingdom at the end of the 1970s, a crisis decade, a few years later in continental Europe, and then around the globe. The year 1979, when the Federal Reserve decided to raise interest rates to any level allegedly required to curb inflation, is emblematic of the entrance into the new period.

A central thesis in *Capital Resurgent: Roots of the Neoliberal Revolution* is that the overall dynamics of capitalism under neoliberalism, both nationally and internationally, were determined by new class objectives that worked to the benefit of the highest income brackets, capitalist owners, and the upper fractions of management. The greater concentration of income in favor of a privileged minority was a crucial achievement of the new social order. Income statement data make this apparent. In this respect, a *social order* is also a *power configuration*, and implicit in this latter notion is "class" power. National accounting frameworks add to this observation that a large and increasing fraction of U.S. capital income comes from outside of the United States. Not only class relations are involved, but also imperial hierarchies, a permanent feature of capitalism.[1]

The new configuration of income distribution was the outcome of various converging trends. Strong pressure was placed on the mass of salaried workers, which helped restore profit rates from their low levels of the 1970s or, at least, to put an end to their downward trend. The opening of trade and capital frontiers paved the way to large investments in the regions of the world where prevailing social conditions allowed for high returns, thus generating income flows in favor of the U.S. upper classes (and broader groups that benefit to some extent by capital income). Free trade increased the pressure on workers, the effect of the competition emanating from countries where labor costs are low. Large capital income flows also derived from the growing indebtedness of households and the government. Extreme degrees of sophistication and expansion of financial mechanisms were reached after 2000, allowing for tremendous incomes in the financial sector and in rich households. The crisis, finally, revealed that a significant fraction of these flows of income were based on dubious profits, due to an increasing overvaluation of securities.

Besides the comparative interests of social classes, the leading position of the United States, economically, politically, and militarily, must also be considered. The political conditions underlying the dominance of the

United States in the decades preceding the crisis are well known. Two major factors are the fall of the Soviet Union and the weakness of Europe as a political entity. Neoliberalism corrected for the earlier decline of the leadership of the United States in the 1970s, at least vis-à-vis Europe and Japan. The U.S. economy is still the largest in the world in terms of gross domestic product (GDP), with a leadership in fields as important as research and innovation, both in production and financial mechanisms. As a consequence, the dollar is acknowledged as the international currency.

The international neoliberal order—known as neoliberal globalization—was imposed throughout the world, from the main capitalist countries of the center to the less developed countries of the periphery, often at the cost of severe crises as in Asia and Latin America during the 1990s and after 2000. As in any stage of imperialism, the major instruments of these international power relations, beyond straightforward economic violence, are corruption, subversion, and war. The main political tool is always the establishment of a local imperial-friendly government. The collaboration of the elites of the dominated country is crucial, as well as, in contemporary capitalism, the action of international institutions such as the North Atlantic Treaty Organization (NATO), the International Monetary Fund (IMF), the World Bank (WB), and the World Trade Organization (WTO). Economically, the purpose of this domination is the extraction of a "surplus" through the imposition of low prices of natural resources and investment abroad, be it portfolio or foreign direct investment. That countries of the periphery want to sell their natural resources and are eager to receive foreign investment does not change the nature of the relations of domination, just as when, within a given country, workers want to sell their labor power, the ultimate source of profit.

The same notion, hegemony, is used here to refer to both class hierarchical relationships, as in neoliberalism, and imperialism internationally. No distinction is made between *hegemony* and *domination* as in approaches of Gramscian inspiration. The notion emphasizes a common aspect within class and international mechanisms. In each instance, a class or country leads a process of domination in which various agents are involved. In neoliberalism, the upper fractions of capitalist classes, supported by financial institutions, act as leaders within the broader group of upper classes in the exercise of their common domination. Similarly, the United States acts as leader within the broader group of imperialist countries.

There are important implications to the notion of joint, though unequal, domination by a group of upper classes or advanced countries. The common domination is based on cooperation but also rivalry. At the top of a social hierarchy, various groups are involved and support the project of a more narrowly defined leadership. Such hierarchical alliances can be denoted as "compromises," as the leader adjusts its demands to some of those emanating from its followers but finally prevails over them. The same is true concerning the comparative positions of the various countries within the group of imperialist powers. A compromise at the top also prevails in the exercise of a joint domination internationally, but discipline is imposed by the hegemonic power (as in Athens's Delian League).

In the determination of real and financial trends in contemporary capitalism, these two components—class and international hegemonies—have interacting effects. The present crisis manifests the contradictions of a historical trajectory jointly fashioned by these two strands of factors typical of what can be denoted as "neoliberalism under U.S. hegemony."

A Historical Perspective: Modern Capitalism

The definition of neoliberalism as the latest phase of capitalism raises the issue of previous periods and the overall periodization of capitalism (Box 1.1). What were the previous phases of capitalism? In what respect is neoliberalism distinct? The investigation here uses the notion of modern capitalism, meaning capitalism after the corporate, financial, and managerial revolutions, that is, from the turn of the twentieth century to the present, and neoliberalism is described as the third and most recent phase of modern capitalism.

The dawn of the twentieth century was marked by the emergence of a new institutional framework of capitalist relations, the set of institutions typical of modern capitalism. (In this analysis, a special emphasis is placed on the United States where the corresponding social and economic transformations were stark.)

1. *Capitalism in the late nineteenth century.* During the last decades of the nineteenth century, the size of enterprises increased in parallel to the sophistication of their internal technical and organizational processes. The

Box 1.1
Periodizing Capitalism

There is no single periodization of capitalism. History refers to a set of distinct phenomena, linked within a network of reciprocal relationships but also manifesting important degrees of autonomy. Analysts have based periodizations on, among other things, institutional transformations, long waves, technical change and profitability trends, competitive patterns, policy frameworks, or social and political relations. Rudolf Hilferding, for example, advanced the concept of "finance capital," to account for a feature of the new phase of capitalism in the early twentieth century (what the present study denotes as "modern capitalism"), on the basis of the transformation of the relationship between the financial and industrial sectors. An important literature focused on the notion of "long waves," originally articulated by Nikolai Kondratieff, with several decade-long phases of expansion and stagnating growth, separated by major crises. In the 1960s, Paul Baran and Paul Sweezy coined the concept of "monopoly capitalism," based on a new pattern of competitive mechanisms. In the United States, important research has been devoted to "managerial capitalism," another crucial aspect of the metamorphosis of capitalism. In previous work of the authors, the history of capitalism, from the late nineteenth century to the present, is described by reference to three categories of phenomena: (1) relations of production and class patterns; (2) configurations of power among classes, or social orders; and (3) the trends of the profit rate.[1]

There are important reciprocal relationships between such periodizations, although there is no unambiguous chronological overlap in the definition of periods.

1. R. Hilferding, *Finance Capital: A Study of the Latest Phase of Capitalist Development* (1910; London: Routledge and Kegan Paul, 1981); N. D. Kondratieff, "The Static and Dynamic View of Economics," *Quarterly Journal of Economics* 34, no. 4 (1925): 575–583; I. Wallerstein, "Globalization or the Age of Transition? A Long-Term View of the Trajectory of the World-System," *International Sociology* 15, no. 2 (2000): 250–268; G. Arrighi, *The Long Twentieth Century: Money, Power and the Origins of Our Times* (London: Verso, 1994); P. Baran and P. Sweezy, *The Monopoly Capital* (New York: Monthly Review Press, 1966); A. D. Chandler, *The Visible Hand: The Managerial Revolution in American Business* (Cambridge, Mass.: Harvard University Press, 1977).

development of transportation and communication allowed enterprises to expand nationally and internationally. Simultaneously, monetary and financial mechanisms underwent a thorough process of transformation and expansion, with the dramatic development of banks, loans, and fiduciary money.

The major depression that struck the U.S. economy during the 1890s, originally known as the "Great Depression" prior to the greater one in the 1930s, played a central role in the establishment of this new framework. The previous decades had witnessed the rise of trusts, pools, and cartels in an attempt to confront rising competitive pressures. The crisis of the 1890s was blamed on excess competition and increased the incentive to seek protection against cutthroat competition. The loose agreements between enterprises, which remained independent entities, to share markets or profits were prohibited by the Sherman Act. The act, passed in 1890, was the first federal legislation pertaining to competition.

2. *Three revolutions.* The historical framework used here distinguishes between nineteenth-century capitalism and capitalism after the major revolution in ownership and management (relations of production) accomplished at the turn of the twentieth century. Three components of this revolution—the corporate, financial, and managerial revolutions—can be distinguished. The *corporate revolution* refers to firm incorporations. In the wake of the crisis of the 1890s, the new corporate laws enacted in New Jersey (simultaneously to the passage of the Sherman Act) and rapidly extended to other States,[2] gave a general impetus to a dramatic wave of incorporation around 1900. The rapidly expanding banking system was the engine of the *financial revolution,* as large banks financed these new corporations in a complex relationship, actually a mix of support and dominance. Within this new framework arose a third transformation, the *managerial revolution,* in which the delegation of management to a salaried managerial personnel—supported by a subordinate clerical personnel—reached new heights (notably, though not exclusively, in relation to the organizational arrangement in the workshop known as "Taylorism"). This was a major step in the separation between ownership and management. Although the managerial revolution occurred at the turn of the twentieth century, this separation and the corresponding sophisticated management are fundamental features of modern capitalism in all of its phases. ("Managerial capitalism" is used here in reference to only the first postwar decades.)

3. *Capitalist classes and financial institutions: Finance.* The three revolutions allowed for the establishment of a bourgeois class less connected to individual enterprises. The ownership of the means of production was supported by the holding of securities. This was the outcome of the expansion of what Marx had called "money capitalists," lenders, and shareholders.[3] The combination of the corporate and financial revolutions with the emergence of large corporations backed by financial institutions introduced new types of relationships in which the power of the upper fractions of capitalist classes relied heavily on financial institutions (Box 4.1). This concentration of capitalist power within financial institutions and the importance of securities in the ownership of the means of production gave the domination of capitalist classes in modern capitalism a strong *financial* character. For this reason, this book uses the term "Finance" to refer to the upper fractions of capitalist classes and to financial institutions in any social arrangement in which these fractions of capitalist classes control financial institutions (as is generally the case in capitalism). Finance, as used here, is not a separate industry. Instead, it combines class and institutional aspects.

This notion of Finance applies only to modern capitalism. Prior to the three revolutions, there was obviously money capitalists besides "active capitalists" (entrepreneurs), as well as a financial sector in the economy. But a new institutional configuration was built at the turn of the twentieth century, with big capitalist families holding large portfolios of shares and bonds, potentially diversified among various industries, and with a financial sector playing a major role in the financing of accumulation and the exercise of the prerogatives attached to ownership. The notion of Finance is crucial to the analysis of neoliberalism. The power of capitalist classes and financial institutions in this social order cannot, however, be separated from the progress of management—notably, though not exclusively, financial management—which gained considerable importance. Thus, the early twentieth century marked the culmination of social trends already under way during the nineteenth century, whose emblematic figures were the rentier bourgeois class, a "leisure class" as in Thorstein Veblen's terminology,[4] and the new managerial classes.

4. *A tripolar class configuration.* Central to the analysis here is the observation that modern capitalism coincided with the establishment of new class patterns more complex than the simple distinction between capitalists and production workers. Besides traditional middle classes of small

1. Capitalist classes

2. Managerial classes

3. Popular classes

Diagram 1.1

peasants, shopkeepers, and craftsmen, modern capitalism saw the expansion of managers and clerical personnel.

The outcome of these social trends was not the formation of a single homogeneous intermediate class, the new middle class, in between owners and production workers, blurring class boundaries. Instead a sharp polarization occurred within these groups, meaning a new hierarchy among wage earners, a division between leading and subordinated categories. The phrase "managerial and clerical personnel" is meant to capture this dual pattern. ("Clerical" must be taken here in a broad sense, including notably commercial tasks or maintenance.) Managerial personnel define the leading category, and these clerical personnel, the subordinated category.

As a result of the gradual transformation of production and clerical labor during the latest decades of modern capitalism, it became gradually more relevant to consider jointly clerical personnel and production workers. This is a helpful simplification that reduces intermediate classes to managerial classes. The book uses the threefold pattern as in Diagram 1.1.

None of these classes is homogeneous. It is often useful to distinguish between the upper fractions and the remainder of the groups, as is traditional within capitalist classes. One can separate between the holders of a large portfolio of shares, the owners of small- or medium-size firms, and a truly petty bourgeoisie. But similar hierarchies are also typical of managerial classes. Last, the merger between production and clerical workers defines more a trend than a mature outcome and, in contemporary capitalism, the coexistence of heterogeneous categories is still a basic feature of these groups.

Power Configurations and Their Class Foundations

Neoliberalism is the latest of the three social orders that jointly constitute modern capitalism. There are class foundations to such social arrangements. For this reason, they can be denoted as "class power configurations." The first and third—respectively, from the turn of the twentieth century to the New Deal, and since the early 1980s—can be called a "first" and a "second financial hegemony." Financial hegemony, as used here, refers to the fact that capitalist classes—actually Finance, the upper fraction of capitalist classes and financial institutions—benefit from a rather unchecked capability to lead the economy and society in general, in accordance with their own interests or what they perceive as such. This is, somehow, a "normal" situation in modern capitalism, and the capitalism of the first postwar decades, from the New Deal to the late 1970s, during which this power was diminished, stands out as an exception. The social order that prevailed during those years is often called a "social democratic" or "Keynesian compromise," but this terminology is not unproblematic.

1. *The first financial hegemony.* A striking aspect of the first decades of the twentieth century was the combination of a free-market economy, both domestically and internationally (with the gold standard), and the dramatic progress of organization within corporations.[5]

As stated in the previous section, central aspects in the establishment of modern capitalism, during the first decades of the twentieth century, were the emergence of a bourgeois class more or less separated from the enterprise, and new financial institutions that were tightly connected to nonfinancial corporations. The access of the bourgeoisie to this new institutional configuration did not destroy all earlier segments. Instead, it involved the elimination of some fractions of the upper classes, the survival of others, or their transformation. In this new power configuration, the upper fractions of capitalist classes were able to dominate the economy and society, both nationally and internationally. The power of management within large corporations was already significant during the first decades of the twentieth century, and there was an increasing emotion among capitalist classes concerning their capability to control corporations. It is certainly possible to refer to the prevalence of a compromise between Finance and the upper fractions of managerial classes. It was the Great Depression, the New Deal, and World War II that signaled the end of this epoch.

2. *The postwar compromise.* The second period stretches from the New Deal and World War II to the end of the 1970s. There were three main facets to the overall transformation of social hierarchies during these

decades. They account for the diversity of terms used to designate the period.

A first set of features typical of the first decades after World War II were an enhanced managerial autonomy vis-à-vis capitalist classes, with a management of large corporations favorable to investment and technical change, the greater state intervention in the economy (regulation, in particular financial regulation, and development and macro policies, notably low real interest rates, and stimulative monetary and fiscal policies). This managerial autonomy, built on the basis of the managerial trends typical of modern capitalism in general but under the new political circumstances, is at the origin of the reference to managerial capitalism that culminated in the 1960s or 1970s (Box 5.1). The Keynesian revolution in the management of the macroeconomy can be understood as one component in this broader set of managerial aspects. Another feature was the existence of significant limitations placed on foreign trade in order to protect national economic development, and restrictions on capital mobility (the free movements of capital among countries), as within the Bretton Woods agreements of 1944. This framework of international relationships defines the other aspect of the proper Keynesian features of the postwar decades, although all the measures Keynes advocated were not implemented. Actually, the Keynesian revolution was so important that it must be placed on the same footings as the three revolutions at the turn of the twentieth century. This fourth revolution was much delayed, as evident in the Great Depression.

The second facet of the postwar compromise involved the increase in purchasing power, policies in favor of full employment, and the establishment of the so-called welfare state, that is, the gradual commitment of the state to provide for the health, retirement, and education of popular classes.

These two first sets of aspects are distinct. Their combination accounts for the variety of terms—"managerial," "Keynesian," or "social democratic compromise"—phrases that may appear more or less relevant depending on the countries considered.

The third aspect of this period was the containment of financial (or capitalist) interests. It is already implicit in the two first aspects above. Three major components can be distinguished: (1) a financial sector targeted to the growth of the real economy, and not to the "administration" of capitalist collective interests as in neoliberalism; (2) a lesser concern vis-à-vis shareholders (that is, a management aiming at accumulation instead of capital income), low real interest rates, and a "not-too-performing" stock market; and (3) possibly diminished profits that would result from higher labor costs.

In terms of class relationships, the power configuration in the postwar compromise must be interpreted as an alliance between the managerial and the popular classes under the leadership of the former. Capitalist classes were far from being eliminated and not fully excluded from the compromise, but private management, policies, and strong state intervention manifested social interests significantly distinct from those of the capitalist classes as, later, narrowly expressed in neoliberalism. One alternative interpretation, also in terms of a social compromise, is the existence of a compromise between capital and labor, as in Fordism. This perspective is formally faithful to a Marxist framework, since only two classes are implied. The viewpoint in the present study is distinct. Reference is made to an alliance between managers and the popular classes, increased managerial autonomy, and the containment of capitalist interests.

The features of the postwar social order differed significantly internationally. They were less accentuated in the United States than in Europe and Japan. Nonetheless, the limitation of capitalist interests was an important aspect of the first postwar decades in most countries of the center. Paradoxically, the theory of managerial capitalism, which most explicitly stresses the crucial role of managerial classes, developed in the United States, while other countries in Europe, Korea, and Japan pushed the containment of capitalist interests and the preeminence of managerial classes to the most advanced degrees (as in nationalization, planning under the aegis of governments, policies aiming at full employment, or a financial sector in the service of the productive economy). In Europe, as a result of the coexistence of state and private sectors, the notion of mixed economies was preferred to managerial capitalism.

Again, a major crisis destabilized these social patterns: the structural crisis of the 1970s. The crisis was the consequence of the downward trend of the profit rate and the cumulative inflation rates in which economic tensions were expressed. It created the conditions for the imposition of neoliberalism, whose emblematic figures were Margaret Thatcher and Ronald Reagan.

3. *Neoliberalism as a second financial hegemony.* Neoliberalism did not halt the trends typical of the three revolutions of the late nineteenth

century, nor did it reverse the fourth one, the revolution in the control of the macroeconomy, although the targets of macro policy were redefined. The transformation was, however, broad and radical. A first aspect was a new high management or, equivalently, corporate governance. Neoliberalism released the freedom of enterprises to act, the alleged return to a "market economy" (a euphemism for unbounded capitalist dynamics, domestically and internationally). In line with this ideology of the market, neoliberalism promoted deregulation in every field, particularly of financial mechanisms. It imposed strong macro policies aiming at the protection of lenders by the imposition of price stability, and the opening of trade and capital frontiers.

Ideology was not the engine of the neoliberal revolution. The relationship to class hierarchies is all too obvious. Each of the above achievements was consistent with the interests of the upper classes, that is, the maximization of high incomes. The purchasing power of workers was contained, the world was opened to transnational corporations, the rising government and household debts were a source of large flows of interest, and financialization allowed for gigantic incomes (wages, bonuses, exercised stock options, and dividends) in the financial sector. The hegemony of the upper classes was deliberately restored, a return to financial hegemony. A neoliberal ideology emerged, the expression of the class objectives of neoliberalism. This ideology was a crucial political tool in the establishment of neoliberalism.

The dramatic social transformation realized during neoliberalism would have been impossible if an alliance had not been made between capitalist and managerial classes, in particular their upper fractions. This shift in alliances can be denoted as the "neoliberal compromise." Depending on the country, the adhesion of the managerial classes to the neoliberal project was more or less easy or difficult to achieve, given specific power configurations and the features of the postwar compromise in each country. In the United States, it was easier than in Europe. There were also significant differences based on the fields of activity, finance, engineering, and so on. But the thorough alignment of management and policies to neoliberal objectives would have been impossible in the absence of such a compromise.

This interpretation of history confers a prominent role to the position of the managerial classes in social transformations, but the alliance after World War II, between the managerial classes and the popular classes, was

Compromise to the Right

1. Capitalist classes
2. Managerial classes
3. Popular classes

Compromise to the Left

Diagram 1.2

made possible only by the political conditions of the period and the popular pressure resulting from a strong national and international worker movement. Managerial classes are not, however, merely passive actors in history. They played a central role in both the establishment of the New Deal and postwar compromise, as well as in the return to financial hegemony in neoliberalism.

The substitution of the compromise between the capitalist and the managerial classes in neoliberalism, for the earlier compromise between the managerial and the popular classes during the postwar decades, provides class foundations to the traditional distinction between the Right and Left political orientations as suggested in Diagram 1.2.

Overall, the historical sequence of social orders is the expression of the temporary outcomes of successive rounds of class struggle—the engine of history—where the three agents above interact. The outcomes of these confrontations were, however, highly dependent on specific economic circumstances, such as technical-organizational change, the trends of the profit rate, and the maturity of the institutional framework in charge of the stability of the macroeconomy (notably, monetary policy).

Structural Crises: Profitability and Financial Hegemony

The three phases in the history of modern capitalism were punctuated by the occurrence of lasting and deep crises, denoted here as "structural crises." They are the crisis of the 1890s, the Great Depression, the crisis of the 1970s, and the crisis of neoliberalism culminating in the Great Contraction.[6] Structural crises are the combined outcomes of the internal contradictions of each social order and class struggle. They mark sharp breaks in the history of capitalism but do not change underlying evolutions (Box 1.2). The entire historical pattern can be summarized as in Diagram 1.3.

Box 1.2
A Direction in History

The succession of distinct phases in the history of capitalism, separated by structural crises, does not interrupt the course of history. Such major breaks do not generally determine the trends of social change but, rather, stimulate underlying transformations. They create conditions favorable to changes whose logic is the expression of more profound and, correspondingly, less obvious historical dynamics. The three revolutions—financial, corporate, and managerial—at the turn of the twentieth century, later supplemented by the Keynesian revolution (the centralized management of the macroeconomy) and financial stability, can be considered successive steps in the establishment of the institutional framework still typical of contemporary capitalism. Marx described these historical dynamics of capitalism in reference to the "dialectics of productive forces and relations of production."[1] A process is at work manifesting the gradual "socialization of production," meaning the development of organizations such as large enterprises and central institutions, and networks allowing for the sophistication of the social division of labor in each country and internationally.

(continued)

A central issue is whether history will repeat itself, the contemporary crisis triggering the entrance into a new phase. With the usual provisos concerning the unpredictable character of future developments, the answer given here is "Yes."

The profit rate is an important variable in the analysis of structural crises. (These historical trends in the profit rate are presented in Figure 21.1;

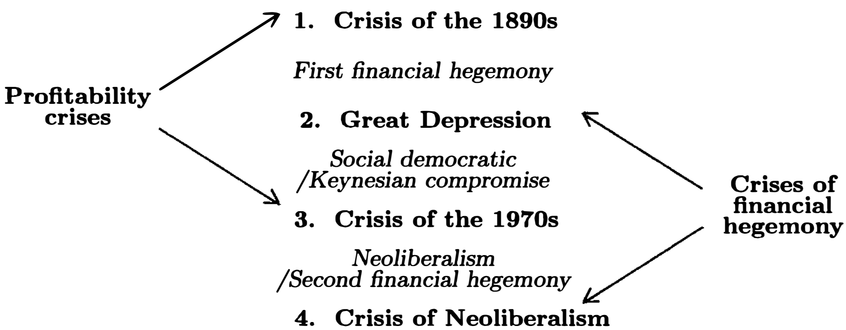

Diagram 1.3

(continued)

Just as the movements of tectonic plates manifest themselves in earthquakes, the lack of joint harmonious evolution between the various components of social change results in major perturbations as the whole system suddenly adjusts to the new configuration when social and political conditions are met. Together with profitability trends and the unchecked ambitions of the upper classes, the tensions that follow from this lack of synchronism are basic expressions of what can be denoted as "internal contradictions." The transition from the earlier framework of the late nineteenth century to modern capitalism was realized at the cost of a several-decades-long, stepwise, and painful process of which the Great Depression was an "unfortunate side effect." The progress of technology and organization, both in a broad sense, is the force that moves the social tectonic plates. Disruptions, expressed in structural crises, require the establishment of new social orders. The engine is always social struggle. Thus, with a startling regularity, history repeats itself along a succession of three- or four-decade-long intervals that mark the progression of underlying tendencies.

1. Karl Marx, *A Contribution to the Critique of Political Economy* (Moscow: Progress Publishers, 1970), Foreword.

see also Box 21.2). The crises of the 1890s and 1970s were both the outcomes of downward profitability trends. Conversely, the Great Depression and the crisis of neoliberalism are not linked to the downward trend of the profit rate. In both instances, the profit rate was undertaking a slow process of restoration. Neither an upward nor a downward trend of the profit rate can be considered a determinant of the contemporary crisis. This does not mean, obviously, that the profit rate is not relevant to the present analysis in some respects.[7]

The Great Depression and the contemporary crisis have in common that they both marked the culmination of a period of financial hegemony. The Great Depression can be denoted as "the crisis of the first financial hegemony." Such a denomination directly expresses its common aspects with the crisis of neoliberalism, itself "the crisis of the second financial hegemony." Both were consequences of the exercise of hegemony, class, and international hegemonies, the boundless expansion of the demands of the upper classes that pushed economic mechanisms to and, finally, beyond the frontier of sustainability.

A common feature of structural crises is their multiple facets and their duration. It is, for example, difficult to tell exactly how long was the Great Depression or how long it would have lasted had not preparation for the war boosted the economy. The macroeconomy collapsed into the Depression itself from late 1929 to 1933. A gradual recovery occurred to 1937, when output plunged anew. The war economy, then, thoroughly changed the course of events. The same was true of the crisis of the 1970s. The new course of events, in the transition to neoliberalism, prolonged the crisis under new forms during the 1980s, with the financial crisis that followed the deep recession at the beginning of the decade. Most likely, the same will be true of the contemporary crisis. Once positive growth rates prevail in the wake of the contraction of output, this will mark the entrance of a new phase, but certainly not the resolution of the tensions that led to the crisis. A lot will remain to be done. Will positive growth rates be decent growth rates? When will the disequilibria of the U.S. economy be solved? How will the government debt be paid? Will the dollar support international pressures? The establishment of a new, sustainable, course of events will be a long and painstaking process.

Ambitions and Contradictions of the U.S. Domestic and International Neoliberal Strategy

Within the overall dynamics of capitalism, neoliberalism is no exception. From its beginning, the ambitious neoliberal strategy, in both its class and international components, was undermined by important internal contradictions. There should be no surprise that a major crisis occurred. The present section considers separately the three major strands of these contradictions:

1. *The dizzy dynamics of the quest for high income.* Neoliberalism is a social order aimed at the generation of income for the upper income brackets, not investment in production nor, even less, social progress. In countries of the center, domestic capital accumulation was sacrificed in favor of income distribution benefiting the upper classes. Notably, U.S. neoliberalism meant a de-territorialization (transfer outside of a territory) of production to the benefit of a number of economies of the periphery. The original bet was that the countries of the center would gradually transform themselves into services economies, still concentrating a number of activities where knowledge, education, and research

are crucial, and supplying the world with financial services. The so-called intellectual property would, of course, be protected. Above all, these economies were supposed to become financial centers—Margaret Thatcher's dream that eventually became a nightmare. The risk, in this first respect, was that the new challengers would seek not only efficiency in manufacturing basic commodities but also the access to high technology, research, and innovation and, possibly, financial services, to such a point that the economies of the center would gradually lose ground to these ambitious challengers.

The same quest for income was the engine of financialization, nationally and internationally, in the overall context of deregulation proper to the neoliberal endeavor. A specific component of the rise of financial mechanisms, securitization and what is known as "structured finance" in general, mushroomed in the fertile soil of the large household debt in the United States. (A large fraction of these instruments was sold to foreign investors.) To this, one must add the tremendous expansion of the most daring procedures in derivative markets and a variety of risky financial operations such as carry trade around the globe.

Neoliberalism saw the construction of a fragile and unwieldy financial structure in the United States and in the rest of the world, based on very questionable practices. This process underwent a sharp acceleration after 2000. It went to such a point that the outstanding incomes and profitability levels claimed in the financial sector during those years became more dependent, each year, on the accumulation of dubious assets and precarious capital gains. This tendency can be described as a "propensity to the production of fictitious surplus." The crisis adjusted the mirage to reality.

2. *The impaired capability to govern the macroeconomy.* The free mobility of capital internationally impairs or prohibits macro policies in a given country. In the absence of global regulation and policy, or given their low efficiency, the unchecked progress of financialization and globalization posed a threat to the ability of major capitalist countries to control financial mechanisms and their macroeconomy.

Prior to the contemporary crisis, this threat had only hurt countries of the periphery joining the neoliberal international "community" (sometimes under extreme configurations, as in Argentina in the 1990s). Conditions changed gradually. Financial globalization forged ahead, and the masses of global capital available for investment in any part of the world exploded. The U.S. economy demonstrated the risks inherent in neoliberal globalization in advance of Europe.

Although the two types of developments above—quest for high income and impaired macro governance—were typical of the major capitalist countries in general, the financial-global hegemony of the United States—neoliberalism under U.S. hegemony—allowed the United States to push the neoliberal strategy to degrees beyond what other large countries of the center could accomplish. The United States revealed to the world the inner contradictions of the neoliberal endeavor.

3. *Forging ahead at the cost of a trajectory of declining accumulation and perilous cumulative disequilibria.* Another source of contradiction is the macro trajectory unique to the U.S. economy, which allowed the United States to move ahead of the other major capitalist countries. Exempt from the requirement of balancing their external trade as a result of their global hegemony, including the role of the dollar as international currency, the United States pushed the process of internationalization of commodity production to unprecedented levels. There were two aspects to these mechanisms. On the one hand, accumulation rates in the U.S. domestic economy followed a downward trend. On the other hand, the rise of consumption demand resulted in the upward trends of imports and growing trade deficits. A consequence of these tendencies is that the normal use of productive capacity and the corresponding levels of growth rates in the United States had to be maintained at the cost of a strong stimulation of domestic demand. This stimulus was based on the surging indebtedness of households, which fueled the corresponding boom in residential investment. This result was only achieved at the cost of perilous and risky financial innovations. The overall shift toward financialization and globalization (given their interconnectedness) provided all the necessary prerequisites for the dramatic growth of households' debt, with the collaboration of financial institutions and governments in the rest of the world.

The effect of this macro trajectory could have been merely the gradual erosion of the hegemony of the United States worldwide. But the occurrence of a major crisis was probable, even if the form in which it would manifest was difficult to predict. A first possible such scenario was that the neoliberal class strategy would be derailed by a financial crisis within major capitalist countries, notably the United States, leading to a contraction of output. A second option was a recession that would destabilize the fragile financial structure and would be, then, transformed into a major crisis. A third scenario was a major crisis in the periphery that would destabilize countries of the center. Finally, a fourth option was a crisis of the dollar. The first crisis scenario prevailed, but this was difficult to foretell and there is still a large uncertainty concerning possible forthcoming developments.

That the crisis was transmitted to the world from the United States as a result of the combination of extreme financialization, impaired ability to control the macroeconomy, and cumulative disequilibria does not offset the risks specifically inherent in the dependency of the U.S. economy on foreign financing. As of the end of 2009, the threat of a sudden or gradual crisis of the dollar represents a potential major development that would thoroughly transform the features of the contemporary crisis. The occurrence of such a currency crisis would precipitate the course of history, both concerning the new social order to be implemented and U.S. hegemony. Thus, not only would the crisis be longer than expected but also more spectacular.

Success or Failure?

Although there were differences, the neoliberal class strategy prevailed in all countries, and worked to the benefit of a privileged minority. It was so within advanced capitalist countries, countries of the periphery whose upper classes inserted their country into the neoliberal international division of labor, even in China. The problem, in this latter country, was not the restoration of the power of a capitalist class, but the formation of such a class. The development of a powerful capitalist sector was encouraged under a strong state leadership, as part of a bold development strategy, alongside a still powerful public sector. Although the proper global aspect of this class strategy, as in "neoliberal globalization" or "imperialism at the age of neoliberalism," is common to all advanced capitalist countries, the United States is unique because it is the hegemonic power.

Judged by its own class objectives, neoliberalism was an unquestionable success prior to the present crisis. There were important social resistances in the countries of the center, for example, to maintain a degree of welfare protection. There was also resistance around the world as in Latin America, a reaction to the devastation caused by neoliberalism.

This did not change, however, the fact that everywhere the income and wealth of the wealthiest segments of the population increased tremendously.

In sharp contrast with this success story, the deep character of the contemporary crisis, its global extension, its likely duration, and the measures taken during its treatment suggest a final failure of the neoliberal class strategy. The last chapters of this book converge toward such a conclusion. The construction of a new social order required by the resolution of the above sets of contradictions (both the unsustainable fragile financial structure and the trajectory of the U.S. economy) is not compatible with the class ambitions proper to neoliberalism under U.S. hegemony. Most likely, U.S. capitalism is entering into a fourth social order whose nature remains to be discussed.

U.S. Upper Classes and the U.S. Economy: Divorce and Reconciliation

The crisis will not offset in a few years the potential of the United States to dominate internationally, given, notably, its gigantic military apparatus. But new dynamics have been initiated. Indicators show the rapid decline of the U.S. economy in comparison to the rest of the world. The Chinese and Indian economies are simultaneously large and progressing, but similar, though less dramatic, trends are also manifest in other regions of the world. Not only is production in the U.S. domestic economy involved, but also the deployment of U.S. capital around the globe, and the dominance of the transnational corporations of the country. If a dramatic adjustment is not performed rapidly and efficiently, the leading position of the United States among the major international powers will diminish even more rapidly than suggested by ongoing trends.

There is a sharp contrast between the comparative decline of the U.S. domestic economy and the unquestionable success of the strategy of the upper classes. These classes increased and restored their own power and income, at least up to the crisis. In the pursuit of neoliberal class objectives, whether profits are realized in the United States or anywhere in the rest of the world is irrelevant, provided that the countries where investments have been made remain politically reliable. That the trajectory of the U.S. economy be increasingly dependent on foreign financing is also of little import. The same is true of the rising debt of the government and households, understood as increasing sources of financial income instead of perilous domestic developments. In the United States, this divergence reached such dramatic proportions that it is possible to refer to a "divorce" between the upper classes and the domestic economy of their own country.

What is really new in this pattern of events is not the disconnection itself. Many countries in the periphery are or have been ruled by upper classes or fractions of classes that are not committed to the progress of their own countries. Instead, the behavior of such elites is often determined by the desire to collaborate with imperialist countries of the center and increase their personal wealth (notably abroad). The consequences for local economies and societies are devastating. Nationalism or patriotism, on the part of the upper classes, is crucial to the advance of national economies. What was new since the 1980s is that neoliberal strategies meant a divorce in the center of the neoliberal world, similar to that observed in too many less advanced countries.

Symmetrical nationalist trends were established in a number of countries of the periphery, like China, seizing the opportunity—given other advantages (such as a cheap and a disciplined labor force, natural resources, and so on)—and, finally, threatening the domination of the center. The comparison with the powerful capitalist accumulation in China is, actually, very telling. It shows that what is described here as a *divorce* is not a general property of capitalist dynamics, not even neoliberalism in general. Considering the relationship between Chinese capitalist classes and the Chinese domestic economy in contemporary capitalism, the relationship is still one of *honeymoon*.

Underlying these mechanisms is a process of maturation, the fact of reaching a given stage in a given context. In the case of China, from the viewpoint of local capitalists or capitalists of the Chinese Diaspora, the national territory and population work as "attractors." Clearly, this class strategy cannot be separated from a deployment around the globe, as in investment abroad, but the objectives are still largely directed to national development. This international deployment is, to a large extent, motivated by specific targets such as the control of natural resources or the insertion of domestic financial institutions within global financial networks, not by the quest for outstanding profitability levels in comparison to profit rates as they can be obtained on national territory. That in the longer run, Chinese capitalist classes, or more generally upper classes, might move along paths similar to those of U.S. upper classes does not alter the basic features of the contemporary period.

In the case of the United States, the divergence between the neoliberal class strategy and the domestic economic trajectory was temporarily hidden by the "long boom" of the second half of the 1990s. (With the benefit of hindsight, the first crisis after 2000, the recession, and the fall of the stock market, which marked the end of this boom, can be interpreted as a rehearsal, foreshadowing the collapse that came at the end of the decade.) The 1990s will be remembered as the heyday of the neoliberal endeavor, and the following years as the decade in which neoliberalism went astray. Thus, the favorable episode of the 1990s created only the impression of a coincidence between the interests of the upper classes and the domestic economy.

From the viewpoint of the U.S. society and economy, a reconciliation is urgently needed. It will require a dramatic and, most likely, time-consuming adjustment, the transition of a new social order. If the class objectives and methods of neoliberalism are maintained, even assuming a degree of financial regulation susceptible of ensuring a degree of financial stability, the decline of U.S. hegemony will be rapid, probably too sharp to be tolerated by the U.S. upper classes.

New Social and Global Orders: The National Factor and the Option of a Neomanagerial Capitalism

A fundamental hypothesis concerning coming decades is that the correction of the trends underlying the comparative decline of the U.S. economy is not compatible with neoliberal strategies. A corporate governance directed toward capital income and stock-market performances is at odds with strong domestic accumulation rates. The same is true of free trade and the free movements of capital internationally. Both the rise of imports from countries with low labor costs and direct investment abroad place an unbearable pressure on the domestic economy. A financial sector aiming at the creation of outstanding high income for its owners and managers cannot be in the service of nonfinancial accumulation. In addition, such a financial sector tends to over expand financial mechanisms that threaten the stability of the economy. The alternative can be clearly set out: (1) a priority given to the pursuit of neoliberal objectives and the continuing decline of the United States as the leading country worldwide, or (2) a transition to a new social order, beyond neoliberalism, what the previous section described as a much needed "reconciliation" between the upper classes and the domestic economy:

1. *Neomanagerial capitalism.* All of the above requirements point to the establishment of a new period of managerial leadership, uncommitted to neoliberal objectives. The main aspects of this leadership could be (1) management aiming not at stock market and capital income, but at domestic investment; (2) limitations placed on free trade and the free mobility of capital; and (3) a financial sector in the service of the nonfinancial economy and adequately regulated. These are basic conditions needed for the strengthening of the U.S. economy on U.S. territory, the correction of U.S. disequilibria, and the stabilization of financial mechanisms.

A consequence of the contradiction between neoliberal objectives and the preservation of the domestic economy is that the determination to maintain the comparative international position of the country could become a crucial factor in the shift toward a new social compromise in the United States, as suggested in the first bifurcation in Diagram 1.4. The role of nonfinancial and government managers would be increased.

It is not obvious that such an adjustment will be undertaken. If it prevails over the narrow and short-term interests of the upper classes, it is also not clear that it will be established successfully. The correction of the trajectory of the U.S. economy will be far more demanding than is typically thought. The conflict between the maintenance of the purchasing powers of the great mass of wage earners (a condition for social peace), the preservation of profit rates, the expansion of transnational corporations, and the re-territorialization of production will be sharp.

2. *To the Left or to the Right?* The upper classes imposed the new rules of neoliberalism on the popular classes that thoroughly worked in favor of a

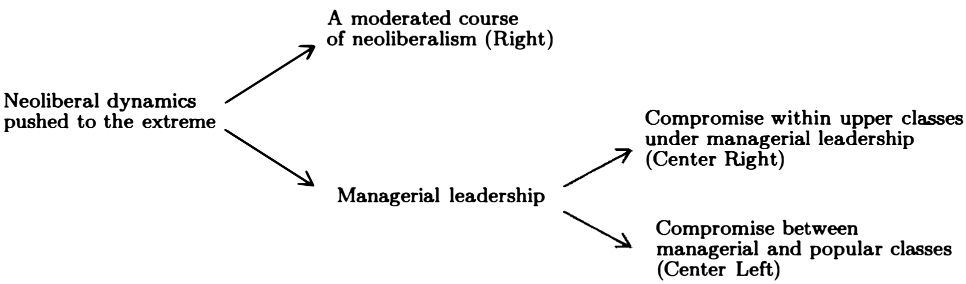

Diagram 1.4

minority. The crisis demonstrates the true nature of this endeavor and its unsustainable character, in particular under the forms that prevailed after 2000. The question that must be posed is, therefore: Would the popular classes allow the upper classes to define a new neoliberal trajectory, with limited adjustment, or to strike a new class compromise still at the top—two alternative social arrangements from which the popular classes would be excluded? A comparison with the Great Depression shows how the previous crisis of financial hegemony led to the establishment of a social compromise to the Left.

In contemporary capitalism, there is, however, no equivalent to the strong worker movement of the first decades of the twentieth century. As of 2009, in the United States, the election of Barack Obama raised the opportunity for such a social adjustment, timidly evocative of the New Deal. But the initiative does not appear to be on the side of the popular classes. Neither a return to a social democratic compromise nor a more radical transformation seems to be on the agenda.

If the national factor prevails over the continuation of a moderated course of neoliberalism, it seems rather unlikely that it will lead to a new social compromise to the Left as during the postwar compromise. As of the end of 2009—abstracting from the potential effects of a further expansion of the crisis (in its real, financial, and monetary components)—the contemporary crisis appears to be paving the way for a social compromise among the upper classes, still to the Right, but in a configuration distinct from neoliberalism. This is what is suggested in the second bifurcation in Diagram 1.4.

The class foundations of such a new social order would, as in neoliberalism, be a compromise between the upper classes, capitalists and managers, but under managerial leadership, with a degree of containment of capitalist interests, and without the welfare features of the postwar decades. This power configuration could be denoted as a "neomanagerial capitalism."

The exact content of the new power configuration would depend on the degree of the internal strife among the segments of the upper classes and the pressure exerted by the popular classes. Such a scenario opens a rather large spectrum of possible political orientations (abstracting from a far-Right alternative):

a. Concerning income flows in favor of the upper classes, it is important to emphasize that a strong determination to bolster U.S. preeminence worldwide would require significant limitations of both managerial and capitalist incomes. The new compromise would, however, still be among the upper classes, to the Right. A shift would occur within the comparative interests of these classes.

b. It is hard to imagine that such a far-reaching transformation would be accomplished without significant support from the popular classes. A degree of concession to the popular classes might be necessary. Consequently, a political orientation to the Center Right could be expected.

3. *Diversification in the rest of the world.* Such a new strategy of strengthening of the U.S. domestic economy would have important consequences for countries of the periphery profoundly engaged in the neoliberal international division of labor. But, in the long run, such trends open opportunities toward the establishment of national development models as was the case after the Great Depression (as in import-substitution industrialization in Latin America), the much needed alternative to neoliberal globalization.

Independent of the path followed by the United States, the situation will differ significantly around the globe. An increased diversity will be observed in the establishment of new social orders more or less to the Right or to the Left. Europe is not committed to international hegemony as is the United States, and the European Union is politically unable to pursue such an ambitious strategy. Europe might—paradoxically, given its history—become the traditional neoliberal stronghold in the coming decades.

It is still unclear whether social democratic trends in a few countries of Latin America will open new avenues to social progress. The crucial factor will be the impact of the contemporary crisis on China. Either, having successfully superseded the consequences of the crisis, China will experience strengthened neoliberal trends as if nothing had happened, or the experience of the crisis, in China itself or in the rest of the world, will work in favor of a "third way" along the contemporary pattern of the mixed economy that prevails in China.

Even if new social arrangements are successfully established in the United States, it is hard to imagine that U.S. hegemony will be preserved. There will be no clear substitute to an impaired U.S. dominance, and a multipolar configuration, around regional leaders, will gradually prevail in the coming decades. A bipolar world, Atlantic and Asian, is a possible outcome. Abstracting from rising international confrontation if conflicting interests cannot be superseded, the optimistic scenario is that new international hierarchies will be expressed within international institutions to which the task of global governance would be slowly transferred. This new environment would be favorable to the international diversification of social orders around the globe. This would mean a sharp break with the logic of neoliberal globalization, with a potential for developing countries depending, as in the case of the popular classes concerning domestic social orders, on what these countries would be able to impose.

The stakes are high.

CHAPTER 3

The Benefit of Upper Income Brackets

Income statistics do not provide straightforward information on class patterns and their changing configurations and powers. One must be content with categories such as income brackets and a loose notion of "upper classes." But the historical transformation of income distribution is quite revealing of underlying social changes. This is the viewpoint in the present chapter.

The Concentration of Income at the Top

Interestingly, the sequence of the three social orders that jointly constitute modern capitalism is manifest in the historical profile of income distribution in the United States. The growing income and, more generally, social inequalities during the neoliberal decades, both within each country and globally, have been frequently discussed. Data gathered from income statements by Thomas Piketty and Emmanuel Saez strikingly illustrate these historical trends of distribution.[1] (Data from income statements are biased, but what is reported to the Internal Revenue Service [IRS] certainly does not overestimate higher income, and this is what matters most in the present investigation given the profiles observed.)

Figure 3.1 provides a first view of the historical profile of income hierarchies. It shows the share of total income received by households pertaining to the 1 percent upper income bracket. (In 2007, this means almost 1.5 million households, whose reported income annually was larger than $398,909.) Prior to World War II, this privileged group received 18 percent (yearly average 1913–1939) of total U.S. household income. Beginning with World War I, throughout the Great Depression and World War II, the

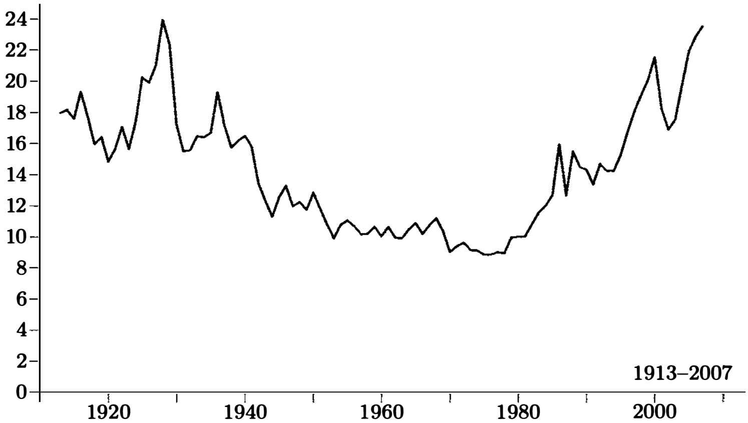

Figure 3.1 Share of total income received by the 1 percent higher income bracket: U.S. households (percent, yearly). Capital gains are included in the measure of income.

percentage fell gradually. It is noteworthy that no recovery took place to the end of the 1970s. (Other indicators[2] show that the comparative wealth of these upper strata was considerably diminished during the 1970s, a decade of depressed stock markets, very low or negative real interest rates, and limited distribution of dividends.) The size of the later recovery is spectacular, as the percentage rose from a minimum of 9 percent in the mid-1970s to prewar levels. One can surmise that this profile actually underestimates the amplitude of the recovery as a result of tax evasion (as in tax havens) on the part of the high income brackets, but the extent of this undervaluation is unknown.

The profile of purchasing powers (income deflated by the Consumer Price Index) relates a similar story. Figure 3.2 shows the yearly average purchasing power of households within the top 1 percent income fractile and for the remainder of households (the remaining 99 percent). The real income of the top 1 percent is measured on the right axis and that of the bottom 99 percent on the left axis, both in thousands of 2007 dollars. The unit on the right axis is twenty times larger than the unit on the left axis.

Before World War II, the ratio of twenty was maintained as shown by the superposition of the two lines. During the war, the purchasing power of the 99 percent (——) began to rise dramatically, reaching, in the 1970s, almost 3.3 times its average prewar level. Then, an almost horizontal trend

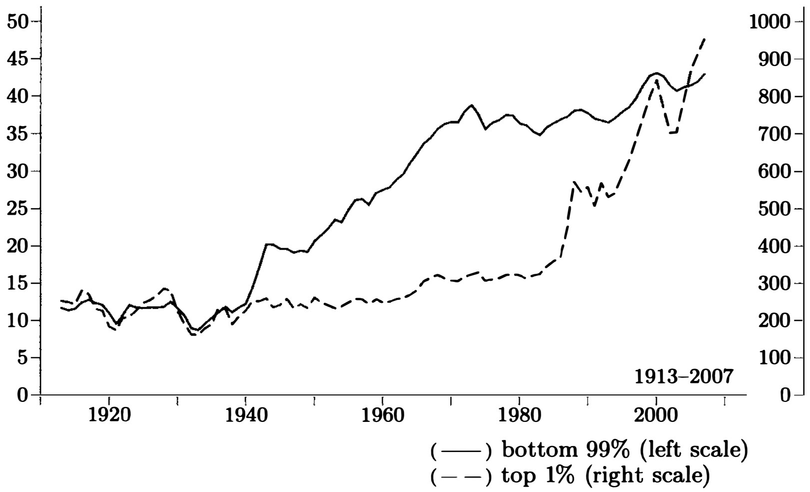

Figure 3.2 Real income of two income fractiles: U.S. households (thousands of 2007 dollars, yearly). Left axis: real income of the bottom 99 percent of households. Right axis: real income of the top 1 percent. The scale on the right axis is twenty times larger than on the left axis.

is apparent up to 2007. This profile provides a striking illustration of the specific features of the intermediate period, the first decades following World War II. One can attribute the first years of stagnation in the 1970s to a possible depressing effect of the structural crisis on incomes during the decade, but no new trend upward was established under neoliberalism. The second variable (— —) shows the purchasing power of the 1 percent upper income bracket. A symmetrical pattern prevails, almost stagnating to the early 1980s and then surging upward, also a multiplication by a factor of 3.6 after 2000 with respect to prewar levels (even more in 2007). It would be hard to be clearer. The variation of income hierarchies matches the sequence of the three phases in Chapter 1, with radically diverging effects for distinct income brackets.

This concentration of income and wealth at the top is not specific to the United States. During neoliberalism, financial wealth grew tremendously worldwide. Table 3.1 uses the notion of the high net worth individual (HNWI) of the World Wealth Reports of Capgemini–Merrill Lynch, that is, persons whose wealth (excluding the primary residence and subtracting debt) is above $1 million, a population of more than 10 million families worldwide. Between 1996 and 2007, the number of such individuals

Table 3.1 High net worth individuals worldwide (millions of individuals and trillions of dollars)

Year	Number of Persons	Financial Wealth	Year	Number of Persons	Financial Wealth
1996	4.5	16.6	2002	7.3	26.7
1997	5.2	19.1	2003	7.7	28.5
1998	5.9	21.6	2004	8.2	30.7
1999	7.0	25.5	2005	8.7	33.4
2000	7.0	27.0	2006	9.5	37.2
2001	7.1	26.2	2007	10.1	40.7

increased at a yearly average rate of 7.6 percent, and their total wealth grew at a yearly average of 8.5 percent (while the gross world product [GWP] increased at an average rate of 5.5 percent), indicating very substantial returns and capital gains. In 2007, the total wealth of HNWIs reached $41 trillion. (See Table 7.1 for a comparison with other figures in 2006.)

The High Wages of the Upper Income Brackets and Profits

Neoliberalism considerably transformed the overall patterns of income distribution, though, in the United States, not in the traditional sense of the respective shares of profits and wages in total income. (The term "wages" refers to total labor compensation, that is, the cost of labor for employers.)

Figure 3.3 shows (——) the share of wages in the domestic income of the U.S. corporate sector, that is, nonfinancial and financial corporations jointly considered. (In the analysis of the distribution of income, it is convenient to abstract from the noncorporate and the government sectors where, for distinct reasons, the division between wages and profits is problematic, and whose dynamics are the expressions of specific mechanisms.) With respect to levels, a first observation is that the share of wages fluctuated around 72 percent of total income, the remaining 28 percent corresponding to the sum of taxes and profits. With respect to trends, one observes that, after a period of limited growth of the wage share up to 1970, a plateau was reached. (This variable and the two others undergo fluctuations that tend to follow the ups and downs of the business cycle.) This constant percentage is rather specific to the U.S. economy, while, in a number of countries, the wage share decreased under neoliberalism, a factor in the restoration of profit rates at the beginning of the 1980s.[3]