crises
HISTORICAL FORMS
OF THEIR APPEARANCE
AND RECUPERATION
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The following text is from a much longer pamphlet entitled 'A CRISE ECONOMICA ACTUAL NA ESFERA DO CAPITALISMO AMERICANO' (The present economic crisis in the sphere of american capitalism) with a Supplement, 'ACTUALIZACAO DE DADOS ESTATISTICOS' the former written in April 1975 and the supplement in June of the same year, by the Portuguese comrade and militant of the communist group COMBATE, Joao Bernado. The first manifesto of this group, which appeared in their paper of the same name, has also been published in english. Anyone interested in writing to the group their address is :
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CONTENTS

<table>
<thead>
<tr>
<th>CONTENTS</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>CRISES</td>
<td>.1</td>
</tr>
<tr>
<td>GENERAL PHYSIOGNOMY OF CRISES</td>
<td>.1</td>
</tr>
<tr>
<td>THE THREE EPOCHS ACCORDING TO THE FORM OF RECUPERATION OF CRISES</td>
<td>.2</td>
</tr>
<tr>
<td>THE FORM OF RECUPERATION OF CRISES IN 'FREE COMPETITIVE' CAPITALISM</td>
<td>.2</td>
</tr>
<tr>
<td>THE FORM OF RECUPERATION OF CRISES IN MONOPOLY CAPITALISM</td>
<td>.5</td>
</tr>
<tr>
<td>ATTEMPT AT THE THEORETICAL DEFINITION OF THE NEW FORM OF RECUPERATION</td>
<td>.12</td>
</tr>
</tbody>
</table>
CRISIS

In the following pages, I intend to exclusively study the problem of economic crises. This study is in no way intended to be a substitute for the study of capitalism, which is very much broader and involves more fundamental questions. Capitalism is a mode of production based on a particular form of exploitation—extortion of surplus value through wage labor. This is its fundamental aspect and the tendential law of its development comes entirely from this basic aspect—it is the tendential fall of the rate of profit, which has its origin in the fact that the capitalist mode of production must always develop more capital employed in machinery and installations (constant capital) than in capital employed as waged labor power (variable capital). In this way, an always relatively smaller portion of total capital is produced as surplus value signifying that capitalism finds its possibilities of enlarged reproduction increasingly restricted. It is this law of the tendency of the rate of profit to fall which today leads to forms of development of free labor, found explicitly in integral state capitalism (USSR, China, etc.), more veiled but with no less reality in the American sphere of capitalism, though with sufficient clarity in some countries of this sphere, in Portugal, e.g., with the work of soldiers, 'civic service', etc.

It is the contradiction of exploitation, and the form of diachronic development (development in time) of this contradiction constituting the tendential fall of the rate of profit, that rules capitalism and its dynamic. Crises are no more than one of its aspects, or more exactly, one of the forms of realization, of this contradictory development of capitalism—so that the reader doesn’t think, then, that I reduce the problems of the development of capitalism to economic crises. Nor do I think that crises are the basis of this development—they are one of its expressions. But I think that it will be of benefit for the general analysis itself to make separate studies, and the problem of crises is sufficiently complex and offers today an interest of political intervention sufficiently great to justify, I consider, a separate analysis.

Having made this clarification, I pass to approach the questions that constitute the objective of this work.

To attempt to define the principal problems and the lines of fundamental force of the present world crisis, and numerically expose some of its principal aspects and consequences, demands that we previously know what a crisis is and what the diverse forms are under which economic crises have appeared.

GENERAL PHYSIOGNOMY OF CRISIS

In very general terms, one can say that there is a crisis when the existing market cannot absorb the products of industry and agriculture—the industrial companies restrict production, the agricultural crops accumulate without finding a buyer, unemployment spreads amongst the industrial proletariat due to the restriction of production. As I see it, crises are not the result of a single factor, others articulate themselves with the restriction of the market relative to production. Thus, for example, the problems arising from technological innovation, from the rhythms of this Innovation, from the fact that new technologies employed in one branch of production are out of phase with those employed in other branches of production, all this has in many cases considerable significance for the understanding of the crisis.

When it is said that the market, in a given moment is not able to absorb the products, this does not mean that people have attained a standard of living such that it doesn’t need to be raised and that they are limiting themselves to substituting goods that have deteriorated—far from it! It is not because people are rich that they cannot absorb the products, it is because they are increasingly poorer in relation to the quantity of products produced. That is, real wages grow at a slower pace than that by which capitalist industry increases the production of its commodities. All capitalist production is based on exploitation. An increasing portion of the growing riches that are produced in capitalism goes to form the surplus value that the capitalist class as a whole extorts from the working class as a whole—only a relatively inferior portion is that which is transformed into the means of reproduction of the workers’ labour power. The capitalist will apply in the remodelling of the means of production the greater part of the surplus value appropriated
In competition with other capitalists, improving the productivity of machinery and producing more products in less time and, consequently, cheaper as well. But the problem is that wages do not increase as much as the global sum of the prices of commodities being launched onto the market. It is the basis itself of capitalist exploitation which means that the separation between the increase of production and the increase of real wages is always growing. There appear, then, strangulations of the market that become more important each time. Companies begin to accumulate stocks of commodities that cannot be sold and slow the rhythm of production, a growing part of the productive capacity of industry is not utilised, therefore, redundancies increase. In very general terms, this is the general physiognomy that crises present.

We thus arrive at what appears to be a situation of impasse. Because, if the crisis is inaugurated by the incapacity of the market to absorb the growing quantity of commodities produced, this restriction of the market is going to be aggravated still by the growth of unemployment. How is this apparent impasse overcome?

If we can consider that the physiognomy of crises, described in its most general outlines, has not varied greatly, it is the form in which the crisis is overcome, or better, the form in which economic recuperation proceeds, which has varied throughout the great epochs of capitalism. It is then, from this aspect that I am going to attempt to trace the great phases of evolution, in brief and necessarily simple lines.

**THE THREE EPOCHS ACCORDING TO THE FORM OF RECUPERATION OF CRISES**

In my understanding, there can be considered three great epochs according to the form of recuperation of crises.

The first epoch, that ended more or less at the turn of the last century, is characterised by a great particularization in production, i.e. capitalist production is fundamentally based in medium enterprises, related to each other by the so-called regime of "free competition". Monopoly industries didn't exist, i.e., there weren't firms which by themselves, or associated to a few others, dominated entirely a branch of production. An aspect of this situation of pre-monopolist "free competition" is the existing separation between banking capital and industrial capital, which remain in different hands.

The second epoch initiated with monopolism and its more typical crisis, dates from the period between the two great world wars. Each sector of production is now dominated by enormous companies, the monopolies, that proceed to agree among themselves the division of the market, the fixing of prices, and some monopolies even begin to dominate several branches of production. An aspect of this link between the various firms and between the various economic branches is the fusion of banking capital with industrial capital (capital resulting from this fusion is customarily called finance capital), which enables the industrial groups linked to the big banks to control all the other industrial groups or firms that need loans from those banks.

The third epoch in the form of recuperation of economic crises appears to me to be that which we are passing through today, the particular interest of our study. I consider that it is characterized by the growing development of the stratification of the economy (i.e. by the role of the state as collective capitalist proprietor, this situation which is customarily called state capitalism), principally in the field of banking.

But we must look in more detail at each one of the principal phases, in order to be able to attempt to explain what appears to me to be the characteristics of the present phase.

**THE FORM OF RECUPERATION OF CRISSES IN "FREE COMPETITIVE" CAPITALISM**

To understand the mechanism of the recuperation of crises in this epoch it is important to take into account a determinant technology.

To the eyes of its contemporaries, this period of "free competitive" industry of the 19th century appeared highly mechanized. The era prior to the invention and the industrial application of the steam engine was still sufficiently near for machinery. In general the technology that capitalist production was founded on in the past century, not to appear
something wonderful and very complex. Today, nevertheless, we can see that throughout this epoch, before either the application of electricity to industrial production, or automation, (NOTE), the disproportion between machinery and human labor power was far from being as accentuated as it is in our day. Present productivity is incomparably superior to that time, the complexity of the machines, marvelous to our forefathers, today appear playthings. Above all, the role of machinery in production was not as developed as in our epoch. Thus, from here there results a very important consequence for the relative organization of sectors of industry, for the physiognomy itself of the market and for the mechanism of recuperation of crises.

The relatively weak weight of machinery in the production process('weak', clearly, if compared to present standards), saw the sector of production of these machines and; in general, the sector relating to all the mechanical part of production, become relatively secondary. This sector of the production of the means of production is usually called Sector I. Thus, it was the other sector, Sector II or the sector of the production of consumption goods, which assumed the principal role at that time.

From this dominance of Sector II over Sector I a particular physiognomy of the market resulted. The principal market was that of consumption goods, the market which covered the purchases that particular individuals made for their own and their families' survival, food, clothing and later, in a smaller quantity, a half a dozen other goods of necessary consumption. At this time, the larger part of food was not provided by capitalist industry, if we don't include bread in the cities, and thus the principal industry of Sector II was clothing. The rulers of the world were the textile industries. Their principal court was in Manchester, in Great Britain, the principal city of the textile industry of that time. Through textiles, through procuring the raw material of textiles, England enslaved the Indian sub-continent, carrying out, in a merciless struggle, the transformation of African cultures, finishing with the indigenous subsistence economy, transforming the africans into wage-laborers and condemning them to work for wages of misery, condemning thousands of them to die of hunger. Cotton was the fundamental raw material and the war of secession in Nth. America sent a tremor through the then industrial world as the israel-arab wars cause a tremor today in the quotations of the stock exchanges throughout the world, at a moment when it is no longer cotton, but oil, one of the fundamental raw materials.

The physiognomy of the economic circuit was, then, in simple outlines, the following-- Sector II(consumption goods) produced for the principal market, that of the particular consumers; Sector I was subsidiary to Sector II and obeyed its rhythm. Thus, if Sector II, that constituted the market of Sector I, was the principal sector of production, and if it worked according to the market of particular consumption, it is from this relation between the particular consumers and the sector of the production of consumption goods, that crises emanate.

Now, the great majority of particular consumers was composed of wage laborers, and as already indicated before, the rate of increase of wages is always inferior to the rate of increase of the total sum of the prices of consumption goods produced. From here results the strangulation of the market and the beginning of the crisis. The crisis begins by being felt by Sector II, since it is in the consumption goods market that it emanated from in the first place. When Sector II enters into crisis, lowering its rhythm of production and the degree of utilization of machinery at its disposal, it reduces its orders to Sector I, which then enters into crisis as well. Or better, the effects of the crisis transmit themselves from the market which the particular consumers constitute for Sector II to the market which Sector II constitutes in relation to Sector I. Only then is the crisis general. It encompasses

(NOTE) It is generally considered that during the capitalist mode of production there have been three great industrial revolutions. The first dates from the application to production of the steam engine, the first big textile establishment equipped with the steam engine was opened in Manchester in 1806. The second consists in the application of electrical energy to industrial production, that had taken place by the end of the last century. The third, with whose effects we live, consisted in the generalized application of methods of automation to industrial production and everything that results from this. It can be said that its biggest leap occurred after the second world war.
the whole of economic life and unemployment increases in alarming proportions.

So that we can understand the form how, in this situation of apparent impasse, the mechanism of the recuperation of crises begins to function, we first need to understand an aspect of the 'free competitive' regime. What truly characterized the so-called 'free competitive' regime was not the fact that competition between firms was free. There are always capitalists who, by directly controlling sectors of the state apparatus, or who enjoy a privileged position in the use of the infrastructures of production held by the state, and common to all firms, (means of transport and communication, sources of energy, etc.), had a dominant position in competition. The idea of free competition is based on the hypothesis of the equality of firms or, at least, of the equality of their possibilities of action, and this hypothesis was never true, not even in the capitalism of the nineteenth century. What, in my understanding, really defines the so-called 'free competitive' capitalism is the fact that each firm was highly particularized in relation to the others. This means that the capitalist of one firm practised ignores the capacities and the decisions of the capitalist of the neighbouring firm. This is due to the fact of the low concentration of property and of banking capital being, as already said, separated from industrial capital. There weren't firms which, by a control over the rest, could have exact knowledge of the situation in other firms. There weren't firms which, by being linked to the banks, could have, through the mechanisms of credit, knowledge of the necessities, of the possibilities and of the decisions of firms which resorted to these banks. In a language a little more complicated, this can be expressed by saying that the circulation of information was very low. Thus, each capitalist had to make up for the information that he did not possess by conjectures. That he was obliged to make. Information and conjectures are, then, inversely related--how much less the capitalist has information at his disposal, so much more he has to go on conjectures. It is precisely on this problematic that the mechanism of the recuperation of crises is going to turn.

When the growth of the commodities produced, relative to the capacity of the market of particular consumption to absorb them, leads to the strangulation of this market, to the accumulation of unsaleable commodities, to the fall of production and to the generalization of unemployment, those firms which are weaker and with less capital reserves collapse (which increases unemployment, clearly). This is the period of panic in which firms seek only to survive, selling their stocks at a loss, for fear that a little later they would not manage to sell them at all, putting the maximum break on production, utilizing in the least their productive capacities. It is the most acute moment of the crisis, or better, the moment in which this acuteness is enormously accelerated. This behavior is only entirely explicable in view of what I said about information and conjectures. To the extent that each firm possesses almost no information on what is going on in the others, each is going to conjecture the worst-based psychologically in the general situation of crises--and is therefore going to behave as if the worst was happening, which as its effect, it is clear, that the worst even happened. In other words, some that may have had information on the situation of each one of the firms and on the general situation of the market could see what percentage of stocks was necessary to sell for lower prices and at what point these prices must be lowered, how far production must be reduced, etc. The studies of today, having at their disposal statistical facts elaborated later, could do it, because surely is a situation in which information is effectively enjoyed. But the capitalist of that time did not have this information. He was limited to his own conjectures and wanted to sell as much as he could. It was a question of days, sometimes hours, in this marathon race of selling at a loss, and those that fell behind collapsed. If each capitalist possessed information on the general situation, their behavior could have taken a different form. Not possessing it and conjecturing the worst, each capitalist is going to maximize the effects of the crisis. This is the consequence of the problematic of information and conjectures in the phase of acuteness of crises.

But, after the period of the succession of failures, that phase is arrived that I characterized before as an apparent impasse--the firms that didn't collapse restrict production and market of particular consumption. It will be, newly, the problematic of information and conjectures that will allow the recuperation of crises. It is this, which is responsible for the
mechanism of recuperation of crises during this historical epoch, which I am now going to analyze.

Effectively, the firms that have managed to hang on without collapsing begin to conjecture a future phase of the market when the products could be newly re-absorbed and, in expectation of this conjectured future phase, decide to reequip with new machinery, allowing an increase in the productivity of the labor process, thereby increasing their competitive power relative to that of other firms. On the other hand, the particularization of firms already spoken of and the extremely limited amount of reciprocal information in their hands leads all the surviving firms to undertake this rationalization at the same time. Once more the dominance of conjectures over information leads to a maximization of the effects, but now in a contrary direction to before. Before it was the maximization of the effects of the crisis, now it is the maximization of the effects of the anticipation of overcoming the crisis. The mechanism of recuperation of economic life in this epoch consists precisely in the combination of these conjectures and of the maximization of the effects of these conjectures.

In simple terms, the physiognomy of economic recuperation is the following: the firms that anticipate a future recuperation of the market of particular consumption are, evidently, those working for this market, the firms of Sector II. Its first stage is, as I said, that of reequipping themselves with new machinery, which form orders for the firms producing the means of production, the firms of Sector I. These orders are the first material element of economic recuperation. They determine the expansion of the activities of the firms of Sector I which, by increasing production, are going to take on more wage laborers. In this way, unemployment begins to fall and, thus, the total of incomes distributed to the working classes rises who begin, therefore, to constitute a market with a bigger capacity of absorbing the products. This means, due to the recommencement of activities by the firms of Sector I, the development of the purchasing power of the market of particular consumers and, in this way, Sector II begins to have the market that it needs. The recuperation begins on the basis of conjectures and finishes later by creating the material basis on which these conjectures can become real.

Schematically, the succession of mechanisms of the crisis is the following: market of particular consumption \( \rightarrow \) Sector II \( \rightarrow \) Sector II as market \( \rightarrow \rightarrow \) Sector I.

The succession of mechanisms of recuperation of the crisis is: Sector II as market \( \rightarrow \rightarrow \rightarrow \) Sector I \( \rightarrow \rightarrow \rightarrow \) market of particular consumption.

In this historical epoch, sector I is always the last to suffer the effects of the crisis and the first to really overcome it, which doesn't fail to have secondary consequences for the future strengthening of Sector I in relation to Sector II. But the fundamental causes of this strengthening, and of the new physiognomy which capitalist production comes to present, are others. As from this point the new historical form of the mechanism of recuperation of crises arises, I will pass then to the following epoch of this historical development of the forms of the crisis.

**THE FORM OF RECUPERATION OF CRISIES IN MONOPOLY CAPITALISM**

The repetition of crises does not fail to have very important consequences. Through the very mechanism of economic crisis there are produced, from crisis to crisis, modifications in the structure of capitalism which, in time, are going to determine modifications in the mechanism of recuperation of crises. For facility of analysis and exposition, two major paths can be pointed out which, in their evolution, lead to the passage of one to the other of these historical forms.

On the one hand, each crisis causes, as we've already seen, successive failures that effect the weakest firms, such that, those which remain, already stronger in themselves, are going to centralize the capitals of those which failed. Each new crisis, causing new failures, determines an increase in this centralization of capitals.
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On the other hand, the conjectures made by the firms of Sector II in the stagnant phase of the crisis, about the future of the market of particular consumption, lead to their re-equipping themselves with more productive and, therefore, more developed and more complex machinery. This means that such conjecturing of the future state of the market and the desire to reequip, allows them to compete victoriously with the other firms, implying a constant increase of machinery employed in production. The means of production weigh increasingly heavier on capital. Firms must continually introduce new machinery, and must continually do it faster, before their innovations become antiquated by innovations applied in other competitive firms. At a certain moment, the expenditures on means of production are so considerable that, save absolutely exceptional cases, no particular capitalist can undertake such expenditures by himself. It is then that share companies undergo a rapid expansion, in which an always growing number of capitalists of varying importance put their capital together under the control of the most important one amongst them, in order to be able to face the always accelerating technological expenditures. This same necessity of increasing available capital leads to a continually growing dependence of the industrial firms on the banks. Profiting from the process of failures and, in general, from the continuously growing necessity for credit by industry, the banking sector begins to extend its control over the industrial sector, ending up with the fusion of banking capital and industrial capital (as was said before, capital resulting from this fusion is called finance capital). This general process is called the process of the concentration of capital.

These two paths of development, which are distinguished only for my own and the reader's facility, converge in common economic results. The processes of concentration and centralization of capitals lead to the continually increasing size of firms. We can look at this situation in more detail, under three points of view: the new physiognomy of production, the new physiognomy of the market, and the new physiognomy presented by the relations between the capitalist firms.

The new physiognomy of production: the growth of the importance of the reequipment in machinery by Sector II has as its effect, in the short term, that the various firms of Sector I, in order to become more competitive, also undertake technological innovations, seeking to improve their machinery which becomes more developed and more complex. All this implies that the production of the means of production begins to assume a much greater economic significance than the production of the means of consumption. Or better, Sector I (production of the means of production) overvalorizes itself in relation to Sector II (production of consumption goods). This dominance of Sector I over Sector II is, then, one of the great novelties of this epoch. From here there results a new physiognomy of the market.

The new physiognomy of the market: it doesn't cost anything to understand that it's not the particular consumers who buy the means of production. The wage workers continue to buy consumption goods, though the evolution of the general standard of living and culture (which, among other things, is precisely demanded by this development of technology which requires a higher number of workers and technicians with more qualified aptitudes) sees the old consumption goods, food and clothing, joined by new, more elaborate consumption goods. The market which becomes dominant then is that of the purchase of the means of production, and it is constituted, as we know, as much by the firms of Sector II as by those of Sector I. The new physiognomy of production, if it has much importance in the flow of manufactured products, has equal importance for the raw materials market. Here, the new physiognomy of the market consists above all in new commodities becoming the principal raw materials. Cotton loses its dominant role, coal is continually substituted by oil as a source of energy (in our time, and above all in the first half of the 1980's, oil will be substituted by generalized atomic energy), the fundamental raw materials cease to be those which were destined to particular consumption (cotton, tobacco, cocoa, etc.) and become the sources of energy destined to be consumed in the productive process and the raw materials destined to be incorporated in the means of production.
The new physiognomy presented by the relations between the capitalist firms: the growing concentration and centralization of capitals, and the appearance of finance capital, are the principal aspects running through the ineffectiveness of the traditional model of the recuperation of crises. Now, firms are no longer more particularized in relation to others. In each branch of production there is one or a small number of absolutely dominant firms. On the other hand, through banking credit, the financiers extend their control to multiple branches of production at the same time. And as the fundamental market is now constituted by the purchasers of the means of production, meaning, by production itself, this signifies that the principal capitalists not only control the other capitalists, they control the principal market as well. While, then, in the 'free competitive' epoch, the information that one capitalist possessed in relation to the other capitalists was minimal and, therefore, his conjectures were at a maximum, now, in this monopolist epoch, those capitalists possess an increasingly larger amount of information over the other capitalists. The great circulation of information—here is what fundamentally characterizes, under this aspect, monopoly. Given the inverse relation that always exists between information and conjectures, this means that, in the monopolist epoch, conjecture passes to a secondary place and the behavior of the capitalists is oriented above all by the information which they possess. In reality, this only happens with the big capitalists, with the monopolies, since only they have access to the information and guard it jealously. But, how are they going to completely dominate economic life; the medium and small capitalists, though not possessing information, are not going to conjecture either but fashion their behavior on the apparent behavior of the monopolies. I'm now going to attempt to explain the consequences of this new situation in the form of recuperation of crises.

But, before this, it is convenient to see how the mechanism of the unleashing of the crisis is also different in this epoch. The passage of the market of particular consumption to a secondary plane has an effect the passage to the first plane of a certain number of technological aspects that, in part, rule the market of the means of production. The depreciation of the means of production is less regular than that of the depreciation of consumption goods and depends, beside this, on the waves of technological innovation that have specific laws whose study I am not even going to attempt to approach. These technological factors mean that, in certain periods, firms reduce their orders for means of production, such that the firms of Sector I, which had multiplied their capacity in the period of the expansion of orders, begin to work at a much reduced percentage of their potential capacity. It is clear that the market of particular consumption, and the effects of its restriction in relation to the production of commodities by Sector II, continues to perform an important role, though less important than that of the technological aspect referred to above. It is the conjuration of these two factors that ignites the economic crises of major content in this epoch.

The economic crisis in the monopoly regime consists therefore in the articulation of two orders of factors: reduction of the orders of Sector I and Sector II (considered both as market of the means of production to Sector I (considered as producer of the means of production) and, restriction of the market of particular consumption in relation to Sector II (considered as producer of consumption goods) and consequently restriction of the orders of Sector II (considered now as market of the means of production) to Sector I (considered as producer of the means of production). The articulation of these two factors aggravates the effects, to the extent that unemployment is going to reduce still further the capacity of absorption of the market of particular consumption and newly excite the successive effects already discussed.

A first consequence of the alteration of the problematic of information and conjectures, consisted in the restriction of the effects of the crisis. I have already shown how, in the 'free competitive' regime, once the crisis was inaugurated, its effects were maximized in relation to amplitude and velocity by the fact that each firm, possessing almost no information, conjectured the worst and thus realizes the worst. Now, with the great circulation of information characteristic of the monopolist regime, the embryonic manifestations of the
crisis are not maximized and, thus, some great crises are avoided. Firms can adjust their
behaviour to the information which they effectively possess over the rest and on the
the information they possess on the market situation. This does not, however, avoid true
crises. It can merely avoid 'false crises' becoming transformed into real crises.

We can, nevertheless, look at what happened when the great real crisis broke out, which was
exactly what happened for the first time in an already perfectly monopolist regime, in 1929.
The first symptoms of this crisis, which remains celebrated in history, were noted in the
United States and it later extended to the whole world. Once the acute period of the succession
of failures was passed, and so on, and the crisis entered its stagnant phase, the traditional
mechanism of recuperation didn’t work. Firms did not make conjectures on the future state
of expansion of the market, seeking rather to recusitate themselves by competitively facing
this anticipated state, and in this way unleash the mechanism of reactivation of the economy.
The reason for this absence of conjectures is evident after what has already been said. To
the extent that they held a maximum of information, firms made a minimum of conjectures
and, therefore, once tending to anticipate future states of the market, now adapted themselves
to the state of the market at that moment. The first months of the stagnant phase of the
crisis elapsed and there weren’t even vague symptoms of recuperation. Unemployment
spread in waves never experienced before, social agitation reached an amplitude and a
level of violence that the history of capitalism could until then ignore, bourgeois govern-
ments fell one after the other, the capitalist world appeared ruined—only firms held on,
imperturbably, in the stagnant phase of the crisis. And thus years passed. The control by the
monopolies of the principal market and their exact knowledge of the situation

of other monopolies and the rest of the firms, allowed them to agree among them-
selves the falls in the capacity of production and in prices, and to continue to work, some-
times at incredibly low levels of their total potential capacity. The domination of inform-
ation over conjectures completely destroyed the usual mechanism of economic
recuperation. It is from this phase of prolonged critical stagnation that the new form of the
recuperation of crises developed which is going to characterize the monopolist epoch of the
capitalist mode of production.

The essential element of this new form of recuperation is the State apparatus. The State
has always had, throughout capitalism, an active and fundamental economic role, even though
generally incorrect theoreticians acknowledge its role in the formation of capitalism, while
never referring to it in the 'free competitive' phase. It was the State which always under-
took, throughout the history of capitalism, the creation of the general conditions of production
without which capitalism cannot exist (the infrastructures of production and transport, of the
extraction and production of energy, etc.) I have already referred to this question before
when I said that free competition was, in industrial capitalism, an impossible hypothesis,
because between firms there always existed a permanent inequality in the links established
with the State apparatus and in the use of the general conditions of production they depend
upon. The State, therefore, already had economic relations with private firms, to the extent
that it was a purchaser and a producer. What is going to be new in this phase is the
development of these economic relations and their transformation to an increasingly
higher level of importance. Up till then the role of the State consisted of the creation of the
general conditions of production. From now on it’s also going to be as reactivator of the
economy in crisis.

This new role of the State will be predominantly realized in the form of an extension of its
previous functions—the State as purchaser. In the face of the non-functioning of the old
economic mechanisms, the State begins to extraordinarily develop its role as purchaser of
the means of production. For this, the State is also obliged to develop its role as producer,
namely to increase the general conditions of production, or better, to develop State
capitalism. On the other hand, the State can still massively order war material which,
besides having an indirect economic finality (the conquest of new markets and new sources
of supply of raw materials through a war), also has an immediate economic finality (that is,
to purely and simply reactivate the mechanisms of production, even if no war is in sight
and sometimes, even knowing that this material becomes antiquated due to the bellicose innovations of competing countries. In this case the finality of production of war material is purely economic and not military). In sum, the State, developing its function as purchaser of means of production and military material, is going to reactivate Sector I production, which, due to the increase of orders, employs workers up to now out of work thus increasing the market of particular consumption. This increase in the capacity of absorption of the market of particular consumption leads to an increase in production of Sector II which, for its part, is going to constitute a market for Sector I. These are the successive effects of this State action.

But the role of the State in the recuperation of crises does not rest with its function as purchaser. It is still going to finance the private firms. This financing can be either direct or indirect. Indirectly, it consists above all in high prices paid by the State for the products of private firms, or in low prices for goods and services sold by the State to these firms. I think that customs tariffs are also important under this aspect, but we can stay with this simple picture. Directly, it consists of open credit by the State to these firms. In principle, this financing activity can benefit the firms of Sector I as much as those of Sector II. Nevertheless, the fact that the State has, for evident reasons, stricter, or more direct, economic relations with the firms of Sector I, and the fact that these now occupy the principal place in production, means that these are, in general, the firms benefitting from this type of State activity. But State financing of firms is a form that proceeds, largely, on the basic activity of State purchases from Sector I. It is these purchases that are going to constitute the general field of realization of these financing operations.

There is still another way, fundamentally distinct from the former, by which the activity of the State allows the recuperation of crises. This is State financing of the market of particular consumption. In the form of unemployment subsidies, family allowances, medical services and other services, credit facilities, etc., the State stimulates particular consumption and encourages, in this situation of generalized unemployment, an increase of particular consumption, even if it is only a little. In this form, economic reactivation is inaugurated by the firms of Sector II which respond to the increased capacity of absorption of the market of particular consumption, later enlarging the succession of its effects to Sector I.

In concrete cases, this second type of the new form of State intervention is always relatively secondary to the first type. Even though, in a given moment, the second type appears as the principal path, the evolution of the economic process will always give fundamental place to the first type of State intervention, by virtue of the dominance of Sector I in production. The recuperation of the crisis can be inaugurated by other types of intervention, but the first type will always develop as the principal. But it is clear that, in each concrete case, the second type, though always subordinate, performs a more or less important role, according to various factors.

These great types of State intervention in the economic crisis do not constitute alternatives whose practical option is insignificant. The various possible relations between them have very important social effects and also depend on previous social conditions. Besides this, this increasing State role has very important social effects.

Before approaching, however, the various questions arising from the new epoch of capitalism’s crises, I am going to schematically synthesize the succession of the mechanisms of the crisis and its recuperation.

The succession of mechanisms that leads to the crisis is the following:

Sector I → Sector II, as markets (market of particular consumption) → Sector I (→ Sector II → Sector II as market → Sector I) → market of particular consumption → Sector II → Sector II as market → Sector I.
The succession of mechanisms of the first type of recuperation of the crisis is the following: State --- Sector I --- market of particular consumption --- Sector II --- Sector I. Sector II as market --- Sector I.

The succession of mechanisms of the second type of recuperation of the crisis is the following: State --- market of particular consumption --- Sector II --- Sector II as market. These simplified schemes perhaps allow the reader to begin to see better the different implications of this form of recuperation of crises and of each one of its types. It appears to me then, that it is possible to proceed now to the analysis of the social implications of these various questions.

In the capitalist mode of production there develop in my view, three classes: the bourgeoisie, the proletariat and the technocracy. The bourgeoisie is the class formed by the private owners of the means of production, which appropriates the surplus value produced by the working class. The proletariat is formed by the wage workers, but not all waged workers are proletarians; it can be said that the proletariat is the class of wage labourers that produces surplus value. These two classes are already commonly identified, such that their definition does not lead to serious problems today. For a long time the technocracy was not identified by other than a few rare theoreticians. Only with its development in recent decades did it begin to be the object of more serious study, but much work will be necessary to arrive at a general agreement on the definition of the technocracy, of its functions and the lines of its development. Today, there is not even any agreement on the name to give it. For my part, and for now, I propose defining it—in a very simplified manner—as the class that integrates those elements responsible for the central organization of the capitalist mode of production, i.e., all those who manage the central conditions of production, through the state apparatus, and those who manage the organisation of work through the bureaucratic unions. The technocracy then appears essentially as a class of managers. Concerning its form of remuneration, the technocrat appears as a wage worker of the capitalist—in reality the wage that the technocrat receives has no similarity—since this does not lie in the juridical form it presents—with the proletarian wage, since the remuneration of the technocrats is a part of the surplus value produced by the proletariat. The state apparatus (in a broad sense, including the bureaucratic unions) is, then, the great field of the technocracy's expansion. How much more the state apparatus is developed, so much more the technocracy grows as well, but, at the same time, changing in form—to the extent that its role as manager of the general conditions of production begins to assume the principal place in the coordination of the whole production process and, therefore, the fragmentary and partial management of the private capitalists becomes surpassed and ineffective. The technocrats become conscious of this ineffectiveness of the private capitalists and propose themselves as the collective capitalists. That is, the technocrats aim to be the collective managers of global capitalist property, the collective proprietors of this global capitalist property; the field in which they will realize this management will be the field in which they want to realize this collective appropriation—the state apparatus—and this appropriation will be collective because, while a body of managers, it manages collectively, and not in a particularized and individualized way. All this means that the technocracy is a class with a very curious peculiarity; in its development, it effectively changes form and transforms itself into collective capitalists, or better, into a class of state capitalists. But it is not convenient for us to anticipate the rest. In resume: in capitalism, besides the bourgeoisie and the proletariat, I think that a technocratic class is generated which, in its development, aims to transform itself into a state bourgeoisie, surpassing, then, as a class, the private bourgeoisie, the old bourgeoisie.

Thus, the first great social consequence of the new form of recuperation of economic crises, due to growing state intervention, is the development of the technocratic class. This was what happened throughout the capitalist world following the great crisis of 1929, radically transforming the old forms of government, the old parties and, even, many of the forms that social life had assumed up till then. This social and political ascension of the
technocracy did not, however, obey any single type. In the phase of recuperation of the great crisis of 1929 we can point out, broadly, two basic types of technocratic ascension, arising from the relation between the two great types of state intervention in the mechanism of economic recuperation.

When the form is almost exclusively of the type: State --> Sector I --> market of particular consumption --> Sector II --> Sector II as market --> Sector I, that is, when the state appears almost exclusively as the purchaser of the means of production and armaments (besides its role as financier), an alliance is developed between that part of the technocratic class more directly linked to the general conditions of production, and the big capitalists of Sector I. When, though secondary, a relatively bigger importance is assumed by the type: State --> market of particular consumption --> Sector II --> Sector II as market --> Sector I, an alliance is developed between the technocrats more directly linked to the management of labor through the bureaucratic unions and the capitalists of the branches of production of consumption goods. In both cases there is an ascension of the technocratic class as a whole, but the relative privileges of the two big sectors of the technocracy change according to the forms of relationship between the two types of state intervention. A good example of the absolute dominance of the first type is the Hitler regime, of the second type, Switzerland from the middle of the 1930s, or the so-called "Popular Front" governments of the same period. They are always mixed cases in concrete situations, though approximating one or other of these basic models. Apart from this, innumerable cultural and political traditions inflect, in each country, the dominant model in one or the other direction.

It will be useful to analyze briefly here a question that, if it doesn't have its direct origin in this form of recuperation of crises through the intervention of the state apparatus, has innumerable relations to it and served as a powerful accelerator of the models described above. I refer to the economic and social regime that exists today in a large part of the world (throughout the area that escapes American capital) but which, at the moment, could only exist in the USSR.

The great workers revolution of 1917 in Russia was defeated during a relatively long process (lasting about three years) in which the factory councils - the celebrated soviets - which simultaneously constituted the anti-state organization of the workers and the embryo of the new communist relations of production, were finally crushed and a totalitarian state developed. It isn't the workers who directly control production and manage their own work. It is the state, or better, all the privileged elements who comprise the state apparatus, who, after having collectively appropriated the means of production, organize production and work and appropriate the surplus value. This means, the Russian proletarian revolution, by a complex internal process, degenerated into the complete seizure of power by the technocracy and, therefore, at the same moment in which it assumed power, converted itself into a state capitalist class.

The study of the process of this defeat and of all of the lessons arising from it assumes a fundamental importance for the proletarian revolution. Nevertheless, I cannot, in the limited ambit of this text, attempt to even minimally approach this central problem of the struggle between the proletariat and the technocratic class. Neither am I going to attempt to expose the economic system of this integral state capitalism and the aspects which differentiate it from capitalism where private property in the means of production exists. Since the final objective of this study is the analysis of the present economic crisis in the sphere of American capitalism, or better, of a capitalism where forms of the private ownership of the means of production continue to exist on a large scale, I will limit myself to the study of this sphere of private property capitalism.
This doesn't mean that crises don't exist in the integral State capitalism of the USSR and its confreres, and that many of the aspects which characterize this form of crisis are not now accommodated by the form of recuperation of economic crises studied here. Simply, the study of crises in integral State capitalism is not immediately demanded by the forms of economic crisis that constitute the only objective of my analysis in this work.

What is directly and immediately important for our case is the influence that the integral state capitalism of the USSR exercised on the western technocracy as a model, a paradigm of solutions, of ideologies to use and even, many times, of tactics to follow. It is no coincidence that in 1928 and in the years immediately after that the Russian technocrats converted into state capitalists finished, in its general mould, the constitution of the USSR as an integral state capitalist system. The USSR of the 1930s appears then, to the eyes of the world technocracy, as a finished example of integral state capitalism -- the first in history -- and rejecting it or supporting it, all are going to take inspiration from it for the solutions that they propose. The technocracy, whose economic and social basis of existence -- the state apparatus -- developed at a dizzying speed, thus found, simultaneously with the objective possibilities of its development and of its strength as a class, the ideological possibilities of very rapidly becoming conscious of its social function. Now, the sooner a class assumes consciousness of its function, the sooner this function comes to material reality. I think this has been the mechanism by which the consolidation of integral state capitalism in the USSR accelerated the intervention of the state as the new form of recuperation of economic crises, as well as the political, social and ideological consequences of this intervention.

ATTEMPT AT THE THEORETICAL DEFINITION OF THE NEW FORM OF RECUPERATION OF CRISSES

It will not have passed unnoticed by the attentive reader, the contradiction that immediately develops from the form of recuperation of crises that I have just explained.

We will reanalyse this form of recuperation of crises. In the first type, the state (as market) buys at high prices from the private capitalists and this same state (as producer) sells its products and services at low prices to the same private capitalists; besides this it makes loans to these private capitalists at low rates of interest. In the second of the types I described, the state makes loans to the particular consumers or finances them for free, which is the same as saying that it pays to the particular consumers a part of the wage that could, in principle, have been paid by the private capitalists. As I said, what happens in reality is the articulation of these two cases, more or less with the predominance of the former. The problem is thus posed: how does the state get the money to permanently subsidise the private firms?

The immediate response is the following: the state gets this money by asking for loans from private firms. If we reduce all these purchases and sales and all these credits to a pure movement of capital what happens is that the state, in order to be able to offer credits at a low interest rate to private firms is going to ask from these same firms loans at a higher interest rates (these loans at higher rates of interest correspond to the aspect already analyzed above of purchases by the state at high prices; in this case it concerns buying money for a high price -- which is the interest rate). Now, after my response, we see that the question is more confused still! The state lends to the firms at low interest rates and asks loans from them at high interest rates. We continue without knowing how this gap is filled. It seems perfectly absurd.

Nevertheless, if we look at the question in its chronological detail, there are two observations to be introduced: on the one hand, the firms which the state lends to
in a given moment are not the same ones from which it asks loans. In this same moment. On the other hand, the moments in which it makes and asks for loans are also going to be different. Introducing chronology into this coming and going of finances is very important. It is while firms are producing, i.e., creating material riches, that the government is able to bridge the gap spoken of between State financing and financing of the State, through the permanent flow of the formal equivalent of these riches-money. The apparently absurd disappears if we take into account that it is the State itself, through the flow of money, which makes up the difference between what it lends and what it receives in loans. The flow of money is the secret that explains this apparent paradox. But this money, in itself, is purely formal. It must be based in the material production of products and the real provision of services.

Here resides the secret of this highly unstable equilibriam. The mediation of time (to the extent that it corresponds to the production of material products and real services) must be more or less balanced with the flow of money (to the extent that this corresponds to the permanent intervention of the State in the reactivation of the economy). This equilibriam can oscillate more or less, but it can never go beyond a certain point of rupture. Or more exactly, there has to be a succession of disequilibriams such that some compensate for others, without excessively big oscillations—since an overstrong oscillation means, by itself alone, the rupture.

Do the conditions for the maintenance of this equilibriam exist or, on the contrary, does the system tend to newly break the equilibriam? To attempt to answer this question I must first analyze the form in which private capitalism developed after the 1929 crisis, and if this development tends to consolidate the above type of equilibriam or to break it thus causing the economic system to enter into a new crisis.

We must always have in mind that the equilibriam, whose maintenance or break I am going to analyze, has at one pole the production up to now of these private firms, and at the other pole the money issued by the State to make financially possible its growing intervention in the reactivation of the economy. The principal consequence of this form of State intervention resides in the fact that, in order to constantly develop Sector I of production, the State must increasingly develop the infrastructures of production whose organization is its responsibility. These infrastructures of production are the principal field of State purchases from Sector I. For their part, these growing orders for the reequipment of the infrastructures of production, the general conditions of production, have the effect of accelerating the development of Sector I itself. Each monopoly group reorganizes its machinery in order to be better able to competitively bid against the others in supplying the State. Thus is the applied technology of Sector I of production developed. It is precisely here, it appears to me, that the knot of the problem resides. Effectively, the permanent growth of the infrastructures of production implies the permanent increase of the potential capacity of production of the whole of the economy. This means that the State, when it develops the infrastructures of production under its responsibility, develops at the same time the potential capacity of production of all private firms. This potential capacity is developed in different ways and rhythms according to the type of relation of each particular firm with given infrastructures of production. But, from the point of view of the totality of firms and the totality of these infrastructures, the development of the average potential capacity of the former is occasioned by the permanent growth of the latter. Nevertheless, the effective capacity of production of the firms of Sector I is not solely due to the possibilities afforded by the material infrastructures. Over these material infrastructures is all the machinery and the technology by which these machines run. And the rhythm of development of this technology is distinct from the rhythm of the growth of the infrastructures of production. In the case of the latter we have a permanent increase (though not constant); on the contrary, however, technological development is, as I’ve already shown, characterized by waves. There are abrupt leaps in the technological process interlaced with periods of stagnation. Thus, the general tendency in the relation between the specific
development of Sector I and the specific growth of the infrastructures of production is for disequilibrium, and not for equilibrium. The possibility, then, tends towards great disequilibriums, or, more exactly, to the rupture of equilibrium, to crisis. This appears to me to be the fundamental mechanism that leads to crises in the present phase of capitalism.

When the disequilibrium is broken, the general conditions of production begin to work in a vicious circle. They cease to be an element of the development of Sector I, and are transformed into conditions of production of the present crisis. It is in this way that the effects of the rupture are aggravated, leading to a phase of acuteness of the crisis.

In the present circumstances of capitalism, nevertheless, the great number of determinants that the desaggregation of the crisis involves, and the importance which the elapsing of time has, not in attenuating but aggravating the crisis, means that the conditions of the crisis develop sufficiently slowly and with pauses resulting from the provisional non-articulation of given phenomena whose simultaneous conjugation the process of crisis demands to continue to occur. In an historical perspective, the retardation of the acuteness of the crisis was due to the vastness of the second world war. The great imperialist conflict destroyed innumerable stocks of commodities, destroyed much means of production and equipment, demolished the infrastructures of production in large parts of the globe. Thus, the growth of the infrastructures of production were, in absolute terms, at a much inferior level to what, in the beginning, could correspond to the existing level of technological development of Sector I. The surfacing of the conditions of the crisis was thus held up for some years. It is only recently that the gulf between the growth of the infrastructures of production and the rhythm of technological development of Sector I has become acute.

This rupture of equilibrium between the production of private firms and the production of the State has very important consequences. We cannot forget that State production, since the State intervened in economic life as recuperator of the crisis and constant incentivator of the economy, is a form of financing private firms. What happens then, as long as the disequilibrium spoken of is broken, is that the State supply to private firms enters into a vicious circle. The monetary expression of this problem is inflation. While equilibrium prevailed between the permanent intervention of the State in the recuperation of the economic crisis through the growth of the infrastructures of production and the production of commodities by the private firms, coming in the last analysis from the rhythms of the development of technology in Sector I—while this equilibrium lasted, or better, while the production of both corresponded, the increase of money was not inflationary. The rupture of equilibrium brings as a consequence, monetary inflation. But we can never forget—with the risk of understanding nothing of the central aspects of the present crisis—that this monetary inflation has as its basis that which I think could be called material inflation. Monetary inflation is nothing more than the formal expression, at the level of circulation, of the growth of the conditions of production in a vicious circle, of the transformation of the conditions of production into conditions of production—of conditions—of production. This, the latter, is material inflation. The existence of these two inflations and the distinction between them—one being the expression of the other and its form of realization at the level of circulation—will be fundamental for understanding my attempt at the theoretical definition of the form of recuperation of the present crisis, and in what way this form is new in relation to the previous forms.

As I said, with the development and its complexity, crises are each time due to a larger number of determinants. Though the basic conditions of the present crisis, in my understanding, are those I have just described, it was precipitated and aggravated by a crisis in the market of particular consumption, due to the regime of exploitation which capitalism is based on, as I think I have sufficiently explained in previous points. The direct effects of this mechanism already described. The market of particular consumption was, then, the sensitive
point of its outbreak. When I come to furnish the statistical facts on the present crisis, this aspect will be perfectly perceptible to the reader. But it is fundamental not to confuse what in the present circumstances of capitalism is only an element that unleashed the acuteness of the consequences of a phenomenon, with the basis on which these consequences are founded. The role of the market of particular consumption hasn’t disappeared as an element of the crisis. It has, nevertheless, a secondary role in the structure of the crisis. Its fundamental determinant is the rupture described above. This is the field in which to theoretically analyze it.

Once, after the inauguration of the rupture, the crisis became acute, how will the recuperation of economic activity proceed? The previous form of State intervention is condemned, since this constituted the basis itself of the present crisis. Concretely, the most typical elements of the present crisis are:

a) hyper-inflation,

b) a heightened economic depression,

c) growing unemployment.

This conjugation constituted a novelty, and inflationary measures cannot be taken to oppose the economic depression and attempt to reanimate production because, in the first place, this would have disastrous effects on unemployment and, in the second place, it would be nothing more than the aggravation of the monetary expression of the rupture described before. Now, to aggravate the monetary expression of this process would be equivalent to developing a still greater, through a series of chain effects, material inflation.

It is early, in the present phase of the economic crisis, to attempt to describe the complete form in which the State is going to reactivate the economy. There still isn’t the material basis to define theoretically, in all its aspects, the new form of the mechanism of recuperation of economic crises. It appears to me, nevertheless, that it is now already possible to attempt to define it in some of its more general outlines. I consider that these outlines constitute a sufficiently great mark to consider the present crisis as the opening of a new phase.

I think the road that State intervention will follow in the present crisis will be to overcome the contradiction between the State as purchaser (and therefore also as debtor) and the State as creditor. Or better, to eliminate the expression at the level of circulation of the basic relation between the State as formentor of the permanent growth of the general conditions of production and the unequal rhythm of the technological development of Sector I. Material inflation remains, but monetary inflation disappears. This disappearance of monetary inflation doesn’t fail to effect the basic material inflation itself. Finishing with the contradictions in the form of realization of a phenomenon, all the mediation of time is gained until the development of the contradictions in the new form of realization. The end of this contradiction between the State as purchaser and the State as creditor, with the consequent end of monetary inflation, is strictly related to the growing development of forms of free labor among the proletariat. I think that this will be the field in which the future form of realization of the basic contradiction will develop, with the consequent contradictions inherent to it. Apart from the great importance of this aspect, however, not only in general but also in the particular Portuguese case—among others—it is one of the limited and modest objectives of this work. As a result, I have not taken the analysis in this direction. I limit myself here to exposing what for now is nothing more than a theoretical hypothesis that attempts to explain, essentially, the mechanisms of the contemporary crisis.

What we can perfectly analyze now is the form in which I consider the contradiction between the State as purchaser and the State as creditor will disappear. This contradiction is evidently due to the particularization of the banking institutions in relation to the State. Such particularization disappears as long as the State appropriates the banks. I don’t want to say, with this, that as a result of the present economic crisis all the banking institutions in the sphere of american capital will be statified. Far from it! What
I want to say that important steps in this direction will be taken, more in some countries than in others, according to many specific determinants, which I am not going to consider now. Nevertheless, we have to take into account that to the extent that present economic relations are highly internationalized and that, in general, the State of one country is a debtor of foreign credit institutions, the development of the statification of banking could only have measurable effects if it was relatively general throughout the sphere of American capitalism. Thus, economic forms will develop in which banking is, or will increasingly tend to be, statified, but in which the industrial firms remain in private hands.

For this theoretical hypothesis to be correct, at least in its general outlines, I don’t believe that it is possible to immediately define the rhythm of its practical execution. The contemporary crisis spreads through time, with relative oscillations, and it is impossible to anticipate today if these modifications will initiated very shortly or in a further phase of the crisis, after various oscillations have occurred.

The generalization of a system of this type would have important economic and social consequences. If, in the first form of State intervention in the recuperation of crises, the role assumed was as financier of production, now it will be as the State itself as direct controller of all production that constitutes the most salient feature. There will be, then, a considerable development of State capitalism. Socially, this means that the role of the technocracy, in the sphere of American capitalism, will begin to decisively surpass the role of the old private bourgeoisie. For its part, the development of the statification of banking, guaranteeing the State control over all industrial production, would be a decisive step in the general transformation of the technocracy into a State capitalist class. For the proletariat, these phenomena, or even only the increase of the possibility, are of major importance. They signify that the technocratic class is, from now on, the principal enemy of the working class.

It is impossible to anticipate, in the present moment, if this struggle between the technocratic class and the private bourgeoisie over the statification, more or less, of banking, will proceed peacefully or will assume violent aspects. The form of this transformation will be determined, in large part, by social resistance that the technocracy encounters, and also by the acuteness of the crisis, which will allow so much less time for reforms the graver the crisis becomes. In a situation in which unemployment is spreading and in which millions of proletarians still confuse, in their conscious objectives, Communism and State capitalism, being, besides this, either directly encapsulated by the bourgeoisie or organized into hierarchical and authoritarian parties which constitute an anticipated form of the social relations of State capitalism—in this situation we can anticipate the danger that the technocratic class, finding support amongst sectors of the proletariat and among the unemployed, will utilize them as a social force for the transformation of private capitalism into State capitalism. Now, it is a serious factor of holding back the struggles that the new bosses ascend on the backs of the exploited.

It is against the technocracy that the proletariat must principally turn its attention, against the technocracy that it must concentrate its principal forces. The new regime of exploitation will lead the proletariat to struggle against the technocracy and against all technocratic forms against State capitalism and the development of free labor inherent to it, against the State that becomes increasingly totalitarian, against the hierarchical and authoritarian parties that in themselves epitomize the type of society which the technocracy promotes.

This is one of the lessons that can be taken from the form which the economic crisis is beginning to assume—and it is not one of the least.

23/April 1975