

The limits of Mattick's economics

Economic law & class struggle

by Ron Rothbart

INTRODUCTION TO SUPPLEMENT

Solidarity, particularly through the publication of Paul Cardan's work, has developed a well founded and time tested critique of economic determinism as espoused by the theoreticians of Social-democratic marxism and its offshoot - Leninism. We have also demonstrated that the roots of this determinism can be traced back to the original works of Marx and especially of Engels.

Against the determinism of official marxism we have stressed the creative role of the working class and the importance of socialist consciousness. Against the ahistorical and voluntarist concepts of traditional anarchism we have stressed the importance of understanding the specific historical terrain on which we must work.

We have tried to understand modern capitalism as it emerges into the late 20th century and NOT promote politics which are radical only by the standards of the 19th century. In this process however, we have perhaps been guilty of stepping too far ahead in our estimation of how

rapidly capitalism has moved beyond the realm of market competition towards a totally bureaucratic economy. We have not considered that so long as capitalism on a world scale remains a highly competitive system, aspects of Marx's original analysis might remain valid.

The article republished in our supplement is from the excellent first edition of 'Red Eye'. It does not attempt to deal with 'official' marxism, but attempts to reconcile the minority marxist current represented by Paul Mattick and the council communist movement, with the libertarian tradition represented here by Paul Cardan and 'Zerowork' (whose views appear similar to those expressed by John King in Solidarity No6.)

This article will be readily accessible to those readers with an understanding of economics and especially marxist economics. Others will probably find it difficult to follow, although I consider it worth persevering with.

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Mattick's virtue, his marxian approach, beside which Baran and Sweezy are revealed as quasi-keynesian (1), is at the same time his vice, or at least marks the limits of his perspective. From Mattick's point of view, the dynamics of capitalism can be comprehended by an understanding of the laws of capital accumulation. These laws ultimately lead the process of accumulation to an impasse, to a point where profits are insufficient for further accumulation. Far from resolving capitalism's classical contradictions, state intervention is only an admission that they persist. The contradictions reappear as a cancerous growth of unproductive expenditures. The "mixed economy", no less than the market economy, has limits, limits determined by its internal contradictions. Sooner or later these contradictions will become insurmountable. As a result, class struggle may well intensify and become revolutionary in character. The possibility of revolution hinges on the internal contradictions of the economy.

In this sort of analysis, the working class is only "tacitly present"; that is, its appearance as a revolutionary class is anticipated and even implied (given other assumptions about its subjective capacities) by the theory of collapse, but until that point its struggle is not seen as having a qualitative impact on the economy. The struggle over wages and working conditions takes place within the confines of the law of value. The laws of accumulation—specifically the law of the tendential fall of the rate of profit—which define the dynamic of the system

incorporate this struggle as a struggle over the rate of exploitation, one of the variables of accumulation. The class struggle is, as it were, submerged by the "laws of motion" of the economy, and does not violate them.

An alternative theory which postulates *class struggle* as the dynamic of capitalism was developed in the late 50's and early 60's by Cornelius Castoriadis (A.K.A. Paul Cardan), principal theoretician of the French group *Socialisme ou Barbarie*. More recently, an American journal *Zerowork*, influenced by an Italian theoretical current, has come out with an analysis of the current crisis which bears certain similarities to Castoriadis' approach. Also, in Britain, Glyn and Sutcliffe, in their book *British Capitalism and the Profit Squeeze*, put forward a view of the British situation in the late 60's similar to that of Castoriadis and *Zerowork*. It is no accident that someone strongly influenced by Mattick, David Yaffe, has opposed their view. Although one could make reference to other tendencies and other authors, in what follows I will use Mattick as representative of one approach and Castoriadis and *Zerowork* as representative of an opposing approach. (2)

The issue of this opposition dates back at least to the 30's when Karl Korsch flirted with the notion—and then rejected it(3)—that after 1850 Marx's own theory turned progressively into a determinism which ignored class struggle. Korsch decided it was only a matter of a change in *emphasis* and that

the Marx of class struggle and the Marx of a "contradiction between productive forces and relations of production" complemented each other. (4)

Castoriadis, however, portrayed Marx as a determinist, and argued that Marx's economic theories don't hold water. I'm not going to try to deal here in full with Castoriadis' characterization of and arguments against Marx. Whether or not they are valid, the motivation for Castoriadis' anti-Marxism is important. He aimed to oppose what is generally, or popularly, considered to be "Marxism" — determinism and economic reductionism — with a "new" theoretical starting point. The crisis of society, he argued, is not a narrowly economic one, but a crisis of the whole social fabric; it has to do with everything men and women face in their everyday life. What is important, according to Castoriadis, is not the contradictions of the economic system — but whatever bears upon the radical transformation of society by the *self-activity* of people. "Self-activity is the central theoretical category," he says. A sympathetic reading of Marx would show that in fact self-activity and capital as its very negation, is a central category of his work. Castoriadis however, in his unsympathetic reading, *opposes* this category to the Marx of economic law.

According to Castoriadis, Marx's failure to take self-activity into account in his economic theories has rendered them obsolete. Contrary to Marx's expectation, the rate of exploitation (also called the rate of surplus-value) had not continually risen but instead, in the advanced capitalist countries, remained constant for some time. (5) What Marx hadn't counted on, said Castoriadis, was the power of the working class to achieve through struggle a continuous rise in wages. Moreover, in spite of this rise, capitalism had not collapsed, but had prospered. Through the expansion of an internal market and conscious intervention in the economy by the state, the system, though not free of recessions, was maintaining itself with no profound economic crisis; and, moreover, none could be expected simply on the basis of insoluble contradictions of the accumulation process. If the system were to fall into crisis, it would be due to contradictions arising from the bureaucratization of society, which for Castoriadis is the *essential* tendency of capitalism, and from class struggle, which for Castoriadis is the *real* dynamic of capitalism.

Discussing the current situation in his introduction to the 1974 edition of *Modern Capitalism and Revolution*, Castoriadis saw no reason to change his viewpoint. There he argues that the main cause of the rising rate of inflation has been the increasing pressure. . . of all 'wage and salary earners' for higher incomes, shorter hours of work, and to an increasing extent, changes in their conditions of work." The international consequences of this rise in the rate of inflation due to social struggles, combined with other irrational factors he considers "extrinsic to the economy" (e.g. politically motivated decisions of a president), could result, he says, in a serious economic crisis, but this "would not have been the outcome of those factors which the marxist conception considers operative and fundamental."

At the end of 1975, the journal *Zerowork* came out with an analysis of the current crisis which, like Castoriadis', focuses on class struggle.

From the capitalist viewpoint every crisis appears to be the outcome of a mysterious network of economic "laws" and relations moving and developing with a life of its own. . . . Our class analysis proceeds from the opposite viewpoint, that of the working class. As a class relation, capital is first of all a power struggle. Capital's "flaws" are not internal to it and nor is the crisis; they are determined by the dynamics of working class struggle. . . .

The contemporary Left sees the crisis from the point of view of economists, that is, from the viewpoint of capital. . . . For the Left the working class could not have brought about the crisis; it is rather an innocent victim of the internal contradictions of capital, a subordinate element in a contradictory whole. This is why the Left is preoccupied with the defense of the working class. (6)

For *Zerowork*, Keynesianism was a capitalist strategy based on a new relation with the working class growing out of previous struggles. "Full employment" had been *imposed* on capital. Capital's counter-strategy consisted in recouping increasing wages by means of inflation, expanding the internal consumer market and instituting productivity schemes. The cycle of struggles of the late 60's and early 70's, characterized by the "refusal of work", an initiative tending to separate income from work (in which a strategic unity of the waged and the unwaged plays an essential role), *imposes* the new crisis on capital. In effect, continually rising income claims of all sectors of the working class combined with increased absenteeism, "crimes against property", high employee turnover, sabotage, opposition to productivity schemes, etc., tend to sever income from productivity and thus cut into capitalist profit margins. The working class ruins the Keynesian balancing act by making incomes rise faster than productivity. Capital responds with a strategy of planned crisis aiming to re-enforce the tie between income and work.

Zerowork's theses bring to the fore the rate of exploitation. They see active intervention on the part of the working class, *reducing* the rate of exploitation, as the initial cause of the current crisis. "The crisis is characterized by an unprecedented decline in the rate of exploitation." (7)

In Britain, where Glyn and Sutcliffe have tried to give evidence for a similar viewpoint, their thesis has been put into question by David Yaffe, who interprets the evidence differently.

Glyn and Sutcliffe's and *Zerowork's* thesis is actually stronger than Castoriadis'. I must distinguish them before discussing Glyn/Sutcliffe and Yaffe. Castoriadis argued in 1974 that wage pressure (as well as demands for shorter hours and changes in working conditions) was inflationary and that hyperinflation had a *destabilizing effect* on the world economy. A change in workers' behavior during economic downturns had resulted in a world recession. "The decisive factor here is a secular change in the behavior of wage and salary earners who have come to consider as granted an increase in their real incomes, year in, year out. . . ." whatever the state of the economy. Allowing unemployment to rise to catastrophic levels could do away with this expectation (indeed it has), but only at the cost of creating a potentially explosive situation. There is no talk here of wage increases cutting into profit margins. What is important for Castoriadis is "self-activity", the fact that workers ceased to behave as manipulable objects, moderating their demands in response to planned downturns. It is not necessary for Castoriadis' argument that wage pressure actually resulted in increased *real* wages, only that it *started* an inflationary spiral that led to international monetary instability, which had deleterious effects on world trade.

Zerowork's argument is similar in that its main purpose is to explore how the working class breaks out of the capitalists' attempts to maintain it as a predictable "factor of production" and becomes a fighting unity. What Castoriadis calls a "secular change in behavior" *Zerowork* sees as the "political recomposition of the working class". Where *Zerowork* differs from Castoriadis is in emphasizing income pressure other than wage demands (welfare, shoplifting, self-reduction of transportation fares, meat boycott, etc.), and at least implying that income demands, combined with struggles which reduce productivity, are the cause of the *profitability crisis*. In this last matter, *Zerowork* resembles Glyn and Sutcliffe.

Glyn and Sutcliffe's argument is based on statistics which they claim show that in Britain between 1964 and 1970 profits fell while wages rose as a share of the national income. Yaffe attacks their use of the statistics and tries to show that in fact, there was in this period a *decline* in the share of *net real wages* and salaries (after tax) in national income. At the same time, productivity increased at a faster rate than real wages after tax. In other words, the rate of exploitation continued to *rise*. If this is correct, a Glyn and Sutcliffe/*Zerowork* type analysis fails to get at the source of the profitability crisis. It can't be due to a simple drop in the rate of exploitation, to real wages rising faster than productivity.

For Yaffe, there's a problem with the rate of exploitation, but it arises from modern capitalism's internal contradictions rather than from workers' militancy. Like Mattick, Yaffe sees modern capitalism creating a demand for surplus value that it can't adequately supply. Since progressively more capital is involved in state production, the total profits earned are drawn from a base of private capital formation which, relatively speaking, is dwindling. In this situation, the only way to maintain the general rate of profit is to raise the rate of exploitation faster than before. "In order that state expenditure can be financed out of surplus value produced in the private sector of the economy, the rate of exploitation must be increased faster than before to prevent an actual fall in the rate of profit and a faster rate of inflation."



Yaffe's argument is based on an understanding that variable capital consists only of wages paid to productive workers, i.e. those workers involved in surplus value production. The rate of exploitation is not determined by the general level of wages but by the ratio of the total income of productive workers to the surplus value produced. Thus, a general rise in wages and a continued rise in the rate of exploitation are compatible if the number of productive workers remains relatively stable or decreases while productivity makes substantial gains. This is the theoretical basis for arguing that the rate of exploitation has continued to rise in Britain. However, more and more of the surplus-value produced has been allocated to unproductive expenditures, has gone not only into state production and social services but also finance and commerce. In other words, the productive sphere has been drained, or "looted," by the unproductive spheres. Though productivity has continued to rise, it has not risen fast enough to produce a mass of profit sufficient to meet all the demands made on the total surplus-value by both the productive and the unproductive spheres. The inflationary spiral is a result of the fact that the demand on the total mass of profit exceeds its supply. Workers certainly have been struggling, struggling to keep the price of their commodity, labor-power, up with other prices, but the basic cause of the inflation is increased unproductive expenditures, which in turn rise largely because of government attempts to keep up the level of production, and thus employment, in spite of chronic stagnation due fundamentally to the tendential fall of the rate of profit. At the present time, British capitalists are trying to hold down wages and restructure industry which involves laying off workers—in order to raise productivity and thus further increase the rate of exploitation. (8)

For both Yaffe and Mattick, the insufficient rise in productivity is primarily a result of and in turn a cause of declining profitability. Since the post-war recessions did not and could not result in classical capitalist expansion, but rather only in an expansion in state production superimposed on real stagnation, the investment in new plant necessary for a sufficient rise in productivity could not take place. The lag in productivity results fundamentally from the internal contradictions of capital, has its source in the tendential fall of the rate of profit which cannot be reversed through Keynesian policies.

It would be naive to assume that what is at issue here is simply a question of fact. *Zerowork* presents its analysis as a basis for understanding working-class strategy in this period and as a basis for revolutionary organization. It proposes and allies itself with demands that further separate income from work or claim income for previously unwaged labor (e.g. wages for housework). Those influenced by Mattick's analysis tend to concern themselves with various working class strategies as responses to deteriorating conditions. (9) Both focus on similar means and forms of struggle, and both emphasize working class autonomy. But, in relation to one another, the one emphasizes the offensive and is more "voluntarist", while the other emphasizes the defensive aspect of struggle and leans in a "spontaneist" direction. *Zerowork* poses the issue starkly and polemically and claims there's no mid-ground between what it calls the "capitalist viewpoint" that the crisis arises from internal contradictions of the economy and what it calls the "working class viewpoint" that it is imposed on capital by the working class. However, the two viewpoints are not necessarily as mutually exclusive as *Zerowork* claims.

Mattick often points out that the classical marxian account of the tendency of the rate of profit to fall takes place on a high level of abstraction and doesn't exhaust the discussion of profitability, which also has to take into account the complexities of real, concrete capitalism. Marx's analysis, after all, abstracts from competition and assumes the existence of only two classes in a purely capitalist environment. Also, for Marx, the famous tendency of the rate of profit to fall is only a tendency, a consequence and expression of the increasing social productivity of labor, which is counteracted by other tendencies: rationalization, shortening the time of capital turnover (through improved transportation and communication) opening up of new spheres of production that have a low organic composition and thus high rate of profit, devaluation of capital in crisis, importing cheap foodstuffs and cheap raw materials, opening up of new areas for profitable capital investment and increasing the rate of exploitation. A tendency of the rate of exploitation to rise is bound up with the tendency of the rate of profit to fall, these two opposed tendencies both following from the increasing social productivity of labor. But a conscious attempt of the capitalists to raise or maintain profits by raising the rate of exploitation through lowering wages and intensifying labor (speed-up) has a more immediate political impact. (10) These means of raising the rate of exploitation degrade and exhaust the laborers, leading them, in the classical conception, to overthrow the system. "The mass of misery, oppression, degradation, exploitation [grows]; but with this too grows the revolt of the working class." (11)

The tendency of the rate of profit to fall and these counter-tendencies form a dynamic which underlies and determines the character of capital accumulation, explains the crisis-ridden nature of capitalism, and is the context of the struggle, both among capitalists and between classes, over the division of surplus-value. For Mattick, following Henryk Grossman, the ultimate significance of a falling rate of profit is that it limits the growth of the mass of profit, and the mass becomes insufficient at some point for the profitable expansion of private capital.

Refutations and emendations of Marx, as well as defenses, often deal with the counter-tendencies to the fall of the rate of profit, both their power to preserve the system and their limits. Imperialistic expansion proved quite effective for capital up to a point; world war itself served to literally destroy capital, as Mattick argues, re-creating conditions for a period of expansion

when growing monopolization hindered devaluation in crises; Taylorization of the labor-process is said to have allowed for increasing output and thus raising wages without decreasing the rate of exploitation, (12) and this in turn allowed for an expansion of the internal market; credit expansion has been another factor; state-intervention often involves rationalization; transportation and communications have improved phenomenally, cutting down the time of capital turnover.

Mattick concerns himself in part with the counter-tendencies to the counter-tendencies, their *limits*. For example, advertising costs, associated with an expanded internal market for the monopolistic consumer industries, are a drain on surplus value; "profits" made in state production are really a drain on surplus value. While Castoriadis rejects Marx's theory, claiming the rate of exploitation has not risen, and Zerowork claims the crisis is the result of the working class' *reducing* the rate of exploitation, Mattick reasserts the classical theory, pointing to the limits inherent in the means used to preserve the system and anticipating a point at which the *reaching of these limits* will provoke a *sharpening of the struggle* over the rate of exploitation.

Alan Jones tries to resolve the debate between Yaffe and Glyn and Sutcliffe this way:

At the onset of conjunctural crisis, notably when the process of accumulation falters, it is perfectly possible, indeed, inevitable, for direct struggle over the rate of exploitation to function as the cause of the onset of overt crisis. . . . There is nothing contradictory whatever in understanding that in the final analysis the reason for the decline in the rate of profit is the changes in the organic composition of capital and in understanding that in a particular capitalism, in a particular time, the dominant element in the crisis is played by a direct struggle between the working class and the bourgeoisie over the rate of surplus-value.

In fact, the rise in the rate of exploitation has slowed as "a result of May 1968 and the continued combativity of the working class. The rise in the rate of exploitation was thus slowed down by the resistance of the workers and therefore no longer exercised sufficient force to counteract the negative effect of the rise in the organic composition of capital". (13)

Such an approach seems to me most fruitful because it allows us to take into account both the economic system and the class struggle, without imagining that either is autonomous of the other or completely determined by the other. It allows us to recognize the working class as an active factor within the context of an economic system that has internal contradictions.

The working class does not merely arrive *post facto* to save the world from the misery which capitalism has wrought. If the crisis demonstrates that capitalism has not solved its internal contradictions and, as Yaffe argues, needs to raise the rate of exploitation faster than previously, it also demonstrates that the working class has not become an integrated, manipulable component of the system, but is capable of *self-activity*. Its combativity becomes an obstacle to the functioning of a system which has its own exigencies.

Because of the *different levels of abstraction* on which this discussion takes place — Mattick and Yaffe abstract and theoretical, Cardan and Zerowork more empirical — the relationship and possibly complementary character of the two views is obscured. In the 30's, Anton Pannekoek criticized the economic theories of Mattick's mentor, Henryk Grossman, for leaving out human intervention. Mattick answered:

Even for Grossman there are no "purely economic" problems; yet this did not prevent him, in his analysis of the law of accumulation, to restrict himself for *methodological reasons* to the definition of purely economic pre-suppositions and of thus coming to *theoretically* apprehend an objective limiting point of the system. The *theoretical* cognition that the capitalist system must, because of its contradictions, necessarily run up against the crash *does not at all entail* that the real crash is an automatic process, independent of men. (14)

Mattick does not remain on the level of abstraction that Grossman did in his crisis theory. He relates the pure model to phenomena of modern capitalism. But he does tend to deal with the economy in abstraction from class struggle. Mattick is well aware of the limits of Grossman's and by implication of his own approach, and accepts them as self-imposed limits for methodological reasons. All one can say on the basis of an analysis of the developmental tendencies of capitalism, he says, is that crises will occur and "offer the possibility of a transformation of the class struggle within the society into a struggle for another form of society." Economic theory can only "give consciousness of the objective conditions in which the class struggle must evolve and determine its orientation." (15)

Although, as a temporary methodological procedure, this separation of economic theory can be justified, still, any permanent hypostatization of economic theory must be questioned. As Geoffrey Kay, discussing Yaffe, puts it;

The conventional interpretation of the law (of the falling rate of profit) can be attacked. . . for objectifying the economic process and thereby separating the class struggle from the accumulation of capital. . . . The proletariat remains in the background. . . . The law as conventionally understood. . . cannot yield any real understanding of the death crisis of capital as the birth pangs of a new form of society. . . can tell us nothing about the class that will make the revolution. . . By objectifying economics and denying the proletariat any active and qualitative role in the creation of the crisis, Marxist economists have denied themselves any possibility for systematically analyzing the class struggle in its concrete forms, and lifting the problem of the political organization of the working class out of the limbo of ideological rhetoric. (16)

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The approach which analyzes recent developments in terms of class struggle is commonly applied to Italy, since its post-war competitiveness was based in part on low wages. "It was above all cheap domestic labor which financed Italy's post-war economic recovery," say one set of commentators.

The export industrialists were thus able to sell their products at stable or falling prices while maintaining profit margins high enough to self-finance further industrial expansion. . . . Once the industrial workers demanded higher wages, the whole house of cards began to collapse. . . . For over a decade now it has been the class struggle, and especially, though not exclusively, the consequent rising cost of labor, that has determined Italian economic cycles. (17)

The Italian steel, automotive and chemical industries were developed after the war with advanced technology, which allowed Italy to take advantage of the post-war liberalization of trade. Repression of the labor movement guaranteed low wages.

In the late 50's and early 60's, various factors contributed to a heightening of workers' militancy. One was the increased parcelization of work and the process of de-skilling, which began to break down old hierarchies in the workforce. Another was the reduction of unemployment as a result of the "economic miracle." The new unity and strength of the working class manifested itself in the strike wave of 1962, which won a substantial wage increase.

In response, the capitalists first raised prices and then, in 1963, clamped down on credit to combat inflation. The rate of investment had already been falling. The credit squeeze further reduced investment and a three-year recession followed, during which capitalists restructured factories for greater productivity. Production rose while wages fell. A period of upswing followed, but it was based on labor discipline rather than increased investment. In general, the Italian economy has been stagnating since 1963. As another commentator observes,

The temporary weakness [of the Italian working class] allowed a further spurt of growth in 1966-68, but this was obtained essentially by speedup, with next to no investments in more modern technology . . . Since 1963-64, Italian capitalists have been investing very little, and the increasing technological lag has made Italian exports less and less competitive." (18)



unemployed youth,
Rome 1977. The banner reads: AGAINST
WAGE LABOR

The effects of rationalization on the conditions of work, as well as deteriorating urban living conditions, led to the "hot autumn" of 1969. As a response to speedup, workers struggled to gain more control over the organization and pace of work, as well as for higher wages. In order to do this they had to struggle against unions as well as employers and create autonomous organizational forms: general assemblies, factory councils and industrial zone councils. In this period workers won both substantial wage increases and some power to counter the employers' restructuring projects.

As usual, the capitalists then raised prices and tightened credit. However, the recession of 1970-72 did not bring about the hoped for reduction of militancy and wages continued to rise. Italy's problems then accelerated under the effects of economic instability on the global level. On top of rising labor costs and resistance to restructuring, Italian capital had to contend with world-wide hyperinflation and deteriorating market conditions. As the cost of imports, especially food and oil, rose, and markets for Italian goods contracted, Italy's trade deficit became insupportable and the country was forced to depend on unprecedented levels of international credit to avoid formal bankruptcy.

The current capitalist offensive involves increasing overtime, cutting out holidays, implementing speedups, and trying to impede the working of a sliding scale of wages. The attempt to link a new IMF loan to the subversion of the sliding scale was successfully resisted by workers in the spring of 1977.

Italian capitalism's long-term strategy is to destroy the degree of homogeneity attained by the working class struggle in recent years by decentralizing component operations and extending automation and to convert industry to capital goods production, which will require labor mobility and a long period of very high unemployment. Workers have responded with wildcat strikes, sabotage, autonomous organization, expropriations, self-reduction, etc.

What's apparent in all this is a progressively intensifying struggle over the rate of exploitation. At least since the war, the strength of Italian capital seems to have depended on a disciplined workforce. Every time the Italian working class began to break its bonds, economic expansion was retarded and the ruling class was forced to respond by tightening the screws. Every working class victory on the wage front was met with increased prices, managed recession and an attack on the labor process. In the face of deteriorating trade conditions and without a docile working class, the Italians had to turn to international borrowing. Domestic capital investment, lagging since 1963, was only available before that because of domestic cheap labor.

While this empirical account gives the intensification of the struggle over the rate of exploitation in Italy concreteness and specificity and indicates how it has been leading to direct action and autonomous organization, it doesn't really justify the conclusion that the Italian crisis is "caused" by working class activity. We are drawn back into asking why post-war Italian expansion necessitated low wages, into noting that it was based on investment in new industries in a period of post-war reconstruction and that after that no substantial investment was forthcoming. If the working class precipitated the Italian crisis, it was because Italian capital was so *vulnerable* to worker self-activity. We are dealing with a system that can't tolerate working class victories, a system with little room for maneuver.

Looking for "causes", we would be drawn back into the pre-war period and asking general questions about the crisis of capital between the wars and the means used by the capitalists to extricate themselves from this crisis, in other words asking the very questions Mattick tries to answer in *Marx and Keynes*.

It was Britain's chronic low investment, as well as the combativity of the British working class from 1910 on, that served as an impetus to Keynes' theories. And it is in Britain that Keynesian policies have been most extensively applied and that the limits of the mixed economy are most evident. An obsolete industrial plant, a constantly expanding state budget, relatively high social services expenditures, and a large and growing state industrial sector, are all a result of the long-term low profitability which has made Britain unattractive to private investors and uncompetitive on the world market. In 1976 the most sensational manifestation of these conditions was the steep fall in the value of the pound. In order to resolve its monetary problems, Britain would have to become competitive (preferably in a situation where world trade is expanding). And in order to do this it would have to decrease unit labor costs, i.e. increase productivity while restraining wage rates. In the 60's British industry tried to do so by tying wage increases to various organizational measures that would increase productivity, and by initiating an incomes policy. But this proved ineffective, both because of growing working class militancy, including a growing tendency to reject productivity deals, and because it has become apparent that large injections of capital are necessary to re-establish profitability.

One could say that the wave of struggles in the late 60's and early 70's plunged Britain over the brink into a more or less bankrupt state in which it is dependent on the IMF (at least until the expected oil revenues materialize). But this has to be understood in the context of chronic economic stagnation. (19) A 1973 article on Britain sums up the situation in this way:

British capital, handicapped by decades of low investment, requires a substantially increased share if it is to meet successfully the growing pressures of international competition. The unprecedented level of wage demands and wage settlements in the last five years . . . clearly accentuated this problem. Moreover, workers' readiness to

cooperate, through productivity bargaining, in the more intensified exploitation of labor has to a large degree evaporated since the end of the 1960's. (20)

The global problem capitalist economists refer to as the "capital shortage" weighs heavily on Britain, as well as Italy.

Nowhere is the capital crisis more acute than in Britain and Italy. . . . Britain must invest some \$45-billion in new plant and equipment to become competitive with its Common Market neighbors and with such trade rivals as Japan. In fact, the British government estimates [in 1975] that investment in manufacturing will fall . . . (21)

So capitalist planners speak in terms of "correcting the balance between consumption and production," i.e. lowering wages and unproductive expenses in the hopes that this will make funds available for investment.

However, politicians must weigh the possibility of intensified class struggle, which cutting into wages and social expenditures and increasing unemployment could set off, against the insolvency that would result from continuing old policies. For example, in Britain, after the steep drop in the value of the pound, the Chancellor of the Exchequer said "that the

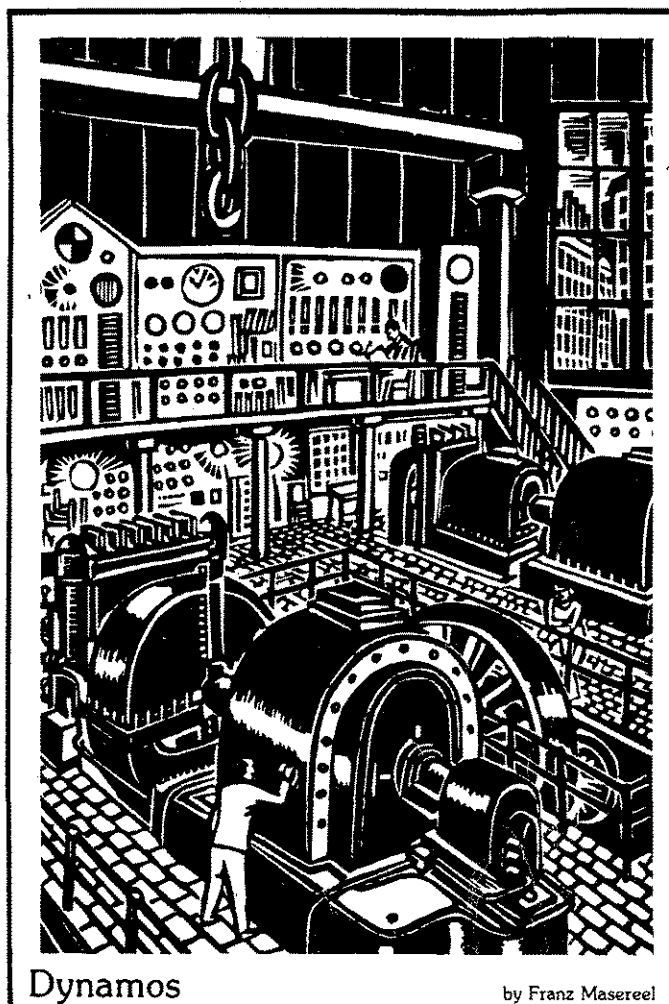
alternatives to going to the International Monetary Fund for a further loan would be 'economic policies so savage that they would lead to riots in the streets'." (22) Nevertheless, the IMF loan entailed further cuts in social service expenditures; full employment has become a relic of the past and the welfare state is being dismantled.

That the Chancellor wasn't being just rhetorical is substantiated by the fact that his scenario was quickly realized in Egypt, where in January a boost in government controlled prices of food and fuel — a measure taken to meet requirements of the IMF — actually did lead to riots in the streets. The Polish riots of 1976 were another version of this scenario; they were set off by price rises occasioned by Poland's loans coming due. Afterwards, in November, Brezhnev loaned Poland \$1.3 billion "when Polish leaders convinced him that without help the worker uprising of last August would be only a prelude to a repeat of the working class rebellion of 1956." (23) In general, capital now has to perilously expand credit beyond all previous norms where and when it feels its power to raise the rate of exploitation is limited and will run up against too much working class resistance.

Currently in Britain, some union leaders have been arguing that the fact that inflation has been rising since last summer, despite wage restraint, proves that wage increases do not initiate the inflationary spiral. Now pressure from the rank and file has subverted attempts at renewal of the agreement between the TUC and the Labour government on wage restraint, and the possibility of a new "wage explosion" threatens to throw the crisis-ridden British economy even deeper into crisis. (24)

The conditions in all other countries are, of course, not identical to those in Britain and Italy, but the dynamic is similar enough for us to generalize with regard to the issue under discussion. In the late 60's capital found itself in the position of having increased expectations without having surmounted the economic contradictions which limit its production of wealth. Since it could not generate profits sufficient for profitable expansion of private capital on the basis of a renewal of the productive plant, capital had to both expand the unproductive spheres and simultaneously endeavor to increase productivity through rationalization and increasing the intensity of labor. However, working class resistance to productivity schemes grew. Simultaneously, income demands grew. The re-assertion of capitalism's "internal contradictions" met the re-assertion of working class militancy. As a result, capital has had to completely change its ideological tune; "affluence" and "rising expectations" have given way to "zero growth" and "small is beautiful." And a social reality is being constructed to match the ideology.

On the empirical level what we find are individual capitalists or corporations or nations, each intent on maintaining its competitive position, primarily by raising productivity while keeping the lid on wage rates and other expenses it may consider flexible (such as social welfare programs). Internationally, the competition appears in the form of trade imbalances and ensuing monetary crises that put the now internationally interdependent economy in jeopardy. All of these matters, which the bourgeoisie understand as "economic", can be said to simultaneously express and mask both the class struggle and the contradictory process of capital accumulation. In a certain sense, a sense that doesn't invalidate the marxian viewpoint, it is *all* a matter of class struggle, since the capital



Dynamos

by Franz Masereel

accumulation process is based on historically specific production relations which were established and are maintained by a complex mix of physical and ideological manipulation and violence. However, the particular struggles of sections of the working class, and their relationship to the specificities of particular units of capital — all this develops, not accidentally but, from the marxian perspective, in the context of an inexorable, contradictory capital-accumulation process which can be grasped theoretically on the basis of an analysis of the "total capital," i.e. on a level of analysis which abstracts from competition, if only to be able ultimately to work up to it by a series of approximations.

For the Marxist, the struggle between workers and bosses within various units of capital has to be understood in the context of the heightened international competition of the late 60's and the 70's. Heightened competition is characteristic of crisis conditions wherein capitalists struggle over a pool of surplus-value which is dwindling relative to their needs for profitable capital investment at the particular level of capital accumulation.

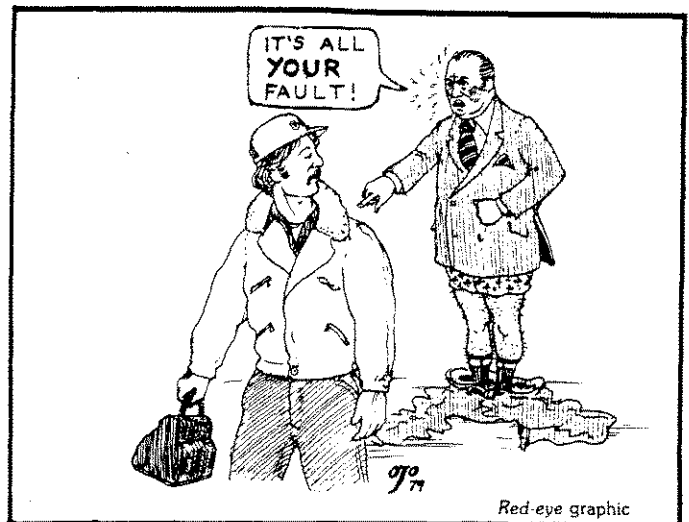
Particular nations jockey for a share of existing surplus-value sufficient to allow for further accumulation. But the crisis of capital is nothing but an insufficiency of the total surplus-value

relative to the amount necessary for both productive investment and unproductive expenditures. As a result, in each nation, Britain more than others because of its poor competitive position, the struggle over the division of the existing surplus-value among its three functions—constant capital (plant, equipment and materials), variable capital (wages of productive workers), and revenue (capitalists' income and unproductive expenditures)—intensifies.

If, for theoretical purposes, we treat as secondary the struggle between capitalists and workers over how much labor is actually supplied for how much income, we can uncover what Mattick calls "the objective conditions in which the class struggle must evolve and determine its orientation"; that is, in this case, the context of economic stagnation and the fact that state intervention, rather than solving this problem, turns it into a problem of cancerous growth of unproductive expenditures. Finally, if, following Marx, we trace the economic stagnation back to the tendency of the rate of profit to fall and the limits of the counter-tendencies, that is, back to the internal contradictions of capitalism, we can understand why the capitalist class is incapable of delivering the goods, of satisfying the demands of a militant working class, and why, on the contrary, it must periodically attack the living standards of the working class and endeavor to increase the amount of surplus-value it pumps out of each unit of labor-time.

As "objective" as this sort of analysis appears, in that it is developed in abstraction from class struggle, nevertheless it leaves room for the "subjective" in that it shows how the basis of relative class harmony must break down and aims to put into question the capital relation itself. It abstracts from class struggle in order to show that the crisis of profitability, the context in which the struggle develops, is *inherent* in the development of the capital-relation. There are limits to organizing production and thus, indirectly, all social life, by means of the capital-relation, by means of wage-labor. Such a system results in a multi-faceted degradation of work and life, including at times serious decline in many people's material well-being.

However, even if this objective approach holds up theoretically, its limits must be recognized. Capitalism, as it develops (and decays), transforms the labor-process and life in general, and, as a result, the character and forms of revolt change also. Strategy and organization are historically specific. The belief in or proof of capitalism's inability to surmount its internal



contradictions at best sets the stage for understanding the specific character of the present crisis, the specific character of present struggles and the relation between the two. If the crisis offers "the possibility of a transformation of the class struggle within the society into a struggle for another form of society", it remains to be shown how this possibility can become a reality. What we need to do is 1) show how the intensified struggle over the rate of exploitation can actually become, or is in the process of becoming, a revolutionary struggle overflowing the bounds of the capital relation, how it can turn into a struggle *against* wage-labor, and 2) participate in this transformation.

"Critique" . . . includes from the point of view of the *object* an empirical investigation, "conducted with the precision of natural science," of all its relations and development, and from the point of view of the *subject* an account of how the impotent wishes, intuitions and demands of individual subjects develop into an historically effective class power leading to "revolutionary practice." (*Praxis*, Jan., July 1977). (25)

Footnotes

1. Paul Mattick, "Marxism and Monopoly Capital," *Progressive Labor*, July-August, 1967, reprinted as a pamphlet by Root and Branch, Box 236, Somerville, Mass 02143; and Mario Cogoy, "Les theories neo-marxistes, Marx et l'accumulation du capital", *Les Temps Modernes*, Sept.-Oct., 1972, pp. 396-427.

2. Here I'm using Mattick as a paradigm of "the Marxist" and reserving questions about the full adequacy of his analysis of the "internal contradictions." Castoriadis' thesis is developed most extensively in *Modern Capitalism and Revolution*, available from Solidarity, c/o 123 Lathom Road, London E. 6. (also from P.O. Box 1587, San Francisco, Ca. 94101) *Zerowork* is available from: c/o Mattera, 417 E. 65th St., New York, N.Y. 10021. All reference is to issue #1; a second issue has just appeared. See Peter Rachleff's review of *Zerowork* in *Fifth Estate*, Nov., 1976. A very similar perspective can be found in *Les ouvriers contre l'Etat, refus du travail* (Martin Andler, B.P. 42.06, 75261, Paris Cedex 6). Also see Robert Cooperstein, *The Crisis of the Gross National Spectacle* (P.O. Box 950,

Berkeley, Ca.). Glyn and Sutcliffe's book is discussed by Yaffe in "The Crisis of Profitability: a Critique of the Glyn-Sutcliffe Thesis," *New Left Review*, #80, 1973.

3. Only later to break with Marxism.

4. Nevertheless, Korsch was quite critical of crisis theorists like Mattick's mentor, Henryk Grossman.

5. The rate of exploitation is the ratio of surplus-value to variable capital.

6. *Zerowork*, #1, pp. 2-6

7. *Ibid.*, p. 63.

8. In response, it could be argued that Yaffe presents the rise in unproductive expenditures as an "objective" economic development, following Mattick, but that in fact the rise in unproductive expenditures has occurred at least in part because

of past, present or potential working class struggle. The rise in social services and the increase in state production have occurred because the working class won through struggle the principle of full employment and basic social welfare. As Yaffe himself says, the main purpose of social services is to maintain social stability. "Unproductive expenditures," then, in large part, are the way that class struggle is obscured as a causative factor and becomes an "objective" economic category.

9. Cf. for example, Brecher and Costello, *Common Sense for Hard Times*, 1976.

10. Here the distinction and relationship between two meanings of "productivity" is important. For Marx, increasing productivity means increasing the product of a given amount of labor; for bourgeois economists it means increasing the product of a given amount of labor-time ("output per man-hour"). The importance of this is that the bourgeois concept does not distinguish between increases in output per man-hour due to improved technology and those due to speedup. In the 60's and 70's, generally speaking, the lag in productivity in the marxian sense has led capitalists to try to increase output per man-hour by intensifying labor, i.e. by getting more labor out of each unit of labor-time. Often the two are interconnected, as when the introduction of assembly-line methods not only increases the productive power of labor but forces workers to quicken their pace of work. However, where and when technological development lags, as in British and Italian industry in the 60's and 70's, the emphasis is placed on intensification of labor. See discussion below.

12 Taylor himself claimed that scientific management would make "high wages and low labor costs...not only compatible, but...in the majority of cases mutually conditional." Quoted in Yaffe, op.cit., from F.W. Taylor, *Shop Management*, 1903, pp.21-2.

11. *Capital*, Vol. I, p. 763.

13. Alan Jones, "Britain on the Edge of the Abyss," *Inprecor*, no 40/41, Dec., 1975, pp. 36-8. I don't mean to reduce social struggles to the struggle over the rate of exploitation. Although May 1968 did break a wage freeze, this is hardly its outstanding characteristic; indeed, the effect of May 1968 on wages was the result of the recuperation of struggles which went far beyond the wage issue.

14. Paul Mattick, "Zur Marxschen Akkumulation—und Wudsmmenbruchstheorie", in *Ratekorrespondenz*, 4, 1934, quoted in De Masi and Marramao, "Councils and State in Weimar Germany", *Telos* No. 28, 1976. By Marramao, also see "Theory of the Crisis and the Problem of Constitution", *Telos*, No. 26, 1976, which discusses matters relevant to the issue at hand.

15. Paul Mattick, "Preface" to Henryk Grossman, *Marx, L'economie politique classique et le probleme de la dynamique*, Editions Champ Libre, 1975, pp. 24-5.

16. Geoffrey Kay, "The Falling Rate of Profit, Unemployment and Crisis", *Critique* no. 6, 1976, p. 75. In this article Kay sets out to discredit the theory of the falling rate of profit. I

should explain that I am neither convinced of the truth of all Marx's economic theories, e.g., the theory of the falling rate of profit, nor am I an opponent of those theories. I am concerned here not primarily with determining whether one or another theory of crisis is true or false but with comparing different approaches to the present historical conjuncture. I have no pretensions to be offering definitive conclusions.

Besides Kay's, another interesting critique of the theory of the falling rate of profit is Geoff Hodgson's: "The Theory of the Falling Rate of Profit", *New Left Review* #84, March-April, 1974. A group which defends the theory and economic perspectives close to Mattick's, is: Communist Workers Organization (address correspondence to: C.W.O., c/o 21 Durham St., Pelaw, Gateshead, Tyne and Wear, NE10 OXS, England).

In Geoffrey Kay's discussion of Yaffe, he suggests that the intellectual attractiveness of the classical marxian argument is reason to be skeptical of it. The same could be said of the political attractiveness of the view that the working class imposes the crisis. It makes the working class appear as powerful as we would like it to be. One political argument in favor of Mattick is that his view can be used in opposition to ruling class arguments that all will benefit in the long run if workers tighten their belts and work harder and give the capitalists a chance to restructure. For Mattick, such measures don't lead back to "Go"; capital is irretrievably in the "Jail" of low profitability. Even if workers' sacrifice kept things going for another cycle of accumulation, capitalism's problems would inevitably reappear and worsen.

17. J.B. Proctor and R. Proctor, "Capitalist Development, Class Struggle and Crisis in Italy, 1945-1975", *Monthly Review*, Vol. 27, no. 8, Jan., 1976, pp. 24-31.

18. Theleme Anarres, "Notes on Italy", *Solidarity*, vol. 8, no. 4, pp. 14-16.

19. Even this formulation is debatable. An article in *New Left Review* argues: "Neither the general rate of inflation (until 1971), nor the rate of increase in strikes was exceptional in the international terms, but the slow growth in productivity, real incomes and investment was. It was this weakness, the comparative weakness of British capital, not the relative strength of British working class, that constituted the real crisis point. . . . It is necessary to stress this (in opposition to) Glyn and Sutcliffe". *Class Struggle and the Heath Government*", *NLR*, Vol. 1973, p.27.

20. Richard Hyman, "Industrial Conflict and the Political Economy: Trends of the Sixties and Prospects for the Seventies", *The Social Register*, 1973, p. 112.

21. *Business Week*, Sept. 22, 1975, p. 96.

22. *The London Times*, Sept. 30, 1976.

23. Jon Steinberg, "Why a few dissidents are frightening leaders in the West as well as the East", *Seven Days*, vol. 1, no. 3, p. 10.

24. For an account of recent developments in Britain, see my article, "The Crisis of Wage Labor in Britain", in *Now and After* #2 (P.O. Box 1587, San Francisco, Ca.)

25. Karl Korsch, *Three Essays on Marxism*, Pluto Press, pp. 65-6