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**The Remaking of the
American Working
Class:**

**The Restructuring of
Global Capital and the
Recomposition of Class
Terrain**

Preface to the 1999 Edition

The following text was written more than 18 years ago, and has circulated in manuscript form, in English and in French, since then. I am planning a complete rewrite and update, and in the meantime, I am posting it on the web to solicit comments which might help me in doing so.

While much has happened since 1981, the current manuscript strikes me as 80% up to date. One polemical edge of the text, the critique of the "monopoly capital" school and of the shop-floor militants influenced by it, will mainly evoke a smile today. Even in 1981, it had a vaguely "owl of Minerva" quality, dissecting a corpse that was quickly turning cold. Its immediate context was the coming to power of Reagan and Thatcher in 1979-1980, and one major objective was to write the obituary for the "left wing of devalorization", Keynesian welfare-statism on a world scale, as well as what might be called the "far left of devalorization", the 1960's and 1970's currents which persisted in setting themselves up as the left (but mainly loyal) opposition to the official left, its political parties and trade unions. With Clinton, Blair, Jospin, Schroeder and D'Alema all in power to further the

agenda established by Reagan and Thatcher, the post-1981 evolution of the "left wing of devalorization" (with assists from Mitterand, Gonzalez, and Papandreou) is one "prediction" of the text which was right on the mark.

The core of the "economic" analysis of the text, the global circulation of fictitious capital and its ravaging effects on the real world, has today reached proportions which, in 1981, even I would probably considered impossible. At the same time, it is no longer possible to characterize the present as a "period of ebb of working-class struggles" in quite the same way today. While many of the more visible struggles since 1981 (PATCO, Greyhound, Phelps-Dodge, P-9, Jay, Maine, Caterpillar, Decatur, Yale and the Detroit newspaper strike) ended in major defeats for workers, something in the climate has changed. The massive popular support for the UPS strike in August 1997 (whatever the ultimate, and meager results of the strike itself) over the issue of part-timers showed a shift in the wind. At the same time, no working-class current has effectively combatted downsizing, outsourcing, or plant closings, not to mention developed a strategy that goes beyond the workplace to a struggle for political power. That project

is the larger "work in progress" to which this text attempts to contribute.

One clear error of the 1981 prognosis was a serious overestimation (on several occasions) of the development potentials of Mexico and Brazil, but this error with respect to Latin America is more than compensated by an underestimation of the development of Asian capitalism over 35 years, up to the 1997-98 crisis, whatever may happen hereafter.

(Note: The following text was written in French, for publication abroad, in the spring of 1981. Its purpose was to show how the international working class, trapped throughout the advanced capitalist world in Social Democratic/Keynesian (and ultimately Malthusian) conceptions of "progressive" politics, would have to reorganize itself and its strategy to confront the new era of international conservative hegemony marked by the 1979 election of Thatcher in Britain and the 1980 election of Ronald Reagan in the U.S. In preparation for that hegemony, which has not yet run its course, the international capitalist class had totally changed the rules and had shown the old crackpot realism of the "pragmatic" left for the useless ad hoc collection of homilies it had always been. It has only been possible

today, in 1987, to prepare an English translation of the text. One dated aspect of the paper was the attempt to explain widespread working-class support for Reagan (probably 50% of trade union members--which obviously represents less and less of the total wage-labor force--in 1980, and still over 40% in 1984). In 1980 in particular, I argue, the working class was responding to the right's call for a reconstruction of U.S. industry; today, by and large, workers have seen the real content of that program in the ongoing devastation of the old industrial zones and not the reconstruction that made such a program sound initially appealing. But the larger framework of the text, and above all its insistence that an international program for world economic reconstruction under working-class auspices is the only possible program for the workers' movement today, seems to me to retain all its timeliness. For that reason all statements in the present tense and comments on the current situation, while being immediate references to 1981, have been left unchanged in the English translation for the sake of consistency.)

(Note 2002: The interested reader may wish to consult the Aufheben critique of this text, and my reply, which both zero in on some fundamental issues argued

here. Further, the reply to Aufheben was edited into an article "Production or Reproduction? Against a Reductionist Reading of *Capital* in the Left Milieu, and Elsewhere", that stands on its own, without reference to the polemic with Aufheben. All these texts are available on the Break Their Haughty Power web site (<http://home.earthlink.net/~lrgoldner>).

Preface

We are living, in the United States, in contrast to the 1968-1973 period, in an ebb phase of working-class struggles. In the milieu of the left wing of devalorization, the Malthusian left and far left, there is talk of a general move "to the right" in the U.S. Workers by the millions did in fact vote for Ronald Reagan in the 1980 elections. We cannot but agree, moreover, that this left and extreme left (1-All footnotes at the end of chapters) are passing through a period of crisis and decline. And we do not wish to deny an important element of chauvinism and racism in the support which the American "New Right" has found in the white working class. But we cannot, in good conscience, regret the fact that the working class, in its receptiveness to the productivism of the right, has indeed turned its back on the Malthusian left. This left, section of an international left which, throughout the 1890-1973 period, "misunderstood" the nature of the transformations of capitalism then underway (2), which often supported them, which spread a completely false view of the international conjuncture with the Hobson-Lenin theory of

imperialism, is today reaping the harvest of its Malthusianism. Today, as the factories close in Detroit, Manchester, Alsace and Bochum, we would like to see the Leninist left come and explain to the "labor aristocracy" how it "benefits" from imperialism; we would like to see it call for "nationalization under workers' control" of decrepit 70-year old factories.

In a word: any movement which henceforth wishes to be revolutionary is compelled to talk about production and social reproduction in a way that has never been done, with a few exceptions, since the time of Marx.

Our perspectives may appear "abstract" to many people. They will appear less abstract today than they did in 1973, when they were just as relevant. Everyone knows the "pragmatic" militant, as we knew such people in 1973, who will respond with a contemptuous smile: "All this is just a bunch of theory. What interests me are practical things I can talk about to the people in my factory."

But, today, many of the factories are closed, and many of the people from this militant's shop floor are on the streets, often giving a sympathetic hearing to the productivist right, the protectionist trade union

bureaucracy, or the "worker management" theorists of the left wing of devalorization. Our practical militant has absolutely nothing to say in reply, when he is not supporting one of the reactionary currents.

Today, one can only be practical by posing contemporary problems where they have, in fact, always been located: not in the "factory", the material condensation of the capitalist juridical entity par excellence the *enterprise*, but at the level of the total worker (Gesamtarbeiter) and his alienated phantom, the total capital. Any other way of posing questions can only lead to the practice of what we have called the "left wing of devalorization".

We are quite in agreement that we are living through a period of ebb. But we cannot share the pessimism of the Social Democrats, Stalinists, Maoists and Trotskyists, who each in their own way are the heirs of the Social Democratic logic of the Second, Third and Fourth Internationals. We think, on the contrary, that the closing of the period 1890-1973, the period in which the left wing of devalorization was able to carve out a place for itself in the international labor movement, opens up possibilities for a renaissance of Marxism in a way that has not been possible since 1890.

It will be quickly clear that this work is intended to be polemical. It is useless, in 1981, to begin an analysis of the American working class by casual reference to some commonly assumed framework of contemporary "Marxism". There is no contemporary Marxism: there are attempts, and this is one, to take up Marx's problematic and to bring it to bear on the last decades of the 20th century. It is too often forgotten that *Capital* was an *unfinished* book, and that in particular the chapter of Vol. II dealing with the total capital, which is at the center of our perspective, remained very embryonic (3). The key concepts of the following analysis: valorization and devalorization, the total capital, expanded social reproduction, the credit system and its role in the reproduction of the total capital, and relative surplus value, are foreign to the virtual totality of "Marxists" today. Just as rare are attempts to relate the dynamic of class struggle to the capitalist conjuncture, even in a single country, to say nothing of the whole world. For fifteen years, "radicals" among the revisionist historians in the U.S. have been writing the history "from below" of the working class, particularly for the period from 1840 to 1945, producing one picturesque monograph after another. Irish hod-carriers in Troy, N.Y., in 1880; Jewish

trade unionists in the New York City textile industry in 1902; "workers' control" at this or that cigar factory in Chicago in 1890. And the international labor market? And the world conjuncture? And the transition from the extensive to the intensive phase of capital accumulation? And the role of the "left" in this process? Silence. New Deal and formation of the CIO as a part of the organization of devalorization? To the extent that such questions are even posed, they are met with bafflement and consternation.

It is because of this situation that we are obliged to offer the reader a theoretical presentation of the key concepts without which the following analysis will be incomprehensible. The theoretical presentation will be followed by an analysis of the world conjuncture for the 1890-1973 period and thereafter. The "radical historians", as theoreticians of contemporary rank-and-file militancy, will criticize us for seeing history "from above"(4). We cannot but agree. Against picturesque history from below, how can we not prefer a thousands times over the view "from above" of the *class-for-itself*? In the analysis of the class struggle and in the analysis of the movement of capital, this viewpoint is always right against the thousand appearances of the class-in-itself

isolated in a particular factory. And we cannot adequately present the class-for-itself without understanding its alienated expression, the total capital.

Protagonists of a Ricardian conception of value (who would deny that they are Ricardians) will undoubtedly criticize our detailed discussion of credit, financial markets, international loans, the state debt, their inter-relatedness and their evolution, as monetarist". In so doing, they will only show that the Marxist problematic of expanded reproduction and its relation to the valorization of the total capital is a foreign to them as it is to the theoreticians of the "monopoly capital" school, who quite simply deny the functioning of the law of value in modern capitalism. In fact, one cannot understand valorization without understanding the transformation of the credit system since 1890-1914. And this transformation, far from having its origins in circulation, is nothing but the expression of the preponderance of relative surplus value in modern accumulation.

Footnotes to Preface

1-In keeping with the French text and French usage, we will use the word "left" to generally refer to the mainstream official left of advanced capitalist countries,

i.e. the Social Democratic, Communist, or Labour Parties. The term "extreme left", often "far left" in English, refers primarily to groups, mainly Trotskyists and Maoists, who see in the official left degenerated, reformist but reformable "working-class political parties", and hence constitute a kind of loyal opposition to the official left. We use the term "ultra left" on occasion to designate those currents, originating in breakways from classical Trotskyism, in Italian Bordigism or German council communism, who see the official parties of the mainstream left as the left wing of capitalism..

2-It had, as we shall see, good reasons for "misunderstanding" the period.

3-Engels, who edited the manuscripts of Vols. II and III, says in his preface to Vol. II: "But Part III, dealing with the reproduction and circulation of the total social capital, seemed to him very much in need of revision; for Manuscript II had first treated reproduction *without taking into consideration money circulation, which is instrumental in affecting it...*" (*Capital*, Vol. II, p. 4, our emphasis)

4-In all fairness, it must be said that this grassroots approach, generally known under the code name "new

social history", constituted in part a healthy response to the earlier excessive emphasis, in writings on working-class history, with organizations, ideologies and leaders. Nevertheless, in "bending the stick too far", and rejecting *any* focus on organizations, ideologies and leaders as "epiphenomenal", the new social history has effectively depoliticized labor history, and has become a reductionism in its own right.

Introduction

The Republican administration which took power in the U.S in January 1981 believed that the major economic problems confronting it were inflation, excessive taxation, too much state intervention and very low rates of capital formation. Its real problem, however, was that, on a global level, the existing forces of production are in revolt against the dominant social relations of production.

The fundamental contradiction of capitalism is that it develops the productive forces to a point where the means of production, as materialized past labor, and living labor power, or wage labor, can no longer be maintained within the framework of *value* relations. The mediation of the activities of individual producers and units of production through the exchange of equivalents becomes impossible.

The fundamental components of expanded social reproduction present themselves, under capitalism, as components of *value*. They represent expenditures of labor power whose value is determined by the socially

necessary time of their reproduction. These components, a constant capital C or the material means of production, variable capital V or living labor, and surplus value S are the determinants of the ratio $S/C+V$, a rate of profit which establishes the parameters for the reproduction of society as a whole. The component S, once the consumption of the capitalist class has been deducted, is the surplus-value which is available for division into the capitalist forms of profit, interest and ground rent.

The fundamental contradiction of capitalism, as it is expressed in capitalist practice, is the development of the productive forces to the point where any technological innovation intended to increase the rate of surplus value and thus the rate of profit of an individual capital creates more capitalist titles to the total surplus value than it adds to the total surplus value available to become profit, interest and ground rent.

The entire economic perspective of the Reagan administration has been to ensure that existing capitalist titles, as profit, interest and ground rent, to all existing surplus value are maintained, even if, as is in fact the case, the pursuit of this maintenance results in retrogression in the material process of social reproduction. It is in this way that the dominant relations

of production become an absolute brake on the forces of production.

The problem of the Reagan administration is not new. Throughout the twentieth century, capitalism has had to face "what in any earlier epoch would have appeared as an absurdity", crises stemming from the fact that there is "too much civilization, too much industry, too much commerce". What is new in the current situation is that all the "solutions" to this problem, and particularly the solutions developed in the last generalized crisis of 1929-1933 and its aftermath, have exhausted themselves. As in the long crisis of 1929-1945, as in the earlier version of the same crisis of 1907-1920, a *mass of productive forces must be destroyed* so that existing capitalist titles to profit, interest and ground rent can be brought back into equilibrium with the current rate of surplus value.

Capitalist crisis has not always required destruction on such a scale. In the nineteenth century, in the "classical" capitalism analyzed by Marx, the tendential law by which the total capitalist titles to profit, interest and ground rent periodically exceed the parameters established by the ratio $S/C+V$ was expressed in deflationary crises.

During these crises, a mass of these titles--
fictions relative to the current costs of reproducing the

total social capital--were destroyed or devalued. The value components of the ratio $S/C+V$, as capitalist titles to profit, interest and ground rent, as the total wage bill and the capitalist pricing of fixed assets, were brought back into equilibrium by a liquidation of stocks, a phase of large-scale unemployment, and a mass of bankruptcies of the non-competitive firms. Once of the ratio $S/C+V$ was *recomposed* at levels permitting an adequate rate of profit for individual capitals, the overall accumulation process resumed.

Throughout the period 1815-1914, capitalism greatly expanded social reproduction without having recourse to the physical destruction of productive forces which has characterized the twentieth century.

What changed?

In the 1890-1914 period, capitalism on a world scale ran up for the first time against its *general* historical barrier. The value components S , C and V , for the zones of the capitalist world of that time, could not be recomposed at adequate rates of profit by a simple deflation. Labor power and technology were too productive to be contained within the existing social relations at any level whatsoever.

The problem can be reformulated by saying that V, as a *value* (1) component of the total social product, can no longer increase in a way compatible with the expanded reproduction of society as a whole.

What ended in 1890-1914 was the phase of world accumulation founded on a preponderance of absolute surplus value, obtained by an extension of the working day, and by a primitive accumulation achieved through the transformation of a mass of petty producers (peasants, artisans) into capitalist wage-labor. This phase of accumulation founded on absolute surplus value, or that of the *formal domination of labor by capital*, (2) was superseded, through the long crisis of 1914-1945, by a new phase of accumulation centered on relative surplus value, and further primitive accumulation of non-capitalist populations. This phase of the accumulation of relative surplus value, or the *real* domination of labor by capital, aims at reducing labor to its properly *capitalist* form of abstract labor (cf. "Results of the Immediate Production Process", the so-called "unpublished" sixth chapter of Vol. I of *Capital*, first translated into English as an appendix to the 1973 Penguin translation). This was the dominant mode of accumulation of the 1945-1973 period.

What distinguishes the phase of the real domination of capital (wrongly characterized as "monopoly capital" by the non-Marxian current of "radical economists") from the earlier phase, is that the total V , as a component of the ratio $S/C+V$ is not enlarged, but *recomposed* (by the destruction or the stagnation of labor power, by a cheapening of the production of the material content of working-class consumption, by primitive accumulation intended--as in the 19th century--to reduce the global wage, and finally by the reduction of the cost of labor below reproductive levels, which has been the case for the United States since roughly 1965.

The phase of real domination therefore expresses, in a concrete historical fashion we will attempt to analyze in detail, the fundamental contradiction of capitalism, and it expresses this on a global scale: the productive forces have reached a level where any technological innovation produces more (fictive) capitalist titles to the total surplus value than it adds to that surplus value. The capital relationship can no longer maintain itself; it must therefore destroy an important portion of labor power, or labor power must destroy it.

Footnotes to Introduction

1-We wish to point out that we are talking about value in the terms of the 1890-1914 period and not the material content of the working-class wage bill, which can be increased by producing consumer goods more cheaply.

2-We translate Marx's term "Subsumption" throughout the text as "domination", e.g. formal, real domination. We do so because "subsumption" also often used in English, strikes us as a somewhat clumsy word. We wish to point out, however, our reluctance to spread confusion with Frankfurt School or Weberian notions of domination, which come from the German word "Herrschaft", and which refer to a notion of *force* which seems to us external to Marx's theory of value.

Chapter I: Precis of the Marxist Analysis of the Capitalist Mode of Production

Before getting into an in-depth analysis of the class struggle in the U.S., we feel it indispensable to review, however briefly, the key concepts of the Marxian analysis which, in our opinion, have been relegated to oblivion by the left wing of devalorization, and that since the Social Democratic era 1890-1914. These completely inter-related concepts are: valorization, value, the total social capital, productive and unproductive labor, the total worker and the total wage bill, primitive accumulation, and devalorization. These concepts are generally ignored, or falsified, or even denounced by the partisans of the "monopoly capital" theory and of the Hobson-Lenin theory of imperialism. Taken as a whole, they lead to a radically different analysis of modern capitalism, and especially of its post-1945 development.

a. The Transition from Vols. 1 and 2 to Vol. 3 of Capital: The "Problem" of the Total Social Capital and of Expanded Reproduction

The four volumes of *Capital* (we refer here to the conventionally titled Vols. 1-3 and to *Theories of Surplus Value*, which constitutes Vol. 4) are not easy reading, especially for a reader uninitiated in the arc of German philosophy from Kant and Hegel onward, of Feuerbach's materialist critique of Hegel, and finally of Marx's critique of Feuerbach. It is moreover essential to bring to a reading of *Capital* a grasp of the 1844 Manuscripts and other writings of the 1843-1845 period which culminate in the "Theses on Feuerbach". Finally, it is in the *Grundrisse* (1857) that Marx makes explicit the relationship between his *critique of political economy* (and not the impoverished "Marxist economics" of his acolytes) and his later development.

We wish to particularly emphasize, for the purposes of our discussion, the distinction between the abstract model of capital in Vols. I and II and the "in-and-for-itself" capital of Vol. III. Specifically, the discussion of Vols. I and II, as Marx states repeatedly, presupposes: 1) that there are no non-capitalist classes, i.e. that there are

only capitalists and wage laborers; 2) that there is *only* capitalism, i.e. no mode of production external to the capitalist mode, 3) that there is simple reproduction, i.e. that productivity of labor is constant, and 4) there is no credit system. The theoretical discussion in Vols. I and II is a discussion of capital from the vantage point of a *single capitalist enterprise*. Put in another way, the whole discussion of Vols. I and II abstracts from the key concepts we will elaborate: *expanded* social reproduction, and thus the problem of the *total* capital and its mediation by the *credit* system. As with productive and unproductive labor, the entire discussion presupposes simple reproduction and the (individual) capital-in-itself. The whole discussion of value in Vols. I and II is therefore "Ricardian" and not fully Marxist. What is effectively Marxist is the problematic of expanded reproduction, the reproduction of the total capital and the completion of its circuit (Kreislauf) through the banking system as discussed in the fragments that make up Vol. III. Only a concept of value located in this dynamic is fully Marxist.

The whole difference between classical political economy, and particularly Ricardo's, and the *critique* of this political economy by Marx lies in the grasp of value

as a relationship, as value-valorizing-itself (sich-selbst verwertender Wert) through expanded reproduction and not, as in Ricardo, a "condensation of the necessary time of production". The fundamental problem of the capitalist mode of production, against all "Marxist" affirmations of the Ricardians and workerists, *is not in production*, the sphere that Marx rightly calls the "sphere of immediate production" (cf. the 6th "unpublished" chapter cited above) but in the reproduction of the total capital. Vol. III of *Capital* is a *negation*, in the "Hegelian" sense, of Vols. I and II; it is there that Marx "discovers", in an immanent fashion, through "value as a condensation of the necessary time of production", the reproduction of human creative powers. Ricardo's value is in a strict sense an *inversion* of Marx's value.

It is in this way that Marx, as he puts it in the preface to Vol. I, "coquets" with the language of Hegel.

b. Valorization

Capitalism is above all, according to Marx, a process of the self-expansion of value, a *valorization* process. Capital, at bottom, is value valorizing itself, sich-selbst-verwertender Wert. What does this mean? It means that capital is a social relationship of production, the capital

relation (Kapital verhaeltnis) which is, moreover, a relationship that relates itself to itself, a *self-reflexive* relationship. This is another way of saying that capital, as a social relationship, is the *inverted* (verkehrte) form of the total worker, labor power as a whole, in the historical phase where relations between individuals and units of production must be mediated by value, determined by the socially necessary labor time of reproduction.

Valorization is also, as we shall see momentarily, inseparably valorization of money-capital, the Money-Commodity-Money Prime (M-C-M') movement of both individual capitals and of the total capital. The fact that the M-C-M movement of the second section of Vol. 1 of *Capital* reappears at the beginning of Part IV of Vol. III treating merchant's capital as the M-C-M' "general form of the capitalist movement" (Vol. III, p. 391.) (all citations from *Capital* are from the English version of International Publishers, New York, 1967) will surprise no one who sees *Capital* for the *phenomenology* it is. The movement M-C-M elaborated first at the extreme surface of exposition, even before value is introduced, reappears later in the heart of the exposition of the capitalist crisis: the incapacity of the movement M-C-M' of the self-valorization of the total capital to complete its circuit

through the totality of commodities. The global crisis of capitalism is already present, in a lower and external form, in the "cell" of the capitalist mode of production, the simplest and apparently most self-evident commodity exchange. But commodity exchange and its medium, money, far antedate value historically, which only exists once labor power has become a commodity. We will see momentarily how capitalist crisis can be explained *because* labor power is a commodity.

The individual producers in the capitalist mode of production who seek to exercise their human powers cannot do so abstractly, in isolation; the individual can do this only by mediating such powers through the relations of exchange in which they help to valorize (i.e. expand by contact with living labor in the M-C-M' movement) an individual capital. (The human powers of this individual are thus only "mediately" social, and thus there is the possibility of crisis. This is the case because in production dominated by the exigencies of the valorization of the total capital in the M-C-M' movement, the exercise of one's human powers is *subordinated* to their inversion, the apparently autonomous self-movement of value. Whether or not these powers can be socially realized is a subordinate question and their actual utilization is always

a contingent one. Communism, on the contrary, inverts the inversion; insofar as the self-movement of value, valorization, is only the *alienated* form of the collective self-development of human powers, communism is the expansion of human powers as a means and as a goal, a "production for production's sake" of *creativity*. The destruction of value is thus the reappropriation of the totality of human creative powers by the individual; this is the moment in which individual powers become *immediately* social.)

Let us look a bit more closely at this relationship between valorization and the inversion of human creative powers. The total worker (Gesamtarbeiter) confronts the capitalized productive forces, which result from the dead labor of the past and which have autonomized themselves from their creators. The atomized individual worker is pursuing the expansion of his or her human powers, and their *reproduction*; the individual capital, in buying these powers, is pursuing the expansion of value, its *valorization*. The collective worker and the total capital thus arrive anarchically and blindly at two results which are simultaneous but fundamentally antagonistic to one another: social reproduction, on one hand, and value-valorizing-itself on the other. What is being

reproduced visibly, empirically, is a sum of commodities and, except in periods of crisis, "society" as a whole (there is in fact no real society except in communism); what is being reproduced really and essentially is the *capital-relationship* and its inseparable expression, the process of the self-expansion of value, valorization.

To put the matter a little differently, the ratio $S/C+V$, considered from the viewpoint of expanded social reproduction, is a relationship of labor power to itself, a relationship between the production and consumption of the collective worker. But because, under capitalism, this relationship exists only through the capital-relation, that is in its inverted form, this self-reflexive relationship appears as value-relating-itself-to-itself, or valorization. When expanded social reproduction and valorization, its inversion, occur harmoniously, capitalism expands the productive forces, although it always arrives at this result blindly, anarchically. But when social reproduction reaches a certain stage, the productive forces can no longer expand through the capital-relation, and the exigencies of expanded reproduction and those of valorization become antagonistic to one another. The productive forces revolt against the dominant social relationships. At that moment, the productive forces,

which is to say the productive force *par excellence* the collective worker, must *destroy* the capital relationship in order to expand as labor power relating itself to itself, or else the productive forces must be destroyed to allow valorization to resume.

What is inverted when the reproduction of labor power, the ratio $S/C+V$ understood as use value, presents itself as a process of valorization? *What is inverted are human creative powers in their totality.* But as we indicated above, these creative powers, in the capitalist mode of production, only exist *mediately*, through the capital relationship and value relations. If a capital cannot valorize itself in buying them, they are not socially recognized. Capital, the apparently autonomous and self-reflexive relationship, is the inverted face of the *social* and the *human*. It is, in short, the totality of human creative powers, having autonomized themselves over and against labor power--their true source--which seem to move by themselves. In this inversion, as Marx says, "commodities (i.e. individual capitals) seem to buy people" seem to buy people".

At this point in the discussion, we consider it essential to remind the reader that the rate of social reproduction or the expanded reproduction of labor power and its

inverted form, valorization, are in reality inseparable in social practice. There is not social reproduction on one hand and valorization on the other; social reproduction mediated by the capital relationship always exists in a *specifically capitalist form*, and certainly cannot be reduced to a sum of "use values" in means of production and means of consumption. It is impossible to merely remove the value-form from concrete material objects. What is reproduced in the capitalist mode of production, above and beyond all particular commodities, is *the capital relationship itself*. But social reproduction, as subordinated to the valorization process, is always also, in a contingent way, the reproduction, inverted in the capital relationship, of human creative powers. And when Marx, in Vol. II of *Theories of Surplus Value*, expresses himself in favor of "production for production's sake", against any possible productivist interpretation, he is referring to production for production's sake of *human creative powers*, of which the material means of consumption and production are only the *external expression*, their indispensable material basis. *Capital is labor power in contradiction with itself*. The proletariat, which *is* the commodity form of labor power, which *is* the "underside" of the capital

relationship, dissolves itself as proletariat by destroying valorization, the alienated expansion of its own powers.

Is all the proceeding nothing but a Hegelian pirouette? Philistines and workerists will undoubtedly think it is. We think otherwise. Without understanding capital in this way, one understands nothing of the *Marxian* (as opposed to Ricardian) concept of value, and one thus understands nothing of the distinction between productive and unproductive labor, the problem of expanded reproduction, and their relationship to the total capital.

c. Value

A value for Marx is something that contributes to the process of valorization. We have already said that value is a *relationship*, an inverted relationship of labor power to itself. Thus something has value which contributes directly or indirectly to the expansion of labor power; something does not have value when it is a deduction from that expansion.

To put it in another way: value, as a *relationship*, is not, contrary to the opinion of the Ricardians who call themselves "Marxists", a thing, and is not a "condensation of socially necessary labor time of

production" located in this or that commodity. As a relationship that relates itself to itself, as a process of *valorization*, value as a whole, and specifically for individual commodities, is determined quantitatively by the necessary time of its *reproduction* at the level of the productive forces as a whole, and qualitatively by its contribution to the expanded reproduction of society.

But, the Ricardian "Marxists" will reply, doesn't Marx say time and again that value is determined by a socially necessary labor time of production? Indeed he does, throughout Vols. I and II of *Capital*, where he reminds the reader repeatedly that the discussion presupposes, artificially, *simple* reproduction, and a constant productivity of labor. Marx is undertaking here the *immanent* critique of Ricardo (2), taking at face value the concepts of the theorist of capital-in-itself, the individual capital and the individual commodity. By emphasizing throughout Vols. I and II that he is assuming simple reproduction, Marx is in effect describing an ideal capitalist society which has never existed and never could exist. This discussion is nonetheless necessary to make the reader understand what capital *is* relative to what it *is not*. Capital is in effect condemned to exist only *negatively*, because it is the inversion of something

else: labor power. Its vocation, as Rosa Luxemburg says, is universal, and its limit is its inability to be universal.

The entire discussion of value in Vols. I and II, like the discussion of productive and unproductive labor in *Theories of Surplus Value*, is situated at the level of capital-in-itself, and thus abstracts from the reality of capital-in-and-for-itself, which is to say capital in the problematic of expanded reproduction, or more precisely capital in its historical reality. (For elaborations of the difference between the viewpoint of Vols. I and II on one hand and Vol. III on the other, cf. Vol. II, pp. 97, 394, 421, as well as the first paragraph of the First Part of Vol. III.)

d. The Total Capital

One immediately sees the distinction between Marxist and Ricardian value when one considers the total capital. The total capital, which has no practical existence in real capitalism, is the "abstract" level at which the different components of the total social product are brought into equilibrium, and where the profit of individual capitals is brought into equilibrium with the total surplus value. It is at this level that appearances, the thousands of individual capitals which "present themselves as a vast accumulation of commodities" (Vol. 1, Ch. 1) are brought

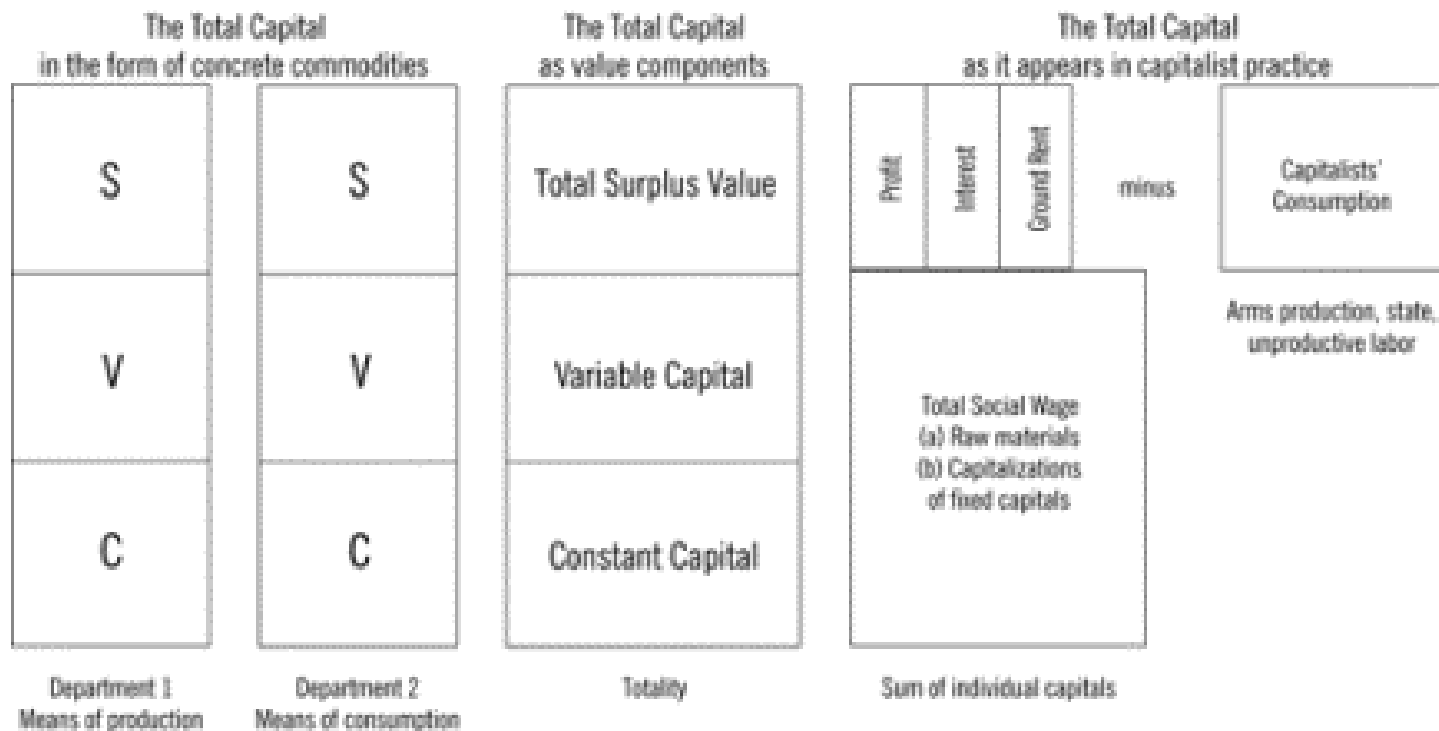
into relationship with the valorization process and the material reproduction of society as a whole; where one discovers, concretely, that the *totality* is not a *sum*, or more precisely, where one discovers that the surplus value which valorizes itself is *different* from a sum of the profits of the individual enterprises of superficial appearance.

Marx says it quite clearly:

"So long as we looked upon the production of the value of the product individually, the bodily form of the commodities produced was wholly immaterial for the analysis, whether it was machines, for instance corn, or looking glasses... What we dealt with was the *immediate process of production* itself, which presents itself at every point as the process of some individual capital... This merely formal manner of presentation is no longer adequate in the study of the total social capital and of the value of its products... Simple reproduction, reproduction on the same scale, appears as an abstraction, inasmuch as on the one hand the absence of all accumulation or reproduction is a strange assumption in capitalist conditions... (*Capital*, Vol. II, pp. 394-395; our emphasis)

The total capital presents itself, at first approach, as the different manifestations of the components of total

surplus value in its capitalist form: profit, interest, ground rent, in addition to variable capital/total social wage and constant capital/capitalization of fixed capital. We might represent it schematically as follows:



Let us bracket, for a moment, the existence of non-capitalist populations which can become part of V, as unpaid labor, thereby reducing the total wage through primitive accumulation; we will similarly bracket unreplaced natural resources which can play the same role in constant capital. We are keeping to Marx's method in abstracting from the credit system which, as he shows in Parts IV and V of Vol. III, can create fictive values having no counterpart in the total surplus value.

Let us pause for a moment at the problem as Marx poses it at the end of Vol. II, in order to emphasize that what can appear as a profit at the level of the individual capital is not necessarily a profit at the level of the *total* capital. The only profits which are profits at the level of the total capital are those corresponding to components of surplus value which, in its material contribution, its specific form which had no importance at the level of capital-for-itself, *re-enters* the production process by expanding social reproduction.

It is therefore at the level of the total capital that the material basis of social reproduction is brought into equilibrium with valorization. This is another way of saying that value, for Marx, in contrast to Ricardo, is a relationship that relates itself to itself, a capitalist *inversion* of social reproduction.

e. Productive and Unproductive Labor

It is in light of the preceding discussion that we can now situate the distinction between productive and unproductive labor. Productive labor for Marx is labor whose result augments the valorization process, value valorizing itself, which can, as we have seen, only mean at the level of the total capital. Productive labor is all

labor producing surplus value which *in its specific material form* re-enters the process of social reproduction and expands it, by increasing its "productivity". At the level of the capital-in-itself/individual capital (the vantage points of Vols. I and II) the prostitute working in a brothel, the teacher in a private school, are productive workers. But at the level of the *total* capital, the situation is different, and it is there that the specific material form of individual labor, and its ability to contribute to the material reproduction of society, is decisive.

Thus the sociological discussion attempting to determine, at the level of the individual worker, who is productive and who is unproductive, is purely academic. The steelworker making steel for private cars is productive; the same steelworker, making steel for tanks, is unproductive. It is pointless, in such a case, to attempt to settle the question at the local point of production. The distinction between productive and unproductive labor, as between "profits" as a sum and profits having a counter-part in the total surplus value, can be made only at the level of the totality.

(Many self-styled Marxists today casually assume, for example, that the production of armaments is productive

labor because it produces a profit for an individual capitalist. They further deride as a "moral" consideration any statement to the contrary. They merely demonstrate that they have not understood the difference between the vantage point of Vols I and II- the individual enterprise- and that of Vol. III, the total capital. Consider the production of jet transport planes. Such a jet, sold to a capitalist electronics firm, flies components from Silicon Valley to Taiwan for assembly; then flies them to Spain for sale inside the Common Market. The plane, sold from capitalist A to capitalist B, continues to function as *capital*, as value valorizing itself. The *same* plane, sold to the Saudi government for troop transport, absolutely ceases to be capital, i.e. engendering of further value. For the purposes of the capitalist valorization process M-C-M', it has been *sterilized*. It becomes an expenditure of capitalist consumption, deducted from the total surplus value available to the capitalist class for new investment. If the Saudi government paid \$1,000,000 for the plane, the \$1,000,000 indeed becomes revenue for the firm producing it, contributes to the profits of the firm, and continues to circulate in the M-C-M' process, demanding further metamorphoses from money to commodity form

and back again. But that profit- in contrast to the case of the sale of the same plane to an electronics firm- continues to circulate with no material equivalent in the total surplus value actually suited to become new means of production. It has become *fictitious* relative to the total material product of global capitalist society.)

f. The Total Worker, the Total Wage Bill, Primitive Accumulation

The total worker is determined at the same level as the total capitalist. The total wage paid is by no means limited to the sum of wages paid by individual capitalists. It also includes the social costs of reproducing labor power: education, public transit, health, social insurance and leisure. Everything that reproduces the total worker at historically determined levels must be considered part of the total wage bill.

But, once again, one must never forget that the cost of reproducing labor power, seen from the viewpoint of the total capital, is not made up exclusively of the already capitalist work force. For capital, any labor power enlisted from the non-capitalist social strata of capitalism itself (peasants, artisans) or from other modes of production, constitutes unpaid labor. Thus throughout

the 19th century, capitalism was the beneficiary of a permanent primitive accumulation of the agrarian and artisanal populations of Europe and of the U.S. This process has hardly ended today. It continued after 1945 with the rural exodus to the industrial centers of the European Common Market after 1958, with the Hispanic immigration and internal migration of blacks from the American South, and in the new industrial countries of the Third World since the 1960s. Less visible is unpaid labor inside the capital relation itself, that is a non-reproductive wage paid to the actually capitalist work force. This latter is not only the key to fascism, but also to a more subtle concept characterizing many of the solutions of capitalism in crisis, a fair number of which are advocated by the "left": devalorization. (cf. below, section n.)

g. Valorization and Money Capital

Everything we have said up to this point about valorization, value, the total capital, productive and unproductive labor and the total worker have been presented in terms of values and prices. But we have said nothing whatever about the credit system, the central bank, the state, or the state debt. In short, we have said

nothing whatever about *money*. But, as we shall see, money *precedes* capital conceptually and historically in Marx's exposition, and it is the conquest of spheres of production by commodity relations, expressed in money, which constitutes the origin of capitalism.

Valorization (*Verwertung*, which until recently has been poorly rendered into English as "realization", with all the under-consumptionist implications of that word) is inseparably the expansion of money capital M-C-M' and the expansion of value. Money capitals are thrown into the production process to be valorized (expanded) by living labor, to "vampirize" it, so to speak. Individual money capitals must periodically valorize themselves by converting themselves into commodities in the general M-C-M' movement, or they cease to be capital. (This, moreover, is why Marx says that finance capital, where the movement seems to consist merely of A-A', best expresses the mystification of capital; in this case, money seems to engender more money without even passing through production.) This amounts to saying that the expansion of value and the expansion of money capital M-C-M' are *one single process* which, while theoretically separable (or, more precisely, separable for purposes of

exposition) are historically *inseparable*, in any past, present or future capitalism.

Why is this so important? In the last instance, for the same reasons for which we have insisted on the movement of *negation* of Vols. I and II by the end of Vol. II and all of Vol. III of *Capital*. We are saying, and will continue to say throughout, that capital is a self-movement of value, a valorization process. And we are saying at the same time that valorization *does not exist* without money, and therefore without a credit system, a central bank and a state. There is no valorization without the M-C-M' movement of money capitals. Marx obviously had to develop everything in terms of values before talking about credit and all that flows from it, as well as in the case of the state, in order to show that these were nothing but mere appearance once they were dissociated from value. But he shows just as clearly that capitalism without these institutions has never existed--that, indeed, they preceded the hegemony of capital and were necessary to bring it about--and never will exist.

We asserted above that the fundamental contradiction of capitalism is that it drives the productive forces to a point where *value relations*, the exchange of equivalents

between capital and living labor, *explode*. And we said just as clearly that the fundamental contradiction of capitalism is that it arrives at a point where any increase in relative surplus value through technical innovation creates more titles to wealth than it adds to surplus-value. These two formulations express one and the same fundamental contradiction, one at the level of abstraction of Vols. I and II and the *Grundrisse*, the other in the real capitalism of Vol. III.

We are lingering over this point for the following reasons. The whole Marxist theoretical discussion since the 1960s which has radically questioned elements of official "Marxist" ideology, rejecting the Hobson-Lenin theory of imperialism and the theory of "monopoly capitalism" of Lenin, Bukharin, Baran, Sweezy, Bettelheim, Amin, Immanuel, etc. as not merely "erroneous" but fundamentally non-Marxist has focused above all on the question of value. The proof offered by the protagonists of "monopoly capitalism" that the prices of this or that sector could not be brought into relationship with a socially necessary labor time" (generally considered in a Ricardian sense foreign to Marx's work; cf. for example the book of Ernest Mandel *The Formation of the Economic Thought of Karl*

Marx) has nothing to do with the concepts we have elaborated. No one disputes the fact that there are monopolies. But the idea that the reproduction of the *total capital*, understood globally, occurs through "superprofits" having nothing to do with the socially necessary labor time of reproducing the total product is an absurdity offering no explanation of the objective determination of these "superprofits" except force. The latter explanation is perfectly suited to the actual populism represented by the "monopoly capital" school, (cf. Engels, *Anti-Duehring*) but it represents a rejection en bloc of Marx's approach. (We will later see *why* the official left has discredited, by calomny or silence, the problematic of the total capital/expanded reproduction/credit system.)

Thus it was indispensable to resurrect the fundamental categories and the problematic of Vol. III against those who quite simply rejected value, as well as against those who, like Mandel, understood value strictly in a Ricardian framework and in the perspective of the simple reproduction of Vols. I and II. It was necessary to do battle with both the monopoly capital school as well as those who attempted to restore Ricardian, as opposed to Marxist, value, a theory of value lacking both

valorization (value-valorizing-itself) and its underside", the expanded reproduction of labor power.

On the other hand, the very rich discussion among the ultra-left currents in France in the 1968-1973 period, in the critique of Leninism and all its ideological consequences (which in the last instance is just another side of the same problematic) also resurrected value in order to insist, rightly, that communism was neither "nationalized property" nor "workers' control of production", but the positive supercession of commodity production and all its categories: value, wage labor, capital, the proletariat as a social relationship, all grasped as a integral whole. But this discussion, for all its richness (we are thinking of the texts of *Invariance* in the 1968-1972 period, of *Mouvement Communiste*, *Negation*, the *International Communist Current* in the same period) gradually dissipated itself in long dissertations on Value and the Self-Dissolution of the Proletariat without, except in a few cases, approaching the the problematic of the the total capital/expanded reproduction/credit are posing it. The French discussion, in other words, rarely got around to talking about the concrete mediations of valorization in the current period. (1) Thus the French ultra-left was in important ways as little aware of the

specific aspect of the post-1973 crisis as the official left and the *gauchistes*, and thus after often brilliantly denouncing the stupidities of the former, was swept away in the same moment.

We thus repeat that the two formulations we articulated of the fundamental contradiction of capitalism, the development of the productive forces to the point where value relations explode, and the inability to introduce technical innovation without creating more fictitious titles to the total surplus value than new surplus value itself, are two levels, one more abstract than the other, of one single problematic, the latter being the concrete way that capital becomes a brake on the productive forces. It is in this framework that we wish to situate the credit system, the central bank, the state and the system of international loans in the discussion of the actual capitalist system of the 20th century, and particularly after 1945.

h. The Credit System and the Rate of Profit

We can see the significance of this confusion of theoretical levels in the discussion of the rate of profit. For "orthodox Marxism", the rate of profit falls historically because the organic composition of capital,

the ratio between dead labor/constant capital C and living labor/variable capital V, (the latter alone capable of producing surplus value) increases. Less and less living labor is necessary to set more and more dead labor in motion. (This is the preparation for the moment at which society can *dissolve* value, the exchange of equivalents between capital/dead labor and living labor, as a relationship. The socially necessary time of reproduction becomes small relative to disposable time, which capitalism, moreover, is incapable of realizing socially. The socially necessary labor time of reproduction can no longer serve as an objective criterion and as a mediation among producers and units of production. At this point capital becomes obsolete.

Taken by itself, this is fine. The problem arises in showing its manifestation of the real development of capitalism. From the entire preceding discussion, it should be clear that *this* formulation of a tendencial fall in the rate of profit is, once again, one referring to a "pure" capitalism having no credit system, central bank, expanded reproduction, unproductive labor, non-capitalist social strata and external sources of non-capitalist labor, with value and price in equilibrium, and so forth.

(Cf. *Capital* Vol. II, p. 421, where Marx discusses the ways

in which merchant's capital and non-capitalist classes obscure the relations between the two actually capitalist classes.)

We mention this to distinguish ourselves from the empiricists and Ricardians who think that a tendencial fall in the rate of profit can be discerned by a mere *addition* of all capitalist enterprises, taken as an average. Our whole discussion of the total capital, in particular, as a totality qualitatively distinct from a mere addition of individual capitals, was intended to unmask the empiricist illusion of looking, firm by firm, arms production side by side with steel production, banks and insurance companies with means of transportation, for a year-to-year tendencial fall in the rate of profit. It may be true that sophisticated accounting systems, like the one proposed by Peters in his book *ROI* (Return on Investment) can actually show a constant fall in the rate of profit over the 1945-1973 period and thereafter. But this is not the problem. Marxists are not alone in asserting the existence of a falling rate of profit. The historical limit of capitalism as a mode of production IS NOT IN PRODUCTION.

What interests Marxists is not the tendencial fall in the rate of profit taken by itself; it is its real

expression, *capital's inability to complete its M-C-M' valorization circuit (Kreislauf)*, in specific historical conjunctures, *at the same time that it expands the reproduction of society*. It is this impossibility which explains periodic crises, as well as the specific form of devalorization in the current crisis. In 1929 as in 1973, "profits" had never been as high, empirically. The problem was that these "profits" contained, and still contain today, an essential *fictitious* element, which have no counterpart in a sum of surplus value produced locally by a specific capitalist nor in the total surplus value. For American firms in particular, the empirical total profit has nothing to do with a specific sum of surplus value produced under their auspices. The problem, at one level, is precisely that the titles to wealth represented as profits, interest and ground rent the total surplus value; the essential problem for Marxism is to explain how, without recourse to monetarism, this is possible.

The circulation of fictitious values and their integration into the movement of the valorization of the total capital M-C-M' is made possible by the credit system and the central bank. But what distinguishes a Marxist analysis of fictitious values from all monetarism is the assertion that these values originate in *production*, and that they

represent, initially, a segment of constant capital devalued by technological progress.

The fall in the rate of profit in the decennial crises of the 19th century (1808, 1817, 1837, 1846-47, 1857, 1866, 1873, etc.) became *empirically* manifest with the outbreak of the crisis, during which the great mass of fictitious values were destroyed. But during the cycle, until the peak of the boom, these fictitious values were constantly multiplying. Any analysis of the "falling rate of profit" which abstracts from this circulation of fictitious values, from their regulation by the central bank, from capitalism's interaction with non-capitalist social strata and societies, from the system of international loans through which this interaction occurs, from unproductive labor as a deduction from total profit, is bound to be wrong-headed. Periodic deflationary crises had no other goal but the destruction of fictitious values which had no real counterpart in total surplus value.

Capitalism, empirically, is not merely an interaction between constant capital C and living labor V: it is a "vast accumulation of commodities" of individual enterprises which are *subordinated* to the valorization movement of the total capital. It is the impossibility of continuing this M-C-M' valorization process, as an expansion of money

capital, which *expresses* the fall in the rate of profit as a recomposition of the $S/C+V$ ratio, bringing prices and values back into equilibrium at the level of the total capital. We are speaking, once again, of the two levels of abstraction of one single process.

In the world of pure capitalism described in Vols. I and II, there is no capitalist crisis because there is no expanded reproduction, and thus no growth of the productive forces. There can be no shift in the organic composition of capital without expanded reproduction. The possibility of crisis *begins* with such reproduction and the problematic of the total capital. Let us therefore investigate what expanded reproduction looks like in the world of Vols. I and II, still lacking a credit system, a central bank, non-capitalist social strata and societies, and unproductive workers. What would happen?

Each technical innovation aimed at increasing the relative surplus value for a particular capital, resulting in expanded reproduction, would necessarily *devalue* a segment of constant capital, thereby rendering it fictitious in the *current* terms of costs of reproduction.

Assume a branch of industry consisting of ten competing firms which begin a production cycle on an equal footing.

The capitalist of one of these enterprises, in the first year of the cycle, employs a new technology which reduce his costs of production by 15%. Immediately, he has devalued the constant capital of his *entire* sector by 15% in *current* reproductive terms. Whatever the *historical* value (original cost) of the constant capital of the nine other enterprises, whatever the rate of amortization, its reproductive value has been reduced. Either these nine competitors must make the same innovation, or they can continue to produce with an obsolescent capital while accepting this diminution of its value, attempting to balance it with absolute surplus value from overtime or speedup or by using the devalued capital beyond its amortization period, without any new investment. However these competing firms react, the accounting of their constant capital henceforth contains a *fictitious* element: a capitalist representation, expressed in terms of price, which no longer has any counterpart in terms of value, which is to say in costs of *reproduction*.

But the individual capitalist knows nothing of constant capital: he knows the *capitalization* of a rate of profit which he expects from his capital. It is this capitalization, and the value in market prices which he attributes to his

devalued fixed capital, which represents a fictitious value. Because the innovation has reduced the production costs of the sector, the nine outmoded capitals will receive a rate of profit *lower* than the average, which will not support their capitalization at the anticipated levels. (footnote) This is devalorization at work in daily capitalist practice. The "value" of this or that piece of fixed capital in this or that enterprise is not determined on a daily basis by the "socially necessary labor time" of its reproduction; its value, for the capitalist, is determined by a capitalization of an available rate of profit. Thus, to take an extreme case, the fixed capital of an firm like Penn Central in the U.S. "worth" such and such a sum until the day of the company's bankruptcy and collapse. The same is true, generally, for fixed capital as a whole on the eve of a devalorization/deflation.

Let us move a bit closer to real capitalist practice, still without banks, but with expanded reproduction. In a fifth year of the production cycle, we can imagine a *generalization*, through all constant capital, of this fictitious element by a general reduction of costs of reproduction through technological innovation. The fictitious segment "f" of historic book values might be

25%, assuming an annual reduction of necessary time of reproduction, in current terms, of 15% and an amortization of 10% per year. The capitalized values of the individual enterprises would still reflect an average rate of profit, and would contain, taken together, the 25% of historical values having no counterpart, in current costs of reproduction, in the constant capital as a whole. (In a pure capitalism of Vols. I and II an enlightened accounting system could avoid this problem of fictitious values by amortizing each capital every year in terms of its real cost of reproduction. Because there would be no banks, there would be no fictitious capital. In such a capitalist society, and only there, a tendencial fall in the rate of profit, year in, year out, would become visible. This completely abstract formulation allows us, nevertheless, to see why, precisely because the pure capitalism of Vols. I and II does not and will never exist, the generalization of the rate of profit passes inevitably through the anarchy of capitalizations, the circulation of the fictitious values they engender, the credit system, the central bank and general crises. Capitalist crises are a form of *post festum* social "planning" which flow directly from the anarchic--that is to say heteronomic--organization of social production.)

Turning again to the problematic of our imaginary capitalism from Vols. I and II in the fifth year of the production cycle, with capitalizations of fixed capital exceeding by 25% the reproductive value of the constant capital, there would also be a real decline in wages because variable capital reflects more immediately the general reduction in costs of social reproduction. But the essential problem is this: to obtain the rate of profit anticipated from the capitalizations, to protect their capitals against a devalorization, the total price of the total product must necessarily contain the fictive element of the constant capital, a price determined by historical value in excess of current value. The result would be a "crisis of underconsumption" in which the capitalist class would be incapable of buying all the new means of production it has produced. The result would thus be, for the M-C-M' movement to be able to complete itself through the mass of commodities, a general deflation of prices to eliminate the fictitious element of 25% in the constant capital.

Are we indulging in what Marx called "vulgar economics"? Are we saying that the profits of the capitals overvalued by 25% comes from the sale of commodities "above their value"? Absolutely not. We

affirm, on the contrary, against the empiricism of everyday appearances--that "vast accumulation of commodities"--that the "profit" of enterprise, calculated with regard to the capitalization of a constant capital with a fictitious element of 25%, IS NOT A PROFIT at the level of the total capital and has no counterpart in surplus value. The total price of the total product, just before deflation, has a considerable fictitious increment which must be circulated in the movement of valorization M-C-M'. It is precisely because the total capital is unable to complete its circuit (Kreislauf), and is incapable of circulating its fictitious increment through the mass of commodities, that devalorization and deflation must ensue.

It is this mechanism of the circulation of a fictitious value originating in the devalorization of capitals by technological innovation and an increase in the productivity of labor which explains--in part--why the fundamental tendency of capitalism is *deflationary*, tending to constantly reduce the costs of production in current terms, whereas at the peak of a boom, there is always an *inflation* of total prices. (The circulation of fictitious capital is only one reason for this, but it is far from being the only one.) And we have not yet even

arrived at the credit system, which makes possible an expansion of fictitious values well beyond those originating in production. (On the creation of a "fictitious demand", cf. *Capital*, Vol. III, p. 304). What does this underconsumptionist fairy tale tell us? On one hand, it shows us, with the addition of expanded reproduction prior to the inclusion of the credit system, an important difference between Vols. I-II and Vol. III of *Capital*. It explains the co-existence of deflation and inflation in the course of a capitalist cycle. It shows us, finally, what capitalism *is not*, by abstractly isolating its essential dynamic, enabling us to understand what it *is* when we plunge into the world of appearances of Vol. III.

If capitalism consisted of the reality described in Vols. I and II, if there were only capitalist classes--bourgeoisie and proletariat--and no credit system, the underconsumptionists would be right and the historical limit of capitalism would be the inability of society to buy its own product.

But there are non-capitalist social strata and (ever-diminishing) regions, and there is a credit system. The periodic capitalist crisis, as well as the terminal crisis, is neither under-consumption, nor over-production, but *the periodic incompatibility of the M-C-M' valorization*

process and the reproduction of the total capital with the process of the expanded material reproduction of society.

This crisis erupts on a global scale when the productive forces have reached a level where *any* technical innovation renders fictitious, and therefore transforms into fictitious claims on the total surplus value, more constant capital than it adds in new surplus value. We have already shown schematically in a pure capitalism of Vols. I and II the *mechanism* of this process; it remains to show how it is mediated in a real capitalism, that of Vol. III.

In England, in the 19th century, in the capitalist crises analyzed by Marx, the most direct transmission belt between the sphere of production and the credit system was the discounting of bills of exchange by the banking system, regulated by the Bank of England. Starting from this mass of paper which initially represented real economic transactions (Vol. III, p. 481), the expansion of total credit created, in the course of the cycle, a fictitious increment far in excess of that created in the sphere of production itself. For the international transactions where gold constituted the "real reserve", the situation was the same, aside from details arising from the specific international role of the Bank of England. And Marx

leaves no room for doubt that in the course of the cycle, this fictitious element grows relentlessly, all out of proportion to the expansion of surplus value (Cf. *Capital*, Vol. III, pp. 304, 441, 467, 471, 478) and that this circulation creates a fictitious *demand* which has an impact on prices and on profits (on the distortion of profits by the circulation of fictitious capital, cf. Vol. III, pp. 483-484).

Thus the capitalization of individual fixed capitals in relation to an anticipated rate of profit becomes, through the mechanism of discounting bills of exchange and the autonomous creation of credit from this "real basis" a *generalization* of this fictitious element through the entire system. Because a "fictitious demand is created" (Vol. III, p. 304) the total price is henceforth *greater* than total value, until the next deflation. Marx insists on the equilibrium of values and prices in Vols. I and II precisely in order to show how expanded reproduction, by increasing productivity and devaluing a constant capital represented by increasingly fictitious capitalizations, produces a *gap* between value and price in the course of the cycle. Total price = total value in the simple reproduction of Vols. I and II, and at the beginning and end of the cycle, when the crisis has destroyed the

fictitious values. But at the peak of the boom, it is clear that credit becomes a transmission belt allowing total price to exceed, temporarily, total value.

i. Equilibration of the Rate of Profit and the Central Bank

The central bank is the privileged link in the reproduction of the total capital. Marx saw this clearly (*Capital*, Vol. III, pp. 466-468) but the incomplete character of Vol. III, and the subsequent evolution of the credit system in the phase of the real domination of capital, where the fictitious element of the total capital reaches a level unknown in the phase of formal domination, make necessary a more explicit formulation.

The role of the central bank is the general regulation of credit. It is the central bank which manages the circuit of the total capital (not, of course, as such, but as an approximation) and which circulates fictitious capital. This role is, moreover, obscured in the first phase of a classic cycle after the elimination of fictitious values by a deflationary crisis: it is only when the rate of profit available for fictitious investments reaches or surpasses the level of profit available in production that this regulation begins to play a role; in the ("Keynesian")

phase of real domination, where fictitious capital is a *permanent* presence, this role is more or less constant. (One might therefore say that Keynes was the architect of the *adequate form* of this regulation.) It is in the financial markets that the "real" basis of credit expansion (bills of exchange, gold) lose all relationship with the rate of surplus value capable of guaranteeing their valorization. Particularly in the phase of real domination, the role of the central bank is to *prevent the devalorization* of this mass of titles to surplus value. It was Schacht, in practice, and Keynes, in both theory and practice, who were the first to elaborate this regulation of valorization/devalorization for the phase of real domination (2).

We already saw how, beginning from the pure model of Vols. I and II, one can derive the simultaneously deflationary and inflationary tendencies of the capitalist cycle taken as a whole. By adding, after the fashion of Vol. III, the credit system, we saw how real practice puts fictitious values into general circulation. The fictitious value which circulates is a *capitalization of the fixed capital devalorized by technological innovation*. Through the financial markets which expand credit beyond any relationship to actually available surplus value, this

fictitious element increases in the course of the cycle. The inflation of prices brought about by the fictitious demand thus created works in counterpoint to the more fundamental deflationary tendency of the productivity gained in the production of commodities. It is for this reason that devalorization is deflationary in essence but inflationary, temporarily, in appearance. From the moment when the rate of profit for fictitious investment (speculation, real estate, etc.) passes the rate of profit directly available in production, until the moment when deflation converges with the devalorization which was the fundamental tendency at work, it is the task of the central bank, through the regulation of the general rate of interest, to *preserve* fictitious values. To the extent that the system succeeds in increasing available surplus value to rates sufficient to sustain the values in circulation, a devalorization through inflation is prevented. The phase of real domination, in particular, (as we shall see momentarily in the discussion of devalorization) is based on forms which realize the devalorization of labor power in order to prevent the devalorization of capitals by transfers of all kinds from V to S.

It is in this general movement of the *autonomization of the sphere of circulation* where the M-C-M movement of simple commodity exchange shows itself to be the "cell" of a general M-C-M' movement at the global level. The antagonism between exchange value and use value is present everywhere; the interruption of the M-C-M' process of valorization creates a situation where a mass of commodities/use values find themselves standing over and against money, and no longer as two components of one single harmonious expansion. It is in this way that simple exchange reveals itself as the cell of a mode of production in which valorization and social reproduction are, in the last instance, antagonistic. It is a *liquidity* crisis, a crisis of the non-convertibility of a mass of commodities into money through normal exchange mechanisms, which haunts the mass of capitalized titles to the total surplus value.

This liquidity crisis expresses perfectly the double movement of inflation and deflation we described in the sphere of production. When profit, interest and ground rent begin to dangerously exceed the sum of surplus value available for division into its capitalist forms, the central bank is obliged to *brake* the creation of credit to ensure that valorization continues. The interest rate of

the central bank thus becomes the transmission belt for the general rate of profit for all circulating capitalizations. But credit restraint endangers the weakest capitals, requiring in the last instance a liquidation of inventory at any price in order not to interrupt the chain of payments in the credit pyramid. *On a global scale, the further operation of valorization requires the conversion of a mass of commodities into money at the very moment that there is a general scarcity of money.* A general liquidation of inventory threatens to bring down the entire mass of fictitious capitalist titles in a general deflation. If this deflation occurs, the rate of profit and the rate of surplus value are brought back into equilibrium, and production can once again offer a sufficient rate of profit to attract the investment which, at the peak of inflation, was more and more attracted by speculative investment.

(This is the "stop-go" trap in general debt management dealt with by monetarists and Keynesians.

The American economy since 1969 offers a prime example of this process in its totality. The Nixon government which took power in January 1969 was compelled to opt immediately for a sharp tightening of credit to confront a rate of inflation considered high for

the period (4% in 1968). This harsh monetary policy brought on a falloff in production, a 6% rate of unemployment, and a generalized lack of credit for companies unable, (in contrast to the "Fortune 500") to have recourse to the Euro-dollar market in London. (This policy was nonetheless unsuccessful in bringing down the rate of inflation.) In May-June 1970, American capitalism passed through a liquidity squeeze which brought about the collapse of the Penn Central railroad, which was unable to market \$200 million worth of its bonds. A panic liquidation of many other fictitious titles threatened the financial markets, calling into question the capacity of many other firms to sell their paper. The stock market had already fallen, between January and June 1969, from 1,050 to 635. It was at this moment that the Federal Reserve Bank, the U.S. central bank, had to intervene, making special credits available to any important company threatened with bankruptcy. The dangers of the situation are apparent from the fact that the liquidity of American firms had undergone an almost uninterrupted deterioration since the end of World War II, with external corporate indebtedness increasing from 20% of paid-in capital in 1945 to 80% in 1969-1970. Having succeeded in calming the financial markets, the

government shifted to an expansionary policy by reopening the credit windows. (We cannot understand the totality of this process until we have analyzed the system of international loans.) The result was the "superboom" of 1972-1973 during which the deterioration of corporate liquidity through a wave of lending now rose to extremely dangerous levels. The exigencies of circulating the fictitious titles which already dominated the actions of the Fed in 1969-1970, and the credit expansion of 1971-1972 to keep them afloat, ended up unleashing an inflation rate of 7-8% and a rush into "hard" commodities such as agricultural products and gold. It is in this way that the actions of the central bank express the contradictions of valorization: when there is a scarcity of credit to rein in the creation of fictitious values, a need arises to convert real commodities into money to continue the chain of payments and thus the valorization process, and thus a danger of inventory liquidation. When the liberalization of credit succeeds in preventing a liquidity crisis and a deflation, the expansion of fictitious demand which it brings about creates an inverse movement to commodities, and particularly to the money-commodity, gold. Thus the U.S. underwent periods of credit

restriction in 1969-1970, 1974 and 1978-1980, accompanied each time by a rush into gold at the moment when high interest rates brought about a fall in production and a destruction, through bankruptcy, of some fictitious values.)

j. The System of International Loans

The whole discussion up to this point now permits us to extend the analysis of fictitious values, which we followed from their origin in the circulation of devalued fixed capital, through the credit system, to the functioning of the central bank, in order to finally arrive at the level where, in practice, they have been situated since the beginning of capitalism: in the system of international loans.

It is this system which extends the reproduction of the total capital to the entire world. It is through international loans that the M-C-M' valorization process can be supported by unpaid values taken from non-capitalist sectors. Here, once again, we see the difference between a Ricardian and a Marxist view of value.

The Ricardian, as we saw, ignores the problematic of the reproduction of the total capital. The model of Ricardian exchange abstracts from the existence of credit, seeing

all exchange as an exchange of values (determined by the necessary labor time of production) as if payment were always immediate and as if money were nothing but a means of payment. But the Marxist problematic of the reproduction of the total capital sees in money, and exchange, the cell of a *valorization* of money-capital through the movement M-C-M'. And insofar as the reproduction of the total capital, and the role of the credit system and the central bank in this process passes necessarily, given the heteronomy and therefore anarchy of the system, through a creation of fictitious values exceeding total surplus value, the problem is not located in an *isolated* act of exchange, C-M and M-C, but at the level of the valorization of the total capital and the *general* M-C-M' movement through the totality of commodities. We can easily see how everything can pass through the exchange of values, at the same time that there is a transfer of unpaid wealth to the country having the higher productivity of labor.

Let us take the example of a Third World country which produces copper. (Let us further assume that we are at the initial phase of the cycle, where the increased demand at the peak of the boom does not complicate the situation by adding the problem of ground rent

accruing to the most productive mines.) The country in question wants to industrialize by paying for industrial equipment with copper exports. The price of copper is determined on the world market by the socially necessary labor time required to produce it, globally. If, in the U.S., a ton of copper represents 100 hours of work, and in Zambia it represents 1000 hours, and if these determinations reflect the general level of labor productivity in the two countries, the values exchanged in the form of commodities between the U.S. and Zambia, in strict accordance with the laws of exchange, will constitute for the U.S. the importation of a considerable segment of unpaid labor, i.e the 900 hours of the Zambian workers which fall beneath the global rate of labor productivity. To the extent that the Zambian workers are in all likelihood former petty producers recently recruited to wage labor, this is just one more reason to see concealed in this *exchange of equivalents* (at the global level) a *primitive accumulation*, in the same way that the sale of industrial products to peasant sectors in 19th century England constituted a primitive accumulation through exchange. On all sides, there is an exchange of equivalents, but the time of reproduction of the non-capitalist, or formally capitalist

society is much greater, and its labor power does not reproduce itself. The infusion of this unpaid labor through international trade has always been an important prop for the circulation of fictitious values (and not merely between the "First" and "Third" worlds; indeed, this "looting" occurs more *between* advanced capitalist countries than it does between countries as different as the U.S. and Zambia)

Let us now move from the level of individual exchanges to the level of the total capital, because the exchanges of commodities between developed and underdeveloped sectors are necessarily filtered through *credit*. A developing country, having a rate of productivity much lower than that of industrialized countries, borrows money for infrastructure. These loans are not made in Mexican pesos, Brazilian cruzeiros or Indian rupees: they are made in dollars, pounds sterling, yen, marks, francs. The importation of infrastructural equipment leads to a large deficit in the balance of payments. It is covered by further borrowing. The earlier loans are paid off not, of course, in the money of the borrowing country, but of the lending country. Thus the developing country is obliged to earn, with rates of labor productivity quite below the international average, dollars or pounds to

service its debt. The problems of keeping its currency in equilibrium with international exchange rates forces the country to make periodic painful devaluations, which again reduce its income from sales abroad. Let us disregard momentarily the often significant charges for transportation and insurance, all paid, quite naturally, in foreign currencies. By limiting ourselves strictly to exchanges of value determined by the level of international productivity, and by adding the non-convertibility of weak currencies engendered by deficits, we can see how a primitive accumulation takes place through the purest exchange of commodities whose prices are determined by necessary labor time. In short, money is not, as Ricardians think, a passive means of payment; because of the international circulation of fictitious values, money is an active factor in the *distortion* of exchange relations. We are confronted once again with the difference between a pure capitalism as described in Vols. I and II, without credit and without non-capitalist classes, and real capitalism. (We will see this process even more clearly in analyzing the infamous "dollar overhang" of dollars held abroad currently exceeding (1981) the sum of \$1,000,000,000,000.) (This sum is probably closer to \$4 trillion in 1999-LG) In sum, it

is impossible to analyze international trade as so many "dry" exchanges immediately paid for in exchanges of equivalents; because it is completely tied up with the system of international loans, this commerce invariably constitutes both a circulation of fictitious values on one hand and an export of unpaid labor on the other.

The system of international loans, in the imperialist form developed between 1870 and 1914, is a form of circulation for fictitious values and their valorization through commodities containing an element of unpaid labor. (We are setting aside, for the moment, the further problem of exchanges in a system where gold has been demonetized, as between England and its colonies in 1890-1914, or between the U.S. and the world after 1944.)

k. World Money and the Clearing House Function of the Principal International Financial Market

"It is only in the world market that money functions fully as the commodity whose natural form is simultaneously the immediate and social form of realization of human labor in abstracto. Its mode of existence becomes adequate to its concept." (*Capital*, Vol. I, Ch. 3, Section c)

Since capitalism in the strict sense of the word has existed, and more specifically since 1815 and the end of mercantilism, gold, in which money becomes immediately adequate to its concept, has always played a central role in its functioning. Gold is nothing other than the materialization of the concept of money-commodity, the commodity whose value is the standard for all the others. But, as Marx emphasizes, gold attains its full functions only as world money. What does this mean?

It means that gold is the money-commodity which represents the capitalized surplus value that circulates globally.

But, as with the system of international loans, there are not merely "dry" exchanges settled immediately: there is money, and there is *credit*: a sum of fictitious values exceeding the value of the total product and the total surplus value.

The clearing house function of the main international financial market is once again the circulation of the fictitious segment of the total capital which has no equivalent in the gold exchanged internationally to settle deficits.

In practice, capitalism has never done without an international financial market playing this clearing house function for international exchange. This function is not different in principle from the commercial fairs of 16th century Europe, where, after all transactions had been made, there was a settling of accounts and those with net positive balances were paid off in gold by those with negative accounts in gold. But, in practice, because we are in a Marxist and not in a Ricardian world, international accounts are settled immediately neither in gold nor money, but in credit. Without this role of credit, it would be impossible to explain the situation described by Marx in Vol. III (p. 491) where, on the eve of a crisis, *all countries "have an unfavorable balance of payments"*, which express "an overproduction promoted by credit and the general inflation of prices which accompanies it" (p. 492).

We are dealing once again with the valorization of the total capital, and with the circulation of fictitious values through the system of international loans. In the course of the cycle, the creation of fictitious values through the mechanisms we have discussed engenders an autonomization of the sphere of circulation with respect to the totality of commodities, as well as with respect to

the concept-commodity, money. The rush into gold on the eve of collapse is explained by the *reimposition* of a real exchange of real commodities and the exigency of transforming all fictitious forms into commodities, and above all into the "form of immediate and social realization of human labor *in abstracto*". However the capitalist class happens to view the problem at any particular historical juncture, commodity production is always regulated, sooner or later, by the "discipline of gold", which is nothing other than the discipline of value.

The substitution of credit for the immediate settlement of accounts takes place through the reserve currency, which is the currency of the principal international financial market. Between 1815 and 1914, this reserve currency was primarily the British pound; after the transition crisis from the formal to the real domination of capital, it was the American dollar.

Although, in the 1890-1914 period, the capitalist world recognized a *gold standard* (which in reality operated only between the major capitalist powers) the settlement of international accounts was conducted, especially between England and its colonies and the semi-independent countries of Latin America, through the maintenance of *sterling balances*, pounds held in the

central banks of the countries having a favorable balance of payments with England. Because the sterling balances represented a sale of real commodities to England, these were in effect loans to England from the latter's surplus trading partners. Moreover, as we will see in the following section, these sterling balances were often recycled to the London financial market through the purchase of the paper of the British Treasury, and in other forms. Through this system, the surplus countries *financed* England's quasi-permanent balance-of-payments deficits. For the world outside the inner circle of capitalist powers which settled their deficits among themselves in gold, the "gold standard" was in reality a *gold-exchange standard*. (For a theoretical elaboration and defense of this system, cf. J.M. Keynes, *Problems of the Indian Currency*, 1909.)

It is this gold-exchange standard system which was generalized to the world by the U.S. and the Bretton Woods system of fixed rates established under U.S. auspices in 1944.

It is easy to see how the clearing house function of the principal international financial market, and its ability to circulate a segment of the total capital not immediately convertible into real commodities or into gold, make this

market and the system of which it is the center the privileged locus of the reproduction of the total capital. Thus, as Marx says, the "phenomenon that crises do not come to the surface, do not break out, in the retail business first, which deals with direct consumption, but in the spheres of wholesale trade, and of banking, which places the money-capital of society at the disposal of the former" (*Capital*, Vol. III, p. 304).

I. The State Debt

Beginning with a pure model of capitalism from Vols. I and II, we have moved up through the levels of fictions, to arrive finally at the last fiction, the one that guarantees all the others: the state debt. The state debt is "purely fictitious" (*Capital*, Vol. III, p. 465). It is here that capital reveals itself as a social and as a *political* relationship. There is no capitalism without credit, no credit without a central bank, no central bank with a state and a state debt. The state debt is the totem of the entire system.

We can better understand the key position of this indebtedness by seeing it first historically. The whole complex of relations we have analyzed, the credit system, the system of international loans, gold as world

money, the central bank and the state debt all *precede* the existence of capitalism as such. All the primitive accumulation carried out by mercantilism between 1450 and 1750-1815 had as its indispensable basis the elaboration of these institutions in an international system of *usury*, with generally exorbitant rates of interest. Capitalism as such existed from the moment when the rate of profit available to merchant capital was *subordinated* to the general rate of profit imposed by *value* relations in the sphere of production. It is only from the moment when commodity exchange has definitively conquered production that the M-C-M' movement of merchant's capital becomes a *valorization* process, and therefore capitalism.

In the era of mercantilism, particularly between 1550 and 1750, primitive accumulation and the imposition of commodity relations was carried out through the state, and in particular through *taxation*. The power to tax guarantees the indebtedness of the state, and it is the revenue from these taxes which is "capitalized" in the sale of the paper instruments of the state (although state bonds, as a pure fiction, are not capital). It is this power which underwrites Treasury bills and paper money, which are merely forms of the state debt.

Throughout the 19th century, in the phase of primitive accumulation and the preponderance of absolute surplus value, thus of the formal domination of capital over labor, the role of the state was above all the creation of the conditions for accumulation. Its presence in the economy as such, its production and its consumption, rarely exceeded 3-5% of the total social product. It was above all in the development of general infrastructure and the acquisition of land that the state served as an "executive committee" for the capitalist class as a whole. Even in the regulation of financial markets, the role of the state became apparent only in periods of crisis through the intervention of the central bank, and this above all in England and in France. One need only recall that as late as 1873, Bagehot felt compelled to remind his readers, in *Lombard Street*, that the Bank of England was the lender of last resort in financial crises, and this in the most developed financial market in the world. In the United States, it took the whole period from 1836, and the dissolution of the Second Bank of the United States, to 1913 to provide the financial markets with a central bank. In the interim, the Treasury Department intervened periodically in crises, but those of 1893 and 1907 showed the extreme fragility of this state of affairs.

The German central bank, the Reichsbank, was founded in 1870, along with the Reich itself.

Thus the uncompleted character of *Capital*, and the unsystematic presentation of the role of the credit system and the central bank in the reproduction of the total capital do not merely reflect the fact that Marx did not finish the book; they also reflect the fact that these relations had barely been established in their *mature* form during Marx's lifetime. But this did not prevent him from discussing, at the end of Vol. II and in the middle sections of Vol. III, *all* these phenomena, as they existed in the 1850-1867 period which was his principal "laboratory".

In the phase of formal domination, there was not yet a direct and systematic link between the state debt and the circulation of fictitious values by financial markets, and that because fictitious values circulated only episodically before being destroyed again in a deflationary crisis. It is important to remember that even England lacked an integrated *national* financial market prior to 1838, whereafter the manipulation of the discount rate of the Bank of England was capable of regulating, to some extent, the credit markets of the country as a whole. (This role of the London discount

rate imposed itself internationally in roughly 1890.) When the state, in the phase of formal domination, was seriously indebted, such as after a war (England in 1815, the U.S. after 1865) it was generally through a direct inflation of the *currency* that that debt was liquidated. The state *printed money* to reimburse creditors, thereby taxing all society through the ensuing inflation.

In sum, with certain important exceptions, the circulation of money in the phase of formal domination was regulated rather strictly by the mass of commodities and by the universal commodity, gold.

Things proceed quite differently in the phase of real domination. It is not, however, the liquidation of the state debt by a periodic inflation, in contrast to the permanent *debt management* of the Keynesian state, which constitutes the fundamental difference. The Keynesian state also liquidates part of its debt through money inflation. The key difference is that the state debt, and the fictitious titles representing that debt, are now the basis of the reserve of the entire banking system, and it is through the *daily* regulation of these reserves that the central bank intervenes in "private" financial markets. Simultaneously, the state has gone from being a consumer of 3-5% to 40-50% of the total social product

in the advanced capitalist countries. *It is the circulation of the fictitious financial instruments of the state through the capital markets, inseparably linked to the state debt, which is the lynchpin, today, of the circulation of the fictitious increment of the total capital.*

In the 19th century, the private financial markets circulated the total capital and the fictitious increment of the latter. In the phase of real domination, elaborated over the 1890-1945 period and definitively in place in 1945, the circulation of fictitious debt instruments underwritten by the state, in the circuit between financial markets, the central bank and the treasury, is regulated *daily*. Because the creation of Treasury bills and other fictitious state instruments are covered only partially by the state's revenues through taxation, the deficit, which becomes the permanent indebtedness of the state, becomes the fiction which underwrites the daily functioning of financial markets. The guarantee of this fiction is ultimately the power of the state to tax; without this power, the state debt instruments would have no more value than the bonds issued by Penn Central in 1970.

It is, however, not the state which "commands" the economy. The state is only the ultimate fiction which

underlies the "inverted world where Mr. Capital and Madame Real Estate dance their macabre dance" (*Capital*, Vol. III, p. 830). The capitalist state in the guarantor of this inversion of alienated human powers, but it only passively follows the apparent self-movement of value. This state was created during the 1933-1945 period to preside over a permanent devalorization. It exists because the mass of devalorized and thus fictitious capital must be regulated on a permanent basis.

The fictitious increment of fixed capital created by devalorization is ultimately circulated internationally through the world money markets, and underwritten by the state and its debt. The growth in the indebtedness of the capitalist state since 1933-1945, in its Schachtian and later Keynesian form, is the direct expression of the fictitiousness of a growing portion of the total fixed capital. We will see momentarily, in the discussion of relative and absolute surplus value, how this transformation of the capitalist state is the necessary expression of a global change in the components of the total surplus value toward a preponderance of relative surplus value.

An important anticipation of this relationship between the international financial markets/central bank/state

debt/devalorized fixed capital was elaborated in England in the 1890-1914 period. England was, however, incapable of extending this relationship to the world as a whole. The real productive basis of English capitalism was already becoming obsolescent relative to Germany and the United States by 1900. But the long crisis of 1914-1945 was necessary to finally build an international system capable of regulating the total capital in the phase of accumulation based on relative surplus value.

England, as we saw, had already discovered the gold-exchange standard in daily practice in its relations with its colonies (in particular India) and with the semi-colonial countries of Latin America, where English investment financed primitive accumulation and infrastructure development, as in Argentina or Mexico. The countries in permanent surplus with England, as we saw, received in exchange primarily sterling balances, which they had to recycle into the London capital markets, often buying British Treasury paper. It was in this way that England, in a restricted sphere, developed in the 1890-1914 period an approximation, for the sterling zone, of the system that the U.S. made global in 1944. England succeeded in financing its economic activity *with its own balance of payments deficits*.

For the sterling zone, the circulation of fictitious values, originating initially in the devalorized fixed capital of English capitalism, increased by further fictitious titles created in the financial markets, and exported through the system of international loans, was underwritten by this recycling of English deficits to the London financial markets and by the purchase of English Treasury bills by England's creditors.

We will see the concrete history of this transformation in a subsequent chapter. But let us summarize, briefly, its importance for an understanding of devalorization. The suspension of the gold standard, in every country, at the outbreak of World War I was the opening of the crisis which would see the transfer of capitalist hegemony from England to the U.S. The attempts to restore the gold standard from 1925 to 1931 did not survive the crisis of 1929 and its aftermath. In 1930-1931, the gold held by the Bank of England was only a fraction of the sterling balances held by foreigners. (The same situation was re-created with the U.S. and dollars held by foreigners in 1968-1971.) As the deficits in the English balance of payments continued to accumulate, more and more foreign central banks demanded repayment for their sterling reserves in gold, and the Bank of England

was obliged, in October 1931, to suspend the gold standard once and for all.

One can see the whole difference between the phase of formal domination, which went into its final throes in 1929-1933, and the phase of real domination, in the respective sequels to these suspensions of convertibility. In the first case, suspension was immediately followed by the great deflationary crisis which was resolved only, ultimately, through World War II. In the second case, there occurred an expansion of this fictitious circulation through an increase in the indebtedness of the American state, and the world has effectively been on a "dollar standard" since 1973. (We hardly mean to thereby imply that the crisis is henceforth resolved.) In the difference between these two developments lies all the distance between the forms of devalorization in the respective phases of the preponderance of absolute and relative surplus value.

m. Absolute and Relative Surplus Value

Everything we have said about the credit system, the central bank, the system of international loans, the state debt and their role in the circulation of the fictitious increment of the total capital, which we traced from its

origin in devalorized fixed capital, would have no specificity without an analysis of the transition, on a global scale, from an accumulation founded on a preponderance of absolute surplus value to one founded on a preponderance of relative surplus value. The Schacht-Keynesian state which imposed itself in 1933-1945, and all the transformations of the relationship between credit, the central bank and state debt which accompanied it, would be nothing but "institutional" transformations if we could not identify their foundation in a new phase of accumulation, a fundamental change in the components of surplus value.

The driving force of capitalist accumulation in the 1815-1914 period was absolute surplus value, obtained by the greatest possible extension of the working day beyond the necessary time for the reproduction of the work force. It was the phase of *extensive* accumulation, of the *formal* domination of capital over labor, in which labor power recruited from various groups of petty producers becomes wage labor but in which the type of labor performed has not yet attained its specifically *capitalist* form. In many cases, we are talking about forms of labor which retain their pre-capitalist material form while being transformed into wage-labor.

In this phase, the total social wage of the total worker was constantly under pressure from direct primitive accumulation of a work force torn from non-capitalist sectors. (This primitive accumulation expresses the same process, in the relations between capitalist classes and the petty producers of a society dominated by commodity relations, which we discussed in the relations between countries on a global scale. In both cases there is a transfer of unpaid labor at the expense of the petty producers. In the 19th century, the mechanism of indebtedness of petty producers for the purchase of means of production (equipment, etc.) and the new mass-produced consumer goods was the "transmission belt" through which this primitive accumulation was carried out. In the 19th century, as today with the immigrant workers in northern Europe, legal and illegal immigration to the U.S., or Indian and Korean workers employed in Saudi Arabia, primitive accumulation was a major means of reducing the total social wage.) This work force subjected to primitive accumulation does not fully reproduce itself, as the conditions in England described by Engels clearly show. It was in roughly 1850 that the English working class started to undergo general, steady improvements in its overall conditions. This is

explained by the completion of primitive accumulation in England, on one hand, and by the increase in the material content of wages through increased productivity in world agriculture.

For the capitalist world as a whole, the phase of accumulation centered on absolute surplus value is the transformation of a mass of peasant and artisanal labor into capitalist wage labor. In 1900-1914, for the region then dominated by commodity relations, the percentage of the classical working-class population reached its historical peak, as in Germany where it was 50% of the active population.

Relative surplus value, or the increase of the rate of surplus value by an *intensification of the production process*, becomes a general tendency in the 1890-1945 period, but it becomes hegemonic only in 1945-1973. In contrast to accumulation founded on absolute surplus value, it is no longer a question of separating a non-capitalist stratum of petty producers from its means of production and working it to the physical limit, well beyond the time required for its reproduction; in the new phase of accumulation, this work force is *recomposed* through its reduction to a purely capitalist form of labor, or abstract and interchangeable labor. This

is the real domination of capital over labor. This transformation is carried out in various ways, but above all through technological innovation reducing the total wage bill (rationalization) and the segmentation of tasks (Taylorism, mass assembly). At the same time, and through the same changes in the production process, increased productivity reduced the value of the total wage by increasing its material content. It becomes possible to produce mass consumer durables for the working class. The automobile, in its production and in its consumption, is the commodity par excellence of the phase of real domination. But the essential is the recomposition, and not the increase, of the total social wage.

At the global level, the phase of accumulation founded on relative surplus value shows very clear contrasts with the earlier phase founded on absolute surplus value. The necessity of recomposing the productive working class instead of expanding it, as occurred in 1815-1914, expresses the fact that *capital had become a brake on the development of the productive forces on a global scale*. But this is only visible from the vantage point of the entire previous discussion. The reader will recall that, for our purposes, only those commodities have value

which *return* materially to the process of social reproduction by expanding it in conjunction with the valorization process (value-valorizing-itself). The whole expansion of the *volume* of production from 1914 to the present changes nothing as such; quite the contrary. From the viewpoint of the total worker, what has happened? The expansion of the capitalist zone from 1914 to the present has integrated the great mass of humanity into commodity relations (whereas in 1914, the majority was only formally involved in these relations). *But the increment represented by the industrial working class in this population has diminished considerably.* On one hand, in the so-called OECD countries, there has been a proliferation of unproductive labor with the expansion of the tertiary sector, which constitutes 30-50% of the active population in this zone. On the other hand, in the great majority of Third World countries, petty production has generally been destroyed, but without the transformation of peasants into workers which characterizes the phase of absolute surplus value. In the 19th century, capitalism, on a world scale, transformed a mass of peasants into industrial workers; in the 20th century, it has transformed, for the "advanced" zones, productive into unproductive labor; in

the "backward" zones, it has transformed peasant populations into an urban and suburban Lumpenproletariat (as in the "lost cities" of millions of inhabitants surrounding Mexico City, and other urban agglomerations in Latin America, Africa and Asia.) There are important exceptions to this tendency, which in no way call into question our overall analysis, in the newly-industrialized countries of the Third World, to which we shall return.

This accumulation, at two poles, of a work force which *cannot realize itself* in production expresses perfectly the coexistence, in the 20th century, of technical innovation and the obsolescence of value as a relationship capable of developing the productive forces. There is a tendency to forget that the most important "productive force" is the working class itself, the only social class that creates value. The fact that productivity can continue to grow at the same time that labor power is increasingly excluded from the sphere of production expresses nothing other than the fact that capital can no longer realize *socially* the free time gained by increased productivity. (3) *Value relations, to maintain themselves, must be recomposed on the basis of a declining portion of the total capitalist population.* This tendency for the

productive working class to decline globally as a percentage of the capitalist active population since 1945, once the conditions for a phase of accumulation founded on relative surplus value had been made in the transition crisis of 1914-1945, expresses the fact that value is no longer compatible with the expanded social reproduction of labor power, and that the socially necessary labor time for the material reproduction of society has declined relative to surplus labor time sufficiently that value relations can no longer mediate the reproduction of the species. On the contrary, to maintain itself, value must condemn a large percentage of the species to stagnation in non-productive spheres and in unemployment, and periodically destroy labor power physically (1914-1918, 1939-1945, the virtually ceaseless "local wars" since 1945).

Note on the Transformation of the Capitalist State for the Accumulation of Relative Surplus Value, 1914-1945

Before elaborating, at last, the key concept of the entire ensuing discussion of the American working class, devalorization, we are compelled to make a detour to establish systematic relations between the phase of

accumulation founded on relative surplus value and the transformations of the capitalist state between 1914 and 1945, and particularly in the 1933-1945 period. We are concerned above all with a new organization of devalorization.

We have seen the general relations between the pure capitalism of Vols. I and II, the shift to expanded reproduction, the reproduction of the total capital, and credit. We have seen how, beginning from technological progress spawned by competition, a segment of devalorized fixed capital is transferred to the sphere of circulation by the mechanisms of capitalization and the credit system. We have seen how the credit system, the central bank, the system of international loans and the state debt accomplish, generally, this circulation of fictitious capital. We have argued that capitalist crisis is a momentary incompatibility of valorization with expanded reproduction, up to the moment of the destruction of the pyramid of fictitious values created in the course of the cycle by deflation, thereby permitting a new expansion of production at a rate of profit acceptable to the capitalist class. We have seen how the passage, on a world scale, from accumulation founded on absolute surplus value to accumulated founded on relative surplus

value expressed the fact that capitalism, as a mode of production, had reached its general limit, and that all further reproduction of labor power would have to proceed by its recomposition and not its expansion. We now must show how and why the Keynesian transformation of the capitalist state between 1933 and 1945 was the *necessary expression* of the transition between formal domination/absolute surplus value and real domination/relative surplus value.

The Schachtel-Keynesian state of 1933-1945, and the mature Keynesian state after 1945, appeared at the moment when the organic composition of capital, on a world scale, was sufficiently high that all technological innovations intended to produce relative surplus value tended to devalorize--to render fictitious--more fixed capital than the surplus value it produced for transformation into profit, interest and ground rent.

This state is the organization of a permanent devalorization of labor power to prevent the devalorization of capital. It is the systematic organization of the M-C-M' valorization process when the latter has become antagonistic to the expanded reproduction of the species.

We have seen that many elements of this state, and its institutional expressions in the sphere of circulation, were already in place in 1890-1914. The relationship financial market/central bank/gold exchange-standard/permanent recycling of balance-of-payments deficits was already there, in the hegemony of English capitalism. But the genius of the Schacht-Keynesian transformation of the capitalist state between 1933 and 1945 was to link these institutions to the accumulation of relative surplus value on a world scale. This, in a nutshell, is the whole secret of the 1945-1973 boom.

We will see later how, historically, this transformation was carried out. But let us briefly touch on some of its most important characteristics. Between 1890 and 1914, large-scale industrial production in Germany and the United States reached a level where it could no longer be contained in the world system then dominated by England. The customs barriers of the nation state, national financial markets, the large colonial zones and their restrictions on foreign economic penetration, and the system of sterling balances were so many barriers to further accumulation. The result was the First World War, which did not resolve the problem. It did, however, weaken all the rivals of American capitalism. The

problematic of relative surplus value was particularly acute in the short reconstruction period after the stabilization of Europe, from 1924 to 1929. Large-scale American and German industry continued to expand, but with one fundamental difference from the prewar period: technological innovation in both countries was aimed above all at *rationalization*, the displacing of living labor, and the reduction of the total wage bill. Thus Germany, between 1924 and 1928, surpassed the production volume of 1913 without reabsorbing the work force, which experienced unemployment rates of 8-10% even in the boom years, levels unknown in comparable phases of expansion in the prewar period. The same phenomenon occurred in the U.S. The system of international loans organized for reparations and reconstruction (above all the Dawes and Young Plans) created a triangle in which massive American loans to Germany were recycled to France and Germany for reparations payments, and then from the latter countries to the U.S. to pay off the inter-Allied debts of \$12 billion for material aid during the war. This triangle dissolved with the collapse of the New York stock exchange and financial markets in October 1929, and over the subsequent 1929-1938 period, each capitalist power fell

back on its own resources. The productive forces came up against relationships and international structures which could not contain them. The situation required another war, the integral absorption of the European sphere by the U.S., the dismantling of the colonial empires and the unification of international financial markets under the tutelage of a power more capable than England of regulating them. The situation required, in short, the Second World War, the Anglo-American financial agreement of 1946, the Bretton Woods system, the Marshall Plan, the decolonization of 1945-1962, the International Monetary Fund and the World Bank. But we do not wish to overly anticipate the historical analysis that follows. We only wish to emphasize that the integral dismantling of the 1914 organization of the capitalist world and its supercession by the conditions of 1945 were necessary to free the productive forces that had been developed, particularly in Germany and the U.S., but this time for the *recomposition* of the total worker. The integral financial system of Bretton Woods, as we shall see later, was the system adequate to the containment of this recomposition. Through the phases of the postwar boom 1945-1958, 1958-1969 and with the industrialization of certain Third World countries after

1965, this system succeeded in circulating the fictitious values of an increasingly obsolete American fixed capital. It is only through these mechanisms that one can understand the coexistence of important technical innovation and the exclusion, on a world scale, of an increasing section of the capitalist population from the sphere of production.

n. Devalorization

1) Devalorization in the phase of formal domination: Deflation

Before 1945 and the internationalization of the total capital, that is prior to the systematic circulation of fictitious values on a world scale through the Bretton Woods system, devalorization generally took place through a straightforward deflation of prices. To the extent that the fictitious element which circulated in the total capital, itself the product, initially, of a devalorized fixed capital, could no longer complete the circuit of the valorization process through the mass of commodities, the deflationary crisis erupted, the fictitious element was destroyed, and the capitalist representations of the total product were recomposed so that total price was

brought back into adequate relationship with total value, and production resumed at an acceptable rate of profit.

2) Devalorization in the Phase of Real Domination: Non-Reproduction Affirmed as Emancipation

Devalorization in the phase of the real domination of capital, on the other hand, while having exactly the same purpose of recomposing the total capital, takes place differently. In all the advanced capitalist countries, the linkup between the state debt with the circulation of fictitious values which we have analyzed at length makes possible the *generalization* of devalorization through the whole economy through inflation. Keynes had already recognized that the working class would more easily accept an erosion of its purchasing power through inflation than through a straightforward wage cut. Inflation is thus *one* way of redistributing components of the total social product among different classes. To the extent that this process devalorizes an important segment of fixed capital at the same time as the total wage bill (to say nothing of liquidating the savings of intermediary classes) this only shows that for the capitalist class as a whole, the maintenance of the circuit of the total capital and thus of the valorization process is more important than anything else. In the German

inflation of 1923, what happened? Heavy industry was able to liquidate its external indebtedness at with ridiculously low sums. The organized working class was generally able to obtain wage increases that were large enough to keep up with inflation, while accepting a certain decline in its living standard. But the middle classes, the holders of state bonds issued during World War I, were ruined. The financial system could be reorganized under the auspices of Schacht, president of the Reichsbank, but as of 1924 the *domestic* indebtedness of the German economy had been liquidated. This shows that it is ultimately the *value* proportions, as current costs of reproduction, of S, C and V which are of importance to the capitalist class, as to the working class. The recomposition of these increments in money terms is secondary, provided that this recomposition makes possible a new expansion of production once the fictitious values are eliminated. It is the re-establishment of the conditions of accumulation, and thus of valorization, which are above all important to capital.

But the recomposition of value through inflation hardly exhausts the mechanisms of devalorization in the phase of real domination, particularly in its "leftist" forms

initially developed, in the 1890-1914 period, by German Social Democracy, elaborated in more mature form by the ex-anarcho-syndicalists of Italian fascism, by Nazism, by the Socialist-Communist Popular Fronts of the 1930s, and globally established by the United States in 1945.

What is left-wing devalorization? The answer is simple, although its forms are diffuse: *it consists in presenting the non-reproduction of labor power as emancipation*. It is, inseparably, the glorification of this non-reproduction.

In the phase of the formal domination of capital, devalorization was as straightforward as the deflationary crisis: it was the expulsion *en masse* of labor power from the sphere of production in order to recompose the total social product, in which a reduction of the total wage bill was an indispensable element.

In the phase of real domination, devalorization has been transformed. In the same way that recomposition consists in reducing labor to its specifically capitalist form of abstract labor, real domination constitutes, in both the sphere of production and the sphere of consumption *the materialization of the capital relationship*. It is no longer merely a question of *excluding* labor until the next expansion, even though this exclusion, on the global

level, is also important. Even more important than this exclusion is the recomposition of labor as a material community. (4) The crisis of 1929-1945 was the era of the glorification of labor and the working class by fascism and by Stalinism, by way of the various Popular Fronts. Fascism, Stalinism and the Popular Front/New Deal, in their respective sectors, were three aspects of a general devalorization of a work force which could not reproduce itself, the indispensable recomposition for the new expansion of the economy after 1945.

We cannot go into detail here on devalorization and its ideological expression in the interwar period, nor on the essential contribution of German Social Democracy in the 1890-1914 period to this phenomenon. We can only briefly remind the reader that the Lassallean "people's state", denounced by Marx in the 1875 "Critique of the Gotha Program", is not unrelated to the "Volkstaat" which was established in Germany in 1933. The continuity between Lassalle and Noske-Scheidemann has been acknowledged often enough, but the present is more circumspect about the continuity between Lassalle and the Strasser brothers. But it must never be forgotten that Hitler, three years before the publication of the *General Theory*, reflated the German economy along

Keynesian lines; that the German "Grosswirtschaftsraum" established in 1943 anticipated, in all its aspects, (monetary and customs union, labor migration) the Common Market established in 1957-1958; that many of the structural reforms of the Popular Front in France were refined by Vichy and easily absorbed into the Fourth Republic.

The 1890-1945 period was indeed the *Social Democratic* era, through the fascist, Stalinist and Keynesian extensions of Social Democracy. It was a general devalorization movement that the "left", more than any other current, elaborated and put into practice, and for which it provided the indispensable ideology: the "people's state", the program of German Social Democracy in 1875.

Devalorization in the crisis which broke out in 1968-1973 has taken, up to now, forms that are far more diffuse, but its origins are no less to be found in the Social Democratic era and the ideology of non-reproduction. In reality, it is difficult to find any phenomenon in the recent period which has not been touched by the ideology of devalorization. After a half-century of the real domination of capital buried the questions of production and reproduction, can one truly be surprised that

virtually every aspect of a revolt stemming from the inability of society to reproduce itself has wound up speaking a Malthusian language? There can be no doubt that ecology, feminism, worker participation, the gay movement, the anti-nuclear movement, nationalism and the "counter-culture" arose from real problems of non-reproduction in the general crisis of capital. But there can be equally little doubt that the ideologies and ideologues of these movements, sooner or later, have wound up glorifying this non-reproduction. Ivan Illich and the de-schooling of society, E.F. Schumacher's "Buddhist economics", (taken up to a certain extent by the former governor of California, Jerry Brown, in the 1974-1977 period), the Club of Rome and "zero growth" (achieved for the capitalist zone in 1975), are only the most extreme expressions, to date, of a generally *blocked* social reproduction. The feminist struggle raises the slogan "Our Bodies, Ourselves", thereby accepting the extreme reduction of the self to the body and not in the expanded reproduction of the powers of the species; (we, for our part, situate biological reproduction *inside* the general reproduction of labor power). Everywhere one finds the same vaunting of the "biological", as an internalization of contemporary

austerity and of the inability of this society to reproduce itself. This tendency is pushed to its limit by Foucault, for whom all "civilization" is nothing but repression, and as if all the forms of domination developed by capital (the asylum, the prison, the school, the hospital) had not been accompanied by a general expansion of the powers of the species and a multiplication of human needs and capacities. The Frankfurt School takes up the same theme with its lyricism about the "domination of nature", as if human beings transforming nature are not themselves an "expanded nature", the human extension of "natural" evolution. The World Bank, for its part, has taken over the themes of Ivan Illich, advising Third World countries to opt for "appropriate technologies", which is to say for labor-intensive development. Worker self-management is proposed as a way of restructuring bankrupt companies and industries. Leftist militants in the factories battle the union bureaucracies with calls for "democracy" while factory closings throw masses of workers into the streets. Blacks in the United States fight against the racism of the trade unions, often supported by the government, the courts (as in the case of the "Philadelphia Plan" elaborated for the construction industry in 1970) and private capital (the Ford

Foundation), who are only concerned with reducing the total wage bill. In these conditions, any "progress" can only be progress in devalorization.

Conclusion: The Incompatibility of the Valorization of the Total Capital M-C-M' With Expanded Reproduction as the Historic Limit of Capitalism

It is thus that we have seen, through an approximation of the reality of expanded reproduction, how the existence of the credit system participates in the M-C-M' valorization process (cf. *Capital*, p. 345) of the total capital and how the rate of profit is mediated there. We have established the origin of fictitious capital in technological progress itself. We have passed, through expanded reproduction, from the pure capitalism of Vols. I and II to the "real" capitalism of the final sections of Vol. II and of Vol. III. We have seen the role of the credit system, the central bank and the state, and their role in the reproduction of the total capital. But we have not begun to exhaust the question because, while adding many elements from the capitalism of Vol. III, we dealt with only the two actually capitalist classes. The interaction of capitalism with various intermediate strata and non-capitalist classes changes nothing

fundamental about the mechanisms of valorization, but it can attenuate them.

Through the international system of loans, the total capital can valorize itself through unpaid values, in goods and labor power, taken from the non-capitalist regions of the world. The same is true for loans to petty producers (peasants, artisans) closer to home.

Through the incorporation of this non-capitalist work force, whose reproduction costs are free for capital (not, of course, for the society of origin) the total capital can reduce the cost of the total worker.

Through the intermediary of taxes for state expenditures, as for example in the production of armaments, the total capital can transfer a sum of values from V to S , and thus to profits of enterprise, by reducing working-class living standards below the reproductive level within the system itself.

By these means, and others like them, the reproduction of the total capital through the $M-C-M'$ valorization process can continue while social reproduction stagnates or goes backwards. This occurred in Germany in 1933-1938, and it has been occurring in the U.S. since at least 1965. This is

the essence of modern *devalorization*, in contrast to the deflationary crises of the 19th century.

We cannot insist too much on the fact that the problem of capitalism *is not in production*; it is in the reproduction of the total capital. This is a problem because of the very nature of capitalism: its empirical existence as a "vast accumulation of commodities", which is to say its *heteronomic* quality. Precisely because capitalism does not exist, and cannot exist in the pure form of Vols. I and II, because capitalism is never C, V and S value/price/simple reproduction and nothing else, but rather a social relationship between producers and between classes, there is no capitalism without a credit system, a central bank and a state. Capital is therefore always a social and a *political* relationship. Its heteronomic character is, of course, only an appearance, like the credit system and the state, but it is precisely the character of capitalism to be a system which cannot do without appearances. That is its *problem*: its vocation is universal, the exchange of equivalents, value. But because capital is by definition the total worker *inverted*, a valorization process, its vocation of universality is always frustrated by this inversion into a dispersed "vast accumulation of commodities". Value imposes the

exchange of equivalents between producers who are "*mediately*" associated, but as soon as this exchange of equivalents has to establish itself in expanded reproduction and in the real world of Vol. III, there is, in the very way in which these heteronomic appearances are brought into equilibrium--the reproduction of the total capital through the credit system--the introduction of a *fictitious* element which necessarily makes the generalized exchange of equivalents impossible. The circulation of the fictitious element takes many forms, but sooner or later it is the non-exchange of equivalents, either by non-reproduction *within* the system, or by primitive accumulation *outside* the system, that makes this circulation possible. The moment inevitably arrives when the reproduction of the total capital cannot find enough surplus value to sustain the M-C-M' valorization process, and the law of equivalents reimposes itself.

Capital's inability, because of its necessarily heteronomic character, to usher in the global reign of value and the exchange of equivalents therefore flows *directly* from its profoundest truth: the alienation of the workers. Reduced by wage labor to heteronomic individuals, obliged to exercise their human capacities "*mediately*" through exchange, the workers

who constitute the totality of human powers see, through value, these powers autonomize themselves over and against them as an alien power: the total capital. The total capital valorizing itself is the inversion of the development of the collective powers of the species, having distanced themselves into alienation, and this is why it is correct to see the state debt, the central bank and the credit system as fictions which exist *because labor power as a commodity is in contradiction with itself*, because the individual worker is obliged to relate to his or her species as autonomized alien powers, and can only exercise individual powers by inverting them into the same alienation. Capital, today, *is* the community; it exists because the human community does not.

Against this problematic of the total capital and social reproduction has arisen, in the course of the 20th century, the theory of "official Marxism" which quite simply buries the question of the dynamics of the system: the theory of "monopoly capital". In fact, the "monopoly" (or "state monopoly" for the European CPs) is nothing else than what we have designated as the phase of real domination. *But Lenin, Bukharin, Baran, Sweezy, Bettelheim and their acolytes know neither of*

the total capital, nor expanded reproduction, nor relative surplus value. Because their grasp of Marx's theory of value is strictly *Ricardian*, they note that around 1890 capitalism entered its "monopoly" phase because prices no longer seemed to correspond to their values, understood in a narrow reductionist sense. This is explained, by these theoreticians, as a "monopoly price". With their vision muddled by the circulation of fictitious values in the reproduction of the total capital, the partisans of the "monopoly capital" theory speak of "superprofits". This essentially Duehringian ideology replaces the Marxist problematic of value with the populist-voluntarist problematic of *force*. Where Marxism proposes the reproductive value of the mass of commodities in the valorization of the total capital M-C-M' as an *objective* criterion for determining the components of the total capital, the partisans of the "monopoly capital" school simply pay no attention whatever to expanded reproduction. It is for this reason that they are, sooner or later, Malthusians. Capitalism, for them, is not a system of valorization, but a system of power.

We must now see why and how the phase of relative surplus-value could be characterized as "monopoly

capital" by the left wing of devalorization, and the consequences of the disappearance of the concepts of the total capital and expanded reproduction from the Marxist discussion.

Footnotes to Chapter I.

1-We point out as an exception to this tendency the excellent pamphlet of the French group *Negation* entitled *LIP, or the Self-Managed Counter-Revolution*, available from Black and Red, PO Box 9546, Detroit MI 48202.

2-Hjalmar Schacht was president of the German Reichsbank from 1923 to 1930, and then Hitler's Minister of Finance from 1933 to 1938. Famous for his financial reorganization of the German economy during the hyperinflation of 1923, the role of the "Old Wizard" under Nazism was even more central and innovative: it was Schacht who organized a massive circulation of fictitious values (the famous Mefo-bills) underwritten by the state, which reflatd the German economy through arms production, an example followed by all major capitalist countries by 1937-1938.

3-"The limit of capitalist production is the excess time of the laborers. The absolute spare time gained by society does not concern it." (*Capital*, Vol. III, p. 264)

4-See the texts of the French journal *Invariance* on this matter, the texts of Bordiga edited by J. Camatte in *Bordiga et la passion du communisme* (Spartacus) and finally, Camatte's book *Capital et Gemeinwesen* with the same publisher.

Chapter II: Origins and Ideology of the Left Wing of Devalorization, 1890-1973

The substitution of the theory of "monopoly capitalism" for an analysis of accumulation founded on a preponderance of relative surplus value has been the ideological inversion par excellence of the 20th century. It is the lynchpin of both the ideology and the existence of the left wing of devalorization. It is this theory which presided over the transformation of Marx's thought, based on the analysis of relations and modes of production, into the contemporary populist theory of power overlaid with a "class struggle" rhetoric. It is Malthusian through and through. (For us, any "Marxist" who does not refer explicitly to social reproduction is a Malthusian.)

The Malthusianism of the official left has been in gestation for over a century. It is the parallel, within Marxism, of the transformation of classical political economy into neo-classical "economics". To the extent that, with Baran, Sweezy and their progeny among the theoreticians of "monopoly capitalism", this modern

"Marxism" recognizes a "common ground" with Keynesianism--a common ground made explicit in individuals like Kalecki and Joan Robinson--neo-classical theory has been imported into "Marxism". This is an ideological inversion as great as the confusion between the classical political economy of Smith and Ricardo, and Marx's *critique* of political economy.

Let us run the risk of repeating ourselves: political economy, to say nothing of the impoverished currents of neo-classical "economics", and Marx's critique of political economy *are not about the same thing*. Classical and neo-classical economic thought studies commodity relations and "eternalizes" them for all production; Marxism is the self-theorization of that which is *inverted* in these relations and in that ideology: creative labor power. Marx's theory does not present itself as one which "any rational man" would have to accept; it is not in a "dialogue" with classical political economy. Rather, it dissolves it. Marx's theory is the theory of the self-activity of a class of producers, and the specific and historically transitional relations of this self-activity in commodity production. It is the phenomenology of labor power in contradiction with itself, as a commodity.

Classical political economy, from the English mercantilists and French Physiocrats, by way of Smith, Say, Sismondi and Ricardo, is an analysis of the relations between prices and values in the phase of accumulation based on absolute surplus value in the 18th and 19th centuries. At the center of its problematic is the question of classes and their revenues. Neo-classical economics, which emerges in the second half of the 19th century, resolutely abandons the problematic of value to speak solely of price, burying any notion of class in an atomist fantasy of individual consumers. Neo-classical economics is a *formalization* of the equilibrium ideology of classical political economy, but with an evident loss of social and historic specificity.

The Marxist critique of political economy, on the contrary, discovers behind Ricardian value the totality of human creative powers and their self-development, labor power as a relationship which relates itself to itself inverted in a valorization process.

All of modern "economics", as it developed from roughly 1870 onward, has had as its ideological goal the suppression of the classical categories of political economy--production, value, the total product--and their replacement with the categories of the isolated

consumption of individuals. The Marxist movement has generally explained this abandonment of classical political economy as an ideological evolution of bourgeois thought confronted with the emergence of the working-class movement after the Commune. This is undoubtedly one reason, but it is not the essential one. *Neo-classical economics was the theorization of capitalism in the phase of its real domination and of accumulation centered on relative surplus value.* The ideological suppression of production, and the study of exchange strictly from the viewpoint of consumption--demand--was the ideological expression of the changes underway in the transition period 1873-1890 and thereafter, to the real domination of capital over labor. With primitive accumulation and accumulation centered on absolute surplus value giving way to the intensification of the production process and relative surplus value, and with production oriented toward Dept. I (production of means of production) giving way to a greater emphasis on Dept. II (production of means of consumption), it was perfectly natural for bourgeois ideology to express this change. It is undoubtedly true that the problematic of political economy, beginning with the Ricardian socialists of the 1830's, was increasingly at

the center of the concerns of the workers' movement. *But it should never be forgotten that the role of the classical workers' movement of the 1840-1920 period was the struggle against absolute surplus value--the struggle for the 8-hour day--and an objective spur in the transition to accumulation centered on relative surplus value.* To understand this, one need only read what Marx said about German Social Democracy in the "Critique of the Gotha Program" and in his private correspondance. Against all the Leninist and Trotskyist mythology of Social Democracy in its "heroic" phase prior to 1914, or to the outbreak of the revisionist debate in 1898, this movement was *always* involved in pushing capital in the direction of intensive accumulation. Duehring, more than Marx, was the real economic theoretician of German Social Democracy.

"Monopoly capital" theory is the ideological expression of the historic role of the leadership stratum of German Social Democracy, and its international counterparts such as the English Fabians, in preparing the working class for the new era of accumulation. This is where matters remained with Kautsky, Wilhelm Liebknecht, Bebel and Hilferding; later, in the heirs of Lenin, the theory would be transformed into the ideology of the Social

Democratic leadership *in power*, justifying this power in its Stalinist form in particular, with "socialism in one country" being a necessity because of the ebb of the world revolution, the latter in turn being explained by the reformism of the "labor aristocracy" in the imperialist metropolis. With Pol Pot in Phnom Penh in 1975, for the centennial of the Gotha Program and its "people's state", this theory was the necessary ideological implosion worthy of barracks socialism in one concentration camp.

"Monopoly capital" theory is a *populist* ideology. It is part of a more general movement of thought current in Europe after 1890, which agreed with neo-classical economics in transforming the analysis of *relations of production* into an analysis of *power*. With the theory of monopoly capitalism, capital ceased to be a dynamic and was transformed into a "hierarchy".

The neo-classical economics of Jevons and Menger replaced the problematic of classes and their revenues with the formalization of an equilibrium between a mass of individual consumers and their "preferences". The objective criterion for price determination of classical political economy, a certain labor theory of value, was abandoned and replaced by a purely *subjective* criterion of "choices" and "preferences". The problematic of the

reproduction of classes and of labor power, already transformed into ideology by political economy, gave way to a total formalization and to the choices of "consumers" abstracted from all class context and all production. This formalization of economic thought was part of a more general movement which expressed the *loss of external reality* for a growing part of the bourgeoisie which had been transformed into rentiers by the movement toward the hegemony of relative surplus value. It was Keynes and the Keynesians who reconstructed a "totality", so-called "macroeconomics", on the basis of these completely formalized and subjective assumptions. In this transition is all the difference between the bourgeois vantage point on consumption and one, like Ricardo's, that favors "production for production's sake".

The theory of "monopoly capital", in its whole evolution from Hilferding, Lenin and Bukharin to Baran, Sweezy and their contemporary progeny in no way combats this subjectification of theory; quite the contrary, it agrees with neo-classical economics in burying the question of value. Having never been interested in the problem of the total capital/expanded reproduction/credit system (1), the theoreticians of the Second International took

over as their own the anti-Marxist theory of the English Fabian Hobson. To explain the changes underway in capitalism, and particularly the imperialism of the 1890-1914 period, the partisans of the "monopoly capital" school turned to the theory of Hobson, who explained the export of capital with the same reasoning used by neo-classicism (and, to be fair, many theorists of the earlier political economy): *under-consumption*, insufficient demand. Underconsumption, from Hobson to Sweezy, is the modern extension of Malthusianism. It is the left-wing version of the oblivion to which neo-classical economics relegated the question of value.

"Malthusianism" is a term we have used extensively without being too explicit on its exact meaning. That meaning is two-fold. The modern reader tends to associate Malthus above all with his theory of population, but we are obviously using his theory in a broader sense. Malthus, for us, is above all the theoretician of the *unproductive* classes of capitalism. Because he considered insufficient demand to be the cause of crises, Malthus called for a broadening of the consumption of the "parsons" of his era. Keynes, in turn, was explicit in locating himself in the Malthusian tradition, and the neo-Keynesians who developed the

theory of "monopoly capital" took over, in their own way, this optic on capitalism. The parsons of the 19th century, the "progressive" bureaucratic strata of the 20th century, are the "material basis" and the social constituency of unproductive consumption.

The other central aspect of Malthusian thought is only superficially a theory of population. It is a theory, above all, of the *fixed character of natural resources*. It conceptualizes this fixed character in both labor power and in nature. The arithmetic growth of agricultural production and the geometric growth of population, predictions of London buried under horse manure by 1890: these are extrapolations which abstract from all *technological innovation*, expressing once again the fact that Malthus' thought is external to all production. (The Club of Rome and the ecology movement today are the privileged heirs of Malthus, for exactly the same reasons.) But the perspective of *production* as such is in itself no guarantee against this ideology, because Ricardo is also a Malthusian in his long-term predictions for capitalism and its destruction by soaring ground rents from overtaxed soils and mines. Only a viewpoint which understands *reproduction* and thus the role of the "production for production's sake" of innovative *labor*

power can avoid the ideological trap of "fixed natural resources" postulated by both Malthus and Ricardo. The difference between Ricardo and Marx is just this difference between labor and labor power, because it is the creative innovations of labor power which obviate blockages in the use of resources and transform, for example, fossil fuels from an odd curiosity into the energy source of a whole phase of capitalist development. It is the constant revolutionizing of the self-reproduction of the species which essentially "creates" new resources, i.e. makes them into resources for *human society* through technologies that can use them.

Neo-Keynesian "Marxism", which transforms the Marxist problematic of the total capital and expanded reproduction into a theory of "monopoly prices", "domination", and "power" (that is, into a sociological and Weberian problematic) thus completely accepts the Malthusian framework, while changing particular judgements on welfare. The theory of monopoly capitalism is a theory founded on a *moral judgement*. It is not a theory, like that of Marx, about forces and relations of production. It is a sociological theory of hierarchy and oppression, the balance of forces between the classes in

question being a question of struggle and will. And we know very well the source of this entire problematic: it is the problem of Kant, of German idealism and the Prussian humanist civil service. In the historical case as in the present one, we are confronting the ideological expression of a bureaucratic stratum external to production. (In the case of Hegel, for example, it is precisely the emperor and the Prussian bureaucracy who "labor" universally.) From Wilhelm von Humboldt and the Prussian reformers to the ideologues of the modern welfare state, there has been degeneration, but there is also *continuity*.

This consciousness has a whole history of its own in the United States, which great significance for an understanding of the left wing of devalorization. It arose in the late 1830s with the Transcendentalists, who were essentially American Kantians, led by Emerson and Thoreau. The relationship between Transcendentalism and the Abolitionist movement prior to the Civil War is a real watershed for the history of the left wing of devalorization. The same complex of attitudes is developed in a more voluntarist and less aestheticized form by the pragmatists of the 1890s and thereafter, particularly Dewey and James, who were theoreticians of

the "liberal" American imperialism then ascendant. Entering politics through Abolitionism, Populism, Progressivism and the New Deal, this populist, voluntarist and moralizing philosophy has been the dominant ideology of most of the American left--the left wing of devalorization--for most of the 20th century (2).

Without lingering on the subject, it is nonetheless important to underscore, for the following discussion, an extraordinary ideological convergence in the 1890-1914 period which laid the foundations for the left wing of devalorization. We have already seen how neo-classical economics laid the foundations for a total subjectification of the sphere of "economics". It was hardly alone in this. The philosophical current which runs from Nietzsche through Dewey, James, Bergson and German *Lebensphilosophie* placed the question of will and intuition at the center of the philosophical discussion. In the United States, Dewey is a spokesman of the first order for the nascent liberal imperialism, and James, Royce, Santayana and Babbitt, in the pre-1914 belle epoque ambiance, created a sort of American *Lebensphilosophie*. Mussolini's enthusiasm for James is well known. Walter Lippmann, journalist and ideologue of American Progressivism, is quite explicit on

the importance of these thinkers in his formation. We do not wish to tar the entire left with the brush of this irrationalism. Lukacs, in his *Destruction of Reason*, Vol. III, already has shown how it can be done vulgarly. It is too easy to link this voluntarist ambiance to fin de siècle Machtpolitik and the preparation for the First World War, symbolized by the naval armaments race, which were at the center of political discussion in England, the U.S. and Germany throughout this era, in the wake of the success of Alfred Mahan's book *Sea Power in History*. (Mahan was a member of the Boston-based group, precursor to the Council on Foreign Relations, which from the 1880's onward foresaw the eclipse of England by the United States, and which sought to prepare and accelerate its coming. The presence in this group of Henry and Brooks Adams, who by their cultural pessimism and their admiration for the 2nd Law of Thermodynamics embodied in their persons the essential traits of the phase of real domination and its link with imperialism, is a detail which we cannot develop.) All this is hardly unrelated to the development of the left wing of devalorization in the United States. In the 1933-1948 period, the superficial "Marxism" of the partisans of the New Deal and the Popular Front rested largely on the

native tradition of pragmatism, and ideologues like Sidney Hook and James Burnham were hard-pressed to distinguish between them. (3) Is the pragmatist emphasis on "action" not a reformulation of the Theses on Feuerbach? In the 1960s, the ideologues of "counter-cultural" politics such as Jerry Rubin explicitly invoked Sorel as a predecessor. Tom Hayden, an ideologue of the first order in the left wing of devalorization in the United States, called on American leftists, in his latest book, to recognize themselves as "children of Thoreau" at the same time that he proposed a corporatist-Malthusian-ecological reorientation of American society. (His slogan of "Economic Democracy" is an ideological condensation of capital in the epoch of its materialization as a community difficult to improve upon.)

For our part, we see the theory of Marx as anything but a theory of voluntarist action. Reality for Marx is a *production*, and a production which proceeds according to laws (*Gesetzmaessigkeit*). Production is, moreover, always a self-production and reproduction of labor power, a self-reflexive relationship. ("The educator must himself be educated.") Pragmatism, on the contrary, knows nothing of this self-reflexive quality of activity, sensuous transformative praxis (*sinnliche umwaelzende*

Taetigkeit). External reality for pragmatism is constituted by will; for Marxism, reality is a production and reproduction within the framework of *laws*. This apparent convergence between Marxist theory and pragmatism for a long time prevented the serious development of a Marxist analysis of American history, because everything was always explained (as in the Beard school) by a completely reductionist conception of voluntarist action.

As other elements of this loss of a generalized external reality in the 1890-1914 period, we can point to the appearance of mature sociological thought, particularly the work of Durkheim, Pareto, Michels and Weber. The "socialist" Durkheim calls explicitly for corporatism in his book, *Suicide*. With Pareto, the synthesis is forged between the subjectivism of neo-classical economics and the sociological theory of "elites". With Weber, the critique of the positivity of facts is linked to "values" in a way that appears Kantian, but because, following Nietzsche, Weber makes of multiple "values" an ultimately arbitrary *choice*, thereby rejecting all external criteria, he shows the distance which separates post-1890 German thought from the Kantian effort to elaborate a *foundation* for morality. Sorel, who was also

inspired by Nietzsche, theorized a myth of the general strike to replace a lack of class consciousness in the proletariat. When we realize that the theory of "monopoly capitalism" also arose in this ambiance, we are less surprised that its problematic is a Duehringian one of power. But when, today, the Frankfurt School seeks to introduce the Weberian problematic of power, legitimacy and domination into Marxism, when this problematic is taken up by the school of James O'Connor to speak of the "legitimation crisis" of the state, when Poulantzas and Althusser talk of politics in isolation from all conjuncture, to say nothing of social reproduction, we can see more clearly the deep sources of the left-wing of devalorization.

One must never forget that *all* the reforms of the state in the 20th century, whether American, German or Russian, have their origins in populism and its mercantilist economic theory. Who, after all, were the German and Russian Social Democrats, if not populists speaking a vaguely Marxist language? Friedrich List and Schultze-Delitsch formed the first German trade unions in roughly 1840. They transmitted to Lassalle the mercantilist idea of the "people's state" already advocated by Fichte in 1813. Lenin, the admirer of Chernenchevsky, took over

the *Kautskyist* problematic of consciousness in his *What Is To Be Done?* Once again, it is the ideology of a special social stratum oriented to the mercantilist development of a backward country.

In the United States, the ideology of progressive state reformers confronted other conditions. Their problem, in contrast to Germany and Russia, was not to carry out the transition to accumulation centered on relative surplus value, because capitalism was doing that quite well without them. As in England (although in a different way, since England in 1900 was already an industrially declining rentier country) the task of reform in the "metropolis" was to create the ideological and institutional frameworks for the unproductive consumption of relative surplus value already taking place. As we shall see in a later chapter, the growth of fictitious capital which invariably accompanies the hegemony of relative surplus value is expressed, first in England and later in the U.S., by the growing importance of capital invested in financial and real estate sectors. It is this sector, alien to production, which is at the foundation of the Keynesian reform of the state in the Anglo-American sphere. Chamberlain in England is the spokesman for this reform, whose theoreticians were the

Webbs and the Fabian Society. In the U.S., it is the Progressivism of the 1900-1920 period which fulfills the same role, and its tasks are taken over by the New Deal in 1933-1948.

In the elaboration of his American, German and Russian sources, Sweezy has never left the terrain of the state bureaucracy.

One can hardly overestimate the importance of the state in the transition to accumulation centered on relative surplus value. It was particularly during the First World War that the Schacht-Keynesian state began to seriously impose itself, even though it was only extending tendencies that we already present in 1890-1914. The fact that Keynes, Schacht, Roosevelt and Jean Monnet, four architects of the contemporary world, were *all* administrators in the state military bureaucracy during the First World War is something worth far more attention than it has generally received. For it was in 1914-1918 that capitalism had the opportunity to first experiment with an important statist role in an economy organized for large-scale "unproductive" expenditure. The suspension of the gold standard, the self-financing of the state by a systematic circulation of its debt and through inflation, the participation of the trade union

bureaucracy in the state, and state support of unprofitable but indispensable enterprises were all so many elements in a new phase of capitalism, in every country. The role of governments in the reorganization of international finance (4) after 1918 was also a fundamental difference with the pre-1914 period. In the U.S., Herbert Hoover was Secretary of Commerce from 1921 onward, and, at the same time, a major figure in the organization of material aid to Europe to stop the Bolshevik tidal wave. It was Hoover, moreover, who, after such a rich experience in modern administration, refused to launch the Welfare State in 1929-1932, saying that he saw no fundamental difference between such a mutation of the state and the recently created corporatist state in Italy.

Nor can one overestimate the importance of *corporatism* for the Malthusian left. If the Lassallean "people's state", with its Fichtean and Listian antecedents as with its Social Democratic, fascist and Keynesian successors can be qualified with a precise term, it can only be corporatism. The corporatism of the 20th century is the recomposition of labor power for the real domination of capital; *corporatism is devalorization*. Corporatism expresses the movement of capital in the

phase where it materializes itself and in which it "materializes" labor power as a commodity in the specifically capitalist form of abstract labor. In the "Arbeit macht Frei" in the Volksstaat of German Nazism, in all the glorification of labor and the working class in the ideology of the Popular Front and the New Deal, it is the imposition of capital as a *material community* which is taking place. Precisely because corporatism only imposes itself when the fictitious element of capital (the proportion of finance and real estate attaining levels unknown in the 19th century) becomes important, it must rely on the glorification of labor at the moment where capital is preparing to recompose work from top to bottom by stripping it of all specific material content. This is the historical phase which, as Debord put it, "does not realize philosophy, but philosophizes reality". (*Society of the Spectacle*, 1967).

The importance of corporatism for the history of the classical workers' movement is fundamental: German Social Democracy, in its Listian and Lassalleian currents; revolutionary syndicalism, which its mutualism and utopia of a Proudhonian "producers' state"; Italian anarcho-syndicalism and the rallying of most of its leaders to Mussolini; the English Fabian Society and its

relations with the Labour Party (and its relations with the SPD). It must be admitted that for the 1840-1920 period, Lassalle, Sorel, Proudhon and Pelloutier were more representative theoreticians of the classical workers' movement than Marx or Luxemburg.

The Marxist movement has spent a long time understanding this reality. This is because the Marxist discussion, from 1917 to 1968, was locked into the universe of discourse imposed by the Russian Revolution. It required the end of the Keynesian era and of real domination for it to be generally acknowledged that the classical workers' movement was objectively a movement which accelerated the transition to accumulation centered on relative surplus value. The whole Marxist discussion up to 1968-1973 and thereafter was marred by the absence of a differentiation between the extensive and intensive phases of capitalist development, and the interpretation of the working-class movement which flows from it. Instead of characterizing the 1890-1973 period as one of accumulation centered on relative surplus value, the dominant language was that of Lenin's "era of imperialist decay". The Russian Revolution as a working-class revolution seemed to inscribe this analysis in stone; did not that revolution

show that the 1914-1918 war was indeed the turning point in the history of capitalism, and that "revolution lurks behind every strike"? It was indeed a turning point, but not the turning point theorized by the early Congresses of the Comintern and by the Trotskyists--the consequential Leninists in the era of the Stalinist counter-revolution--thereafter. One has only to read Lenin's 1921 speeches, in which he talks of a "struggle for state capitalism", given the extremely backward state of Russian capitalism (which he calls a "petty producer" capitalism). These speeches strike a chord rather different from Trotsky's theory of permanent revolution. An assessment of the Russian Revolution today compels us to grasp the meaning of Lenin's theory of a "dual revolution" in which the *working class accomplished the tasks of the bourgeois revolution*. Because, in the new phase of intensive accumulation centered on relative surplus value, this is precisely what happened.

Throughout the epoch stretching from 1890 to 1973, the importance of the falsity of Lenin's theory of imperialism escaped virtually all Marxists. It is true that Luxemburg, in 1913, had already anticipated the trajectory of capitalism for the 20th century much more clearly (cf. her *Accumulation of Capital*, Chs. 29-32). She had seen,

on one hand, that imperialism was the necessary extension of a valorization of capital which was partly fictitious, and on the other hand that arms production and the taxation required to finance it could become a source of accumulation by driving wages below levels required for the reproduction of labor power. Those who took over Luxemburg's analysis, like her disciple Sternberg, saw clearly that the analysis of the "labor aristocracy", the idea that the Western working class was drawing a wage *above* those determined by its reproductive needs (whereas, much of the time, it was *below* them) was a moralizing ideology completely alien to Marxism.

Let us consider the history of Lenin's theory of imperialism. Between 1917 and 1945, the theory could scarcely be tested, because of the transition crisis of world capitalism that paralyzed production in the metropolis. With the founding of the new world order represented by the Bretton Woods system, the Marshall Plan, the IMF, the World Bank and the GATT, i.e with the unification of the international financial system under the auspices of New York and Washington, what had occurred? Between 1945 and 1962, the "Third World" was more *marginalized* than super-exploited: its share of

world trade was lower than in 1890-1914 or 1919-1938. In this fact is all the difference between extensive and intensive accumulation, for in the latter phase capital devotes itself more to the recomposition of the worker and the work process than to transforming peasants into workers through primitive accumulation. The major investment of world capitalism after World War II was not in Brazil or India; it was in Canada, Europe and Japan.(5) This new world system, as we will see momentarily, had nothing to do with the imperialism which Lenin had already misconstrued in his analysis of the 1890-1914 period. There is of course no question that the Third World was important as a source of raw materials, and these were the sectors that drew Western investment.

Beginning in 1965, the post-war boom had played itself out in the U.S., and the European recessions of 1965-1967 signalled that it was nearing its end in Europe. It was at *this* moment that investment in actual production in the Third World began in earnest. From this point onward, Lenin's theory of imperialism, which had always been wrong, and completely contradicted by the specific nature and location of accumulation in the 1945-1965 period, was refuted in the Third World itself. Once Brazil,

South Korea and Taiwan were clearly launched on a road to serious industrialization--a situation which has modified their relations with the now *de*-industrializing Western countries--the theory of "monopoly capitalism" and the analysis of imperialism which flowed from it was finished. This industrialization of the Third World, as we will see momentarily, is a *world-wide rationalization movement* which has as its goal the reduction of the total social wage, like any rationalization of a single factory. Because the two major imperialist powers of the 20th century, England and the United States, have the *most* decrepit capital plant of all the so-called advanced capitalist powers, it is clear that "the export of capital" constitutes a *de-industrialization* of the imperialist metropolis which, far from "benefiting" the "labor aristocracy" of the country in question, undermines the material basis of its self-reproduction. In a world of "new industrial countries", of OPEC transferring a considerable sum of ground rent to Third World countries, and the "New International Economic Order" which gave an ideological rationale to a *de*-industrialization of the OECD countries, it is impossible to defend Lenin's theory of imperialism. But the entire Malthusian left is unthinkable without this theory. We

are not referring merely to the inability of that theory to explain the real situation of the Third World today. Far more serious is the fact that, in light of the de-industrialization of the OECD countries, the *Malthusianism* of this theory of imperialism has stripped this "left" of its whole "progressive" aura. Because its model of capitalism, which buried the question of expanded reproduction, and which saw the working class of the advanced sector benefiting from the dismantling of the material basis of its living standard through capital export, was always a model of *consumption*, it has nothing whatever to offer to workers cast into marginality by de-industrialization. Today (1981), with the working class in some cases rallying to the productivist discourse of the right, this "left" has nothing to propose but an extension of the Welfare State or, as in the case of Tom Hayden and the ecologists, a new model of consumption which *adapts itself* to the non-reproduction of society, often affirming it as such (e.g. Rudolf Bahro and the "fundamentalist" faction of the German Green party).

A discussion of the left wing of devalorization would not be complete without a discussion of the "National Bolshevik" phenomenon. Simon Leys once said that

European and American Maoism was the last anti-industrial utopia of the Western world. He was, unfortunately, too optimistic. It is too little recognized that the Malthusian left imported, through the intermediary of the "progressive" Bonapartist states of the Third World (Nasser, Sukharno, Nehru, Nkrumah) an ideology which was first articulated by European fascism. Everyone remembers Liu Shao-chi and the theory of the struggle between "proletarian countries and bourgeois countries". Fewer people remember Hitler and Goebbels talking the same way about Germany's position vis a vis the "plutocratic" countries England, France and the U.S. in 1923. Still fewer people remember DiMichaelis, the Italian fascist, whose speeches to the League of Nations in the 1930s could easily be slipped into the Third Worldist discourses at the UN today (6)

National Bolshevism before the letter is already present in the polemic between Lenin and Luxemburg on Polish nationalism in 1908-1911. At stake is the status of the populist and nationalist Pilsudski in the Polish Socialist Party. Luxemburg wants to break with Pilsudski and Polish nationalism as a whole; Lenin supports the SPD and the Second International in upholding the "progressive" credentials of Pilsudski. Rarely has a

confrontation between Marxism and the populist left been posed so sharply, with such consequences for the future. In the interwar period, National Bolshevism proliferated in Central and Eastern Europe in the struggle between "bourgeois and proletarian nations". There is in reality a striking parallel between the position of the heavily-indebted countries of Eastern Europe vis a vis England and France in the 1919-1939 period and the relationship between the Third World and the advanced capitalist countries today. But an understanding of this requires seeing the "progressive" Third World demagoguery of today for what it really is: an extension of the Central and Eastern European proto-fascist ideology of the earlier period. This "National Bolshevik" ideology first reached the Third World through figures like Attaturk, and a clearly National Bolshevik tone is already discernable in Vargas in Brazil, to say nothing of Peron, who took power in Argentina in 1945. It was after 1945 and the period of decolonization that National Bolshevism mutated into an ideology claimed by the "left". The victory of the Chinese Revolution in 1949, the coming to power of Nasser (the former admirer of Hitler) in Egypt in 1952, and the proliferation of "progressive" Bonapartist states in the Third World cemented this

transposition of a "right-wing" to a "left-wing" ideology. It is the *reimportation* of this ideology by the left wing of devalorization in the West which squared the ideological circle, and which explains why the discourse of a Gregor Strasser could be found in the milieus of French, German and American Maoists in 1969. (A figure like Frantz Fanon played a central role in this ideological recycling.) From the Bandung Conference of 1955 to the confrontations over the so-called "New International Economic Order" at the U.N. in 1975, National Bolshevism has never ceased to haunt the left wing of devalorization, which for its part has never stopped mystifying the nature of the international conjuncture and of imperialism. One would do well to consider that Mao-tse tung, before embracing "Marxism" in 1919, had been formed primarily by the thought of Emerson, Bergson and other partisans of voluntarism.(7) Can one be totally shocked by contemporary Euro-fascist group which raised the slogan "Mao, Hitler, One Fight"?

During the 1890-1973 period, Lenin's theory of imperialism seemed to reflect the *appearances* of the Third World's situation. But because, in reality, the driving force of capitalism after 1945 was the accumulation of relative surplus value in the advanced

countries, and because, after 1965, the same kind of accumulation was extended to Brazil, Mexico and the Far East, and because, from 1971-1973 until the collapse of oil prices in 1985 OPEC was able to take advantage of the laws of ground rent to capture an important increment of the total surplus value, and thereby finance a certain industrialization in various Third World countries, the whole basis in appearances of the Malthusian left have collapsed.

The substitution of the concept of intensive accumulation based on relative surplus value for the theory of "the epoch of imperialist decay" for the 1890-1973 period is the key to a reformulation of the meaning of an entire historical era. It explains the defeat of the classical workers' movement of the 1890-1920 period, not by an ostensible "betrayal" by leaders, but by the role of that movement in propelling capitalism into a new phase of accumulation. It explains the specific nature of world capitalist development from 1945 to 1965-1969, and particularly the marginalization of the Third World, as well as the subsequent industrialization of parts of it. It shows that the "socialist" camp of that period was, in reality, nothing other than what Lenin said it was in 1921: the realization of the tasks of the bourgeois revolution

under, initially, the leadership of the working class (in Russia) and later, by an extension of the bureaucratic or bureaucratic-peasant model. This model goes into crisis precisely where development must pass to its intensive form, as occurred in Czechoslovakia in 1962-1968.

The "progressive" states of the Third World, for their part, have been preparing the way for intensive development with their infrastructure projects, much as the right-wing military and fascist regimes of southern and eastern Europe did in the interwar period. It is, ultimately, the strategy of the Prussian bureaucracy of the 18th century in the specific context of the 20th.

There are thus two mutually exclusive analyses of the 1890-1973 period: the Marxist analysis, based on the problematic of the total capital, expanded reproduction, relative surplus value and the credit system, and the Malthusian-populist analysis of "monopoly capital", which is in reality, in all parts of the world, the ideology of the mercantilist bureaucracy, whether it be for primitive accumulation in the Soviet Union, for the preparation of relative surplus value accumulation in certain parts of the Third World, or for the welfare state established under the auspices of the finance and real estate factions of capital in the U.S. There are on one

hand, for the post-1945 world, those who talk about "monopoly capitalism" and the theory of the "era of imperialist decay" developed by the Comintern, and on the other hand those who focus on the Bretton Woods system and relative surplus value. It is Luxemburg against Lenin on the question of Pilsudki which defines an entire epoch: Marxism on one side, populism on the other.

Footnotes to Chapter II

1-Quite to the contrary, they did not hesitate to denounce Rosa Luxemburg, the only theoretician of the SPD who pursued this problematic (cf. her *Anti-Kritik*)

2-Earl Browder, leader of the CPUSA in the Popular Front era, summarizes perfectly this continuity in the title of his autobiography *From Bryan to Stalin*.

3-Hook and Burnham went over to reaction in 1939-1940. Burnham in particular shows how little he learned from Marxism in his book *The Managerial Revolution* (1941) which confused the real domination of capital with its abolition. It is quite revealing that Burnham uses the theses of Berle and Means in the coming of the managers and the marginalization of the capitalists, because Baran and Sweezy, in *Monopoly*

Capital (1966) totally overlook credit while using the framework of Berle and Means.

4-See, on this subject, the excellent book of Michael Hudson, *Super-Imperialism* (New York 1973).

5-In all fairness we should point out that Harry Magdoff, another member of the *Monthly Review* circle, says as much in his book *The Age of Imperialism*.

6-(1999): Although he does not use the term "National Bolshevism", Joseph Love's exceptional book *Crafting the Third World: Theorizing Underdevelopment in Rumania and Brazil* (Stanford, 1996) lays out the direct influence and continuity of Rumanian corporatism in the 1920's and Latin American "dependency theory" of Prebisch and Cardoso from the 1940's to the 1970's. Bassam Tibi (*Arab Nationalism*, New York, 1980; German ed. 1970) tells the equally remarkable story of how Arab nationalism's main pamphleteer in the 1920's Sati al-Husri, was a former Ottoman bureaucrat (and a Turk) who had discovered the writings of Fichte before World War I, developed an Ottoman nationalism, and then (after the collapse of the Ottoman empire in 1918) recycled his ideas into nascent Arab nationalism.

7-See on this subject the very revealing book of Maurice Meisner *Li-ta chao and the Origins of Chinese Marxism*.

Chapter III: Outline for a History of Devalorization, 1890-1973 and Thereafter

Between 1890 and 1945, world capitalism carried out the transition from the phase of its formal domination, centered on absolute surplus value, to the phase of its real domination, centered on relative surplus value. On the international level, this transition corresponds precisely to the supercession of the international hegemony of British finance capital by American finance capital. Any attempt to understand this transition, which transformed the terrain of class struggle from top to bottom, in any isolated national sector, even one as large as the United States, is doomed to failure.

To understand the mechanism of this transition, one must first analyze the nature of British imperialism in the 1870-1914 period. We will not find much to go on in the work of Lenin and Hobson. The entire discussion of Ch. 1 was intended to show that imperialism is the circulation, on a global scale, of a *fictitious* capital originating in the devalorized fixed capital of the metropolis. It was England, through the system of

sterling balances, which was the first to develop this system, particularly after 1890.

England, which shows the mirror of the future to other capitalist countries, was the first to reach a stage which other powers--and above all the U.S., first in the 1920's and particularly in the 1950's-- reached later, following strict laws of accumulation. This is the moment when the rate of profit available in *productive* domestic investment runs up against the barrier represented by a total fixed capital which has been partially devalorized by the mechanisms we analyzed in Ch. 1. The weight of the total fixed capital, particularly when it goes hand in hand with the decline of the rate of exploitation due to high wages, attracts a growing portion of available investment capital toward unproductive investment in the financial sector, real estate and pure speculation. Internationally, this capital moves to more profitable investment in production at a higher rate of exploitation. This is what British capital did vis a vis Germany and the U.S. in the 1870-1900 period; this is what the U.S. did vis a vis Canada and Europe in the 1958-1973 period, and in certain Third World countries after 1965.

This process, which is called imperialism, in no way benefits the working class of the metropolis. It

represents, rather, a *deindustrialization*, which aims at reducing the total wage bill of the region or country of origin. This process invariably brings about a stagnation in the reproductive basis of the imperialist nation's domestic sector; productive capital stagnates, the total social wage declines. The international hegemony of the national financial sector of origin lasts from the moment when the country becomes a first-rank industrial power, with the highest labor productivity, to the moment when the new, more productive plant which it builds abroad reaches a competitive level which overwhelms the now backward and obsolescent plant. In the interim period, the national bourgeoisie, because of its international rentier function, is able to afford a "welfare state" to cover over the rough edges of stagnation and the end of the self-reproduction of the working class; when the moment arrives where the obsolescence of national industry no longer allows the financial sector to maintain its international position, the welfare state is dismantled and the bourgeoisie moves to the final phases of "rationalization", the massive devalorization of the backward fixed capital and above all of the total wage bill which the original shift into fictitious forms (financial and real estate) and investment abroad was always intended

to bring about. It is a logic which begins with Disraeli and Theodore Roosevelt, and ends with Thatcher and Reagan.

The history of capitalism has always been a history of these rationalizations and devalorizations: initially, between regions of a national sector, such as the archaeological zones of British and American industry from the 1815-1850 period and later zones of a larger-scale production; later, between an entire country and some other, more modern regions, as occurred between England on one hand and the U.S. and Germany on the other in 1870-1900. Today, the same process is continuing on a world scale, aimed at the total social wage of the working class of the Western industrial core as a whole.

It is this link between the mutation of capital originating in industry into its financial and real estate forms, and this *rationalization* constituted by productive investment elsewhere, aimed at a devalorization at the total wage bill, which is the key to British capitalism from 1870 onward, and for capitalism as a whole after 1945. This increasing importance of the overall dimension of the fictitious increment of the total capital is indissociably linked, historically, to the shift from accumulation

centered on absolute surplus to that centered on relative surplus value. It is not difficult to see how this painful transition over the whole 1890-1945 period, requiring two world wars and a virtual halt in the growth of the productive forces in 1929-1938, could appear to Lenin and his successors as the "era of imperialist decay". It is clear that capital began to be a brake on the productive forces, on a world scale, *in the way we have elaborated* in Ch. I, in 1914. Capitalism had reached the stage where one expression of its fundamental contradiction--its inability to *socially* realize gains in the productivity of labor past a certain point--moved to the surface of everyday appearances. Henceforth, capital's alternative to such a realization, which would have (and would still today) require a supercession of the value form, is its *negative* realization through the destruction of productive capacity. *Capital in this new epoch destroys productive forces, and above all the most importance productive force, living labor power, to preserve itself as capital.* But if, in 1914, the perspectives for a growth of the value increment representing the productive work force in the total active capitalist population had been exhausted, the perspectives for its *recomposition* were not.

We have already sketched the system of sterling balances for the British sphere of influence. We must now survey the long, painful evolution by which this system was turned into a global one under American auspices. In 1897, the U.S. experienced the first important positive trade balance in its history, proof that its industry was henceforth at the cutting edge of world innovation and productivity and that the country had superceded the stage of financing its development, as it had through the 19th century, with the export of agricultural and other primary commodities. (It should be noted that in 1971, the year of the effective dissolution of the Bretton Woods system, the U.S. experienced its first negative trade balance since 1897.) In 1898, the United States became a colonial power in stripping Spain of Cuba, Puerto Rico and the Phillipines. In 1902, for the first time, the New York financial market briefly eclipsed London as an international lender during the Boer War, a dress rehearsal for its role in World War I. In 1907, the New York financial market collapsed, accelerating domestic and international pressure for a central bank worthy of a mature industrial country. In 1913, one year before it begins to accede to the international role of the Bank of England, the Federal Reserve Bank is created.

We do not intend to summarize the economic history of the 1914-1945 transition period. We hope, rather, to bring out its essential features, as illuminated by the theoretical framework of the transition from extensive to intensive accumulation. We hope, above all, shed light on the origin and dissolution of the Bretton Woods system, and its relationship to devalorization.

The First World War materially and financially exhausted all belligerents except the U.S. It was the question of the \$12 billion in inter-Allied debts to the U.S., along with the question of German reparations, which was to dominate international capitalism from 1919 to 1933.

The reader generally associates the name of John Maynard Keynes with macroeconomics and the "demand management" which arose out of the crisis of the 1930s. But Keynes was, in reality, as much a theoretician of international finance as an architect of the welfare state; in fact, these two aspects of his thought are inseparable. Keynes in 1909, as we saw, developed the theory of the gold-exchange standard and the recycling of sterling balances. In 1919, it was his attack on the Versailles Treaty and on the reparations imposed on Germany which made him known internationally. In 1925, he polemicized against Churchill and the attempt to restore

the gold standard. In 1933, Keynes sided with Roosevelt and the international aspects of the latter's efforts to reflate the American economy. Finally, and most importantly, he participated in the elaboration of the Bretton Woods system in 1943-1944.

What is the link between Keynes, the theoretician of international finance, and Keynes as the theoretician of the welfare state? The answer to this question, arising from the theoretical perspective we have developed, is obvious: *it is the link between the international monetary system and the indebtedness of the nation state whose currency serves as the reserve currency for the gold-exchange standard.* Keynesianism is too often conceived abstractly, as if it were exclusively a set of techniques of economic management. This is undoubtedly what is became in the manuals of academic economics, but in the real historical practice of this school, Keynesianism is integrally tied up with the problematic of the gold-exchange standard and Anglo-American relations over the entire period from 1890-1914 onward. The problem of "demand management" is not the same in a small country totally dependent on international trade and a country like the United States where, over a 35-year period, its balance-of-payments deficits have financed

the deficits of the welfare state. The small exporting country has every interest in maintaining a favorable balance of payments; the United States, on the contrary, had and has today every interest in maintaining a negative balance of payments for as long as the rest of the world will tolerate it.

In the United States, in particular, throughout the period of the "dollar crisis" of 1958-1973 and thereafter, the academic Keynesians understood none of this. They were, quite simply, blinded by their own manuals. To international and occasional domestic protests in the early 1960s that the dollar was overvalued, they replied in chorus that this constituted no problem because international trade made up only 7% of the American GNP. Because the Keynesians, like neo-classical economics generally, were quite inferior to classical political economy in their comprehension of what used to be called "national income", they were just as blind where money and above all world money--gold--were concerned. We saw, in the first chapter, the enormous Ricardian error in seeing the economy exclusively from the vantage point of production, as if money were nothing but a transparent means of payment, and as if credit, in particular, did not exist, and did not have

a *distorting* effect, through the mechanisms we have analyzed, on straightforward exchanges of commodities. This is crucial because American balance-of-payments deficits were the main source of international liquidity. Moreover, beginning in 1958 and the first murmurings of the "gold crisis"--the crisis of the reproduction of the total capital--this world money was inseparable from the debt of the American state, and thus of the ability of the Federal Reserve Bank to intervene in the New York financial markets. Echoes of Keynes in 1909? Yes, but the scope of this new dollar hegemony went so much farther than England's in 1890-1914, that we are still completely immersed in it.

Let us look more closely at the genesis of this situation. The collapse of the New York financial markets in 1929 put an end to the triangle of international payments of 1924-1929: American loans to Germany in both the private and public sectors; German reparations to France and England; French and English repayment of the inter-Allied debt to the United States. The collapse of the gold standard in 1931 set in motion the wave of reciprocal devaluations of the 1931-1936 period and nationalist economic warfare. The German economy was reflatated by Schacht in 1933; unemployment is essentially absorbed

there by 1936-1937 at real wages roughly 50% of 1929 levels. This was, in effect, the first paradigm for organized devalorization. France and England followed a similar path beginning in 1936-1938, without having recourse to the totalitarian forms that the exigencies of autarchy and the absence of colonies imposed on Germany. In the United States, the Rooseveltian reflation of the economy was interrupted by a new fall in production in 1937. It was the general mobilization for the war which put an end to the impasse of the international economy in 1938.

The negotiations between White and Keynes in 1943-1944, to work out a new monetary system for the postwar period were intended above all to prevent a return to the protectionism and nationalism of 1931-1938. (This did not prevent Keynes from threatening the U.S. with the implementation of a "complete Schachtian system" in Britain in 1946, unless the U.S. was prepared to make concessions in the Anglo-American financial agreement then pending.) But the fundamental difference between this period and the reconstruction period of 1921-1929 was the existence of a single power capable of maintaining such an internationalist system, and the definitive exhaustion of its possible rivals. Free

trade and the critique of protectionism have always been the privilege of the most productive country in the international economy; it was behind protectionist tariff walls that American and German industry was built up in the 19th century against the "internationalism" of English political economy. It was now the turn of the United States to preach a self-serving internationalism. The adoption, at Bretton Woods, of the American plan and the rejection of the plans of Keynes--who wanted more liberal credits for deficit countries -- (he knew what lay ahead for Britain) was the first assertion of this reality. (Later, with the creation of Special Drawing Rights (SDR's) by the IMF, the U.S., having moved in its turn into permanent deficit, took over the Keynes plan wholesale.)

What was, at bottom, the Bretton Woods system? It was, on one hand, a system of fixed international exchange rates, and the creation of the International Monetary Fund to provide short term credits for countries with balance-of-payments deficits, making it possible for them to maintain the international value of their currencies. On the other hand, it was the internationalization of the gold-exchange standard practiced in the sterling zone prior to 1914, with the dollar now playing the role of international reserve currency, the paper equivalent of

gold. Henceforth, the currency of a single country, the debt of its state, and its domestic monetary policy would be immediately global.

But the Bretton Woods system was much more than a monetary system, much more than a simple American hegemony at the IMF and the World Bank. It was a systematization of devalorization and primitive accumulation on a world scale. Beginning in the 1945-1958 period, the Bretton Woods system allowed the U.S. to tap directly an increment of unpaid wealth from overseas through the international financial and monetary system; beginning in 1958, it enabled the United States to become a "post-industrial" (i.e de-industrialized) society, eroding its own reproductive base while maintaining the appearances of economic "growth".

The first phase of this system was a straightforward overvaluation of the dollar in the fixed exchange rates. In 1944-1947, the dollar and the British pound were restabilized according to the exigencies of British "prestige" centered in the US-British "special relationship", a prestige that was paid for quite dearly at \$4.20 to the pound. The French franc, for its part, underwent the sharp devaluation of 1945. In the wake of

the German monetary reform of 1948, the mark was set at DM 4.2 to the dollar.

What, then, was the mechanism of devalorization? It was, on one hand, the amortization en bloc of the fixed capital of the German economy, with similar reforms in France, which at a stroke abolished the domestic debt structures of the country without passing, once again, through the nightmare of 1923. The countries of the continent were able to begin reconstruction *tabula rasa while maintaining working-class wages--particularly in Germany--below reproductive levels*. England, on the contrary, as the "junior partner" of the United States, with the pound enshrined as the second international reserve currency, was obliged to take on the "privileges" of this position without undergoing a comparable internal reorganization. The ongoing drama of the maintenance of the international position of the pound, from the 33% devaluation of 1947 to the devaluation of 1967, had consequences for the English economy almost as painful as the re-establishment of the gold standard in 1925-1931.

The essential aspect of this phase of the postwar system was the overvalued status of the dollar relative to the German mark and secondarily to other international

currencies. We saw in Ch. I how, through the system of international loans, the appearance of a pure exchange of equivalents can conceal a primitive accumulation" (comparable *within* capitalism to a similar exchange between capitalism and a society of petty producers) of unpaid labor. *The Bretton Woods system institutionalized the same relationship between the United States and Europe as a whole.* From 1944 to 1968-1971, it was this low-wage regimen--non-reproductive for the working class as a whole, in Europe and in Japan, but more than compensated by the large-scale recruitment of peasants to the work force and an intensification of the production process--which contained a segment of unpaid wealth for which Europe was reimbursed in dollars. It is true that in the 1945-1952 period, during the physical reconstruction of Europe, the United States still had the highest labor productivity in the world. But from this period onward, no real productive basis justified the fixed exchange rates in effect. And we are still, here, dealing with the simple level of *exchanges*. But, as we saw, world money and credit are not just mere *reflections* of a real exchange of values, however equal it might be. To grasp the full dimensions of the Bretton Woods system, we have to see the mechanism of

the "American balance-of-payments question", which is in effect the problem of international liquidity and the circulation of fictitious capital since 1945.

By 1947-1948, the whole postwar order was in place: Bretton Woods, the IMF, the World Bank, the free-trade agreement codified in the GATT (General Agreement on Trade and Tariffs), the Marshall Plan, the German monetary reform. In France, in Italy, in Belgium, the Social Democratic and Stalinist "workers' parties" had imposed acceptance for the world of Yalta. It was the Korean War which ended the American recession of 1948-1949, and which accelerated the efforts for the economic integration of Europe: the European Coal and Steel Community (ECSC) was established in 1950, as a big step toward the creation of the Common Market in 1957. NATO was in place from 1949 onward. The American military presence abroad and other components of a permanent balance of payments deficit after 1950 furnished Europe with an annual infusion of liquidity for international trade and reconstruction, above and beyond the loans from the Marshall Plan. Between 1950 and 1958, this system functioned quite well, for all the "unequal exchange" it contained. It was, in sum, the first phase of the post-war reconstruction. But from 1956-

1958 onward, a new conjuncture began to emerge; once the reconstruction of Europe was complete, dollars held abroad began to pose a recycling problem. These "nomad" dollars, by 1958, had reached the sum of \$30 billion (modest indeed by comparison with the trillions involved today, but an imposing figure at the time). The Suez crisis of 1956 underscored the problems of decolonization; the crises of the 20th Congress, Poland and Hungary, the problems of de-Stalinization. The harsh U.S. recession of 1957-1958 put an end to the modest rate of domestic productive investment in that country for the 1945-1957 period. The United States, in short, had arrived at the point in its economic development reached by England in 1870: the declining rate of exploitation favored a flow of capital to investment abroad. It was the beginning of the de-industrialization of the U.S. With this turning point, the world entered the second phase of postwar reconstruction.

It is in particular from 1953 onward, with the beginning of a serious flow of American capital overseas for direct investment in production, that all the differences between our analysis and that of the "monopoly capital" school appear most clearly, and this on three levels. On one hand, the leading American partisans of "monopoly

capital" could publish, in 1966, a book of the same title which abstracted from *all* foreign "inputs" in postwar American affluence. Not only did these authors ignore, systematically and resolutely, the "monetarist" problem of the Bretton Woods system; they ignored the role of credit in the domestic American economy just as resolutely. (We should admit, as we indicated earlier, that Harry Magdoff showed a comprehension on the *empirical* level of our analytic framework.) Their systematic neglect of the distinction of productive and unproductive labor, as with the systematic absence of the concept of the reproduction of labor power, allowed them to analyze the components of the American "GNP" as the good Keynesians they were. Finally, the incorporation of Lenin's theses on imperialism prevented any coherent view of the role of the Third World in the world system, and in particular its *marginalization* as opposed to the super-exploitation of the Leninist schema (1). Later, confronted with the development of Brazil, Mexico or South Korea, they denied the industrialization of the Third World. Confronted with the year-in, year-out fall in the rate of productivity in the U.S., they denied the de-industrialization of the country.

It is not from triumphalism that we attack the hegemonic school of "Marxist" analysis for the postwar period. Our disagreement, as we have tried to show throughout this work, is *programmatic*. It is precisely the left-wing of devalorization and the partisans of Lenin's theory of imperialism who, today, are disarmed by the harsh realities of de-industrialization; how can they go on talking about the privileges of the "aristocracy of labor" when whole industrial zones of former Western industrial pre-eminence have been shut down by the crisis? But we will see a bit later, more directly, the consequences of our disagreements with Lenin, Baran, Sweezy, Magdoff, Bettelheim and Amin. Let us resume the historical analysis.

In Europe, in 1957-1958, the conjuncture was ripe for the second phase of the postwar boom. In Germany and in France, a general shortage of manpower, superficially the result of the boom and more profoundly an expression of the non-reproduction of the working class for nearly 30 years, began to exert pressure on the low wage regimen of the 1944-1958 period. The transfer of unpaid wealth having been up to that point primarily between the United States and northern Europe, it was now the large-scale introduction of peasant labor from southern

Europe and North Africa which was on the agenda. It was now Europe's turn to undergo the rigors of intensive accumulation linked to this mass of cheap labor power from the Mediterranean littoral. To come to terms with this mutation, it was necessary to rationalize European agriculture, thereby freeing labor power from the backward countryside. It was necessary to liberalize foreign exchange, which remained for the most part governed by bilateral agreements, preventing the kind of monetary and financial unification necessary for financing modern investment. It was necessary to normalize customs. It was necessary to open Europe to direct American investment. It was necessary, in short, to establish the Common Market, which evolved, as we mentioned, from the European Coal and Steel Community (ECSC) of 1950-1953 and which was definitively in place in 1957-1958. It was the German *Grosswirtschaftsraum* of 1943, re-established this time under the auspices of Jean Monnet and American hegemony in Europe instead of Speer and Nazi Germany.

The European conjuncture of 1958-1962 has not, in general, been adequately located in its specifically international context, where the origins of the current

crisis are concerned. The collapse of the French Fourth Republic and the coming to power of DeGaulle are generally associated with the crisis engendered by the war in Algeria, but it was in reality the integral imposition of the phase of the real domination of capital which situates this transformation more exactly. The same is true for the adoption of the liberalization program in Franco's Spain, as well as for the various austerity programs, financial reorganization and industrial restructuring throughout Europe. These harsh austerity programs in France, Belgium, Italy and Spain, announcing those countries' full-scale entry into the rigors of intensive accumulation, did not fail to engender the first important strike wave of the postwar period: the general strike of 1960-1961 in Belgium, strikes in Italy, the rebirth of the workers' movement in Spain, and the strikes in the French coalfields of 1963.

At the same time, the deeper, but up to this point secondary consequences of the Bretton Woods system began to reveal themselves. In 1958, the Euro-dollar market--the market for dollars held abroad--came into existence in London to recycle the \$30 billion in excess dollars already accumulated. It was the growing flow of direct American investments abroad which rapidly

accelerated the growth of this market, to which were added, starting in 1965, military expenditures for the war in Vietnam. The system created worked through American banks in London which absorbed the dollars held abroad and used them to further American overseas investment abroad or repatriated them to the New York capital markets, where they served to lubricate the whole process once again. European central banks placed large sums of these dollars in American Treasury Bills, thereby subsidizing the U.S. Federal debt. In one way or another, this mass of dollars was used to underwrite *further American investment* in Europe. The fixed exchange rates of the Bretton Woods system, through which the dollar was already overvalued in the 1950-1958 period, made it possible for American capital to buy up European capital at bargain-basement prices. But the *nec plus ultra* of this recycling system was that *American capital was buying European industry with the American balance-of-payments deficits*. The deficits were financing American economic activity overseas. Never had English finance capital, except in its colonies, managed to create such a system of self-financing.

The war in Vietnam was in fact an essential turning point in this state of affairs. Insofar as the American boom of

1961-1969 was based on a prodigious arms production, which the inevitable inflation flowing from it, the even more rapid growth of American deficits abroad forced America's trading partners, led by France, to seek to come to grips with the constraints imposed on them by Bretton Woods. (France, in 1967, secretly withdrew from the London Gold Pool, which had been organized to prevent a rush into gold through direct international regulation of the gold market.) In the 1965-1967 period, dollars held abroad were rapidly approaching the "ceiling" of American gold reserves calculated at the official price of \$35 an ounce. Because the weakness of the dollar had been partly hidden by the more flagrant weakness of the British pound, the devaluation of the latter in November 1967 put the problematic of the dollar squarely in the center of the international economy. It was the dollar crisis of March 1968 which forced the American government to unilaterally demonetize gold in order to prevent a currency panic. From that point onward, the world was effectively on a dollar standard. If the state debt was, in any capitalist economy, the guarantor of the valorization process for a given country, the debt of the American state had become this guarantor for the entire world.

What the sterling balances had been for the world of 1890-1914 and thereafter, the "dollar overhang", dollars held abroad, became after 1958 and particularly after 1968-1971. *This was, as we have repeatedly argued, the circulation of a fictitious mass of capitalist titles to surplus value having no counterpart in the total surplus value.* The dollar crises of 1971 and 1973 which finally destroyed the Bretton Woods system in no way resolved this question; on the contrary, they merely raised it to a higher level. Debt management was henceforth strictly international, intended above all to prevent a panic in which this mass of illiquidity, which exceeded \$1 trillion by 1980, would move into a panic conversion into commodities, such as the great gold rush of 1978-1980.

If we are right to say that the problem of capitalism is not in the sphere of immediate production, but in the reproduction of the total capital, it should be obvious that the circulation of this increasingly large fictitious mass has been the priority problem for world capitalism since the late 1950s, and that any extension of this process only aggravates the problem. There are, first of all, the dollars held abroad: a major part of international reserves, and (as of 1981) 20% of the debt of the American state (in terms of Treasury bills held by

foreigners). There is the system of international loans: a vast external indebtedness of the Third World, and a not inconsiderable indebtedness of the Soviet bloc. There is the recycling of Petrodollars from 1973 onward: one misses the real meaning of the "oil crisis" when the latter is separated from an enormous reinvestment of Petrodollars in American capital markets and Treasury bills. As we saw in 1978-1980, as earlier in the crises of 1968, 1971 and 1973, this mass of dollars constitutes a potential international illiquidity which could be thrown onto international financial markets for conversion into commodities. It is in this way that the price of gold could rise to nearly \$900 an ounce in 1980, and the latter figure is still far from representing the potential price of gold which would be required to anchor the mass of potential illiquidity in terms of a commodity equivalent.

It is the exigency of valorizing this fictitious mass of paper with adequate surplus value, from whatever source, which is the concrete expression, today, how capital functions as a global brake on the productive forces.

This problem of the valorization of the total capital, and the fictitious increment of the latter, has in reality been present since the separate national reflations of 1933-

1938. As we have seen, the Bretton Woods system made the debt of the American state the privileged locus of this fiction. This indebtedness, after the post-1933 reflation and the military expenditures for the Second World War, was \$260 billion in 1945; it has been the basis of the international monetary system ever since. One cannot underestimate, for the post-1914 period, the importance of the state in the direct regulation of international finance capital; no private source would have been capable of raising the sums required for the international transfers of 1914-1918 and 1939-1945, or for the Marshall Plan. Without the opening of Europe to American hegemony, this fictitious mass would have been worth no more than the mass of Mefo-bills, underwritten by the German state for the 1933-1938 rearmament, was worth on the eve of World War II. But the United States, in contrast to Germany, succeeded in linking its state debt, and therefore its entire domestic financial structure, to the international monetary system. It is an under-consumptionist view which sees the Marshall Plan solely in terms of securing an "external market" for the enormous American productive capacity after 1945. It was undoubtedly that, but our whole theoretical discussion was intended to show that behind

this "realization" always lay the more fundamental problem of the *valorization* of the total capital.

Capitalism is, and has always been a problematic of bringing this reproduction of the total capital--a reproduction which since at least the collapse of the House of Bardi in 1346 (and subsequent Black Death two years later) leads invariably to the system of international loans with a rate of surplus value capable of sustaining it. But official Marxism, in spite of all Marx's efforts in Parts IV and V of Vol. III of *Capital* to show the indispensable role of credit in this circuit, has continued, since Hobson and Lenin, to speak on one hand of "monopoly capitalism", where this problematic of the total capital is completely ignored, or to fall back into a Ricardian conception of value and a falling rate of profit which is presumed to be discernible in the *sphere of immediate production*. But we know that the Marxist problematic precisely "negates" the sphere of immediate production to see capitalism as a relationship between this sphere and the reproduction of the total capital, and in relating this relationship in turn to the problematic of expanded reproduction. All the world capitalist crises, from those of 1837, 1857, 1873, 1929 to that of 1973 erupted precisely where Marx pinpointed their empirical

origin, "in the spheres of wholesale trade and banking" (*Capital*, Vol. III, p. 304) but this has not stopped generations of Marxists from patiently seeking a year-to-year fall in the rate of profit in the sphere of immediate production instead of seeing it in the reproduction of the total capital and its periodic interruption.

The importance of all this for an understanding of the class struggle, in the North American sector and in the rest of the world, is this: official Marxism, which since the Second International has oscillated between "monopoly capital" and a Ricardian conception of value has lost the elementary capacity to distinguish between the expanded reproduction of labor power and an "economic growth" which is in fact a devalorization of labor power. We have attempted, up to this point, to show how this orientation, for the 1890-1914 period in which the "monopoly capital" analysis first arose, was already false. But for the 1945-1973 period and thereafter, it is fatal. The theory of the "era of imperialist decay" prevented many Marxists from seeing the extent to which the postwar boom was based on an intensification of production in the advanced sector rather than "super-exploitation" of the Third World. Their neglect of credit and the international monetary system completely hid

from them the importance of the Bretton Woods system and the "dollar crisis", generally dismissed as a "monetarist" problem. (Cf. *Capital*, Vol. III, pp. 491-493 and elsewhere for such "monetarist" discussions of the "sterling crisis" of 1857.) The absence of attention to the distinction between absolute and relative surplus value prevented official Marxism from explaining the acceleration of technological innovation at the same time as the decline of the productive working class as a percentage of the active population. (Incomprehension of the distinction between productive and unproductive labor, prevented it from seeing the bulk of the tertiary sector of the OECD country as such.) Since 1914, the "strategy" of capital, globally, is the reduction of the total wage bill "V" through the intensification of the production process: relative surplus value. It is a strategy which can be grasped only globally, and which cannot be localized in any single country, however important. In the 1815-1914 technological innovation expanded the working class; in the 1945-1973 period and thereafter, it reduces it. This reflects, as we have seen, capitalism's incapacity to socially realize the disposable time created by the increased productivity of labor. Official Marxism--we are thinking, once again, primarily of the currents

associated with the "monopoly capital" school--was so far from understanding this that it is only *today* (1981) that they concede a certain tendency toward the de-industrialization of the United States. The "challenge" to the theory of "monopoly capitalism" is thus to explain how the deterioration of the fixed capital stock of England and the United States, which any honest analysis would date from 1870 onward for England and from 1958 onward for the U.S., has "benefited" the working class of these two countries. But to emerge from this incoherence, it is the "category" of expanded reproduction which they lack so totally.

It is only now that we can *situate* the struggles of the American working class in its real historical dynamic. If we have asked the reader to follow us patiently through a precis of the Marxist theory of crisis, a critique of the left wing of devalorization, and an analysis of the real meaning of the "Keynesian" epoch, it is because it would have been rather useless to jump directly into this history without first having established an adequate theoretical framework. Our entire analysis rests on the location of the American working class movement in the framework of the international devalorization begun in 1914 and the general crisis of 1929-1945. Both bourgeois and "radical"

historiography have produced a steady flow of monographs, some of them moreover quite interesting, on the American labor movement in the period of extensive accumulation and in the transition crisis of 1914-1945. The "facts" for an understanding the relationship between the history of the working-class movement in this country and relative surplus value have been around for a long time. What is required is a framework which can make theoretical sense of the history which runs from the strike waves of 1877, 1886, 1893-1894, the often remarkable battles fought by the I.W.W. from 1905 to 1920; the collaboration of the A.F. of L bureaucracy with the militarized state in 1917-1918; the *annus mirabilis* of 1919; the heavy repression of 1917 and 1920; the dispersion of the working-class movement from 1920 to the rise of the CIO after 1934; the new CIO bureaucracy and its integral participation in the state apparatus from 1941 to 1945, and its enforcement of the ignominious "no strike pledge".

Academic historiography and the theoreticians of the official left after 1963 (a turning point symbolized by the appearance of E.P. Thompson's book *The Making of the English Working Class*) have turned more and more, as we noted in passing in the preface, to the "grassroots"

history of the working class movement. This was undoubtedly a healthy reaction to the "institutional" prejudices of an earlier period; one cannot understand the working-class movement through its political parties, trade unions and leaders alone. "Labor market" studies were generally too imprinted with the stamp of neo-classical economics to be of much interest. But the deeper problem was that a *global* analysis of American capitalism, to say nothing of the concept of the reproduction of labor power, was absent on all sides. We should thus hardly be surprised if today, confronted with the de-industrialization of the old northeast corridor of the U.S., academic Marxism, barely awakened from the slumber of its 1960's complacency about serious economic issues, has little to offer besides a certain moral judgement of capitalism.

The whole thrust of Marx's analysis, his whole anti-Ricardian polemic, was precisely an effort to move analysis above the *sphere of immediate production*. But it is precisely there that the great majority of "radical historians" have attempt to relocate it. When we confront the problem of the reproduction of the total capital, on the contrary, we are better able to situate that which the total capital *inverts*: the total worker. It is

for this reason that it is fundamental to insist on the growth of the productive work force in the capitalist active population up to 1914 and its decline since 1945, globally, as the minimum necessary framework for any analysis of the working class in this or that national sector.

The last great wave of working-class struggles in the U.S. which qualitatively transformed the "structures" of the capitalist containment of the work force was, of course, that of 1934-1937 associated with the formation of the CIO. Even today, this period has not lost its ability to define the orientation of a large majority of the left wing of devalorization as a task which must be resumed, even where there is a recognition that the CIO ended in failure for the working class. But this is not the fundamental problem. The formation of the CIO was the *recomposition of the capital relationship* for the period of intensive accumulation after 1945. It was a lynchpin of the corporatist transformation of the American state for its global role after the Second World War. We will not dwell on the presence of Gerard Swope, the president of General Electric, on the committee which launched the CIO in 1933, nor on the "bureaucratization" of the unions as early as 1937. This

would be too devote excessive attention to questions of personnel and forms of organization. The presence of a capitalist or of trade union bureaucrats *as such* is not sufficient for the precise determination of a social phenomenon; it is its *real social content*, its "program", so to speak, which is at stake. And this content was the normalization of a corporatist system of collective bargaining under the auspices of the New Deal state for the phase of the real domination of capital over labor. We cannot separate the weight of the trade union bureaucracy for the post-1945 period (and we know its flag-waving role in 1941-1945) from the reduction of labor to its specifically capitalist form as it was carried out in the postwar period¹ nor the international role of the Keynesian state of which this bureaucracy was an indispensable wing.

Most analyses of the American labor movement since 1945 explicitly recognize the formation of the CIO as an historical rupture of the first rank. All the nostalgia of radical historiography for the working-class movement in the period of formal domination supports such a view. And it is, after all, a comprehensible nostalgia: who does not prefer Debs, the I.W.W., the great strikes of 1919 to the period of recomposition and confused dispersion

after 1945? Who does not prefer even the early William Z. Foster (in the early 1920's) to Gus Hall or Michael Harrington, to say nothing of George Meany or Lane Kirkland? What expresses itself in dozens of monographs on the labor movement from 1840 to 1945 is the search for the *content* of working class life in the phase of formal domination.(2) But this is a consciousness that does not understand two things: that the abolition of the content of work, its reduction to the actually capitalist form of abstract labor, is precisely the "content" of the phase of real domination, and that at the same time the classical workers' movement, particularly in the 1890-1945 period, was the *objective ally* of capital in the transition to the preponderance of relative surplus value in accumulation. Thus nostalgia for 1934-1937 understands neither the *depth* of the defeat of the classical workers' movement, nor its conjunctural character, nor, in particular, the fact that the anecdotal history of this movement, separated from an analysis of the components of the total capital and total worker, offers no perspectives for the workers' movement in the phase of *real* domination. On the contrary, it can easily obscure them. Harry Braverman can thus write an entire book on the destruction of work in the 20th century

without even referring to relative surplus value, even as he provides a rich documentation of its proliferation. We do not deny the value of such a documentation, but are merely pointing up the lack of a theoretical framework underlying it.

What, for us, unifies the analysis of the Keynesian epoch and the Bretton Woods system which relative surplus value is precisely the link between the global circulation of fictitious capital and the reduction of labor to its specifically capitalist form. This is, as the French group *Negation* put it very well, the historical phase "which recomposes the *worker* to leave only the *proletarian*". We have attempted to sketch this growth in the fictitious increment of the total capital with the recomposition of the production process as two aspects of one single movement of the devalorization of labor power. And we have done this with a programmatic perspective. The demystification of the history of the working-class movement and of its role in the transition to intensive accumulation, above all through the corporatization of trade unions, is a clarification process whose intent is above all strategic.

Already, in the current crisis, the left wing of devalorization, the Harringtons, Sadlowskis, Frasers, and

Winpisingers, are preparing a new restructuring of capitalism. If they have not shown themselves to be particularly brilliant in this effort, it is because capitalism offers them even less room for maneuver than it offered Reuther and the CIO bureaucracy in 1934-1937 and thereafter. It is necessary to show that their program and their trajectory is nothing other than the devalorization of labor power, globally. It is in doing this that one leaves the terrain of abstract ultra-leftist moralizing and finds a *different* strategy. But one can understand the left wing of devalorization only in relationship to social reproduction. For too long that part of the left which seeks to be revolutionary has attempted to realize "democratically" what the left wing of devalorization has done "bureaucratically". This is the hypostasis of a purely formalist consciousness. This left, working from a certain mythology of the classical workers' movement, which it sees above all through Social Democratic and Bolshevik lenses, has been attempting, since the Russian Revolution, to make itself into the left wing of "reformism". If the meaning of this little treatise can be reduced to a single sentence, it is that *THE LEFT WING OF DEVALORIZATION IS NOT REFORMISM*. To believe the opposite is to systematically muddle the difference

between the two phases of accumulation we have been discussing. The practice of the classical workers' movement up to 1914 was *reformism*. It is reformism which was possible in the 1840-1914 period, when the productive working class, variable capital, was growing on a global scale. In the phase of accumulation centered on relative surplus value, on the contrary, "reformism" can only be *recomposition*.

It is the theory of "monopoly capitalism" and the "era of imperialist decay" which, since the Russian Revolution, has hidden this reality from the extreme left currents who, after the defeat of the working-class movement in the 1917-1923 period, tried to rethink its historical meaning. But no attempt to grasp this development, which does not rethink the legacy of Lenin, Trotsky and the III and IV Internationals in relationship to the shift from extensive to intensive accumulation, can succeed in breaking the fundamental theoretical impasse. We would do well to reflect on the fact that Lenin, in August 1914, was unable to believe that the German Social Democrats had voted war credits. The pamphlet *Imperialism*, and all its errors, is his response to this non-comprehension. Instead of grasping the deeper truth of German Social Democracy as a school for working-class organization in

the phase of intensive accumulation, Lenin explained its integration into capitalism by imperialism, by "monopoly capitalism", super-profits and the labor aristocracy. This was at least an attempt to make sense of the disaster, with all its moralism and its mistakes, which was superior to the later Trotskyist mythology of the "betrayal" by "leaders". But neither Lenin nor Trotsky ever got beyond an idealist and voluntarist appreciation of the collapse of the "leadership" of the SPD in 1914--they were too tied up with some of them, above all Kautsky--and thus an idealization of the role of the SPD in the 1890-1914 was created for a whole subsequent epoch.

After the degeneration of the Russian Revolution and of the Third International, and the general period of ebb in the Western working class movement that set in between 1921 and 1923, Trotskyism in particular perpetuated this fundamental confusion among would-be revolutionaries. We do not say this lightly: from 1924 to 1945, the tiny Trotskyist minorities were among the few who courageously opposed the long nightmare of "socialism in one country" and the Stalinist counter-revolution at the international level without capitulating to abject Social Democracy. Aside from the Trotskyists, only the Italian Bordigists and the remnants of German

council communism attempted to rethink the defeat. There was no serious analysis of the international failure of the classical workers' movement throughout the entire interwar period, nor for a long time thereafter. The weight of the Stalinist counter-revolution was such that the question of "bureaucracy" dominated the entire discussion. This discussion was centered on the Russian Revolution and on the idea that world proletarian revolution was possible in the 1917-1923 period. But Lenin's theory of imperialism and the Comintern's thesis on the "epoch imperialist decay" taken over by Trotskyism neglected the real mechanisms of the *recomposition* of variable capital already underway in the 1890-1914 period, which was to be the basis of the 1945-1973 boom once the 1914-1945 transition crisis was overcome. This is the "material basis" of the workers' defeat. But the *sine qua non* of an understanding of these mechanisms was an adequate theory of relative surplus value and its role in the recomposition of the classical workers' movement. It is only on the basis of such an analysis that one can distinguish between the reformism of this movement and the recomposition which is the program of the left wing of devalorization today. But to do this, it is

necessary to understand the reproduction of labor power on a world scale; reformism on a world scale advanced it; the left wing of devalorization, in power in various "Popular Front", "National Reconstruction", Social Democratic or Labor governments has only glorified its recomposition or its retrogression. It was in order to make this distinction that we had to go to so much trouble to establish a theoretical framework; that was why we had to talk at such length about "economics".

The suppression or neglect of the key concepts of our analysis in the discussion of the extreme left and ultra-left, before and after 1968, went hand in hand with this obsession with "bureaucracy" (3) The universal anti-bureaucratic remedy, the last word of the Trotskyist program, is "nationalization under workers' control", just as Trotsky wrote in the *Transitional Program* of 1938. The virtues of such a program for the United States in 1938 are eminently worthy of discussion. But this program, which completely abstracts from any question of social reproduction, has nothing to say to the situation of today, when it is the decomposition of industry in all the classical industrial centers which is the direct face of the contemporary crisis. Even those Trotskyists who are the least embroiled in the left wing of devalorization, by

the formalism of their critique of this left, by their assertion that this left is practicing "reformism", remain on its terrain. "Nationalization under workers' control" today in Youngstown, Akron, Detroit or Gary can only be the nationalization of devalorization. A revolutionary program today has to have production and social reproduction at its core.

Footnotes to Chapter III

1-Despite its "soft Maoist" orientation, the book of Paul Bairoch *Economic Development of the Third World Since 1900* contains a good documentation of the marginalization of the Third World in the phase of intensive accumulation.

2-David Montgomery, the dean of the new labor history in the U.S., perfectly expressed this attitude, and the non-theorization of the distinction between absolute and relative surplus value centered accumulation in a recent article. "There could sometimes be remarkable renewals of the left...(in the period after World War II)...There were renewals, but they were exceptions. It was in reality the dissolution of the old forms of working-class life. One of the big centers of the left in the IWW era was East Pittsburgh. East Pittsburgh then was a slum, with

people piled on top of one another. Today there are nothing but freeways. The people have all left." (*Radical History Review*, No. 23, Dec. 1980)

3-See on this subject the essay of Jean Barrot, "Critique de l'Ideologie de l'Ultra-Gauche: Lenine et l'Ultra-Gauche" in his book *Communisme et Question Russe*, Paris 1972.

Chapter IV. The American Working Class and the Left Wing of Devalorization, 1890-1973

To talk of the condition of the working class in the United States today (1981) requires, above all, a sober appraisal of the not negligible move to "the right" in the working-class world, a phenomenon which was expressed in a significant working-class vote for Reagan in the 1980 elections. The phenomenon of a working class which, disgusted by the ineptitude and hypocrisy of the administrators of the welfare state, has rallied to a patriotic, populist and militarist conservatism, is not new in the 20th century: Gaullism in France, the Tories in England have had more than ephemeral success in certain working-class strata.

The very terms of a discussion of the American working class can confuse the foreign reader, generally conditioned to associate the "working class" which Social Democratic, Communist or Labour Parties of the English variety. But one understands nothing of American capitalism if one does not seriously consider the

singularity of a country where such parties are essentially non-existent. We hardly wish to reduce the working class to "its" political institutions (which, as political institutions, have never been an unambiguous expression of the working class's project of the abolition of civil society) but an understanding of the American working-class movement (already a term which easily lends itself to false connotations) cannot fail to consider this singular situation.

For historical reasons which we can only sketch crudely here, the classical workers' movement, as it existed in the United States and everywhere else up to the 1929-1945 period, never succeeded in engendering a real class consciousness in this country. The American working class, like American society, is not and has never been homogeneous but, quite the contrary, was constituted by successive waves of Catholic peasant immigrants from Southern and Eastern Europe during the period of the great agricultural deflation of 1873-1896 and thereafter. Poles, Irish, Italians, Czechs, Hungarians and a Jewish working-class immigration from Eastern Europe were the heart of this working class which populated the great industrial centers of the Northeast between 1880 and 1920, and it is this same group that one still finds in

industrial or ex-industrial cities like Chicago, Detroit, Buffalo, Pittsburgh or Boston. But if, in contrast to Europe, the working class never formed a "working class" party (that is to say Social Democratic), it was because American capitalism carried out the transition which in Europe was indispensably abetted by Social Democracy and the Popular Fronts: the transition to the phase of the real domination of capital over labor.

The American workers' movement nevertheless had a very rich experience. 1877, 1886, 1893-1894, 1912, 1919 marked moments of working-class explosion which, on several occasions, troubled the sleep of the American bourgeoisie. This bourgeoisie, for its part, brutally and successfully opposed the formation of industrial unions, taking advantage of the enormity of the country, the relative mobility of the society, the highest industrial wages in the world and an apparently inexhaustible source of cheap immigrant labor power recruited from the depressed countrysides of Europe to immobilize the successive attempts to organize the class. 1919, which saw the great Paterson, N.J. steel strike, as well as the formation of a "soviet" to manage the city of Seattle during a general strike, gave way to 1920, when reprisals, arrests and deportations rained down on labor radicals. If

the bourgeoisie in 1919 had to contemplate the danger (more nightmarish than real) of an American participation in the global insurrectionary wave of that year, it is no less true that the beginnings of the world crisis in 1929 found the American proletariat dispersed, with a low rate of unionization, and without independent political and social perspectives.

It is possible today, as it was not possible even ten years ago, to look soberly at the trajectory of the international working class movement of the 1840-1920 period, and see both its strengths and its weaknesses. There is no question that this movement struck terror into the partisans of capitalism, particularly between 1905 and 1917-1920, in both Europe and the United States. But this movement was defeated, and revolutionaries today have to analyze the deeper reasons for its defeat, in order to better grasp the *break* with the past which a new international revolutionary wave will bring.

As we have said throughout this work, it is in the framework of the passage, on a world scale, from an accumulation centered on absolute surplus value to one centered on a relative surplus value that one must, in our opinion, locate the defeat of the old working-class movement.

What does this mean? The whole question revolves around precisely what Social Democracy, and particularly German Social Democracy, represented in the 1875-1914 period. In the usual mythology of the contemporary official left, German Social Democracy was a "revolutionary" movement which, between 1898 and 1914, went over to "reformism". Setting aside the question, for a moment, of whether German Social Democracy was ever really "revolutionary"--and the "Critique of the Gotha Program" was there to say the opposite in 1875--this party was much more than that. Because it was precisely in Imperial Germany, particularly between 1890-1914, where the modern welfare state first evolved, an evolution in which the Social Democratic ideology of the Lassallean "people's state" played a role of the first order. One should never forget that Germany, between 1840 and 1925, gave birth to communism, Social Democracy, the welfare state and fascism: it was the privileged birthplace of the *state of the 20th century*.

For it was not merely the international working class movement which, in the 1890-1914 period, had German Social Democracy as its showpiece; *world capitalism* was also rushing to imitate the German model. The German working class movement became the vanguard of the

international movement after 1870 by the same process which made German capitalism the supercession of Anglo-French capitalism. There were of course other currents in the working class movement of the 1890-1914 period, in particular anarchism and revolutionary syndicalism. And where did these currents have an impact? Precisely in those countries and regions--Spain, Italy, France, Mexico, in the primary sectors of the U.S. economy (the IWW), in Latin America and in Russia--which were still grappling with the phase of absolute surplus value and the formal domination of capital. The critiques which these currents made of German Social Democracy--such as the anarchist intervention of the 1896 Congress of the Second International--while abstractly underscoring the "integrationist" tendencies of the hegemonic current, were quite inadequate to their task. These "libertarians" understood even less than the revolutionary currents inside Social Democracy the significance of the world transition to intensive accumulation and the role of the SPD and its fraternal parties in this process.

We may seem far from the American working class. But we are only laying the foundations which will enable us to situate its trajectory *globally*. Because Germany and

the German state, like the German working-class movement as a whole, weighed heavily on American history in the elaboration of the specific national forms of the transition to relative surplus value preponderance. Marxism was first introduced to America by German radicals who began arriving in the U.S. after the defeat of the 1848 revolution. The "sewer socialism" of the American Socialist Party in the 1900-1914 period was practiced nowhere with more ardor than in those areas, such as Milwaukee, where German influence was quite strong. On the side of capital, the Reichsbank was a primary model in the discussion leading, in 1913, to the founding of the Federal Reserve Bank, and German cartels were studied on all sides in the debates on capitalist regulation. (1) The modern American university was a virtual importation, in the 1890-1914 period, of the model of the German university, particularly in the areas of scientific and technological research.

If we take the example of the organized left in the 1890-1914 period which had the most lasting impact on subsequent developments, i.e. the Socialist Party, Populism and Progressivism, (in contrast, for example, to the not negligible Socialist Labor Party or in a different way the IWW), it is easy to see that the SP and

Progressivism were two aspects of a reform, at every level, of the capitalist state in the context of the transition to the real domination of capital. If we are right in affirming that in Europe, it was generally the left *in power* which carried out this transition, one can understand the relative absence of a "working-class political party" in the United States, where capitalism was capable of carrying out the same transition without having to have recourse to an important participation of a working-class political party in the state.

The results of the working class struggles in the United States in the 1865-1920 period were a unionization of the craft layers of the working class, contained politically within the Democratic Party, and the more or less total failure of the unionization of mass production workers. If there was indeed an initial elaboration of the "forms" of the German state--a central bank, cartel regulation, imperialism--and pale imitations of the working-class movement--the American SP--the real basis of a mature Social Democracy was completely absent, i.e. *a trade-union bureaucracy and the unionization of the industrial work force*. This convergence would take place during the crisis of 1929-1945, and it was no accident that the son

of an emigre German Social Democrat, Reuther, played a leading role in it.

The international collapse of Social Democracy after 1914 and the international split between the Second and Third Internationals in 1919-1921 reproduced in the U.S. in microcosm what had happened on a world scale: the "German" influence in the organized workers' movement, Social Democracy, was superceded by "Russian" influence: Bolshevism. It was precisely the waves of Russian and Eastern European working-class Jews of the 1880-1920 period who were the main basis of the American Communist Party founded in 1919; at the first congress, moreover, most of the speeches were made in Russian. The American CP of the early years was made up of the Jewish working-class current, many IWW militants breaking with revolutionary syndicalism, and elements of the left wing of the SP and from the SLP of Daniel DeLeon.

Almost as soon as it was founded, the American Communist Party, which regrouped the best elements of the pre-1914 American labor movement, was dispersed and marginalized by the repression of 1920. This repression was part of a more general wave of repression against the working class in the wake of the "red year" of

1919, marked in particular by the Paterson steel strike and the general strike in Seattle. The 1920-1929 period was a difficult one for the working class, with a relatively high rate of industrial unemployment (compared to the prewar period), the government's "anti-Red" campaign, and a rationalization movement by the capitalists; as a result, the great mass of industrial workers remained completely unorganized. The CP was able to play an important role in the labor battles in the Southern textile industry in 1926, but its role in the Third Period (1928-1934) marginalized it even more in the working-class movement in general. The remnants of the Socialist Party, for its part, entered a phase of definitive decomposition, where direct recruitment in the working-class movement was concerned.

What is important in this whole development is the following: the singularity of economic development in the United States, its role in absorbing immigrant Catholic peasant manpower from 1880 to 1920, and the transformation of these immigrants into industrial workers created a situation in which the "European" forms--Social Democratic and later Bolshevik--were never able to set down roots. They did manage to establish themselves, however, as they had done in Germany in

the 1890-1914 period, as the "working class" complement to the creation of a state capable of overseeing the phase of intensive accumulation, *and which was*, as it had been earlier in Germany, *the real meaning of these forms*. The American New Deal, and the formation of the CIO, (a formation which would have been impossible without the participation of the Communist Party) was American capitalism's transition to the phase of real domination, nothing more or less. Michael Harrington is therefore not incorrect to call the Democratic Party the "submerged Social Democracy" in the United States; he simply does not realize that he is showing Social Democracy to be *less* than it appears rather than showing the Democratic Party to be *more*.

The modern American state, the one established in 1933-1945, was thus a state founded on the Bretton Woods system, relative surplus value, and the corporatist enlistment of the trade unions in the normalization of the collective bargaining system. It is the dissolution of this nexus of relationships during the current crisis which the Reagan government, and working-class support for Reagan, express.

The three indissociable aspects of the history of the 1890-1973 period are Keynes, relative surplus value, and German Social Democracy.

The poorly organized working class, with a low rate of unionization, divided into thirty ethnic, racial and religious groups going into the 1929 depression had developed, up to that point, only two modes of organizational expression: the political urban machines of the Democratic Party and the craft unions of the American Federation of Labor of Samuel Gompers. It emerged from the depression and world war in 1945 as the indispensable lynchpin of a new political coalition in the U.S., that forged by the Rooseveltian New Deal in 1932 and thereafter. This coalition, basing itself on "interest groups" which, until then, had never coexisted politically, was composed of the working class of the great industrial centers, blacks (which since the end of the Civil War had supported the Republican Party) and the agrarian populists of the South, Southwest and Midwest. Less visible but hardly less important in this coalition was a faction of capital rooted in finance, urban real estate and industry, with an internationalist outlook, of whom a David Rockefeller today or a John J. McCloy of an earlier era might be seen as the "concrete universals".

In these conditions, in the 1934-1937 period, the working class organized itself into industrial unions in a strike wave which Roosevelt dared not oppose, and in fact quickly turned to his own benefit. The struggle to organize the San Francisco longshoremen, and the subsequent general strike of 1934 in that city; the great Minneapolis strike of the same year which established the Teamsters in their modern form; the Auto-Lite strike in Toledo, where a small group of Trotskyists mobilized workers and unemployed in a general confrontation with the National Guard; the wave of strikes which established the United Auto Workers (UAW) in Detroit; the "Little Steel" massacre in Chicago in 1937: these are struggles which, in the years of recovery from the world depression 1934-1937 transformed the class struggle in the United States, and to which the new recession of 1937-1938 and the mobilization for war put an end. The wave of unionization in heavy industry did not end, however, extending to Ford Motors in 1940 and to other sectors in the immediate postwar period.

This organization of the working class into industrial unions, which succeeded where the more insurrectionary struggles of 1877-1920 had failed, must be, once again, located in the transition to the real domination of capital

over labor and the reorganization of the capitalist state for relative surplus value-centered accumulation. Gabriel Kolko, for one, had shown that industrial unionization was a way of restructuring heavy industry, pushing to the wall smaller and weaker enterprises which could not pay the increased labor costs. (2) Simon Kuznets has shown that, with or without industrial unions, the portion of the total product of the U.S. represented by variable capital has remained constant since 1875.(3) The official left undoubtedly, as in all things, has an organizational explanation for the increase in working-class living standards in the 1945-1965 period, but our entire discussion was intended to show that it was the intensification of the production process, the increased role of relative surplus value and the cheapened cost of the material content of working-class consumption which explains it. The essential fact is that the industrial unions of the CIO implanted themselves in the recovery phase from the depths of the world depression, in the 1934-1937 period, and then gradually expanded from that base up to 1945-1946. In a world dominated by relative surplus value, where the *world* working class has stopped growing, where "V", variable capital, is no longer growing, the trade-union form, in contrast to the 1840-

1914 period when the battle against absolute surplus value and for the shortening of the working day was at the center of working-class struggles, can only be a form of *recomposition* of the total worker within the general transformations of capitalism.

The CIO was the recomposition of the capital-relationship for the phase of capital's real domination over labor. (4) As in the case of Social Democracy in Europe, it was working-class struggle which accelerated the transition from the accumulation of absolute to relative surplus value.

In the 20th century, as we have tried to show, the transition from absolute to relative surplus value centered accumulation put an end of the era of working-class reformism to the extent that, because variable capital is no longer growing, it can only be recomposed. This is the "structural" framework on a world scale in which one must situate the "bureaucratization" of the unions which came out of the 1934-1937 period, and their linkage to the state in the framework of corporatist collective bargaining.

Our account could hardly be complete without mentioning, in the construction of this corporatism, the

role of the Communist Party--its sole possible role in this period--in the transformation of the Rooseveltian state.

Capitalism, for its part, did not wait long to take advantage of this mass unionization. Without the CIO, and the participation of the unions in the state apparatus during the Second World War, it would have been far more difficult to mobilize the working class for the the American takeover of Western Europe. Even in these circumstances, all the forces of the Communist Party and an important wing of the trade union bureaucracy had to be mobilized to win acceptance of the "no strike pledge" in 1941, to denounce the "fascist" John L. Lewis during the miners' strike in 1943, to combat the wildcat strikes of the same year, and finally to stifle rank-and-file opposition to the capitalist rollback of the gains of the thirties in the 1942-1945 period.

Following the immediate postwar period in the U.S., when a strike wave and an extension of unionization accompanied demobilization, the watchdogs of the Communist Party, having completed their work of containment for the CIO bureaucracy, were rudely put on the street, in 1948-1953, by the McCarthy campaigns and the internal "cleanup" of the unions by the non-Communist labor bureaucracy. The role of the CP in

1941-1945, which was even more flag-waving than that of the right-wing AF of L bureaucrats, had won it the contempt of a majority of the working class, which passively watched this exclusion of Communist cadre from the unions, when not actually supporting it actively. As has been the case throughout the history of the left wing of devalorization, it is in the period of crisis when this "left" is called upon to play its role, which is to carry out the necessary transformations for the containment of the working class, and then to be ejected back into the wings once its work is done. The contemporary working-class world in the U.S., beginning with the collaboration of the AFofL with the state apparatus during World War I and continued by the formation of the CIO and its participation in the state in World War II, has been deeply marked by this experience. It is, as the last moment of qualitative change in the social structures that mediate the working-class's existence, the historical framework which contains it today.

A large part of the discussion since 1968, in Europe and the United States, on the status of the unions and their role in the working-class movement has remained formal to the extent that it has turned around the question of "forms of organization". The missing concept casting its

shadow over this discussion was that of *corporatism*, as we sketched it throughout this work: the capital relationship in the phase of capital's real domination, that of the accumulation of relative surplus value and the global *recomposition* of labor power--devalorization--in this process. A discussion of the unions without these concepts, one remaining on the level of organizational forms, is condemned to sterility. It is for this reason that the gap between the American labor movement in the 1877-1920 period and that of 1934-1937 and thereafter is so important, and it is a gap which is not adequately grasped on the level of forms. "Forms" as such tell us nothing if they are abstracted from our discussion of the constitution of the total worker conceived internationally and of the "V" component of the total product, i.e. the "structural" basis of this or that form. It is only on the basis of such an analysis that one can truly discern the content of this or that struggle, this or that union. It is not necessary to deny the heroic dimension of the working-class struggles which resulted in the building of the CIO, or to be led around in debates about "what revolutionaries should have done". It is the world dynamic of capital which gives struggles their precise determination, and we have tried to show, from the

example of the German model and the SPD how working-class struggles could be, throughout the 1890-1945 period and in the immediate postwar stabilization the "spur" which pushed capital to intensify, without for a moment spilling beyond the framework of capitalism. The world of 1929-1945 in which the CIO was born was the world in transition to the hegemony of relative surplus value after 1945. Without the transformation of world capitalism in this period, without the destruction of colonialism, without the opening of Europe to American hegemony, without the establishment of the link between the dollar and international reserves, without the creation of an American state capable of expanding the role of credit in the American domestic economy, without the primitive accumulation represented by the incorporation of a vast rural workforce expelled from the American countryside by the depression of the 1930s, the whole postwar boom and the 30% increase in purchasing power of the American working class between 1945 and 1965 would have been impossible. And without these developments, which made possible an intensification of the production process on a world scale, American capitalism could not have paid the "bill" for the formation of the CIO, which in

1945 had barely been translated into material terms for the working class.

The corporatism of the New Deal, like corporatism everywhere, was the recomposition of the capital relation for the phase of the real domination of capital, which is to say for the global devalorization carried out over the 1945-1973 period and thereafter. But all this could not be clarified until the 1945-1973 period was closed, when the outbreak of the crisis ideologically deflated the left wing of devalorization. Even the best elements which emerged from the collapse of the old working class movement, who by their critique of Stalinism, Social Democracy and Third World Bonapartism, opposed the left wing of devalorization--I am thinking above all of tendencies breaking with Trotskyism after 1940 and of the German and Italian ultra-left inspired by Bordiga--have generally only done so formally, without ever arriving at a theoretical framework and a new conception of the period which could have been the basis for a real break. This was particularly the case because the concept of expanded reproduction--a concept indispensable to any grasp of devalorization--was lacking in all of them. The "Russian question" above all weighed like an albatross in this

milieu (only the Bordigists began, but did not complete, the deflation of the Russian counter-revolution to its more appropriate dimension in the analysis of the world dynamic).

Since 1917, and particularly since the advent of Stalinism, the left wing of devalorization has carried out an ideological inversion which would be difficult to surpass. But it was not Stalin, as we attempted to show in Ch. II, who set this process in motion; its origins are to be sought in German Social Democracy and in Lenin and Trotsky. It is a nexus of ideas tied together in Lenin's theory of imperialism, the Comintern's theory of the "era of imperialist decay", Trotsky's theory of permanent revolution, and the concept of "national liberation struggle". Many of these elements, and particularly the last one, have been present in the debate between Luxemburg and Lenin on Polish nationalism in 1908-1911.

According to this complex of ideas, which historical facts *seemed* to confirm to casual inspection up to roughly 1965 and the beginning of Third World industrialization, the First World War had closed the inner circle of capitalist development, made up essentially of Great Britain, France, the U.S., Germany,

Italy, and Japan, the powers which, in the 1815-1914 period, underwent an adequate industrialization. Henceforth, capitalism had nothing to offer to underdeveloped countries outside this circle. (5) This theory, particularly in the 1917-1965 period, was the favored terrain of the partisans of the "monopoly capital" school. All further advance of the underdeveloped sector, according to this theory, would occur only through permanent revolution", according to Trotsky's theory, or more crudely, by "socialism", in the more widespread Stalinist versions. The Russian Revolution, as we indicated, was the lynchpin of this theory. Were not the industrialization of the Soviet Union in the 1928-1958 period, during the extreme stagnation of the capitalist world in the 1914-1945 period, and the non-development of vast zones of the Third World after 1945, stirring confirmations of this ideology? Even the most honest currents to emerge from Trotskyism, who refused to engage in the eulogy for different parts of the Stalinist bureaucracy and various Third World Bonapartists which was the daily fare of the the Fourth International of Mandel and most of his breakway competitors, never broke out of the ideological

nexus of the era of imperialist decay/Lenin's theory of imperialism/permanent revolution.

But, as we have tried to show at length, Lenin's theory of imperialism in reality distorted the dynamic of the whole epoch. Once intensive accumulation of a productive nature had exhausted itself in the U.S. (in roughly 1965), accumulation continued in new zones of the Third World and, today, in Brazil, Mexico and in Southeast Asia there are industrializing countries which are currently emerging from "neo-colonial" "dependency". It is on this brute material reality that the edifice of Lenin and Trotsky crumbles.

We have attempted to show that the entire 20th century, in contrast to the 1815-1914 period, is an epoch of the recomposition of the capital-relationship, in which devalorization occurs through the recomposition and not the simple deflationary exclusion of labor power from the sphere of production. Now, we can clearly see, with the industrialization of various zones of the Third World and the simultaneous de-industrialization of important parts of the OECD countries, particularly the American Northeast, England, northern France, the German Ruhr, etc. that this recomposition is now being carried out on a world scale. At the same time, the crisis of the Stalinist

model in the Soviet bloc is a crisis of the latter's need for a much greater involvement with the world market, if the slowdown of the productive forces is not to become total. The existence of an autonomous industrialization in the Third World and the ever-greater linkage between the Stalinist bloc with the world market are two aspects of the single unitary process of the recomposition of the class terrain between the working class and capital at the global level. This clarification, between 1917 and 1968, was almost impossible. Rosa Luxemburg, several weeks before her death, wrote in *Rote Fahne*: "In all previous revolutions, the combattants confronted one another with all masks off; class against class, program against program. In the present revolution, the troops protecting the old order do not intervene under the insignia of the ruling classes, but under the banner of a 'Social Democratic party'. If the central question of revolution were posed directly and honestly: capitalism or socialism, no doubt, no hesitation would today be possible in the great mass of the proletariat". The global emancipation of the proletariat, for too many people, seemed to pass by way of "critical support" for Prince Souvanaphouma in Laos, the Ethiopian colonels, or various bureaucratic-peasant "national liberation fronts". But, today, the

rupture of the "inner circle" of the developed world of 1914-1965 by the newly industrial countries has put an end once and for all to the leftist legend of the "progressive bureaucracy" whose origins go back to German Social Democracy.

Beginning in 1938, that is, since the last qualitative modification of the class terrain in the U.S., small minorities generally coming from Trotskyism or attempting to go beyond Trotskyism went into industry to rehabilitate the working-class movement, opposing the period of ebb that was setting in. The Socialist Workers' Party, representing official Trotskyism, the Workers' Party established in 1940 from a split with the SWP over the Russian question, and after the war, even smaller tendencies such as those of James and Dunayevskaya maintained a presence, however slight, in the working class world in Detroit and elsewhere in the general ebb of the 1950's. It was the critique of Stalinism in the Soviet Union and the role of the Communist Party in the unions in the 1934-1945 period, as well as the critique of the bureaucratization of the CIO (which fused with the AF of L in 1955) which allowed these tendencies to lead a rank-and-file struggle in the shops against the Stalinists, incapable of doing so because of their

orientation toward the trade-union bureaucracy. Inside the labor movement, these groups were reduced, , through the 1948-1970 period, to tiny minorities with no real influence on developments (in contrast to the 1933-1948 period when they were able to play a very minoritarian, but real, role). But these tendencies, and the later groups which formed largely out of the student movement of the 1965-1970 within the same general theoretical framework, never grasped the change in the period which separated them from 1934-1937, to say nothing of 1877-1920. For them (with the exception of James and his collaborators) the issue was always one of taking up the Trotskyist project of "conquering the unions" through an anti-bureaucratic struggle. Blinded as they were by forms, the absence of all analysis of the capitalist conjuncture after 1945 and especially after 1957-1958 on one hand, and the non-theorization of the role of the CIO in the transition to the phase of intensive accumulation on the other was always the foundation of their theory.

These groups (6), however, even though they represented some of the best aspects of the old workers' movement of the period prior to the advent of "socialism in one country" and the "progressive countries of the

Third World", could not get beyond the historical moment which had brought them into existence, and that moment, as we have seen, had a heavy dose of mystification about the real role of German Social Democracy and took over, directly or indirectly, the theoretical framework of Lenin's analysis of imperialism, the "era of imperialist decay", and Trotsky's theory of permanent revolution (7). Their refusal of the Stalinist bureaucracy and of Third World Bonapartism thus remained formal: if they generally refused the "monopoly capitalism" theory in its Stalinist form as presented by *Monthly Review*, they accepted its consequences, where Third World development was concerned, through the theories of Mandel, Cliff, or Kidron. The historical moments which had created them--1934-1937, memories of Flint in 1936-1937--remained the model of something to be repeated. Detroit remained, for 35 years, their Mecca.

These groups were not different, at bottom, from similar currents which existed on the extreme left and ultra-left in France and England. (Fascism had more or less eliminated them in Germany, whereas in Italy the Bordigists played this role.) Throughout the 1945-1973 period, the apparent successes of the postwar boom

seemed to have completely buried questions of social reproduction. The Social Democratic, Stalinist and Labor "working class parties" and their relations with the state largely imprisoned the extreme and ultra-left critiques on the terrain of the problem of *bureaucracy*. The problem of the Soviet Union was not a problem of forces and relations of production; it was a problem of bureaucracy. The "reformist" unions of the advanced capitalist countries were what they were because they were bureaucratic. As we have tried to underscore, in the atmosphere which reigned in the working-class world from 1936 to 1956, the blackest period in the history of the working-class movement, this obsession with bureaucracy is perfectly understandable. But this perspective agreed with the dominant Stalinist and populist mood in making everything into a question of *power* (the discourse which took over Marxism through German Social Democracy in the period of the Second International, as we discussed in Ch. II) instead of looking for the origins of the forms of power in relations of production. It was the enormous defeat of the international movement in 1917-1923 and its ideological consequences throughout the world thereafter, the fundamentally flawed understanding of the period, the

non-comprehension of imperialism and the world conjuncture, and finally the confusion about the nature of the capitalist state which emerged from the 1933-1945 period--the non-theorization of relative surplus value and intensive accumulation--which were the determinants of the discussion on the anti-Stalinist extreme left and ultra-left until 1973.

It is thus necessary to see how these currents, renewed by an infusion of ex-student militants from the New Left of the 1960s, intersected the renewal of working-class struggle in the 1968-1973 period, prior to the final eruption of the economic crisis.

The expulsion en masse of the Stalinists from the unions during the McCarthy period in 1948-1953 was part of a general containment of the remaining trade union bureaucracy within the new boundaries established by the Cold War, but it did not prevent the often quite militant working-class struggles of the 1955-1965 period. The auto strike of 1955, the battles between the Teamsters and the government over corruption in the Hoffa leadership, or the long steel strike of 1959 were not themselves struggles of a new period, but they troubled the sleep of the ideologues of the "end of ideology" in the 1950s. But this was not the essential

development of the period: it was, rather, the long procession of estrangement between the trade-union bureaucracy and the rank-and-file in the shops, which already existed in 1936-1945, but which did not yet dominate all struggles. This estrangement, and this transformation of the *visible* role of the bureaucracy in the struggles--because the essential character was already there in the 1930s--is the real meaning of the change between the 1877-1920 and 1934-1937 period and thereafter, which we attempted to establish in Chapters I-III. It is here that the real meaning of the CIO becomes visible: as a recomposition of the capital relation for the new period of accumulation and as an organizational form thrown up in the phase of reduction of labor to its capitalist form of abstract labor.

Throughout the 1945-1965 period, an increase of working-class purchasing power was exchanged for a rationalization of production and a constant intensification of the work process in the factory. The trade union bureaucracy negotiated this tradeoff.

It was with the harsh recession of 1957-1958 that the situation became more acute. It was the beginning of the large-scale flow of capital to investment abroad, particularly in Europe. It was, therefore, the beginning of

the de-industrialization of the United States. It was also the beginning of a large-scale recruitment of women to the workforce. Feminism has always attempted to see in this entry a step toward emancipation, but such a perspective, for whatever validity it possesses, passes over in silence the "dark underside" of the process: the necessity, beginning with the recession of 1957-1958, for women to work because a single working-class salary was no longer enough to maintain a family. It is here that we get into the question of the non-reproduction of labor power, a non-reproduction hidden from Keynesian categories of purchasing power. Because to the extent that the expansion of employment from 1957-1958 onward was focused on the "tertiary" (and in large part unproductive) sector, the productive work force stagnated or diminished. This is the link between relative surplus value and fictitious capital: with investment moving increasingly into unproductive sectors, the greatest expansion of the "active population" was taking place in government and corporate bureaucracy, banking, insurance, real estate, and the military sector. Between 1958 and 1969-1973, international relations we have analyzed subsidized this purely fictitious expansion. It was a large-scale capitalist consumption made possible

by the intensification of the labor process on a world scale.

It is precisely this intensification which reinforced, in the productive sector, the separation between the trade union bureaucracy and the mass of workers. But no new current emerged from this situation until 1965-1970. Insofar as 1965 was the turning point of the postwar expansion, the year in which an abrupt rise in interest rates and the beginning of a profit squeeze announced the imminence of the crisis which became official in 1969-1973, the situation of the working class did not fail to express this change. The New York City transit strike of Fall 1965 and the August 1966 strike of the International Association of Machinists (IAM) against several airlines, (which was threatened by direct government intervention in the name of "national security" because it affected the U.S. military effort in Southeast Asia) perhaps mark the opening rounds of a new phase of the American labor movement which would last until 1973. It was in this period that the tightening of economic conditions put an end to the seemingly permanent expansion of purchasing power over the 1945-1965 period. This tightening was exacerbated by the profound crisis of American society brought about by the Vietnam

war and the black question. To the extent that expansion of the work force engaged in production came to a halt in the 1957-1958 recession, the drying up of employment possibilities for the black urban population, whose presence in the industrial work force had greatly increased between 1940 and 1958, made the "black question" a first expression of the end of the growth of the productive forces in the U.S., one which moreover troubled the sleep of the trade union bureaucracy. Beginning in 1968, rank-and-file organizations of black workers appeared in the auto industry. (8) In 1967, the New York City teachers' strike had pitted teachers and black organizations demanding "community control" against one another. In 1970, the "Philadelphia Plan", supported by the Nixon administration, attacked the 100% white construction unions, again pitting black against white construction workers in a battle to integrate the unions, but in fact to reduce wages at Federal construction sites.

It was thus in a very precise economic and political conjuncture, between 1970 and 1973, that the spinoffs of the New Left attempted to infiltrate the trade union movement, and failed. The 1966-1970 renewal of working-class activity began after 1968 to converge in a

pronounced way with other oppositional movements, above all the black and anti-war movements, which along with the New Left were about to disappear. May-June 1970 saw not only the most acute liquidity crisis of the post-war period to date (9) but also the invasion of Cambodia, the national student strike against that invasion, a fall of the stock market to a level one-third below its January 1969 high, the Kent State massacre and an important Teamster wildcat in Chicago, Cleveland and elsewhere. Two months earlier, the Nixon government used the National Guard in an unsuccessful attempt to break a postal workers' strike. It was in this atmosphere that a number of small groups, made up largely of refugees from the collapse of the New Left, went into the factories to conquer the unions.

We advise the reader that if we are focusing on the trajectory of this "turn toward the working class" in 1970-1973 by a few thousand people, it is hardly from an vanguardist fetish: it is rather to show the *break* between the struggles of the classical workers' movement during the consolidation of the CIO waged by the anti-bureaucratic minorities of the 1938-1948 period, and the "workerism" of the New Left. The latter is, in our opinion, the last possible resurgence of the left from the 1890-

1973 period based on Lenin's theory of imperialism and the attitude toward the working class of the (ex-) advanced countries which flowed from it.

The workers' struggles which began in 1966-1970 continued throughout 1970-1973. In the fall of 1970, the three-month strike against General Motors once again underscored a new attitude by management flowing from a squeeze on profits after 1965-1966. The "black lung" movement in the UMW surged forward after the murder of one of its leaders, Jock Yablonski, in December 1969. In 1971, the longshoremen of the West coast struck for several months, and a direct government intervention was necessary to get them back to work. In January 1972, the famous strike of Lordstown, Ohio, marked the most clear-cut working-class response to the GMAD (General Motors Assembly Division) rationalization which shook auto in 1972-1973. The CWA phone workers' strike of spring 1972 saw new confrontations between the rank-and-file and the trade union bureaucracy.

It is obvious, with 10 years' hindsight, that the contours of the 1969-1971 period were determined by the end of the postwar boom. These years saw the harshest recession since 1957-1958, with an official

unemployment rate of 6%. Official ideology was troubled by the discovery of "stagflation" (the coexistence of high unemployment and inflation, produced by a mass of circulating fictitious capital), by the "power of the unions" (the stability of wages in a period of recession) and especially by the "blue collar blues" (the revolt against work) which was manifest in the strike wave. In August 1971, Nixon took a series of measures to reflate the economy for his re-election in 1972, including a price-and-wage freeze administered by a commission including trade unionists.

In 1972, the measures taken by Nixon started to take effect, setting off the hyper-inflationary superboom of 1972-1973. It was in this period that the nexus of relations including Bretton Woods, the welfare state, and the trade-union bureaucracy began visibly to unravel. In 1969-1970, high interest rates in the U.S. hid the crisis of the dollar by attracting a mass of "nomad" dollars to the New York financial markets. Beginning in 1971, the liberalization of credit for the reflation started new firestorms when these dollars recrossed the Atlantic to new havens in Europe. In May 1971, the EEC "snake" floated against the dollar. In May-August 1971, the runoff of the American gold holdings was general. The

unilateral demonetization of gold by Nixon in August 1971, which was at the center of the reflationary strategy, cut all dollars held by foreigners from any relationship, however theoretical, to the "general commodity", and linked them exclusively to the debt of the American state. The creation of credit in American financial markets was henceforth, openly, tied to the willingness of foreign creditors of the U.S. to hold dollars, a willingness naturally abetted by the threat of a massive devaluation of these dollars in the case of a rush into other currencies or into gold.

The economic package of the Nixon administration in August 1971--90-day wage-and-price freeze, the establishment of Phases I-IV of controls on wages and prices, 10% import tax, and the devaluation of the dollar--were a nationalist response to the world recession of 1969-1971. The 1972-1973 boom these measures set in motion, which resulted in a new explosion of inflation in 1973, was marked by a return unprecedented in the postwar period to accumulation of absolute surplus value: mandatory overtime, sharp increase of industrial accidents, and speedup on the assembly line. The struggles of 1972-1973 were therefore generally the extension of those of 1966-1971. On the eve of a

profound change in the period, capitalism and leftism were both preoccupied with the "revolt against work" and wildcat strikes. Industrial psychologists, sociologists, trade-union bureaucrats, and emissaries of Swedish Social Democracy rushed to the factories to talk of self-management, work enrichment, and the 30-hour work week. People thought it was the beginning of an era, but it was the end of an era. The question of "bureaucracy", the formalist problematic of the entirety of the American and European extreme left of the 1968-1973 period, was about to be rudely superceded by the rediscovery of the problematic in which bureaucracy *arises*: the forces and relations of production, and thus the programmatic *content* (in terms of the expansion of social reproduction) of a potentially revolutionary movement that goes beyond a programatically contentless "workers' control of production".

Thus we see, through the ebbs and flows of the struggles of 1934-1937, of the postwar period 1945-1965, of the last phase of the postwar boom 1966-1973, and finally in the leftist workerism of the 1970-1973 period, the progressive deflation of a consciousness we have traced from German Social Democracy and its populist world view. The experience of the CIO, and the struggle against

the emerging trade union bureaucracy of the 1936-1945 period, taken over by various Trotskyist currents, in the international context of the Popular Front and "socialism in one country", imposed on the extreme-left opposition to the hegemonic Stalinist and Social Democratic tendencies the problematic of bureaucracy. The extreme-left response to *bureaucracy* was *democracy*, i.e. workers' control of production. But as Barrot put it quite well in the article quoted at the end of Ch. III, the opposition "bureaucracy/democracy" turns the whole question of *program* into a simplistic question of "forms of organization". The anti-bureaucratic American and West European extreme left of the 1968-1973 period was thus in agreement with the dominant bureaucratic tendencies in making social revolution into a question, not of *content*, that is of what must be *emancipated* from the dominant social relations--but of *forms of organization*, the old populist question of power separated from its more general conditions of existence. We see the extent to which this formalist consciousness was part of the Social Democratic and populist consciousness we analyzed at length. Once the question of expanded reproduction, and therefore an essential aspect of any program for the abolition of the dominant

social relations had been buried by the theory of "monopoly capitalism", the history of the workers' movement, particularly after 1914, became a question of forms: party, bureaucracy, workers' councils, democracy. In the long Social Democratic and later Stalinist counter-revolution, it is a preoccupation which is perfectly understandable. After the exhaustion of the post-war boom in 1965-1967 and the wave of working-class struggles in 1968-1973 which ran up precisely against the bureaucratic apparatus of the "workers' parties" and trade unions, it was quite natural to see, when worker self-management became fashionable, all questions posed in terms of "bureaucracy/workers' control". As very few people, in 1968-1973, foresaw the real contours of the post-1973 period, the whole discussion went on as if questions of program, especially where material reproduction was concerned, would take care of themselves. The fictitious element in the post-war boom, particularly where the U.S. and England were concerned, attracted very little analysis.

But if there is, aside from the eruption of the crisis in 1973-1974, one phenomenon which marks the difference between 1968-1973 and today, it is the transformation of the understanding of the role of the Third World in

dynamic of world capitalism. One misconstrues the nature of the French, German, Italian or American New Leftism of 1968 if one forgets the mythology of Che, Mao, Ho and Third World guerrillas for this consciousness. Even those who integrally rejected Stalinist bureaucracy and "progressive" Third World Bonapartism accepted, though the screen of Lenin's theory of imperialism, this vision of bureaucratic-peasant Third Worldism and mercantilist autarchy as the only possible road for consequential industrialization (even if they, to their credit, understood--unlike the Stalinists and Third Worldists--that this Third Worldist reinvention of the wheel was the price paid by workers and peasants in those countries for the delay of revolution in the capitalist heartland). OPEC, South Korean steel and shipbuilding closing down the competition in Germany and Sweden, Third World textiles and Southeast Asian electronic assembly doing the same throughout the West--these were all, it seems in retrospect, far in the future. Equally far in the future, or so it seems, were the UN confrontations over the "New World Economic Order" in 1975, and Cambodian "socialism", which will probably have been the last attempt in history to build an integral Stalinist model. One need only read the

stupidities written written by the ex-Maoists among the French "new philosophers" to see the extent to which this Third World mythology played a role in their politics, how ultimately trivial their actual involvement with Marxism was, how it was in reality nothing but the paroxysm of the populist consciousness we have been discussing.

The slagheaps of the former industrial zones of the West, particularly in the United States and England, have closed forever the period of leftist exoticism. "Workers' control of production", today, separated from a program for the reconstruction of the material basis of production, starting with labor power, which has been eroded by deindustrialization and devalorization is a meaningless phrase, and the disappearance of "anti-bureaucratic struggles" in the unions in the U.S. since 1973 are the best proof of this. β

Footnotes to Chapter IV

1-James Weinstein is one Social Democratic historian who shows rather well, in his two books *Decline of American Socialism 1912-1925* and *The Liberal Ideal and the Corporate State* the German influence in the U.S. in this period.

2-See Kolko's chapter on the New Deal and the CIO in his book *Main Currents in American History*.

3-Over time, it is value, not institutional considerations, which determine the total wage bill.

4-Michel Aglieta, in his book *Theory of Capitalist Regulation*, arrives at the same conclusion, but has no grasp of its international context.

5-Cf. the excellent book of Nigel Harris *The End of the Third World: History and Decline of an Ideology* (1986) on how this inner circle was broken open by the "NICs".

6-We deal here only with left currents that attempted to seriously break with Stalinism, and thus ignore the Maoists.

7-One does not have to be a Stalinist to see that Lenin and Trotsky did not agree about the Russian Revolution quite as much as the Trotskyists like to think.

8-Cf. Georgakas/Surkin *Detroit: I Do Mind Dying* (1975)

9-Cf. sub-section h, Ch. 1, on 1969-1970 liquidity crisis.