

A Critical Assessment of the Major Marxist Theories of the Political Economy of Modern Capitalism

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The task of Marxist political economy is to provide an understanding of the capitalist economy and hence to provide the working class with an explanation of the present and predicted development of that economy. It is argued that contemporary Marxist political economy has not been successful in that role, although there has been a considerable amount of more successful but more specific work. The reason lies in the domination of the left by Stalinism and its ruinous re-interpretation of Marxism. The non-Stalinist left failed to understand Stalinism and so the political economy of the USSR, Eastern Europe, China, and so forth. For the same reason it idealised so-called national liberation movements. As the expected crisis did not appear, theorists replaced a driving material cause for capitalism to be overthrown for a more voluntaristic discontent caused by the contradictions of capitalism. Marxist political economy was revived by two authors, both of whom wrote major textbooks and magnum opuses—Paul Sweezy and Ernest Mandel. Their work was a considerable step forward but Sweezy never broke with Stalinism itself, while Mandel, who was anti-Stalinist, never understood the USSR and did not theorise a doctrine which he himself accepted—that of the transitional epoch.

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Introduction

This article does not survey the various currents of Marxist political economic thought running across the world in any detail. That is an impossible task. Today there are certainly more currents of thought within Marxism and Marxist political economy, very broadly conceived, than outside it. Looked at as a period of discovery of idea it is very a healthy situation, particularly when compared with the long period of Stalinism's dominance. Marxist political economy is not, however, in quite such a good shape as that might imply, when judged in terms of its explanatory or predictive

power. After all, its only justification, in terms of its own theory, is to provide a guide to action for the proletariat.

This article is concerned, therefore, only with the question of the overall laws, the form of the surplus product, surplus value and therefore the overall nature of modern capitalism. It argues that an understanding of the stage of capitalism is crucial to understanding the categories of political economy. Concepts such as value, abstract labour, money and so forth undergo their own evolution within capitalism and we have to understand them in the context of the particular stage of capitalism.

In other words, I will only be concerned with theorists of the nature of contemporary capitalism. This is not to argue that there has not been a considerable amount of work of a more specific kind. There clearly has been a considerable amount of research on the nature of the Marxist categories and the way in which they apply today but such a survey would run into a number of volumes and is not my purpose in this article. It is, nonetheless, true that I am arguing that such categories and concepts can only be understood in the broader context, if they are to be applicable to modern society. Furthermore, the particular theory of contemporary capitalism will lead to particular interpretations of those concepts.

What is Marxist Political Economy?

The definition itself is fraught with controversy but rather than get bogged down in the question, I am going to present my own definition and then people can judge whether the following analysis adds anything to the discussion.

It seems to me that the crucial concept in Marxist political economy is the concept of the surplus product and in particular its form. That after all is what Marx himself says in Volume 3 of *Capital*.¹ It follows that Marxist political economy is concerned with the evolution and development of the extraction of the surplus product both in its forms and in its operation. At the present time that amounts to saying that it is concerned with the way in which value is extracted and hence the way in which the class struggle interacts with value production over time. As Marxist method is one of dialectics it must discuss the way in which the form of surplus value changes as capitalism evolves from its embryonic stages to its declining forms.

The task of political economy, as opposed to its definition, is to understand, explain and predict the movement of the expansion of value, that is capital accumulation and as a result the strengths and weaknesses of the ruling class and the need and possibility for action for the working class.

¹ 'The specific economic form, in which unpaid surplus labour is pumped out of the direct producers, determines the relationship of rulers and ruled, as it grows directly out of production itself and in turn, reacts upon it as a determining element. Upon, this, however is founded the entire formation of the economic community which grows up out of the production relations themselves, thereby simultaneously its specific political form.' K. Marx, *Capital*, Vol. 3 (Moscow: Foreign Languages Publishing House, 1959), p. 772.

We can put it another way. Marx proclaimed that he was discussing the laws of motion of modern society, so we need to define law and motion.

Motion, in this instance, is not linear or dynamic motion it is the movement of a social entity, and that involves its embryonic development (birth), growth and maturation, decline, death and supersession. Hence we are looking for the laws governing the origin, development, maturation, decline and replacement of capitalism. Logically, Marxism cannot then predict short-term questions of growth or slump.

What is a Law?

It is the *process of movement* of the poles of a contradiction. Thus the law of value describes the process of movement between use-value and exchange value and its derivatives. A *contradiction* consists of the process of interpenetration and conflict of two opposite poles, which must ultimately lead to the supersession of the contradiction leading to the formation of a new entity or alternatively to the disintegration of the old entity. The opposite poles, as in capital and labour, are the fundamental categories of the entity. They can only be discovered by the method of abstraction. By its nature the movement of a contradiction involves its own history and context. Any category, contradiction, law or entity must be understood in its process and stage of movement (coming into being, maturing, declining) and so in relation to other categories, the particular time and particular context.

Background to Contemporary Marxist Political Economy

There are three breaks in the history of Marxist political economy since the classical theorists: most particularly, though not exclusively, Marx, Lenin, Luxemburg and Trotsky. The first occurred with the Second World War and the post-war settlement enshrining the industrial growth, the welfare state and a military economy at its core, the second happened in the 1970s with the shift to finance capital, and the third came into being with the end of the Cold War, but shows itself most clearly in the downturn beginning in March 2000. The differences in the schools of thought have shown themselves in their interpretations of these profound shifts in capitalist tectonics. They will be discussed in more detail in a subsequent article. Here I will only concern myself with the overall influences, and then only really discuss two or three.

It is a fact, however, strange that there is a considerable amount of descriptive and partial Marxist political economy written but comparatively little developed theory of modern capitalism. Indeed, to a degree, this was the recent overall critique of Bob Brenner's work on the US economy over the last 40 years or so.² Various articles have

² Bob Brenner, 'Uneven Development and the Long Downturn', *New Left Review*, 229: May–June (1998), pp. 1–265.

aimed at deducing a theory, from his work.³ Although, Perry Anderson managed to place Marx's mantle on the shoulders of Brenner,⁴ it is unlikely that anyone will ever lay claim to that piece of clothing, precisely because of the all embracing sweep of Marx's writing and its pioneering character. Furthermore, the modern world is considerably more complex than at the time of Marx's writing, something which might have been predicted by Marx himself, given his dialectical method. Nonetheless, Marxists need a general theory of contemporary capitalism, however complex the world may be. Nor can it be said that the critics of Brenner produced such a theory, as opposed to providing various mechanisms by which capitalism might enter an overall crisis.

Indeed those who place themselves in the position of advising the proletariat, such as political groups and parties, are forced to produce some kind of more general theory. Others who are critical of such parties have also performed the same service. The various Stalinist so-called theories, such as those of the Maoists or the remnants of Stalinist parties, can be written off as mumbo jumbo. Unfortunately a great deal of the left in the present day derives from Stalinist offshoots and it has not yet come to terms with its unfortunate heritage. Even that part of the left, now a majority in Western Europe, which has always been critical of Stalinism has continued to be influenced by an environment historically saturated with Stalinist doctrines, much of it academic.

Rather than face the issue squarely, that Stalinism was counter-revolutionary and consequently changed the whole nature of the epoch and its political economy, various thinkers have preferred to find the source of the problem elsewhere.

Some find Engels to be the problem.⁵ Engels may or may not have been different from Marx—I do not think he was—but he certainly did not provide the inspiration or even the excuses for the Stalinists. Stalinism is not a theoretical doctrine. In so far as we are talking of ideas, one has to say that it is a pragmatic series of statements and apologetic doctrines justifying the regime in the former USSR. Even its founding doctrine, the concept of socialism in one country, is little more than the justification for the conservatism of the new ruling group. It had a

³ *Historical Materialism*, 4: Summer (1999).

⁴ 'For the Left, the lesson of the past century is one taught by Marx. Its first task is to attend to the actual development of capitalism as a complex machinery of production and profit, in constant motion.' Robert Brenner's 'Economics of Global Turbulence', taking up an issue of NLR, sets the appropriate example. Perry Anderson, *New Left Review*, 1: January–February (2000), *Renewals*, pp. 5–24, p. 17, <<http://www.newleftreview.org/?page=article&view=2092>>, accessed 16 October 2006.

⁵ For an exhaustive citation and refutation of the Engels versus Marx argument, in relation to *Anti-Duhring* in particular, see Gordon Welty, 'Marx, Engels, and "Anti-Dühring"', *Political Studies*, 31 (1983), pp. 284–294, <<http://www.wright.edu/~gordon.welty/ENGELS83.HTM>>, accessed 24 August 2006. The classic statements of the anti-Engels side are those of Norman Levine's *The Tragic Deception: Marx contra Engels* (Oxford: Clío Press, 1975) and Terrell Carver's *Marx and Engels, the Intellectual Relationship* (Brighton: Wheatsheaf Books, Harvester Press, 1983).

For a history of the Engels-as-villain view, see John Rees, *International Socialism Journal*, Winter (1994), <<http://pubs.socialistreviewindex.org.uk/isj65/rees.htm>>, accessed 24 August 2004. On the first page he says: 'Perhaps inevitably, critics began to search the writings of the founders of Marxism for the seeds of Stalinism and failures of reformism.'

clear material basis in that new ruling group which took power in the period after 1923. Engels, or any other thinker, was irrelevant.

In reality such arguments are often part of an agenda to drop dialectics and consequently Marxist method itself, in favour of something else, while retaining this or that aspect of Marxism. Indeed the whole discussion is so bizarre that one has to look for the objective reasons for such a discussion. Marx himself wrote to Engels: 'You know I am slow to grasp things, and that I always follow in your footprints'.⁶ Above all, no one has ever shown any substantial arguments between them or any criticism by Marx of Engels, or by Engels of Marx, whether in their correspondence, or elsewhere. Bertell Ollman has asked the crucial questions involved which boil down to the fact that the two worked very closely together in writing various works and no one has ever showed that they produced substantial differences.⁷ He also takes the absence of anything other than minor differences in the correspondence as significant. Paul Lafargue reported that Engels had said to him: 'Only Marx was able to follow all economic categories through their dialectical movement, to connect their successive phases with causes which determined them, and to reconstruct the whole framework of economics in a comprehensive theory whose individual parts mutually control and support one another.'⁸ Indeed, it is obvious that Marx's work is more profound but one has to have a motivation of some kind to draw out differences when one can just as well argue that Engels was more superficial. In short, for those who are anti-Stalinist, accept the dialectics of Marx both in society and nature, and accept one or other version of historical materialism there is no purchase in showing any difference. For those who reject one or other aspect, it makes sense to see Engels variously as the father of Stalinism, as an economic determinist and/or a mystical dialectician. The political economy that then follows is often social democratic, anarchist, Stalinoid or liberal.

Others turn to 'bourgeois thinkers'. There are today 101 hybrids of Marxism and anti-Marxist thinkers such as Weber, Schumpeter, Keynes, and various anarchists. They have preferred to find the problem in Marx himself and then repair the damage with other non-Marxist, often anti-Marxist writers. These writings can be intellectually scintillating and well worth reading but that does not mean that they help to solve questions of political economy of the present time, centred around the evolution of the form of the surplus product, and hence value and surplus value.

In short, Marxist political economy of the present time continues to be dominated in one form or another by a Stalinist heritage, by diversions around Engels, and by attempts to reconcile Marx with his opponents.

⁶ Gustav Meyer, *Friederich Engels* (London: Chapman and Hall, 1936), p. 57.

⁷ Bertell Ollman, 'Some Questions for Critics of Engels' Edition of Capital', <http://www.nyu.edu/projects/ollman/docs/engels_capital.php>.

⁸ Meyer, *op. cit.*, p. 304.

Failures of Contemporary Theorists

There are three areas in which much of the analysis which has dominated Marxist or semi-Marxist thinking has been wrong, as opposed to being untested, provocative or simply dominated by non-Marxist thought.

The first grand failure lay in the analysis of Stalinism itself and hence the USSR. *Critique*, of course, played a different role and whatever the faults of the analysis presented here, it did argue that the USSR could not last for political economic reasons and showed why this was so, based on the laws of motion-or non-motion of the system.⁹ However, its influence was limited and most people on the left, in so far as they were not Stalinist or Stalinoid, held a state-capitalist view, bureaucratic collectivist or degenerate workers statist views. All theories had a variety of viewpoints. It was especially true of the latter that it was liable to many interpretations. I have argued against those and other views in *Critique* and I will not repeat the argumentation here. The point is simply to note that those theories have effectively been disproved by both the termination of the USSR and the manner of its ending; in total disintegration. Little is left of them today precisely because these theories were not theories but static descriptions of the USSR. They could not show the real contradictions of the system. While individuals might cling to the tattered remnants of those original viewpoints, no theorist or scholar can now take them as either correct or useful. As the left based its overall understanding of the epoch on those theories of the USSR, it has meant that those who are honest have had to revise their theories of the modern world. In so far as there has been no change, as in the case of the British Socialist Workers' Party, its theory has lost all coherence and meaning. While the USSR existed the International Socialist/Socialist Workers Party theorists failed to understand its inherent fragility and its process of disintegration, and after its demise they could not comprehend the fragility of their own theory of the permanent arms economy, which was an integral part of their theorisation of the USSR.

The second failure concerns the ex-colonial world or the so-called underdeveloped countries. In the former case, there was a common failure to analyse the nature of the existing, or potential bourgeoisie in those countries. It was assumed that the so-called struggle for national liberation would liberate the workers of those countries, from the yoke of imperialism and hence they would be better off under their own national ruling class. In reality, this has never been the case.

The blunders are most obvious in the continents of Africa and South America. This was not just a simplistic acceptance of a two-stage move to socialism, it was an inability to analyse the real form of extraction of surplus value in the third world.

⁹ *Critique* has had a series of articles from its inception arguing that the USSR was unviable, and was governed by conflicting laws. See for instance my articles: 'Towards a Political Economy of the USSR', *Critique*, 1 (1973), pp. 20–41; 'Political Economy of the Soviet Intellectual', *Critique*, 2 (1974), pp. 5–22; 'Soviet Society and Professor Bettelheim', *Critique*, 6 (1976), pp. 17–45; 'The USSR: The Beginning of the End?', *Critique*, 7 (1976), pp. 88–92; 'The Class Structure of the USSR and the Soviet Elite', *Critique*, 9 (1978), pp. 37–62.

Every country has its own particularity in its class structure and in the form of extraction of the surplus product. In South Africa it was racial discrimination as a system, while in other countries other modes of control were developed. The concentration on the external extraction of surplus value failed to understand the real nature of capitalism in those countries. Imperialism, understood as the extraction of tribute or the super-exploitation of the workers, gave nominal independence to the third world on the basis that there was a local bourgeoisie or 'elite' that would maintain 'the market'. Instead various theories proliferated more or less implying that no indigenous ruling class could develop or alternatively that such a ruling class was in some sense progressive. The increasing impoverishment of the masses in Africa and other parts of the world was generally not predicted and is not explained, other than through incantations about the evils of imperialism. The fact that the position of most was often better under colonialism, however miserable that may have been, was not theorised. Few people realise, for instance, that the standard of living of the majority has actually gone down since 1994 in South Africa, while profits have gone up. This actually disproves the thesis that capital wanted 'apartheid', as opposed to accepting it as the least worst alternative.¹⁰

While writers understood the transfer of surplus value to the developed countries, effectively in the form of tribute, they were unable to substantiate a more general concept of development, which incorporated this point into a complex theory of the Cold War, Stalinism, and development according to the needs of metropolitan capital, and the local elite/bourgeoisie. The relatively lower levels of productivity of Stalinist countries were not understood.

Furthermore, while the shift in focus to China makes sense from the point of view of capital, it was not foreseen and its meaning has still not been properly discussed. The fundamental reason for the failure of the left to foresee this shift lies in its inability to theorise the nature of Stalinist countries and their evolution, underdeveloped as they are in relation to the West. Analyses range from awesome wonder, hope as the salvation of mankind to mundane acceptance, without any analysis of laws operating within its economy.

The fact is that the only parts of the third world that developed towards the level of the metropolitan countries were those that played a particular part in the Cold War. No other countries could be said to be moving out of their underdeveloped status. One can argue as to whether Japan and South Korea are at the same level as the USA, but there is no question that outside of East Asia no underdeveloped countries are anywhere near reaching those two countries' levels of industrial development. Paul Baran argued, in his *Political Economy of Growth*, that there was little or no growth of industry in the third world.¹¹ He was wrong both because most countries have some industrial growth and because a few countries, those of East Asia, have developed very

¹⁰ For a discussion on the nature of apartheid see: H.H. Ticktin, *Politics of Race: Discrimination in South Africa* (London: Pluto Press, 1991).

¹¹ Paul Baran, *Political Economy of Growth* (New York: Monthly Review Press, 1957).

fast. Subsequent theorists could not make the same mistake given the obvious changes in countries of East Asia and the industrial growth in India and Brazil, even if they remain very underdeveloped.

However, they all failed to predict and explain the shift to capitalist development in East Asia and most particularly in China and its impact on the world economy. As a result, they still do not correctly situate its significance. The crucial fact was that the USA deliberately fostered rapid capitalist development in Japan and South Korea precisely because they needed to ensure their stability in the Cold War. In order to do so, they allowed those countries to protect their own industries against US capital even though they deliberately removed their tariffs against those countries goods. US troops were maintained in Japan and South Korea, each of whom had strong states that could and did crush the trade unions. They fostered the growth of powerful combines, such as the Chaebols in South Korea, in order to concentrate capital and so build up a self-confident bourgeoisie. These were the pre-conditions for the use of the state to direct and guarantee investments and profits. The usual left type analysis points to the use of the state and the limits on the market, but leaves out the real political-economic conditions which arose out of the Cold War. The logical conclusion is that those conditions no longer apply.

The Chinese economy, conversely, could take off precisely because the Cold War had come to an end and hence there was no threat to the market, while the Chinese Communist Party could play the same role as the USA in supporting a strong state. It is a paradox that the Chinese Communist Party has become a crucial arbiter of world capitalism in that it is preventing the rise of workers organisations, with the usual draconian Stalinist methods, and so ensuring the profitability of foreign investment and the low prices of consumer goods in the West. It is clear that neither the Chinese Communist Party nor the Chinese economy can last very long in their present form but this is outside the scope of this article.

The point of this excursus has been to show that much of the left has a limited understanding of what is happening in the modern world because they have failed to analyse the nature of both Stalinism and nationalism, theoretically and empirically.

To these two aspects must be added a third. Marxist analyses of the first world continued the tradition, at least nominally derived from Marx himself, of looking to a terminal crisis for capitalism. When no such crisis appeared some of the leading thinkers discarded the thesis and turned to the class struggle as the crucial moving force within capitalism. Ernest Mandel, Paul Sweezy and Tony Cliff seemed to fall into category. Gerry Healy of the WRP, on the other hand, remained wedded to the terminal crisis of capitalism thesis. The analysis produced seemed to argue that capitalism would come to an end, was highly contradictory, indeed explosive (Ernest Mandel), but it had stabilised for the time being. It was assumed that since there was considerable industrial growth, capitalism was in a new equilibrium and the question of decline was left open. Furthermore, the end of the Soviet Union appeared to confirm this thesis for some of those who saw it as either socialist or a workers' state, however degenerate.

For Marxists to act politically, they have to present a reasoned analysis as to why the material circumstances favour the action of the working class. If they cannot find any movement of the categories in this direction, then any action becomes voluntaristic, moralistic or doomed to failure. The much used word 'crisis' can be interpreted as a set of structural problems for which capitalism has no long run solution and hence, in one sense, the task of modern political economy lies in determining whether there is such a crisis, if there ever will be one in the future, if it does not exist, and under what circumstances. The problem is that there is very little genuine discussion of this question at any level of depth, even though the word crisis is used ad nauseam.¹²

These three failures in themselves were enough to prevent Marxist theorists presenting a theory that could understand and explain reality. This has become slightly more obvious in the post-Cold War era. Theorists who did not understand the nature of Stalinism and third world liberation movements—the two are closely interlinked—have presented a skewed understanding of the post-Cold War era. For some, the USA is presented as the sole super-power, which was previously unable to subject the world to its will. Now not only is it attempting to dominate the world for the first time but it is confronted by imperialist opponents. In other words, modern political economy returns to the pre-1914 inter-imperialist rivalry. As this viewpoint is self-evidently wrong, theorists have to rely on a phantasy world in which the USA is growing ever stronger, and other metropolitan powers have suddenly acquired similar populations with industries and armies to match.

The fact is that the USSR was always inferior militarily and industrially to the USA. The latter always dominated but it has been in decline since the 1940s, the apex of its industrial and financial power. The Viet-Nam war showed the limits of US military power, which has been brought home in the war with the Iraq. It is not enough to have thermo-nuclear weapons, or the latest artillery, to succeed against a nationalist enemy. This was always obvious except to the neo-conservatives and their left equivalents.

The USA is a finance-capitalist power that has no equal but it is in decline. The other capitalist powers, France, Germany, the UK, Japan, are not the imperial powers that they were in 1914 and are little more than dwarves standing around an aging giant. Such imperial successes that can be obtained by the other countries are little more than concessions granted by the USA. In general, however, capital today is so integrated that the bourgeoisie has ceased to be nationalist. It still uses the national state when it is driven to use it, but it prefers to operate internationally. By its nature finance capital is international. It has to have open borders in order to operate, because money, by its nature, is world money. It is not accidental that the USA constantly demands that other countries remove restrictions on the movement of

¹² Crisis can be interpreted broadly in two ways: (1) As a cyclical downturn and upturn, what some call the industrial cycle; (2) As a structural crisis of the whole capitalist system, from which it may or may not recover. For an attempt to distinguish the different ideas on crisis see James O'Connor, *The Meaning of Crisis: A Theoretical Introduction* (Oxford: Basil Blackwell, 1987).

capital. This is not just a question of money moving into a another country, taking out surplus value and returning to the mother country. Such tribute was normal in the colonial period but in modern conditions it requires a method of surplus extraction other than direct or slightly less direct robbery. Money cannot be invested in shares unless there is a stock exchange and companies that issue the shares, which implies industry. In other words, investment in industry such as in China.

The essential point, however, is that arguments based on a return to a previous period of inter-imperial rivalry are discussing another world. Such people misunderstand the Cold War itself and consequently its sequel. The highly integrated nature of modern production, the subjection of the world economy to finance capital, and the growth of the means of production beyond any nation state have led to a complex interaction between capital and national states. Finance capital is above all US finance capital. This is partly so because other countries that are potential, if much smaller competitors, such as France, Germany and Japan, do not have the same financial-industrial structure and partly because the countries that are also in the same finance-capital league such as the UK are subordinate to the USA. In the latter case, it is not just a case of smaller size, it is also a result of the long-term economic relationship between the two powers, with a high level of economic and political co-ordination. The result is that France, Germany and Japan are more dependent on their industry, which in turn compels them to export to the USA as the major consumer market in the world, as well as open their own markets to the SUA. The resulting division of labour combined with the advance of finance capital has meant that national capital has had a progressively weaker hand to play. Boeing is fighting Airbus through the World Trade Organisation as well through the US state but it sources many of its components from outside the USA. The Chrysler car company is now owned by Daimler-Chrysler which is effectively a German company. Nor is it an accident that the management of General Motors is considering a merger with Renault-Nissan.

To re-iterate, modern capital is still largely national capital but it is increasingly integrated with other capitals, which makes any national rivalry on the pre-1940 model impossible. Instead we have two forms: that of finance capital which has to act internationally, even if under the aegis of its national state and industrial capital, which is necessarily localised by its need to physically produce goods and services, but which is increasingly part of a world economy in terms of its component sourcing, its markets and its ownership.

Although contemporary discussions such as that of Panitch and Gindin,¹³ *inter alia*, develop a more sophisticated analysis they remain outside classical Marxism in rejecting the view that finance capital is an aspect of capitalist decline:

Third, it is wrong to see the financialization of the American empire as a symptom of its decline: the globalization of finance has included the Americanization of finance, and the deepening and extension of financial markets has become more than ever fundamental to the reproduction and universalization of American

¹³ Leo Panitch and Sam Gindin, *Finance and American Empire* (London: Merlin Press, 2005), p. 47.

power. It is an American empire strengthened rather than weakened by its financialization that we need to confront.

Clearly they are entitled to do so, but their analysis is empirical rather than theoretical and it is not clear how the driving forces of the economy are operating or where they are going.

The Major Theorists

There were, however, a number of grand theorists, or schools of thought, each of which had a considerable influence among Marxists the world over, and which did assist the development of Marxist political economy. Although, in my view, their understanding of contemporary political economy was greatly weakened by the above factors, Stalinism, third worldism, failure to understand the USSR, and a lack of dialectical theory, their analysis did attempt to come to grips with particular features of modern capitalism.

In this respect, I single out the *Monthly Review* School and its offshoots, and the work of Ernest Mandel and his followers.

Marxist political economy was largely determined by Stalinist thought, in so far as it can be called thought, down to the 1970s. Apart from the official Stalinist textbooks either issued by the USSR or by local Communist Parties, various semi-dissident schools emerged. Among them the most prominent and influential was that of *Monthly Review*. The works of Paul Sweezy, Paul Baran and Leo Huberman were immensely influential throughout the world, and remain so, even if to a lesser extent than in an earlier period.

Paul Sweezy

In fact Paul Sweezy, the doyen of the school, embodied the influence of two, and possibly three, traditions within his work. Apart from Stalinism,¹⁴ Keynesian thought was clearly crucial.¹⁵ Since Keynes' General Theory was compatible with the concept of transforming capitalism into a more humane society, speaking *inter alia* of the

¹⁴ Note that as late as 1958 he wrote: 'in terms of economic achievement and promise, the Soviet system is perhaps history's greatest success story', Paul Sweezy, 'Socialism in Europe, East and West', *Monthly Review*, February (1958), p. 329. He qualified this point by saying (p. 333) 'It is true that exploitation of man by man has been largely eliminated, but new forms of alienation seem to have taken or to be taking the place of the old.' In the same issue of *Monthly Review*, the Review of the Month announced that there were only two sides to choose from in the Cold War (p. 328). While Sweezy evolved over time, as the Soviet Union itself became better understood, this overall stance remained part of his general analysis of looking at the problem as a political and moral issue rather than a political economic one, involving the extraction of the surplus product from the workers, influencing the epoch itself.

¹⁵ 'Thus Sweezy and Magdoff (and while they were alive Baran and Huberman) and through their writings the countless thousands or indirectly even millions whom they have influenced have been eclectic amalgamators and innovators in the best traditions of Marx, Keynes and Schumpeter put together.' Andre Gunder Frank, 'A Marx, Keynes, Schumpeter Centenary and the Editors of *Monthly Review*', in Stephen Resnick and Richard Wolff (eds) *Rethinking Marxism: Essays for Harry Magdoff and Paul Sweezy* (New York: Autonomedia, 1985), pp. 115–126, p. 115.

euthanasia of the rentier, it was not surprising that someone who refused to look at the revolutionary alternative to Stalinism would turn to Keynesianism. The tradition of *Monthly Review* continues down to the present, even though the founders have died. Sweezy's textbook: *The Theory of Capitalist Development* has had an enormous impact on Marxists or would-be Marxists, quite apart from his book on monopoly capital and his regular essays in *Monthly Review* both under his own name and in the *Review of the Month*.¹⁶

In his eulogy to Paul Sweezy and Harry Magdoff, Andre Gunder Frank, said: 'Thus Sweezy and Magdoff (and while they were alive Baran and Huberman) and through their writings the countless thousands or indirectly even millions whom they have influenced have been eclectic amalgamators and innovators in the best traditions of Marx, Keynes and Schumpeter put together.'¹⁷ Gunder Frank may be said to have begun his left-wing career in the *Monthly Review* School—and then passed on to become one of the progenitors of World Systems Analysis, with Immanuel Wallerstein. The initial work for which he became internationally known was on 'dependency theory' which was well within the eclecticism for which he praised Sweezy and Magdoff, as is clear from his analysis of Marxism in the same essay.¹⁸ Indeed he appears to argue that the *Monthly Review* founders were early world system analysts.

It was not as if *Monthly Review* ever hid these aspects of its origins but it did redeem itself by breaking with Stalinist orthodoxy, in large part in order to reconcile itself to Keynesianism and adapt to the real trends in the capitalist world. In this respect the revival of the concept of the surplus, first used by Paul Baran in his *Political Economy of Growth* was a major step forward. Marx declared, in Volume 3 of *Capital*, that the *form* of the surplus *product* was the key to understanding the political economy of any social formation or mode of production. Sweezy and Baran dropped the words *form* and *product*, so allowing direct monetary calculation of the surplus, along a kind of growth Keynesianism. The vagueness of the term surplus, not being attached to either value or product, permitted this interpretation. Sweezy claimed in answer to critics that there was no difference in his use of the term surplus and that of surplus value, but that was hard to believe, as it would have required a different analysis. This was particularly the case as Marx talked of the *form* of the surplus product being crucial to understanding the mode of production. In other words, the fact that the surplus product pumped out of the direct producers took the *form* of value was critical in understanding capitalism. The removal of the value form from their analysis allowed the authors to produce a hybrid and largely empiricist analysis, which had the advantage of being both contemporaneous and easily understood.

¹⁶ Paul M. Sweezy, *The Theory of Capitalist Development* (New York: Monthly Review Press, 1956), originally published in 1942. Paul Sweezy and Paul Baran, *Monopoly Capital* (New York: Monthly Review Press, 1966).

¹⁷ Gunder Frank, *op. cit.*, p. 115.

¹⁸ *Ibid.*, p. 118.

As Marx had well understood, the concept of the surplus product was hugely powerful in analysing modern society. Baran adapted it to the question of growth and development, pointing the importance of the surplus for internal investment to ensure growth while Sweezy argued that the growth of the surplus in developed capitalist countries had been incorporated into hugely wasteful forms, like advertising, in order to mop up what would otherwise be unsaleable, given the extent of underconsumption. These analyses and the works of others in the same general school, published by *Monthly Review*, like Gunder Frank, were a huge step forward in the understanding of modern capitalism, even if anti-Stalinist Marxists could rightly argue that their works were some distance from genuine Marxist thought. As Sweezy always insisted on the readability of *Monthly Review* and its works, his work enjoyed an enormous audience, as Frank emphasized.

The fact that the term 'form' had been dropped from the phrase 'form of the surplus product' was no accident. Paul Sweezy had no truck with dialectics. His method remained resolutely empiricist to the end. In his textbook he identifies Marxist method of abstraction with the empiricist method of successive approximation.¹⁹ (This contrasts with the traditional Marxist concept of identifying the crucial source of change and then looking at the dialectical interaction with its environment.) He had the advantage of easily adapting his analysis to the real trends in capitalist society, unlike many Marxist sects, which kept expecting the final crisis around the corner. His Marxism, however, was essentially a mechanical Marxism, in which one could chart the critical importance of underconsumption leading to an unconsumable surplus which in turn was absorbed by a combination of waste and warfare. The logic was one of decline, in a stage of monopoly capitalism, without the concept of decline and its consequences being mentioned, although aspects of decay are discussed in the book *Monopoly Capitalism*.²⁰

In other words, the movements of capital were largely mechanically and almost automatically driven, as opposed to moving in response to changes in the class relationship. Crisis was seen as a technical question of underconsumption, which in principle could also be resolved in a mechanical way-by paying workers more and capitalists less, except that the latter were afraid to do so. The dialectical contradictions between use-value and exchange value, abstract labour and concrete labour, capital and labour, and their consequences for crisis, were absent.

This made it all the easier for the *Monthly Review* School to ignore the real basis of the stagnation in the working-class organisation, brought about by Stalinism, and the horrendous nature of the Stalinist countries in general. In turn, they could not see that capitalism itself had been immensely strengthened and its form changed by the nature of Stalinism. While Sweezy moved from supporting the purges to being critical of the USSR, as discussed above, he supported Mao and his doctrines of putting

¹⁹ Paul Sweezy, op. cit., pp. 11–20.

²⁰ Paul A. Baran and Paul M. Sweezy, op. cit., p. 363: 'For behind the emptiness, the degradation, and the suffering which poison human existence in this society lies the profound irrationality and moral bankruptcy of monopoly capitalism itself.'

politics first. This was not inconsistent with his previous writings in that he had left consciousness out of his mechanical theory and hence he was now remedying that defect, albeit in a mechanical way. Above all he remained a supporter of the classic Stalinist concept of the need to build socialism in one country.

In short, the *Monthly Review* School left an important positive legacy of analysing society in all its concreteness, in an intelligible form, but failed to use the method of Marxism or come to grips with the predominant material and intellectual influence of Stalinism. One cannot overestimate the influence of the *Monthly Review*. One has only to remember that the concept of the surplus product, as opposed to surplus value, was written out of history by Stalin after he suppressed the Asiatic Mode of Production school of political economy in the Soviet Union of the 1920s. It was obvious at the time that the concept was readily transferable to a critique of the USSR itself and hence could not be tolerated by the Stalinist regime. The idea that there could be a surplus product, and hence a social group living off that surplus product in the USSR, was a revolutionary concept that could not be tolerated. By bringing back the concept even if in an empiricist form, *Monthly Review* had opened a Pandora's box.

Later, in the early 1970s, I took the concept of the surplus product, partly influenced by the use of the concept by the *Monthly Review* writers, in order to analyse the USSR.²¹ Of course, Trotsky had used it in his work, and it was clearly in Marx, but the overall tendency was to look at social formations in structural terms—ownership of the means of production—rather than looking at the question of the form of the surplus product as well as who controlled that surplus product. It has to be said that the *Monthly Review* writers did not use this concept themselves in order to analyse the USSR and China. Other writers such as St Croix also used the concept for the Ancient World.

Nonetheless, Sweezy was very clear, not to say insistent, on the special role of the arms industry in modern capitalism, which for him solved the problem of underconsumption, and hence the importance of the Cold War and the lesser hot wars in maintaining capitalism.²² Others also took up this question and I discuss the issue below.

Schools Influenced by *Monthly Review* and by Modern Stalinism

The Wallerstein–Frank–Samir Amin et al. theory of world systems analysis may be considered a derivative of this overall approach. It put together the USSR and other Stalinist countries with capitalism and perceived an overall trend. It argued that

²¹ See H.H. Ticktin, *Critique*, 1 (1973).

²² See for instance the Review of the Month, in *Monthly Review*, February (1958), p. 327: 'But we see no reason to assume that the ultimate resort of American capitalism in trouble will be different from what it has been throughout the postwar period, namely, a massive increase in military and related cold-war expenditures. It probably won't come soon enough to prevent this being the worst slump since the 1930s, but when the remedy is finally applied it should prove as effective as in the past.'

capitalism existed as a world system from its inception. The argument rested on an empirical analysis rather than on a dialectical analysis of capitalism. There can be no doubt that Marx argues in terms of world capitalism and does not in any sense give ground to those who would argue in terms of the development of capitalism in a single country, as do various Stalinists, such as Maurice Dobb. For Marx money is not money if it is not world money. The logic of accumulation is necessary international. That does not, however, lead to the view that the USSR was automatically either capitalist or subject to the laws of capitalism. The Wallersteinian theory suffers from the same vagueness, lack of specificity and absence of explanation present in Weber, who is one of the major influences on Wallerstein. There is no theoretical explanation based on the movement of categories and the force of the class struggle. Laws are not enunciated. The methodological approach is not that of abstraction, but rather one of generalisations over time. This is a criticism that one can make of sociology in general, of course. Nonetheless, Wallerstein appears to be clearer about both the concept of transition and the end of capitalism.²³

The contradictory nature of that legacy continues today in that mainstream Marxist analysis in the USA remains a mechanical one. It is also noteworthy that Stalinist thought and Stalinist groups remain influential on the left in the USA.

Nonetheless, the insistence on one world system, as opposed to the Stalinist re-interpretation of history in the light of the theory of socialism in one country, and the historical crisis of that system has marked a clear step forward in the analysis of capitalism.

Another influence derived from Stalinism is that of regulation theory, of which Michel Aglietta and Alan Lipietz are two of the high priests. They describe themselves 'as the rebel sons of Althusser'.²⁴ As they reject the concept of overarching laws of capitalism, it is hard to call them Marxists. Lipietz even says 'Hence, we do not raise the question of getting rid of capitalism in order to go to socialism. For us, such a question is no longer on the agenda.'²⁵ Perhaps the following quote provides the whole nature of the enterprise:

²³ 'Two years ago, in 1999, I gave a talk at the Caucus for a New Political Science on left politics today. In that talk, I summarized the situation of the world left at present in the following way: After 500 years of existence, the world capitalist system is, for the first time, in true systemic crisis, and we find ourselves in an age of transition. The outcome is intrinsically uncertain, but nonetheless, and also for the first time in these 500 years, there is a real perspective of fundamental change, which might be progressive but will not necessarily be so. The principal problem for the world left at this juncture is that the strategy for the transformation of the world which it had evolved in the nineteenth century is in tatters, and it is consequently acting thus far with uncertainty, weakness, and in a generalized mild state of depression.' Immanuel Wallerstein, 'A Left Politics for an Age of Transition', talk given at the Socialist Scholars Conference, New York City, 13 April 2001, <<http://www.binghamton.edu/fbc/iwleftpol2.htm>>, accessed 30 August 2001.

²⁴ Well, there are two ways to tell the story. First, I could say that we are the rebel sons of Althusser. Alan Lipietz, 'Rebel Sons: The Regulation School par Alain Lipietz', an Interview conducted by Jane Jenson, <http://lipietz.net/article.php?id_article=750>, accessed on 23 June 2006.

²⁵ Op. cit.

Thinking that history is open-ended also means that for the regulation approach, capitalism as a mode of production appears varied and flexible. We are perfectly ready to say that the Soviet Union is a form of capitalism. On the other hand, we are also perfectly ready to say that capitalism in the 1930's was as different from that of 1960 as US capitalism is different from Russian capitalism. Within the large family of societies where market and commodity relations, wage relations, and patriarchal relations prevail, there is an incredible variety of possible forms of compromise.

While the details of the analysis, describing the labour process and the particular class relations at a particular time are often insightful, it is clear that this approach has as much to do with Marxist political economy as a human being has to do with a fern. While it is critical of capitalism, seeing the contemporary form of regulation in capitalism in crisis, it is at best a possible Marxist ally, in propitious circumstances. Nonetheless, its historical description has had considerable influence, with words such as Fordism and post-Fordism having become almost standard terms on the left.

The regime of social accumulation theorists are seen as a variety of the regulation school. One description is as follows:

The social structure of accumulation school was formed at the end of the 1970s with the founding work of Gordon (1980), to which numerous contributions were added, including those of Gordon, Edwards and Reich (1982), Bowles, Gordon and Weisskopf (1983), Kotz (1987), Kotz, McDonough and Reich (1994), etc. This research was focused mainly on the development of capitalism. It proposes more specifically an interpretation of the long waves in economic activity, awarding an essential role to the institutional changes that have punctuated the contemporary history of developed capitalist countries. This school first claimed Marxism as its theoretical anchorage, but Marxism incorporating the contributions of various contemporary research—of Keynesianism and the institutionalist movement in particular.²⁶

It is clear from this description as well as a reading of these authors that their work is largely empirical but based on a class perspective. It, therefore, is well within the overall approach adopted by the *Monthly Review* School. The strength of this approach lies in its appreciation of the real changes in the nature of the forms of capital and labour and hence of the process of accumulation. Given the overall dearth of genuine Marxist analyses of capitalism, these writings provided a wealth of material for the understanding of the nature of modern capitalism.

Their approach is empirically, if not theoretically, compatible with that of classical Marxism, without having either the categories of classical Marxism or its dynamic analysis interlinking the class struggle with the movement of the categories themselves. The wave theory that this school adopted essentially derives from Trotsky, even if the writers were not conscious of it.

²⁶ Claude Diebolt, "Towards a New Social Structure of Accumulation?", *Historical Social Research* 27:2/3 (2002), p. 86.

Trotsky's long waves do interweave class struggle and political economic category. His crucial concept is that of equilibrium which is as unlike its use in orthodox economics as could be the case. For the orthodox economist the concept of equilibrium is essentially static or in the best case comparative statics. For Trotsky the equilibrium is in permanent organic movement. Equilibrium, for Trotsky, therefore, occurs over a relatively short time, ready to break down. It amounts to a short truce and hence it is never the concept determining change and movement. It can never be a goal. Equilibrium is reached when there is a successful mediation of the contradictions within the capitalist system for a particular period of time, the length of which is determined by the state of the class struggle and the nature of the particular capitalist epoch.

Such a dialectical analysis is absent in any of the schools analysed above, although it is the essence of Marxism itself. The problem for most theorists is that it is a complex and difficult analysis to get right. Stalinists turned it into a crass and meaningless formula. Others drunk with the power of Marxist theory but with little knowledge, turned it into mumbo jumbo applying it to everything under the sun, without understanding the nature of contradiction, mediation, entities, form or essence. Furthermore, as is clear when one argues that Marxist political economy necessarily interweaves class struggle with the movement of categories, an understanding and explication of history is vital. It is not surprising that many political economists have turned to empiricism instead. Marxist theoretical analysis is particularly difficult at the present time given the complexity of the contemporary social formation. It has to be said that simplistic analyses have given Marxism a poor reputation.

The Future of the Capitalist System

The absence of Marxist theory, as opposed to leftwing economic analyses, has serious consequences. While any economic journalist, not fetishized by orthodox economics, can observe the immediate trends of the economy in terms of its ups and downs, only a Marxist theorist can predict whether the economy is moving into a long term, as opposed to a cyclical, crisis. It is the task of the Marxist political economist to show the change in the forms of capital and labour and then draw conclusions on the way in which they might change the terms of the class struggle. In a sense all the schools discussed above attempt this task but they do so without the assistance of history and an understanding of the underlying movement of the categories. Furthermore, most of the schools above regard their theory, explanations and conclusions as largely academic.

From the time of Marx onwards, Marxists have anticipated an end to the capitalist system. Marx himself expected a crisis to follow the stabilisation consequent on the 1848 defeats. When it came it did not bring down the capitalist system. Luxemburg, Lenin, Hilferding and Trotsky all expected the system to come to an end in a finite time. In reality, the crisis did come but capitalism solved it first with imperialism,

then with a world war, followed by a profound economic crisis and another world war. In the post-1945 world, most left groups expected another crisis of thirties dimensions. Stalin was warned by Varga not to expect it,²⁷ now that the West had adopted a Keynesian strategy, not that Stalin listened. Sweezy tried to explain why the crisis did not come after 1945, although he expected it, at the time. The theory held that in the absence of war, the depression would re-assert itself. Thereafter the state would become increasingly authoritarian. The UK Workers Revolutionary Party held to this line almost to the end.

By the late 1960s dominant groups on the left abandoned this viewpoint. The obvious answer was the same that Varga had given to Stalin. A policy based on warfare and arms production in the USA, as the motor of the world economy, led to large scale industrial growth accompanied by full employment and a welfare state, a massive rise in the standard of living and a huge growth in the demand for consumer goods. This was the view taken by a wide spectrum of the left, although each group and theoretician had a different explanation for why and how arms production could play this role.

In short the Cold War played the critical role in stabilising the capitalist system. As is normal in human affairs, the left groups lagged behind in understanding both the importance of the Cold War and then later the significance of its demise. Once they had adopted a thesis of a stabilised capitalism, the class struggle appeared as the only source of instability for the capitalist system. This was obviously true of Ernest Mandel and the United Secretariat of the Fourth International. Since his death they have taken his legacy one step further to the right by arguing that the legacy of the October revolution is over. This is discussed below.

The point is not just the question of rejection of the Cold War as a source of stability but the refusal to produce a subtle and flexible categorical analysis of the capitalist system.

The Stalinists argued that the world had entered a stage of general crisis, which itself was going through stages. Their problem was that they could not recognise that they themselves were part of that crisis. Stalinism amounted to an historic defeat of the working class, and hence became, in a sense, a successful strategy of the ruling class. They produced a mechanical two-world doctrine in which the class struggle was subordinated and subsumed into the Cold War, in which the victory of the USSR would end the world crisis and usher in international socialism. As the USSR was in no sense socialist this argument had no merit. The reality was that the class struggle was effectively either crushed or diverted from its natural flow. Unfortunately, most of

²⁷ 'Varga argued in his new work, *Izmeneniia v ekonomike kapitalizma v itoge vtoroi mirovoi voiny*, that the war had inclined governments in capitalist countries toward greater economic regulation, and concluded that capitalism could avoid a fundamental crisis for some years to come. Thus, he asserted, the predicted war with capitalism was not necessarily imminent. Stalin and Zhdanov disagreed. Not surprisingly, they easily prevailed and their view that the 'general crisis in world capitalism' was intensifying was to remain de rigueur in the Soviet worldview until the late 1980s': Canada and the Early Cold War, 1943–1953, J.L. Black, *Kanada-Votchina Amerikanskogo Imperializma: Canada and Canadian Communists in the Soviet 'Coming War' Paradigm, 1946–1951*, <http://www.international.gc.ca/departement/history/coldwar_section06-en.asp?#5>.

the above theorists tended to accept versions of the Stalinist interpretation of reality, and much of the Stalinist method as Marxism, which they either accepted, or alternatively rejected and with it Marxism as such. The doctrine that my enemy's enemy is my friend tended to hold sway consciously or unconsciously.

In truth, without a total rejection of the whole Stalinist doctrine and its reality in the USSR, China and so forth and with it the original justification in terms of socialism in one country, any theory claiming to be Marxist was not worth the paper on which it was written. To have any credibility and to be to be a Marxist theorist and not an apologist or an empiricist a Marxist theoretician has to repudiate any system which massacred millions and deep froze those who survived in an unheard of form of atomisation, and then go on to explain the extra-ordinary inefficiency of the USSR, the apparent failure of 'planning' and so forth as non-socialist. Furthermore the theorist must also show how the internal failure of the USSR plus the control it exercised over the world Stalinist movement was crucial in preventing the emergence of successful revolutions. That meant that the regulation school and the social structure of accumulation viewpoint left out the crucial reason for stasis in class relations. While no one can deny a whole series of other forms of control, in the end it was Stalinism that underpinned them. The rejection of the USSR as state capitalist was, in effect, a method of opting out of this task because it failed to show the real forms of stabilisation lying behind the apparent success of capitalism.

In other words, while the schools described above pointed to real forms of mediation of the contradictions within capitalism, they could not explain how it was that capitalism could be so successful in finding those forms. The political corollary to their analyses is generally, though not invariably, social-democratic, gradualist or Stalinist, whether of a Maoist or other variety because there is an implicit assumption that capitalism can go on finding new forms of stability, whether called regimes of regulation, social structures or historical strategies.

Ernest Mandel

Alternative critiques of modern capitalism, based on classical Marxism, without dependence on Weber, Schumpeter and Keynes have developed. Ernest Mandel's work was critical in this respect, even though, in my view he fell into the above trap. He was the first political economist in the Trotskyist tradition to attempt to theorise contemporary developments in any serious way. He consciously sought to use Marxist method. His adoption of Trotsky's long-wave theory was a major step forward and it gave considerable impetus to the discussion of wave theory. His influence rivalled that of the *Monthly Review* School.

The essential problem with his work and, in particular his magnum opus,²⁸ developed from his PhD thesis, *Late Capitalism*, is its eclectic method. He tries to overcome the sectarianism within Marxism by incorporating the different variables,

²⁸ Ernest Mandel, *Late Capitalism* (London: NLB, 1975).

stressed in different ways by different theorists,²⁹ that cannot work. Marxist political economy, as argued above, is based on the method of abstraction and the use of dialectics. Particular writers or theoreticians are bound to stress this or that component of Marxism. Their different viewpoints are compatible at the level of method or in terms of the goal but not in the short and medium terms. There is no need to reconcile them either. Whoever is correct will be proven to be so in the finite future. Although he argued that capitalism was governed by the movements in these different aspects of the movement of the law of value—the organic composition of capital, the rate of surplus value, the rate of profit etc—he never makes clear what is primary or whether it is the dialectics of the total operation of the whole system which renders the system unstable. His argument seems to be based on the view that the law of value continues to operate in spite of the role of the state and of monopoly production for which the law of value sets limits. Capitalism as a whole becomes irrational, holding back the development of the forces of production. He argues that the whole system is explosive because capitalism in decline has a series of contradictions, which will lead to its overthrow.³⁰ The argument itself is only partially rooted in history and multi-factoral. Mandel's ambiguity and eclecticism were legendary, however.

Nonetheless, he does begin by expounding dialectics and a controversial version of abstraction, which identifies it with generalisations through a process of induction and deduction.³¹ He correctly rejects Althusserianism and its discarding of concrete history. A kind of pure theory composed of the interrelation of mathematically determined variables is foreign to Marxism. Every category is immersed in history and develops in historical time. He also points out the problems with the *Monthly Review* School use of the surplus. The problem with Mandel, however, is that his own work stands between his own loyalty to dialectical method and that of a 'technical' analysis which looks to variables isolated from social relations and so history. There is no doubt that when forced to choose between the two methods he would fall back on the first, but that does not alter the ambiguity of his writing.

It cannot be said that Mandel produced an unambiguous overall theory of the epoch or contemporary world but he did engage with the political economy of the modern world and was the first Trotskyist leader to produce a detailed Marxist political economy of contemporary capitalism. His influence has been considerable, partly resting on 'Late Capitalism' and partly on his other works, most particularly on his textbook. His special importance, as opposed to the *Monthly Review* School, was that his analysis used Marxist categories as far as possible. Whether one agrees with

²⁹ Ibid., p. 39.

³⁰ 'Late capitalism is the epoch in history of the development of the capitalist mode of production in which the contradiction between the growth of the forces of production and the survival of the capitalist relations of production assumes an explosive form. This contradiction leads to a spreading crisis of these relations of production.' Ibid., p. 562. He refers to decline later in the same chapter: 'The decline of the capitalist mode of production which underlies the interlocking of the private economy and State intervention . . . ' p. 580.

³¹ Ibid., pp. 13–18.

him or not, it was a considerable achievement and his work remains important. Unfortunately, to a degree, his legacy is also one of theoretical confusion. This was most obvious in his revival of Trotsky's theory of the long wave, where his exposition veers between the political and the technological.

Wave theory effectively integrated ruling class consciousness with class struggle and the political economic categories of capital, profit and wages and their relationships, which provides a powerful tool to understanding the contemporary scene. Mandel, however, confused it with a '3rd technological revolution' so losing the fundamental basis of the theory. While there have been many books written on wave theory from different standpoints, very few have tried to take Trotsky's original standpoint and tried to develop it to its logical conclusion for the present time.

The crucial question raised is that of the nature of the epoch. Trotsky declared that with the social democratic betrayal in 1918–1919, a whole new transition period had opened up in history. While Mandel, of course, accepted that point, he did not carry its message and analyse the present in those terms. Instead, his work lies in between accepted and ignoring it. There were two other categories that were crucial to Trotsky's analysis—that of finance capital and of the decline of capitalism. There is no reason to believe that Lenin would have dissented. However, if we are living through a period of transition from capitalism to socialism, comparable to previous periods of transition, as from feudalism to capitalism, then any theory of the present must integrate a theory of transition. Lenin had begun a theory of decline tied to the category of imperialism as the last stage of capitalism. If the world is in transition then capitalism would have to be in decline. The question, however, is what is meant by decline, and what is meant by transition. I have argued the case for decline in previous issues of *Critique* and will not repeat it here.

The point is quite simply that a mature capitalism, in its heyday as it were, has less need of special modes of regulation, techniques of survival, or mediations. It is precisely because the system is in rapid change, threatened with supersession and without a long-term method of survival that it needs such forms. In this respect, Lenin's description of a declining capitalism turning to imperialism as a way out of its crisis may be regarded as the basis of a medium to long-term strategy of capitalist survival. To the extent that the standard techniques of control: commodity fetishism and the reserve army of labour, buttressed by force when necessary, were insufficient capitalism has always used particular forms of division of the class but it is only when it entered a period when the system itself was threatened that capitalism needed a long term strategy. The exact reason for the turn to imperialism is less important at this point. Lenin argued in terms of the rise of monopoly, Trotsky wrote more of the forces of production having gone beyond the nation state, while Luxemburg spoke of the importance of underconsumption and hence the need for markets. The point is quite simply that they saw an epoch of imperialism. The work of Rudolf Hilferding pointed out the importance of monopoly and finance capital. The combination of the three categories: imperialism, monopoly, finance capitalism provided a basis for understanding the continuation of capitalism. To this was added the nature of a war

economy—developed particularly by Luxemburg. Lenin combined all these elements. Trotsky added an additional twist—that of long waves, in which political events, and hence the state of the class struggle, were crucial.

The Question of the War Economy

Most Marxists have recognised the importance of war for the stability of capitalism. Orthodox historians usually come to the opposite conclusion in that the great 20th-century world wars have usually radicalised the army and the home population in general, but that has only been after a period of time. From this point of view, the capitalist ideal is a war, which is never fought, such as the Cold War, or else a series of local wars, such in Korea, Viet-Nam, Iraq. The imperial wars fought by the UK from 1870 or so onwards also fulfilled this purpose.

It is the great merit of the *Monthly Review* School to have understood the importance of the Cold War in this context and hence the nature of the end of the Cold War. Paul Sweezy argued thus:

As John Kenneth Galbraith once said, the Great Depression never ended, it just merged into the war economy of 1940–1945. And to tell the truth the war economy never ended either. It continued through the Korean War, the Vietnam war, the Cold War, and a number of smaller wars right through the 1980s, altogether a period of half a century. Now, following the collapse of the Soviet Union, the Cold War has lost its rationale, and at least for the visible future there seems to be little prospect of its being revived... we are back in the 1930s.³²

The argument on which this analysis is based, that of permanent and necessary underconsumption,³³ is, in my view, only part of the truth but it has to be part of any analysis of the modern world.

In this respect, Ernest Mandel was also critical. He argued that a war economy has to tax, or at least withdraw, income from the corporations in order to finance arms production, and profit a small number at the expense of a larger number of companies, threatening some with bankruptcy. He added to the woes caused by arms production the fact that full employment tended to favour the working class against the capitalist class. He rejected the Kidron thesis that war production could be shunted off to a separate department, which did not form part of total value production, and hence did not contribute to the decline in the rate of profit, following on a rising organic composition of capital. He therefore argued that arms production had a limit, whether because sections of the capitalist class would revolt or because it tended to cause inflation and favour the working class.³⁴ Nonetheless, although rightly rejecting the concept of an arms economy as a panacea or a long run

³² Paul Sweezy, 'Notes of the Month: Socialism: Legacy and Renewal', *Monthly Review*, 44:8 (January 1993), pp. 7–8.

³³ *Ibid.*, p. 7.

³⁴ Mandel, *op. cit.*, p. 303.

solution to the instability of capitalism, he still saw arms production as ‘one of the most important solutions to the problem of surplus capital’³⁵. He quotes Rosa Luxemburg approvingly arguing that ‘Capital itself controls this automatic and rhythmic movement of militarist production . . . that is why this particular province of capitalist accumulation at first seems capable of infinite expansion.’³⁶ The chapter from which these quotes are taken is a reasoned analysis on the operation of the capitalist economy, which has to be taken with the rest of his analysis resting on the importance of technology, in part induced by arms spending.

Why did labour not succeed in getting higher wages and better conditions during the Cold War in the USA? It is here that *Monthly Review* also failed to come to grips with the problem. It was not just a mechanical question of the state pumping in money through the arms sector that ensured the stability of capitalism. It was also the fact that the alternative appeared to be the USSR and such an alternative was not only not appealing; it was positively repulsive. This was rammed home through the official forms of propaganda, but anti-communism might have died the death of so many other ideological exercises if it had not incorporated a large element of truth. Furthermore there were enough people in the West who had experienced these regimes and had relatives who had either been murdered or incarcerated for the population to accept the official line. This, of course, might have played a smaller role if the left as a whole had been openly critical of the USSR and China, and repudiated it. The fact was that even *Monthly Review*, which was critical of the USSR, supported China and never completely rejected the USSR itself. In general the Communist parties which had mass support in much of Western Europe and played an important role in the trade union movement were closely connected to the USSR. Under these circumstances, it was supremely easy for the ruling class to identify all criticism of capitalism with a system, which was close to a vision of Hades. It then became relatively simple to victimise those who were on the left, whatever their view of the USSR.

The result was that the ruling class found it relatively easy to establish either ideological control over the working class or a high level of political dissension in the class, depending on the country.

One can go further than Mandel or Sweezy in arguing that, a war economy does act as a form of mediating the contradictions of capitalism, quite apart from the issue of underconsumption. It absorbs the output of the producer goods department in a way that creates a permanent demand from an undemanding customer—the state. It takes care of the necessary disproportionality in the capitalist economy, and it does more. It raises the rate of profit in two ways. First because the interface between the public sector and the private sector is corrupt, private suppliers can raise their prices. Examples of such charges are well known, from thousands of pounds for trivial items, such as screwdrivers onwards. Even if there is no corruption the supplying firms are

³⁵ Ibid., p. 301.

³⁶ Ibid., p. 300.

themselves limited in numbers by the high organic composition of capital, or the cost of capital, and the long lead times for the production of modern armaments. In effect, the public sector has no choice but to pay what is requested to ensure continuous production of high quality, capital intensive and technologically sophisticated equipment. In other words, capital subsidises the military enterprises and thereby raises the rate of profit, brings the different departments of the economy into line and prevents underconsumption. Mandel, however, is largely concerned to show that a war economy is not a permanent solution and in that he is correct, and has been proved correct. Sweezy, in contrast, was not concerned with the limits of the militarised economy. Since both failed to understand the nature of the Soviet Union and the Cold War, neither of them could have been able to theorise the nature of the militarised economies.

Conclusion

The two major influences on Marxist theory in the Cold War era struggled to understand the failure of the left and the relative success of capitalism. Most other Marxist theorists were either too influenced by Stalinism, or by particular dogmatic concerns to produce a more general theory of the epoch. This article attempts to argue that such a theory is essential before any Marxist categories can be understood in the context of the contemporary world and it is still to be formulated. The correctness or wrongness of Marxist theories can only be judged by their explanatory power combined with their qualitative predictions. In this sense, Marxism may actually pass Popper's methodologically questionable test of being falsifiable. As I have argued above much 'Marxism' was simply wrong and since most of the Cold War era output was either Stalinist or influenced by Stalinism, it was not even Marxist. In the next article, I will discuss various other directions taken by Marxist theorists.