

Decline as a Concept—and Its Consequences

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This article produces a summary of a theory of decline of capitalism. It argues that decline occurs when it becomes increasingly difficult for capitalism to deal with its contradictions and so crises. Its solutions become increasingly counterproductive and transformative of the system itself. Decline is decline of the law of value and this shows itself in the replacement of value by organised forms such as ‘monopoly’, nationalised and regulated entities, increasing bureaucratisation and the domination of capital by finance capital, which is inherently parasitic. One result is the growth of a gap between what could be produced for human needs and what is produced, another is the disintegration of the system and in parts of the world of the society itself.

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Introduction

This article attempts to summarise and develop the conception of decline on which I have been working and have written on over a period of time. I will not repeat the detailed arguments in previous articles, although the arguments are incorporated in what is written below.¹ The different themes touched on below have either been discussed on in the articles cited below or will be developed in future articles.

The concept of decline has come back into orthodox fashion to the point where the terms *declinology* and *declinologist* are being used, albeit in a partially deprecatory way. Since the end of the Cold War we live in a world constantly barraged by new fears of terminal crises for civilisation, whether through climate change, an asteroid hitting earth, plagues or thermo-nuclear war. At the same time, the dominant imperial power, the USA, is once again perceived to be in decline. Such a view was

¹ See in particular the articles: ‘Finance Capital and the Transitional Epoch’, *Critique*, 16 (1984), pp. 23–42; ‘Towards a Theory of Finance Capital’, *Critique*, 17 (1986), pp. 1–17; ‘Is Capitalism Declining?’, *Critique*, 23 (1991), pp. 153–158; ‘The Nature of an Epoch of Declining Capitalism’, *Critique*, 26 (1994), pp. 69–93. Three one-hour talks on the subject are available on the Internet at <<http://www.cpgb.org.uk/members/voice.htm>> (Communist Uni 2005, August 13–20), accessed 21 May 2006.

held before the end of the Cold War but abandoned with the demise of the Soviet Union.²

The left, however, has yet to recover from the absurdities of Stalinism, to which it was subject for so long. Stalinist thought effectively ruled throughout the left almost to the end of the Soviet Union. Even where Stalinism was officially rejected, Marxists did not have the resources or the opportunities to do what was necessary. Stalinism had completely recast Marxism and, as result, its categories had to be renewed, refashioned and refurbished in order to replace much of what led only to apologetics for Stalinist states and their particular form of exploitation and oppression.

The word decline has gone through its own decline since the time of Lenin, who was in fact the first Marxist to use the word and develop the concept, even if it is implicit in Hilferding³ and Trotsky⁴. Stalinism chose to interpret the concept as an absolute one, whose meaning was one of terminal crisis and absolute collapse. They proclaimed that capitalism was going through successive stages of a General Crisis, in its decline. Textbooks in the Soviet Union inculcated the idea that the standard of living could only go down in capitalism. This was seen as the application of the law of increasing misery. This was a political economy which had little relevance to modern capitalism. It was conceptually and empirically wrong.

It was, therefore, not surprising that many left theorists abandoned all concepts involved in this depiction of the contemporary world. Crisis had been so overused that it had lost its meaning, while the particular use and dogmatic interpretation of the law of increasing misery invited ridicule. As the overarching concept in this farrago of nonsense was that of decline, one might have expected that it too would be removed from discussion. Indeed such has been its fate.

At the same time, an alternative political economy was needed in order to understand modern capitalism. Such works as have been written with that

² Paul Kennedy's work was widely acclaimed at the time and unjustifiably eclipsed by the end of the Cold War: P. Kennedy, *The Rise and Fall of the Great Powers* (Lexington, MA: Lexington Books, D.C. Heath and Co., 1987). When the dominant finance capitalist power is in decline without being replaced by another such power, one may question the status of capitalism itself.

³ R. Hilferding, *Finance Capital* (London: Routledge and Kegan Paul, 1985). See last paragraph, page 225: 'As capital itself at the highest stage of its development becomes finance capital so the magnate of capital, the finance capitalist, increasingly concentrates his control over the whole national capital by means of his domination of bank capital. There is no use of the word decline but a highest stage implies a final stage. The idea that a social system can expire like a light bulb being switched off is clearly not implied here. The difference between highest stage and declining stage in his analysis are not great.

⁴ In my view, Trotsky's formulation of the concept of permanent revolution implies a decline of capitalism in that he argues that the bourgeoisie has become too weak to accomplish its own tasks. Later in 1935 he was more explicit: 'History places this task squarely before us. If the proletariat is, for one reason or another, incapable of routing the bourgeoisie and of seizing power, if it is, for example, paralysed by its own parties and trade unions, the continued decay of economy and civilization will follow, calamities will pile up, despair and prostration will engulf the masses, and capitalism—decrepit, decayed, rotting—will strangle the people with increasing strength, and will thrust them into the abyss of a new war.' L. Trotsky's, *Whither France? Once Again, Whither France? Part I*, March 28, 1935.

intention, such as that of the *Monthly Review* school or Ernest Mandel, elide the crucial questions to which Stalinism provided its answer. Capitalism, in their works, could go on forever as long as the population tolerated it. All the capitalist class needed to do, therefore, was to provide a rising standard of living for most of the population, and they gave no reason why it could not perform that task. Capitalism could malfunction, increase the level of waste, engage in wars etc but it would go on until for some reason the population would no longer tolerate it. Their works were a refreshing stage in the recuperation of Marxism but they were not works of political economy. They were eclectic and empiricist works which lacked a Marxist methodology.

Marxism and Its Method

Marxist method has two aspects to it. In the wider sense of the word, Marxism is dialectical. In the narrower sense of an investigative methodology, Marxism is based on the method of abstraction. The latter is necessarily based on the former because it is dialectics which provides the direction which the abstract method must pursue. Concretely, the investigator must discover the essential source of movement around which other factors cohere, in order to understand the subject under investigation.

That movement itself is not simple but involves the classical forms of emerging, maturing, declining and dying.

As far as we know all physical and social entities come into being, mature, decline and come to an end. That applies as much to the universe and solar system as it does to human beings and their creations. All known civilisations have come into being, grown to maturity, declined and come to an end. The old entities have usually, though not always, been replaced by new forms. If one looks, more restrictively and accurately at modes of production such as the ancient world or feudalism they are clearly part of the same general law. There is an embryonic phase followed by a period in which the particular mode of production establishes itself as dominant after which it begins to decline towards its extinction.

It is interesting to discuss the origin of the concept of decline itself. Whatever the history prior to capitalism, the concept gained ground during the 18th century, which was itself seen as a time of decline. Edward Gibbon's book, the *Decline and Fall of the Roman Empire*, was a symptom of the thought of that period. Evolution was in the air and various writers from Hegel to Darwin incorporated it into their thought. While various forms of evolution are possible, one in which the entities developed embryonically, matured and became increasingly dysfunctional to the point where they ceased to exist and could be replaced or not, depending on the circumstances seemed more or less in conformity with visible reality and particularly with the stages of mankind itself-from foetus/

baby to adult to old age and death. Marx's conception, therefore, appears only reasonable.⁵

This form of motion is an integral part of dialectics from the time of the Ancient World down to Marxism. Works which do not incorporate it into their thought process can be regarded either as non-Marxist or, more charitably, as limited in their Marxism. In other words, if it is argued that capitalism is not in decline at the present time, then it must follow that capitalism is in its healthy mature phase, with decline at some unknown point in the future.

There is usually a further phase in which the old order is replaced by the new. That period is usually called a transitional phase and there has been a considerable amount of discussion around the transition from feudalism to capitalism and a less grounded, though important, debate around the move from capitalism to socialism.

The importance of marking out such phases, within the life of any mode of production, cannot be underestimated. Rather oddly, such a view is at odds with much of orthodox social science and especially with modern economics. They hold that the market has always existed in some form or other and always will exist as long as mankind exists, though one suspects that they might argue that some form of market was part of the evolution of the species. As everything organic or inorganic has a limited life, one might have thought that the same thing would apply to humanity and its creations, and the onus would be on those who maintain the contrary. The very idea that the market was 'forever' sounds intuitively unlikely, for those not indoctrinated by orthodox economics.⁶

⁵ 18 June 1875: Marx writing to Lavrov speaks of the reduction in time between crises: Karl Marx and Frederick Engels, *Letters on Capital* (London: New Park Publications), p. 179. He says: 'The shortening of the — periods between great crises is truly remarkable. . . . It is particularly satisfying to find it shows such manifest signs of a descending movement; that is a bad omen for the longevity of the capitalist world'. The classic statement comes from Karl Marx, *Capital, Vol. I* (Moscow: Foreign Languages Publishing House, 1961), p. 19, in the Afterword to the Second German Edition: "Whilst Marx sets himself the task of following and explaining from this point of view the economic system established by the sway of capital, he is only formulating, in a strictly scientific manner, the aim that every accurate investigation into economic life must have. The scientific value of such an inquiry lies in the disclosing of the special laws that regulate the origin, existence, development, death of a given social organism and its replacement by another and higher one. And it is this value that, in point of fact, Marx's book has." While the writer pictures what he takes to be actually my method, in this striking and [as far as concerns my own application of it] generous way, what else is he picturing but the dialectic method? Marx, in the *Grundrisse*, also makes a vivid argument on the economic transcendence of the system: 'Yet these regularly occurring catastrophes lead to their repetition on a higher scale, and finally to its violent overthrow'. K. Marx, *Grundrisse* (London: Allen Lane, Pelican, 1973), p. 750. He does not discuss decline but he is arguing that the system goes into a period of recurring crises which leads to its supersession. I am arguing, in parallel, that the period of decline has become an extended period and that it is a period in which it has become more difficult for capitalism to deal with its contradictions.

⁶ Adam Smith as the founder of modern economics may be regarded as responsible. 'He made "the propensity to exchange . . . as one of the principal motives of human conduct . . . Adam Smith was guilty of making the characteristics of the society of his own day valid for all time"'. Eric Roll, *The History of Economic Thought* (London: Faber, 1961), pp. 154–155.

Laws and the Forms of Decline

Considered in its essence, the statement that there are such clearly demarcated phases is making the claim that the overall laws of the particular mode of production are subject to modification in each phase. Hence one phase is both like and unlike the other phases. Indeed, I would argue that each phase has particular laws. As a result, the laws governing an embryonic capitalism are a compound of the laws of capitalism and the laws of coming into being of capitalism. Thus the role of money, wage labour, and capital are different in the early phase. This is, of course, empirically obvious once the distinction has been made. The various forms of unfree labour in early capitalism, such as slave and indentured labour, and the early methods of capital accumulation which included direct robbery, usury and mercantilism were abolished, or greatly limited, under mature capitalism though they re-emerged in horrific forms in the declining form of capitalism, whether through finance capital, imperialism or fascism.

It follows that capitalism, for instance, has a considerably longer life than some would give it. Clearly if we define capitalism only in terms of its mature form of generalised commodity production with the consequently generalised forms of wage labour and capital, then capitalism has only lasted some two hundred years, if that. Conversely, if we define a mode of production in terms of its dominant law, whether or not it is generalised, then capitalism may be regarded as existing for around 500–900 years, depending on whether the transition period to capitalism is incorporated or not. Capitalism, as a mode of production, is a process and the question of dominance must be settled by the direction of the movement of its laws. From this point of view, feudalism entered its decline by the 11th century.

The Nature of Transition

Thereafter there was a long period of transition towards capitalism. Any transitional period is marked by the existence of the old laws together with the new. There are, therefore, both old and new social relations but also various intermediate and unviable forms. The transition was marked by bloody wars reflecting the changes occurring in the governing political economic laws and so the social relations. There was no guarantee that the nascent bourgeoisie would win. All transitions until the present day have been largely unconscious or misunderstood. Even the present transition from capitalism to socialism cannot yet be fully comprehended.

The transition to a new mode of production and the early phase of that mode of production clearly overlap. One might argue that the initial period of transition must incorporate the late periods of a declining phase of a mode of production and towards the end of the transition the early phase of the new mode of production. However, history is not necessarily so neat and one could argue that the declining phase of the old mode of production, the embryonic phase of the new mode of production and the transitional period itself might all be present at one time.

What is left of a transitional period once one takes out the particular phases of the old and new modes of production? Entities come into existence which are neither one thing nor the other. In the case of the transition to socialism, entities which are neither capitalist nor socialist and which are inherently unviable come into being. The old social relations, and the fundamental law on which they are based, remain but they find themselves in conflict with the emerging forms of the new social relations. They also find themselves in conflict with their own declining forms. The result in any transition is a confusion of viable and unviable forms. The patterns of thought in this period will tend to express this confusion of forms. The transitional period is therefore marked by two characteristics—the co-existence of a declining form of the old society and an emerging form of the new society as well as the appearance of forms, which cannot evolve into the new society but can only die. These forms may be whole systems or partial systems or they may be particular forms of labour. Their ultimate characteristic is that they are unviable. Clearly I am arguing here that the former Soviet Union fell into this category of unviable transitional forms.

The Evolution of *Categories*

The crucial question is to decide the nature of the dominant laws and so social relations particular to the mode of production. I would argue, for instance, that the lord-serf relation based on subsistence agriculture and payment of rent in labour or in kind was crucial to feudalism. Hence the substitution of money for that payment marked a move away from feudalism towards capitalism. Clearly such a substitution could not occur without the existence of a growing market, which the lord could use, with all its consequences. Others would resist the view that the growing use of money was itself any change in the nature of the mode of production. The point, here, is not to argue this case but to illustrate the importance of such categorisation. In other words, I would argue that money-rent, together with the growth of the market reflect the decline of the feudal mode of production and the beginning of a transition period towards capitalism because of my definition of the dominant law of feudalism.

My reason for starting with money in this way is not because money is the root of all evil but because the use of money to pay rent and hence the use of money to pay for extra labour or goods from the serf reflects the emergence of the law of value, even if in an embryonic form. Clearly if the use of money was little more than a token, then I could not argue the case. The point is that any movement over modes of production must involve a movement of both categories and classes. In this instance, of rent, we are talking of a change in its category from a payment to a landowner because the landowner possessed sufficient force to extort the payment, whatever other services he may have provided, to a situation where the landowner accepted money to pay for his right of ownership. In so doing he began to change the position of the serf, who no longer needed to be on the land in order to pay the landlord, but had to find the necessary money, by whatever means, for the landlord as long as he wanted to keep the land. Thereby the serf was emancipated but lost his entitlement to the land.

We may put it another way. There are only three methods of control over labour. One is slavery, in which the toiler loses his freedom; the second is an intermediate position where the toiler is compelled to work a period of time for the exploiter, leaving the rest of his time for himself; the third is one in which the worker is wholly free of direct compulsion to work for the exploiter but must do so because it is the only way that he can survive. In the first instance there is direct physical compulsion, in the third case there is economic compulsion. In the second case there is both.

Exploitation of one human being by another is only possible when there is sufficient surplus product to permit it. In the first instance, the slave is compelled to hand over both the surplus product and part of the necessary product itself. Relaxation of this compulsion is only possible when the surplus product has risen to the point where it can be used as an incentive for the exploiter to raise productivity itself and then the serf can keep his necessary product. The serf may, under certain circumstances, even share his surplus product with the landlord. Finally, when the rise in productivity has reached the point where the surplus product can be not only appropriated by the exploiters but also used as a means of control and employment of further workers then the surplus product moves from a form of consumption, whether collective or individual, to one of accumulation and so control over the individual. Force is used to extort that product until the surplus product creates its own control through value.

The history of the emergence of the form of the surplus product as a category and its evolution into the form of surplus value is yet to be written. This article is only arguing that the different forms which human labour has assumed in that saga have gone through periods of birth, maturity and decline.

I am also arguing that there is an evolution of categories. For capitalism to come into being, there had to be capital and for there to be capital, there had to be money, and for money to be money there had to be the commodity. The commodity form has meaning only at that point when it is generalised and it can only be generalised when labour power itself becomes a commodity. Above we produced a highly schematic sketch of the evolution of labour power as a commodity.

The evolution of categories is not linear and there is no simple parallel with the history of mankind or the development of modes of production. There were particular nodes in history where money and commodity production were evolving, as in ancient Rome, only to be thrown back. Capital began to evolve in Italy in the 13th century but it did not complete its journey in that country. Money and merchant capital developed quite far in 16th century Spain; but Spain progressed no further. We cannot discuss the embryonic phase of capitalism here, the point is simply to illustrate the fact that an examination of any phase of capitalism has to discuss the evolution of the categories of political economy, as well as the laws of the mode of production and the nature of the class relations. The fact that all three are closely intertwined does not mean that they cannot be separately examined.

Further Comments on Methodology

Are there special laws of emergence and decline? Are there particular laws of transition? What happens to categories in decline? One can argue the case philosophically and derive quotations from Aristotle and Hegel but that is not the purpose of this article. I am trying to take part in the process of uncovering the laws themselves, if there are any. Certain general observations can be made. Thus it is clear that in the emergence of a new social formation, there can be a series of different forms specific to that period, which are superseded in the later phases of that socio-economic formation. There may also be forms of the new mode of production that prove to be abortive. Ideologies and doctrines of the time may be specific to that period and not to the mature form, even though they survive in some way or other.

Any attempt to generalise over the whole history of the socio-economic formation produces banal or wrong statements. Generalisation has to be contrasted with abstraction, where the observer selects the crucial variables, as they evolve, in order to understand the entity and its laws. Generalisations usually look at averages or recurrent patterns. Abstraction is able to make the distinction between the different phases of capitalism and select the crucial variable emerging, maturing and declining over its history. It is necessary to discover the force propelling this change. That force is discovered in the process of formulating the laws involved, as the laws themselves, as I argue below, express the process of movement of the driving contradictions within the mode of production itself.

Laws and Their Evolution over the Life of a Mode of Production: Abstract Labour

It is clear that any embryonic law, as the law of value, can only exist in a partial form. Thus, in so far as merchant capital exists, it relies on buying cheap and selling at high prices, not on labour time expended. Nonetheless it is a form of capital and so value. Nonetheless, the development of the market in the wholesale and retail sectors is essential to the development of capitalism. So we are speaking of part of the law of value, which in itself cannot lead to the fullest development of value-capital. Similarly, artisan production for the market, the use of slave labour in the cotton fields of the Southern USA or serf labour for industrial production in the Russian empire all constitute embryonic forms of the law of value.

Abstract labour is the essence of value and in its absence value cannot either develop or be fully developed. Yet abstract labour cannot itself be fully developed in the absence of machine production.

There are many views on the nature of abstract labour today, and I must state, here, my own, and so my own understanding of value. Abstract labour, as I understand it, is the very basis of capitalism itself. From it derives the qualitative and so alienated form of labour under capitalism, the unity of the working class and so the concept of the working class itself, and the quantitative exploitation of the worker. The reduction of the worker to an abstract labourer is a social process by which labour comes to have a quantitative role in its production of a concrete product. The time spent by the

worker in the production of the commodity is the crucial variable for the capitalist and so for capitalism. This is the particular social form of labour under capitalism. It is both physical and social. It is real and imagined. To reduce workers to their labour time, it is necessary to compel workers to work to similar times for comparably skilled work over the economy. It requires a fluid and flexible labour force. It is only when full control could be exercised over labour time that it could be fully established. This required both efficient manual inspection and control through the remorseless operation of the machine.

From this point of view the abstract labourer exists, as it were. The exact nature of the abstract labourer at any one time is socially determined but that social determination produces a physical result through the establishment of homogeneous human labour in the economy.

Hence, to return to decline, it follows that the evolution of value is also the evolution of abstract labour, though their paths are not identical. If there is a decline of value then there must also be a decline in abstract labour, with all its consequences.

Evolution of the Phases of Capitalism Themselves

If we argue that capitalism has gone through phases of coming into being, maturing and declining we have to ask what is the nature of each of these phases. As I am dealing with decline, I shall not answer the question in respect of the other phases but stick to the evolution of the declining phases itself. If every entity evolves so must the declining phase of that entity. In other words, the decline comes into being, flourishes and then itself declines. This, implies, somewhat surprisingly, that one can have a declining form of a declining form. Before we end up with boxes inside boxes inside boxes to infinity, I have to state the conditions both for decline and for the declining form of a declining form.

The fundamental law driving the system is what is in decline but we have to discover the force compelling it to decline. The ultimate problem of why everything in the universe goes through this evolution to decline is a question of philosophy or of physics and cannot be discussed at this point but the question here is a specific one. The law of value is the central law of capitalism. What then causes value to decline? The answer is equally specific. The increasingly socialised nature of production or labour compels society to organise labour and production rather than leaving the economy to the market. As production becomes increasingly integrated it requires to be organised and 'planned'. This, in turn, requires a longer and longer time perspective. On the side of labour, integration means that labour is increasingly powerful because of its close physical and social solidarity.

So, on the one side society requires increasing degree of organisation and so-called planning. This leads to monopoly, nationalisation and increasing levels of bureaucracy. All of these are just aspects of direct decision-making taking things out of the hands of the market. Because of the increasing power or potential power of the

working class such decision-making becomes increasingly centralised. So the market is gradually superseded by bureaucratic forms.

It is true that the term 'the markets' as used by economists or by politicians, such as Margaret Thatcher, in the statement that 'one cannot buck the markets' implies an impersonal set of forces but few unfetichised thinkers or stock exchange operators actually believe that the market is impersonal today. Indeed the British Government was compelled to devalue the pound when George Soros took up a position in the market against the pound and won one billion pounds out of it. The Prime Minister of Malaysia blamed Soros again and then attacked Jews. Clearly the Prime Minister of Malaysia's attacks could only be deplored but the point is that he saw the matter in terms of a small number of individuals speculating against a particular currency. Indeed ordinary individuals have no role to play in such a case, whereas those who control major investments funds, such as Soros and a few dozen others do make the decisions.

What are these bureaucratic forms themselves? They are simply attempts to imitate the market under conditions where there is no market or only a limited form of the market. Hence they are an expression of the modern conflict between the market and planning, a conflict which is temporarily resolved through having a non-market market. This is a hierarchical form of management based on a pseudo-market concept of management, that is one based on imaginary profit where there is no profit. Such bureaucratic forms create an army of managers under the instruction of the bourgeoisie but whose instructions are necessarily muddled because of this conflict between market and plan. The result is an organised form whose rationale is always muddled and internally conflicted. Hence in the period of decline the bourgeoisie cannot have a consistent policy and must accept pragmatically what is on offer. Rationally the bourgeoisie ought to go for solutions in which the workers are trained, educated and incorporated in decision-making in order to raise the levels of productivity and reduce conflict. Yet they can do so only sporadically and partially. This is so for two reasons. First, such a solution can lead to workers demanding greater control over production because they are already in a position of considerable power. As this means a loss of control for the bourgeoisie, they are reluctant to pursue this path too far. Second, given the dangers of any action, managers do not know what policy to pursue.

Dialectics and Decline

This is only a restatement of the proposition that capitalism is in decline when the poles of a contradiction become more and more difficult to mediate. Mediating forms break down quickly and the poles of the contradiction move into absolute opposition. Bureaucracy is then mediation between use value and exchange value which has become necessary because all other forms of mediation have broken down. In terms of political economy, I would also argue that finance capital became a new and necessary form to mediate that contradiction. In its form of imperialism it

succeeded in maintaining capitalism for a time. War, and the Cold War in particular are other examples of mediating forms which maintain the structure of capitalism. In the three cases cited it is clear that they are extreme forms which have limited lives. Finance capital is discussed again below.

What happens, however, if there is no mediation possible between the poles of a contradiction? Then disintegration ensues. This theme is taken up below.

The Rise and Rise of Bureaucracy and the Organisation Man

I would argue that bureaucracy arises wherever and whenever the administrators of the surplus product supplant those who have hitherto controlled it. In fact this will happen at specific times in history. During transition periods from one mode of production to another the form of control over the surplus product is changing. Under those circumstances, the administration of the surplus product loses its old form while not acquiring a new one. Hence the administration becomes relatively independent. At the present time, we are witnessing the decline of capitalism and so value. As a result the surplus product is no longer simply controlled through value. Administered measures have to be undertaken to ensure that the surplus value is extracted and appropriate. Taxation, centralised and nationalised money forms, nationalised industries, punitive forms of control over labour and labour power are all forms of administration which are necessary to ensure extraction of the surplus product. Inside the corporation in turn, accountants, computer analysts, industrial relations departments, and so forth, all become part of a management which is essential to maintain control over profits. Firms can shift in their micro aims from profit extraction to particular named targets such as volume sold in order to arrange an overall result which will keep the shareholders happy. The role of the capitalist is, therefore, declining. In the Soviet Union, in its turn, the administrators became the ruling group because there was no other ruling group able to take power. The administration, therefore, became uniquely independent of the controllers of the surplus product, that is the capitalists or the workers. This is not the only time in history that this has happened.

The Asiatic mode of production is a different case, where a whole mode of production had an indeterminate form of control over the surplus product. In so far as the direct producer possessed his land, he could control his surplus product. But the owner of the land, the Oriental despot, could tax the possessor of land in order to obtain part or the whole of the surplus product. In turn, the despot had to pay the priests and administrators of the public works which were essential to production. Because the bureaucratic apparatus extracted the surplus product through taxation and spent it, in part, on the public works it had a degree of independence of the classes. The oriental despot had a weak form of control since he could only obtain his surplus through a political form.

The upshot of this discussion on bureaucracy is complex. On the one hand, it follows that during the transition period to socialism aspects of bureaucracy are

inevitable. On the other hand, the alternative to bureaucracy in the form of control *over* the bureaucracy is equally clear. Only through forms of direct democracy running through all aspects of the society can bureaucracy be avoided.

The problem is that a transition period is of necessity one of incomplete movement from the old form to the new. Hence full direct democracy, which is a feature of socialism, is impossible. At the same time, the removal of value will leave decisions on the surplus product to be made through conscious forms of regulation. If these forms are not democratic then inevitably they must be bureaucratic. The whole nature of the transition is that of the gradual removal of value in favour of planning.

The above has looked at the question from the side of capital. From the side of the worker increased integration leading to increased power necessarily leads to the taking of power itself. Hence under capitalism, capital has to act, and it does so through retrograde measures. It reduces the size of plants, even though the economies of large scale production demand bigger plants, they divide enterprises against themselves even though co-operation would raise the level of output, they divide workers by plant, enterprise, city, nation and invented differences. Thereby they reduce the potential development and speed of the productive forces.

This provides the basis for a fourth aspect of decline.

Value and the Forces of Production

Capital is a self-expanding value. Such self-expansion drives the development of industry through innovation to the point where the machine itself becomes self-expanding. In order to obtain greater profits, the capitalist replaces workers with machines. He replaces the sources of power with sources of power which derive directly from nature, such as nuclear power, solar power and wind power, rather than indirectly from nature as in coal or oil. Fewer workers, but more industry is the slogan of the capital accumulator. The form of the machine itself becomes one in which it demands ever more extensions to replace the living worker. The logic of the process is one in which machines replace machines. It should be noted that self-expanding value logically leads to the self-expanding machine, in the sense of the self-developing machine. Nor is this an accident. Forces of nature are self-motivating. Value attempts ever more to become a force of nature but it is not a force of nature but a social relation. Logically, therefore, it must turn to a transformed form of nature to make itself self-expanding. In so doing, however, it transforms itself into a new form of a force of nature and abolishes itself as value.

The symptoms of decline must show themselves both in value and in the forces of production. Some people argue that decline must show itself in an absolute decline in which there are visible symptoms of a civilisation going in a downwards direction, whatever indicator is taken. The standard of living, growth, morality, education and the overall standard of learning, from this point of view, must all decline. In so far as this did occur, we would be talking of the decay of society itself, quite apart from the decline of the mode of production.

Yet, this is not necessarily the phenomenal form of decline itself. The sun, when in its old age, will expand vastly embracing even the earth in its expansion but it will be in decline because the expansion has been caused by the loss of its fuel. The Roman Empire expanded further over a longer period than any other empire in the Ancient World but it represented a period of decline and fall of the Ancient mode of production. In other words, decline cannot be judged only by external appearances. After a social system has come to an end, it is easy to see its period of decline but before that period it may not be so obvious.

To re-iterate what I have written elsewhere⁷, decline is not the same thing as crisis and it is certainly not the concept of terminal crisis. A crisis brings the capitalist system to the point where it cannot function, whereas in decline there can be many crises each of which is solved in its own way, although the crises become increasingly difficult to solve without substantially altering the system itself.

Decline implies that the old system is coming to an end, even if it might take many years to do so, and hence that decline must show itself in the fundamental laws of motion or operation of that system. In the case of capitalism, that law of motion is value and so it is to value that we must look.

Decay and Disintegration as Forms of Decline

It is in the evolution of value into finance capital that we see the fundamental form of the decay of value, which provides us with another essential characteristic of the decline of capitalism. That is because finance capital is short-termist, parasitic on productive capital, and a liquid but ultimately controllable form of capital. It is abstract capital, abstracted from a use-value form. As such it can both organise capital as a class and shift itself with the speed of lightning from point to another, transforming itself without difficulty from money to capital to fictitious capital, that is controlling shares in industry, and back again. This enables it to close down plants at one location and open them at another, so disposing both of plant and workers in the first location in order to raise profits. It allows it to interlink closely with the illegal and/or illegitimate transfer of funds from countries with exchange controls. The estimate of 500 billion dollars being illegally exported annually from underdeveloped and transition economies is one example.⁸ The increasing role of criminal money is only possible with the domination of finance capital.

The fact that criminal activity is now a major provider of funds for the banking sector means that it has come of age. Drug dealing is now estimated to run into many hundreds of billions of dollars worth of trade on the world market, most of which is profit. The fact that criminal activity is now regarded as crucial in the former Soviet Union arises from the nature of modern capitalism impinging on a system which was inherently corrupt. In other words, the very forms of use-value have degenerated to

⁷ 'The Nature of an Epoch of Declining Capitalism', op. cit.

⁸ R. Baker, *Capitalism's Achilles Heel* (New Jersey: Wiley, 2005), p. 237.

the point that the capitalist state has declared them illegal. Nonetheless, business activity of this kind has reached enormous proportions. The legalisation of drugs would remove the illegality and the profits of illegality but the criminals would find other illegal forms in which to engage.

The point is that production has turned to more harmful forms of use-value and to a market which is not a market—but a black market or criminal market. Such a criminal market can embrace forced labour, forced consumption and of course compulsory monopolies. Clearly this market does not work on the basis of value and hence can rack up enormous profits. This criminal capital then constitutes crucial competition for legal capital, which does operate on the basis of value, even if in a more attenuated form than in mature capitalism. Such criminal capital is now universal with the Jakuza in Japan, the criminal nature of much private enterprise in the former Soviet Union, the Italian Mafia being integrated into business and the Italian state, and the American Mafia having gone legitimate.

I have discussed the nature of finance capital in an earlier issue of *Critique*⁹ and I will not go into any more detail here. There is, however, one crucial point that must be made. Finance capital is not just an aspect of modern capital it is its dominant form and hence the prevailing finance capitalist power, the USA, is necessarily the controlling force within capitalism itself. Since, however, finance capital can only exist by withdrawing capital from the productive sectors, producing both services and goods, it exists in permanent contradiction and conflict with industry and the productive services. That, in turn, leads to a division both within the capitalist class both within countries and between countries.

We have witnessed the evolution of finance capital from individual capitalist ownership to one where the nominal and legal owners of most shares on the stock exchanges are insurance companies and pension funds, who are nominally acting in the interests of workers who rely on those funds for their pensions. In turn, the real controllers of those funds are managers, who have to perform according to fixed criteria and have no interest other than the increase in money profits. While all capitalists are governed by profits, industrial capital can only increase profits through production of use-values, while finance capital can also increase its profits through the destruction of use-values, both directly and indirectly.

The forms of genocide which have occurred this century from the mass killings of the Imperialist powers to the industrial extermination of European Jewry have no place in the mature development of value. Industry requires skilled workers not their extermination. The modern forms of subjection of the working class including racial discrimination, ethnic divisions, anti-Semitism, national antagonisms and the widening differences between mental and manual labour maintain capitalism but are historically retrogressive and hinder productivity. When capitalism was in its heyday its own activities provided further ideological and physical support for the capitalist system. Commodity fetishism was engendered by the workings of capital

⁹ 'Finance Capital and the Transitional Epoch', op. cit.; 'Towards a Theory of Finance Capital', op. cit.

itself and it ensured that workers were atomised and saw capital as God-given, fair and eternal. It was, however, the development of finance capital into its imperialist form that ultimately led to the World Wars and it was the irrationalism of finance capital that allowed the emergence of Fascism, even if the bourgeoisie, by and large, did not like it.

It is only because workers are no longer so atomised, or fetishised by the powers of capital, that alternatives have had to be found. When capitalism is itself threatened with extinction those alternatives have taken on gruesome forms but even when capitalism has recovered, its apologetics remains regressive. Modern capitalist ideologies or pseudo-ideologies are degenerate in that they use reactionary and mythical justifications such as the existence of genetically determined absolute evil. Modern capitalist practice in this respect can also be degenerate. Factories may be closed down because of the high wages or militancy of workers; large factories may be broken up into smaller units in order to control workers, so losing the advantages of large-scale production. Monopolies or nationalised concerns taking advantage of the economies of centralisation and of scale are broken up in order to subject their workforces to better control. The contemporary emphasis on small business within a competitive framework is itself a reactionary utopia in so far as such business cannot compete on a national or international framework. To a large degree the emphasis on the small firm can only survive with government or corporate subsidies. The waste of resources so induced is considerable.

Most important of all is the enormous waste caused by large scale unemployment throughout the world. Modern capitalism has tried to recreate the reserve army but it has discovered that it can only do so through introducing hitherto unknown levels of unemployment. In underdeveloped and semi-developed countries the real, as opposed to IMF or government statistics, levels of unemployment can exceed half the population. In South Africa the post-apartheid government has been anxious to downplay the figures under conditions where levels of unemployment have consistently risen since it has entered government. Figures of 46–60 per cent were provided before 1994 and hence one has to conclude that the real figures are much higher than present day figures of around 40 per cent. Of course everything depends on the definition of unemployment but when drug smuggling, illegal enterprises of various kinds, activities amounting to the taking in of each others' washing are implicitly included in employment statistics for the so-called informal sector, it is clear that the economy is degenerate.

The mass production of weapons of destruction has reached levels greater than the amounts spent on drug smuggling. While it has become essential to modern capitalism, nothing could be more obviously useless or indeed harmful to mankind. Exchange value has triumphed over human need. At one level arms production serves as a use-value as it is accepted as a commodity which society wants in order to secure itself against real or imagined enemies. At another level, it is clear that such products are quite unnecessary for such a purpose and indeed in a more rational society would not be produced at all. Mandel, for instance, takes arms production to be a typical

example of parasitic production in late capitalism¹⁰. The continued and increased use of ever more sophisticated weapons for wars is itself clear evidence of the decline of civilisation and its effects can only be taken as evidence of decay. We have had the imperialist wars of conquest from the 1870s onwards, followed by highly destructive world wars and then by numerous lesser wars. The Iraq War could be described as a caricature of a war if it were not so serious.

These forms of decay: unemployment and its extreme form of mass unemployment in the third world, where the majority of the population are unemployed, failure to use the means of production to their full potential, degradation of labour power and capital with the use of drugs and criminal activity, the increasing gap between what labour power can produce and what it does produce, that is the increasing effect of alienation on production, the destruction of the means of production and of mankind itself are all manifestations of decay.

Decay, then, is a symptom of decline but it is not the decline itself. It reflects the way in which the laws of the system function less to develop the needs of mankind. This is either because the system itself produces confusion and so conflicting results, or because value has become separated from use-value with the result that money becomes an estranged end in itself. Indeed, to a degree, the declining system increasingly swings away from satisfying human needs, because the requirements of the ruling class stands increasingly opposed to those needs. Those parts of the society which can no longer be nourished by the drive of the system lack input and resources and so begin to decay.

In other words, there is an increasing gap between what could be produced in goods and services to provide for human need and what is actually produced. It is in this aspect of decline that we can see the most visible proof that the mode of production has outlasted its time. This is a subject that requires several treatises and I will only refer to three of the many aspects of what amounts to inefficiency and waste. First, is the enormous waste engendered by a system which does not use human talent to the full, whether because they are unemployed or doing tasks far beneath their capability, with all its associated inefficiencies. Second, there is the profoundly wasteful and inhuman nature of modern production of use-values and the associated advertising. This applies right across the board from the bloated expenditure on the means of warfare to junk food. Third, there is the considerable expenditure on the state and so the means of control over the population in terms of the associated police forces, bureaucratic supervision, judicial apparatus and the army.

The most extreme form of this gap occurs when the system itself is disintegrating without a replacement. At that point, two things are possible. The system can so disintegrate that the fabric of society itself is torn apart and people are forced to scabble about, individually, in what remains to make a living. Such a result has occurred in the Third World and in the Stalinist Soviet Union when it disintegrated. Indeed one can argue that the high rates of unemployment and endemic wars in parts

¹⁰ E. Mandel, *Late Capitalism* (London: NLB, 1975), p. 309.

of the third world are just such examples. Since the disintegration of the system is an ongoing process, the second option is that the ruling class loses control of the system without the working class taking power. In that case, a series of possibilities can open up. Given the power of the ruling class they may prefer to throw their weight behind the power of barbarism as in the case of fascism, even if they do not like it and even hate it. A whole range can exist between this case and that of distorted forms of appeal to the lower classes as in the case of religious fundamentalism and nationalism.

Consciousness

The decline of a mode of production must reflect itself in the consciousness of the classes that constitute its relations of production. In the past, this reflected itself in various levels of discontent and the formation of more or less utopian movements among the lower orders. In the case of capitalism, it can show itself in attempts to overthrow the system itself. Hence we can argue that the final element pointing to the decline of capitalism lies in the fact that capitalism itself has actually been overthrown albeit in only one part of the world. The Russian Revolution of October 1917 may have been undone by Stalinism but the fact that capitalism itself was replaced in one part of the world produced an irreversible change in capitalism. Until that point, the capitalist class saw itself as eternal and without challenge. Thereafter they had to both alter capitalism to concede to social democratic demands and provide new means of repression. The concessions dovetailed with the evolution of capitalism towards greater centralisation and government control and so the alteration of value and the limitation of the market. The forms of repression included the acceptance of anti-democratic and often horrific regimes from Nazi Germany to Pinochet's Chile. While capitalism was maintained through the use of force, the economic effect was counterproductive in the short and long run, even if profits were often raised. Paradoxically, today capitalism is taking its stand on democracy. While most observers see this as hypocritical and as another form of control, it has to be noted that the democratic forms themselves are in large measure a concession induced by the power of the labour movement, as well as by the effect of the Russian Revolution itself.

Confusion and Irrationalism

The level of categorical conflict and class complexity in a declining capitalism makes analysis difficult. Confusion reigns. Where are three sets of laws are operating, those of mature capitalism, those of a declining capitalism and those of a transition to socialism it is hard to understand the forces at work. In classical mature capitalism commodity fetishism reigned but to the extent that groups could overcome it and individuals see beyond it, the class nature of the society and the form of extraction of the surplus product was clear. In a declining capitalism, the laws and future of the

society remain opaque without a profound theoretical analysis. Exploitation and oppression might be seen but the exact mode of operation is complex and hence the struggle to overthrow it might appear too difficult to attempt. While the working class needs its theory more than ever, the situation for the capitalist class is also desperate. The opacity of their situation drives them to pragmatic solutions, and in some cases where they see no solution they end up with an irrational result.

Summary and Conclusion

I have argued that the decline of capitalism is manifested in a series of forms. First, underlying them all is the fact that capital has found increasing difficulty in finding mediating forms to deal with its contradictions. Second, this has shown itself in the use of inhuman and counterproductive social forms—the parasitic form of finance capital, imperialism and never ending wars. Third, the increasing socialisation of production which underlies the difficulty in finding mediating forms has begun to transform the nature of value itself. As we approach the new mode of production value is more and more assisted, or in some cases taken over, by organised forms. This has led to the rise of both public and private bureaucracy. Fourth, there is a necessary conflict between the old form—value and the market—and the emerging if still capitalist form of so-called planning. Neither can fulfil the requirements of the economy or the needs of the capitalist class but the latter moves from one to the other both in the name of efficiency and reform but in reality as means of control over the working class. Fifth, there is an increasing gap between what could be produced in the interests of mankind and what is produced, or in technical terms between the actual surplus product and the potential surplus product. Finally, the system itself generates its own alternative consciousness in the working class and it has struck a blow against the system in 1917, which has profoundly altered the system.