THE DECLINE OF CAPITALISM

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Moshe Machover and others have argued that capitalism is not in decline because all material evidence shows the contrary. The standard of living has risen, technology is constantly improving and the market is extending itself. Above all, capitalism itself does not seem to be dying. If this was all there was to the problem then the case would be proven.

THE EMPIRICAL QUESTION OF DECLINE

It is necessary to make a number of distinctions not made by Machover at all. There is a disparity between a terminal crisis and a crisis and furthermore there is also a difference between a crisis of whatever kind and decline. The Roman Empire declined for centuries before being overthrown. A system could decline for a long time and undergo numerous crises from which it emerged intact in that period. On the other hand, the system might go into a terminal crisis, which it might not be able to survive. Moshe Machover has confused these various terms. I argue in what follows that capitalism is in decline and has been in decline for over a century. This is the classical Marxist position, of Marx, Lenin, Trotsky etc, as I understand it. I am not sure that Machover would necessarily want to contest this point but he does appear to be doing so. Indeed it is hard to stand on a Marxist position and not argue for decline. After all dialectical movement involves the coming into being of the entity, its maturing and its final decay. Dialectical movement inevitably leads to the decline of the entity. It is, of course, possible that Marxism is wrong and that capitalism is not in a stage of decline. It is also possible that Marx was wrong when he saw capitalism in decline and that although there is a stage of capitalist decay it has not reached it in spite of the views of the classical Marxists.

The first empirical problem with these kind of viewpoints is that they involve an argument that capitalism did decline at one point and then revived. The period of the first world war, the Russian Revolution, the enormous instability of interwar Europe, the depression, the rise of Fascist barbarism etc all speak of a capitalism which has endemic civil wars, revolutions and long-term economic crises. The Post-war period, on the other hand, saw an enormous revival. Growth, full employment, the welfare state and only
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Minor crises seem to imply the opposite of the pre-war period. Industrial growth replaced the stagnant dominance of finance capital, while the standard of living of the population rose a multiple of the whole rise in the previous century. Clearly capitalism seems to have revived. What, however, is the meaning of decline?

Capitalism is not in a terminal crisis at this point in history. It is clearly not about to be overthrown. We are not in a revolutionary or pre-revolutionary situation in the world. That does not mean, however, that capitalism is not in decline.

We can have two interpretations of the events of this century. We can argue that capitalism took a blow in the pre-war period but has recovered by finding a new though essentially capitalist solution to its problems. We can also argue, however, that capitalism has not solved its problems at all but made huge concessions to the working class such that it has negated the very essence of capitalism.

Any system can obtain a respite from its necessary demise by making concessions such that it prolongs its ostensible life by easing the transition to the new society. Is this what has happened? Clearly something has happened.

The first view is held by various Italian and French theorists, who see capitalism in terms of capitalist strategies rather than in the dialectical interplay of the movement of laws and the class struggle. If we reject both the Fordist and post-Fordist argument, however, there is only the question of the nature of capitalist laws in the present epoch. It is impossible to abstract from the real compromise that such theorists often make with Stalinism for it is surely Stalinism itself which has made possible the whole post-war period by preventing any working-class action whatsoever. I would argue that all action by the working class in the post war period was so hindered by Stalinism that a socialist revolution became impossible. This happened either directly through Stalinist management and sabotage or indirectly by ruining the alternative. Even the countries which went Stalinist like China, Vietnam, Cambodia, Laos, Cuba and Yugoslavia only dropped out of the world market. They did not go socialist. As a result capitalism has enjoyed an unprecedented period of stability.
We are in a critical situation today nonetheless. Capital seems to have won against Stalinism, which was after all its own creation, but the level of unemployment is high in many developed countries, and very high in underdeveloped countries, and the standard of living has been static or dropping in many countries of the world including the United States. Accumulation of capital today is not threatened with its own overthrow but it is limited and contained. It has taken grotesque forms both in terms of military expenditure and in the nature of consumption. It is not a question of the quality of accumulation but of the increasing difficulty capitalism has found in investing capital.

THE ESSENCE OF DECLINE

The theoretical question of the nature of the decline remains. If we start from the proposition that capitalism must be understood in terms of its laws of motion then it is the law of value which is in decline and hence the social relations underlying the law of value. Indeed it is necessarily the case that as capitalism develops the division of labour becomes increasingly integrated. In Marxist terminology, the socialisation of labour can only grow with the accumulation of capital. Such socialisation includes the growth of giant firms and so permanent monopolies, an increasing degree of government intervention, whether through nationalisations or through the use of monetary policy and other instruments, and the growth of bureaucracy both within firms and the government and state apparatus. One can also argue that it lies at the origin of the expansion of non-value sectors like health and education.

The result is that monopoly becomes so much part of pricing policy that all prices become monopoly prices and hence the law of value stands ever distant from prices. It is not that it has ceased to govern but today it is only at distant level of totality. The usual Marxist argument was in terms of prices of production which might be altered by monopoly pricing whereas it looks much more today as if pricing is only monopoly pricing.

The sphere of action of the law of value has also been directly limited through the necessary expansion of the non-value sectors of both health and education as well as of the arms sector, which has been governed only by political considerations. Governments have also intervened in a number of other sectors such as transport and housing. They have both built cheap working class housing and subsidized housing through various devices...
including special concessions in relation to taxation. The list of forms of government intervention is really inexhaustible.

It is, however, argued that modern governments have introduced so-called deregulation and privatisation policies which have succeeded in returning property to private owners. What is missed out, however, is that governments have not intervened less in the economy while many of these policies are of a very temporary and unsustainable nature. In Britain, for instance, the privatisation of the various utilities has continued to mean that the rate of profit of the different firms are supervised by special bodies. It could not be any other way given the necessary monopoly power of those bodies.

The problem is that the social relation of capitalist and worker is necessarily changed. When workers are in the national health service or in education they are in a different relationship from workers in productive labour. But even workers in productive labour are not in the same relationship that they were 50 years ago. The welfare state and the commitment to full employment and growth changed the worker/capitalist relationship. Most important of all the reduction or elimination of the reserve army of labour had been critical in the postwar period. The point is that the capital/labour relation remains but its form has changed. Part of the effect has been the huge rise in the bureaucratic apparatus both in industry and outside it and the large number of administrative rules that individuals have to follow. Put differently the old form of control through commodity fetishism, and so value, and the reserve army of labour no longer operates with momentous results. A whole new politics has followed, which has been rendered conservative because of the identification of socialism with bureaucracy. By being so conservative the system remained stable.

In other words, social democracy and Stalinism have been essential to the postwar boom. Of the two, social democracy was the dependent partner so that now that Stalinism has gone the whole postwar economic consensus and growth are probably at an end. It will become increasingly dangerous to maintain the old welfare state. It had already becoming too costly both economically and politically by 1973 but the demise of Stalinism makes it almost revolutionary.

The decline of the law of value has been accompanied then by the emergence of new transitional forms, which have apparently given capitalism a new lease of life. These new forms cannot be regarded as simply new
additions to the law of value making it work ever more efficiently as some would see it. They certainly have permitted capitalism to continue to function but at a price. It is this price which constitutes a source of disagreement.

The various forms whereby the law of value has been replaced or supplemented constitute, in my view, forms which also contradict the operation of the law of value. As argued above they also and necessarily change the relations of production. Concretely nationalisation prevents capitalists taking part in a particular sector. Furthermore, individual capitalists normally object to such a nationalised sector, such as a local government construction firm, operating without controls as they cannot compete with such firms. Clearly there is nothing to stop, for instance, a nationalised construction firm from undertaking all government construction if the government so prefers or for that matter all construction which covers its marginal costs, as long as government operations cover its fixed costs. While government sectors often have the potential for unstoppable expansion unless reined in, the interface between the government and the private sector has become even more corrupt than in earlier periods. Private construction firms operating for the local councils has been notoriously corrupt but the arms sector is equally notorious for overcharging the government. The point is that prices and profits are determined outside of value and the social relation becomes a combination of administrative or bureaucratic relations and capitalist/worker relations.

The same argument applies mutatis mutandis to the nature of the giant monopoly firms. Overall, the result is that social relations become increasingly bureaucratic. When Marx argued that the evolution of the joint stock company showed that the capitalist was otiose, or Engels talked of the invading socialist society they were in fact pointing to the nature of the decline of capitalism and its transition to socialism. That the actual transition might require a revolution to remove the ruling class is quite clear but any movement to socialism itself must involve a change in the nature of capitalist society the closer it comes to a socialist society.

Apart from the productive forms there has also been a growth of forms which have historically been regarded as parasitic. I have tried to discuss this question in Critiques 16 and 17 and shall not repeat the detailed argument here. In short finance capital acts as a parasite withdrawing capital from the productive sector so destroying its host. Capital has, in fact,
limited the evolution of finance capital in order to avoid permanent depression, which reflects the nature of finance capital itself. It has become the abstract internationalist and conscious form of capital itself. Self-conscious capital has attempted to prolong its own life by a series of political and economic measures. Again this could be regarded as a further successful evolution of capital or, in my view, its opposite. The development of capital to the form where it has to act outside of the law of value itself, through direct forms of organisation, is a reflection of the moribund nature of capitalism. Where capital is not spontaneously self-expanding but consciously planned to ensure the survival of the system rather than the growth of production it is surely on the threshold of change.

The new society grows in the womb of the old, says Marx. The point, however, is that the form in which the new society grows in that womb has been different in the case of each transition. In the case of the movement away from capitalism the new society cannot actually come into existence as the law of planning presupposes that the proletariat is itself in power but surrogate forms can come into existence. Proto-forms of planning have clearly come into existence. There is more organisation than ever in history in our society. The problem is that such forms are neither capitalist nor socialist and hence they cause capitalism to malfunction but also at times turn the population against socialism to the degree that they wrongly identify these proto-forms with socialism.

We have to take another step and argue that at a certain point in this double process of the decline of capitalism and a transition to socialism, each of which has its own laws even if they are closely interwined, the failure of socialism to come into being causes the evolution of monstrous forms and threatens the world with the possibility of barbarism. Indeed barbarism has already arrived with Stalinism and Fascism and wars. The point, however, is that the forces of production are increasingly railing against the relations of production producing either revolutions or forms which transform the market.

In concrete terms the decline of capitalism is increasingly showing itself in terms of an enormous growth in the gap between the actual production of use-values and the potential of the productive forces. Never has the contradiction between use-values and exchange-values been sharper.