

This means that surplus labour is extracted from the working class through at least two mechanisms during the stage of monopoly capital rather than merely one: in addition to the extraction of surplus value in the labour process itself through the wage contract, surplus value is appropriated in the sphere of circulation through the manipulation of monopoly prices. Why don't workers then organize and force monopoly capital to pay wages equal to the "true" value of labour power? The answer, of course, is that the working class *in the monopoly sector* does precisely this, and by and large wages in the monopoly sector have tended to rise approximately at the same rate as productivity. But workers outside of the monopoly sector of the economy have not been able to raise their wages in a comparable manner. The result is that monopoly sector capitalists in effect extract surplus value from competitive sector workers (and transfer surplus value from competitive sector capitalists) through the mechanism of monopoly pricing. The upshot of all this is that the aggregate rate of surplus value under conditions of monopoly capital rises more rapidly than productivity, and thus the general problem of underconsumption becomes even more acute.

Two general social processes have evolved which at least partially counteract this tendency towards underconsumption in monopoly capitalist society. The first has already been mentioned: the invention and growth of Keynesian policies designed to stimulate aggregate demand through the expansion of unproductive spending, primarily by the state. Such spending has the secondary consequence of bolstering the confidence of investors in the stability of the economy, and thus fostering a higher rate of accumulation. Thus, in equation (5), the growth of dU'/dt becomes a stimulus for the growth of dI'/dt and consequently, for a further reduction in underconsumption pressures.

Second, the growth of collective bargaining may have the effect of reducing the rate of increase in the rate of surplus value itself. In the equilibrium condition in equation (5) this would

monopoly can redistribute value from variable capital to surplus value and thus increase the rate of exploitation. While in Marx's own time the occurrence of monopoly may have been sufficiently rare to make this process of relatively little significance, this is hardly the case at the present time.

mean a reduction in dr/dt and thus a reduced pressure towards underconsumption. Especially in monopoly sector industries, where wages since the war have been fairly closely tied to productivity increases, the gradual rise in the wage has undoubtedly lessened to some extent underconsumption tendencies. The continued growth of monopoly power, however, has at least partially neutralized this counteracting process, since much of the productivity wage increases has in turn been passed on to the working class as a whole in the form of monopoly pricing. As we argued above, this has the effect of further increasing the rate of surplus value for capital as a whole.

The most serious weakness in the underconsumptionist position is that it lacks any theory of the determinants of the actual rate of accumulation. The falling-rate-of-profit theorists have a specific theory of the determinants of the rate of accumulation. In equating the rate of profit with the rate of accumulation, they see a combination of the organic composition of capital and the rate of exploitation as the basic determinant of the actual rate of accumulation. Since they view the organic composition of capital as rising and thus constantly pushing down the rate of profit, the assumption that the rate of profit and the rate of accumulation are equivalent does no damage to their general argument. If anything, the impact of the rising organic composition of capital would be even greater if not all profits were accumulated.

In the underconsumption argument, however, the rate of profit and the rate of accumulation cannot be equated. If they were, there would not be a tendency for underconsumption (i.e., there would be no need for the rate of unproductive spending to increase). Much underconsumptionist writing has, at least implicitly, opted for Keynes' solution to this problem by focusing on the subjective anticipations of profit on the part of capitalists as the key determinant of the rate of accumulation. From a Marxist point of view, this is an inadequate solution. I have not yet seen an elaborated theory of investment and the rate of accumulation by a Marxist underconsumptionist theorist, and thus for the time being the theory remains incomplete.

3. Theories of the Profit Squeeze

Both underconsumptionists and organic-composition-of-capital

theorists maintain that with capitalist development there tends to be a rising rate of surplus value. Where they differ is in their view of the relationship between this rising rate of surplus value and the movements of the rate of profit. The organic-composition theorists insist that changes in technology within the production process itself tend to negate this rise in the rate of surplus and thus produce a fall in profits; underconsumptionists argue that the forces for a rising surplus tend to be stronger than any counterforces, especially under conditions of monopoly capital.

The proponents of the profit squeeze view of crisis agree with the organic composition theorists that the rate of profit tends to fall, but they disagree that this has anything to do with changes in technology, and they disagree with both the organic composition theorists and the underconsumptionists that there is any tendency for the rate of surplus value to rise.

The essential argument of the profit squeeze is very simple: the relative share of the national income going to workers and to capitalists is almost entirely a consequence of their relative strengths in the class struggle. There is therefore no intrinsic reason for wage struggles to be limited, even in the long run, to demands that real wages should rise merely as rapidly as productivity. To the extent that the working class develops a strong enough labour movement to win wage increases in excess of productivity increases, there will be a tendency for the rate of profits to fall (to be "squeezed" by rising wage bills). Such a decline in profits results in a corresponding decline in investments and thus even slower increases in productivity. The end result is economic crisis. Conditions for profitability are restored to the extent that as the reserve army of the unemployed grows during a crisis, the bargaining strength of the working class relative to capitalists declines and thus the profit squeeze is lessened.

The profit squeeze thesis has been used both as an explanation for business cycles and as a theory of structural crisis. Raford Boddy and James Crotty have applied the profit squeeze argument to an analysis of the relationship of macroeconomic state policy to the business cycle. They write:

"Throughout the post-World War II, post-Keynesian period, the profit share of income, indeed the absolute level of

profits, has fallen in the latter half of every expansion. Correspondingly, wages and wage share have risen. We view the erosion of profits as the result of successful class struggle waged by labour against capital—struggle that is confined and ultimately reversed by the relaxation of demand and the rise in unemployment engineered by the capitalists and acquiesced in and abetted by the state."⁴³ Cyclical downturns in the economy are thus portrayed primarily as devices for disciplining the working class.

The most extended attempt to use the profit squeeze argument as the basis of a theory of structural crisis rather than simply business cycles has been made by Andrew Glyn and Bob Sutcliffe in an analysis of the stagnation of British capitalism since the mid-1960s.⁴⁴ They argue, contrary to the usual axioms of modern economics that the share of income going to labour and capital has remained constant throughout the century, that if the shares are measured properly, there has been a very definite trend for the share going to labour to increase. Furthermore, they argue that in Britain especially this trend has substantially accelerated since the end of the Second World War, and especially since the mid-1960s. Glyn and Sutcliffe view this rise in the share going to labour as largely the result of the strength of the labour movement. This is especially important given the present international position of British capital. Because of intense international competition and the elimination of most British tariff barriers, British capitalists have a great deal of difficulty passing on wage increases in the form of higher prices, while simultaneously they find themselves less and less able to resist wage demands because of their vulnerability to strikes. Since most of the competition between British monopoly capital and foreign monopoly capital takes the form of struggles over shares of the market, a strike of even moderate length can have a devastating effect on the future prospects of the British capitalist. Whereas traditionally large capitalists have always been able to hold out longer in a strike than their workers, this is less and less the case, especially with

43. "Class Conflict and Macro-Policy: the Political Business Cycle", *Review of Radical Political Economics*, Vol. 7, No. 1, 1975, p. 1.

44. See "The Critical Condition of British Capital", *New Left Review* No. 66, 1971; and *British Capitalism, Workers and the Profit Squeeze*, London 1972.

more substantial strike funds and government welfare programmes providing at least a minimal subsistence to a striking family. Finally, because of the strength of the union movement, the increase in unemployment that has accompanied the deepening crisis has not led to the usual readjustment of wage rates and a restoration of an adequate rate of exploitation. Thus, the current crisis of British capitalism is fundamentally deeper than earlier crises since the normal social mechanisms for reversing the profit squeeze have been undermined.

The profit squeeze thesis has been sharply criticized, especially by proponents of more orthodox rising organic composition of capital theorists. Perhaps the most general criticism is that theories of the profit squeeze have adopted what is often called a "Neo-Ricardian" view of the relationship of profits to wages.⁴⁵ Instead of profits being seen as realized surplus value, profits are viewed as a deduction from wages. The balance between wages and profits, therefore, is seen as determined through struggles at the level of circulation rather than through dynamics determined at the level of production.

While it is fair enough to argue that theories of the profit squeeze do tend to de-emphasize class struggles at the level of production, nevertheless the accusation of neo-Ricardianism is not entirely appropriate. Marx certainly recognized the role of class struggle over wages as an essential part of the historical process by which the value of labour power is established, and thus as part of the process by which profits are determined. In *Capital*, Marx writes: "The fixation of the value of labour power . . . is only settled by the continuous struggle between capital and labour, the capitalist constantly tending to reduce wages to their physical minimum and to extend the working day to its physical maximum, while the working man constantly presses in the opposite direction. The matter resolves itself into a question of the relative powers of the combatants."⁴⁶

The rate of profit is a consequence of a plurality of concrete processes:

45. See especially Ben Fine and Lawrence Harris, "State Expenditure in Advanced Capitalism—A Critique", *New Left Review* No. 98, 1976, and David Yaffe, "The Crisis of Profitability, A Critique of the Glyn-Sutcliffe Thesis", *New Left Review* No. 80, 1973.

46. *Capital*, Vol. II, Chicago 1906, p. 443.

- 1) class struggles over the standard of living of the working class (real wages);
- 2) the productivity of labour in the wage goods sector, which determines the value embodied in the standard of living of workers;
- 3) class struggles over the length of the working day and the intensity of labour, which determine how much total value workers generate in a given day;
- 4) the organic composition of capital.

The first two of these factors determine the value of labour power. When combined with the third factor, they determine the rate of surplus value (s/v), and when combined with the fourth factor, the value rate of profit ($s/c+v$).

The profit squeeze theorists may be criticized for focussing too exclusively on the first of these elements and failing to link wage struggles to other aspects of accumulation, but it is hardly a valid criticism that they view struggles over wages as one determinant of the rate of profit.

The question remains, however, whether the empirical case made by the defenders of the profit squeeze is credible. Has the rise in wages of workers in fact tended to "squeeze" profits in recent years? There has been considerable debate on both sides of this issue, and it is clear that the extent to which wages can be viewed as pressing on profits depends heavily on exactly how wages and profits are measured. However, even if we accept the operationalizations offered by Glyn and Sutcliffe or Boddy and Crotty, the empirical basis of the theory still remains very problematic. The essential difficulty lies in the relationship between the share of national income going to wages and the basic categories of Marxist value analysis. To explain this issue requires a brief discussion of the very tricky concept of "unproductive labour".

While there are immense difficulties in rigorously operationalizing the distinction between productive and unproductive labour, it is certainly clear that not all labour power is employed productively in capitalist societies, i.e., not all labour actually produces surplus value. The wages of unproductive workers impinge on the rate of profit through a very different logic from the wages of productive workers. There are two ways of expressing this relationship. The most common way of deal-

ing with this issue has been to treat the wages of unproductive labourers as a direct deduction from surplus value. The unproductive worker, in these terms, is treated exactly the same as a private servant who provides a service for capitalists and is hired for the immediate use value of the worker's labour rather than its exchange value. In this conception the value relations are as follows:

$$C + V + S_u + S_a = P$$

where S_u is the proportion of surplus value which must be devoted to pay for unproductive labour, and S_a is the part of surplus value available for accumulation. Increases in S_u directly reduce the effective rate of profit by reducing the numerator in the value rate of profit.

An alternative way of conceptualizing the relationship of unproductive labour to the value equations has been suggested by Mage.⁴⁷ Mage argues that unproductive labour should be treated as a special form of constant capital, "living constant capital" if you will. Like the usual forms of constant capital, most unproductive labour is socially necessary for production, it constitutes a fixed overhead cost of production, and it transfers its value (reproductive costs) to the final product, but without creating any new value (surplus value). In these terms, unproductive labour appears in the value equation as:

$$C + C_L + V + S = P$$

where C_L is "living" constant capital. In this representation, increases in unproductive labour reduce the rate of profit by increasing the denominator of the value rate of profit.⁴⁸

Regardless of which of these formulations is adopted, it is clear that if the employment of unproductive labour increases as a proportion of total labour at a faster rate than the increases

47. *The Law of the Falling Tendency of the Rate of Profit.*

48. This second way of representing unproductive labour in the value equations stresses that constant capital, like variable capital, is not a "thing", but a social relationship. Constant capital is no longer defined as the physical inputs into production, but rather as those socially necessary inputs into production, physical and human, which simply transfer their value to the final product without increasing total value. This conceptualization has interesting implications for the analysis of the organic composition of capital. While it might be difficult to demonstrate that $C/v+s$ or c/v has risen dramatically in the past thirty years or so, it is certainly the case that $(C+C_L)/(V+S)$ and $(C+C_L)/V$ have risen.

of productivity of productive labour, then there will be a tendency for the rate of profit to decline. This is especially clear when unproductive labour is seen as a direct deduction from surplus value: every increase in unproductive labour in this formulation immediately reduces the effective rate of profit.

The difficulty, then, with the data of the profit squeeze theorists is that they are incapable of distinguishing between two situations: a) situations in which profits are squeezed because of rising wage costs; and b) situations where profits are squeezed by increasing employment of unproductive labour. The share of national income going to wages includes both of these processes. To the extent, therefore, that there are general tendencies in monopoly capitalism for unproductive labour to increase, the empirical phenomenon of increasing labour shares of national income could have little to do with successful struggles over wages.

The empirical case for the profit squeeze argument thus remains to be proven. Nevertheless, the profit squeeze argument has the considerable merit of emphasizing the central role of class struggle in the accumulation process. Even if it remains to be demonstrated that rising real wages have been the central cause of declining profits, class struggle and class organization can still impinge on the rate of profit in several critical ways. First, the resistance of workers to layoffs due to technological innovations (featherbedding) may act as a brake on the rate of technical innovation and thus on increases in the productivity of labour. Such a slow-down in innovation in turn makes it more difficult for capital to raise the rate of exploitation in response to declines in the rate of profit (whatever the cause of that decline).

Secondly, the strength of working class organizations can act as a political brake on inflation, and can thus make it more difficult for capital to compensate for deteriorating profits through price rises. Inflation is a weapon in the class struggle; it is one of the ways by which capital can attempt to lower the value of labour power, and thus raise the rate of exploitation. As Bob Rowthorn has argued, the obstacles to the effective use of inflation as a way of pushing down real wages in Britain are to a great extent political rather than simply economic.⁴⁹

49. "Late Capitalism", *New Left Review*, No. 98, 1976, pp. 76-77.

Finally, the existence of substantial programmes of unemployment insurance and welfare in most advanced capitalist countries have meant that the disciplining effects of the reserve army of the unemployed have been seriously attenuated. A reduction in the rate of exploitation due to wage struggles may not have been the underlying cause of the current economic crisis, but the difficulty in raising the rate of exploitation may be one of the reasons for the persistence of the crisis.

4. State Expenditures and Accumulation

Marxist theories of accumulation and crisis have generally conceptualized state activity as unproductive in a double sense: First, state *revenues* (principally taxes) are seen as coming out of the existing pool of surplus value, and thus increases in state spending necessarily imply less surplus value available for accumulation. Secondly, state *spending* is seen as unproductive since under normal conditions the state does not engage in direct investment in the production of commodities.

In the underconsumptionist model of crisis this unproductive quality of state expenditures constitutes the central mechanism by which crisis is averted or at least minimized; in rising-organic-composition models, the expansion of such unproductive expenditures is seen as a critical factor which exacerbates the inherent crisis tendencies in the system. In both theories, however, state activity is seen as largely unproductive and as absorbing an increasing share of the surplus value produced in the economy.

This traditional conception can be criticized both in terms of its view of the *sources* of state revenue and of its view of the *impact* of state spending.

The view that all taxes constitute a tax on the *existing* pool of surplus value is based on a mechanistic and static interpretation of the meaning of the value of labour power. Since taxation clearly reduces the money wages of workers, the view that all taxes come from surplus value implicitly assumes that prior to taxation wages were above the "true" value of labour power. Taxation then merely appropriates that part of the surplus value which had previously been in the disguised form of an inflated money wage. The implicit logic is that if taxation did

not occur, wages would be reduced to the present after-tax level anyway. In other words, if the state did not tax this surplus value it would be available to the capitalist for accumulation. These assumptions are at best dubious, if real wages and taxation are seen as at least partially the outcome of class struggle. Because of the enormous weight of the state's power of legitimation, it is reasonable to assume that many workers are willing to accept a level of taxation on their money incomes greater than a corresponding wage cut that might occur in the absence of such taxes. In this sense taxation actually reduces the value of labour power rather than merely reduces the money wage of labour power to its "true" value. Taxation, of course, cannot itself create *value*, but taxation can increase the part of total value that is appropriated as *surplus value*. Tax exploitation did not die with the feudal mode of production just because wage exploitation became the dominant way that surplus is extracted from workers in capitalist society. Thus, taxation, like monopoly pricing, can potentially expand the rate of surplus value. This is not to say that there are no limits to the extent to which taxes can have this effect, and certainly not that all or even most taxation in fact expands surplus value, but merely that the assumption that all taxation constitutes a drain on existing surplus value is incorrect.⁵⁰

Quite apart from the relationship of taxation to existing surplus value there is the question of the impact of taxation on the subsequent production of surplus value. It is certainly true that with very few exceptions, state production is itself not production for the market and thus the state does not accumulate capital out of any realized profits from its own production. Most state expenditures therefore do not *directly* produce surplus

50. It would be an extremely difficult task to obtain a reasonable estimate of the extent to which actual taxes come out of existing surplus value and the extent to which taxes increase the effective rate of exploitation. An examination of how much money wages tend to increase with increases in the rate of taxation would help to give some indication of the relative proportions. If money wages increase exactly in step with increases in total taxation so that real wages are never reduced by taxes, then it would be reasonable to say that most taxes are taxes on existing surplus. This is an empirical question and I have no basis for predicting a particular *a priori* ratio between surplus absorbing and surplus expanding taxation.

value.⁵¹ But as O'Connor has thoroughly argued, this does not preclude the state from playing an important role in *indirectly* expanding surplus value and accumulation. Many state expenditures have the effect of reducing the reproduction costs of labour power by socializing many expenses that would otherwise have to be paid for by individual capitalists (medical care, training and education, social security, etc.). Furthermore, a great deal of state spending on research and development, transportation infrastructures, communications, etc. have the effect of increasing the level of productivity of capital as a whole, and thus contributing to accumulation. Even in terms of classical, wasteful Keynesian demand-maintenance state interventions, such state spending may have the side effect of increasing capacity utilization and thus increasing productivity. Again, this is not to say that such indirectly productive expenditures are necessarily the dominant mode of state activity, but rather that it is incorrect to see the state's role in the accumulation process as simply being a drag on accumulation.

Given that to some extent taxes as a mechanism of exploitation can expand surplus value and that to some extent state spending can expand accumulation, what is crucial to analyse is not merely the forces which produce a general expansion of state activity, but the extent to which these forces selectively expand the unproductive or (indirectly) productive activities of the state, and the extent to which surplus-expanding or surplus-absorbing taxation tends to grow more rapidly. Little can be said about the latter issue. The current growth of the so-called "tax-payers revolt" in the USA might indicate that the growth of surplus-expanding taxation has reached some sort of limit. Certainly the general battering that the legitimacy of the American state has taken in the last several years would tend to reduce the state's capacity to use taxes as a mechanism for extracting extra surplus value from the working class. At any rate, for the rest of this discussion we will assume that there has not been any major trend one way or the other in the balance between surplus-expanding and surplus-absorbing taxation.

51. This has been well argued by Yaffe and, in a very different context, by Offe: see "The Marxian Theory of Crisis", pp. 216–227, and "Structural Problems of the Capitalist State".

More can be said about the relationship between unproductive state expenditures and indirectly-productive state expenditures. Given the underconsumptionist tendencies inherent in monopoly capitalism, it is obviously necessary for unproductive expenditures to grow more rapidly than productive expenditures. The growth of classical Keynesian make-work and waste programmes, military spending and welfare all reflect this requirement. There are several critical contradictions contained within this role of the state, however, which disrupt the smooth adjustment of unproductive state spending to the needs of monopoly capital.

1) *Contradiction of legitimation and accumulation*: The state does not merely serve the function of facilitating accumulation through demand maintenance; the state also serves a vital legitimation function in capitalist society which helps to stabilize and reproduce the class structure as a whole. The legitimation function directs much state activity towards coopting potential sources of popular discontent by attempting to transform political demands into economic demands. The expansion of Keynesian programmes beginning in the 1930s created a perfect political climate for state spending to expand dramatically such legitimating expenditures. For a long time it appeared that the state in effect could kill two functional birds with one economic policy stone.

The difficulty, however, is that once a demand on the state to provide some social service or meet some social need is granted and becomes institutionalized, it becomes viewed as a right. There is a certain logic to legitimation which means that the political apparatus gets progressively diminishing returns in added legitimation for a given programme over time. Once a programme becomes seen as a right, the continuation of the programme adds little to the legitimacy of the state whereas a cutback in the programme would constitute a source of delegitimation. There is thus not only a tendency for programmes once established to continue, but a constant pressure on programmes to expand, regardless of the requirements of the accumulation process. The hypothesis can therefore be advanced that once Keynesian demand maintenance programmes become bound up with the legitimation functions of

the state, there is a tendency for unproductive spending to rise more rapidly than the requirements for realization of surplus value.⁵²

2) *State spending and productivity.* The growth of state spending tends to dampen increases in productivity in two respects. First of all, internal to the state itself, the mechanisms for encouraging increases in productivity are much weaker than in the private sector. This is true both because most state activity is fairly shielded from direct market pressures and because many of the activities of the state are intrinsically difficult to rationalize. Secondly, the impact of much state spending on the economy as a whole often tends to constrain productivity increases. Perhaps the clearest example of this is military spending, especially as it is organized in the United States. Corporations which are major suppliers of military hardware are guaranteed a given profit rate by the state (especially in "cost-plus" contracts) and are thus under relatively little pressure to modernize and innovate in the production process. While there are occasional technological "spin-offs" from military spending which may partially counteract this damper on productivity, it seems unlikely that such technological advances completely balance the negative effects. As a result of these two factors, there will be a tendency for the expansion of state activity to act as a brake on productivity increases in a capitalist society.

3) *The weakening of mechanisms of crisis management.* The usual scenario for crisis and recovery is that in a crisis the least productive capitals are wiped out, capital is devalued, and conditions for profitable accumulation are restored. The growth of monopoly capital and especially of the dominant role of the state in regulating the economy tends seriously to weaken this restorative mechanism. This is most obvious in the case of corporations who become locked into production for the state.

52. Military spending has an additional contradictory aspect which under certain circumstances can become extremely important; there is no necessary reason for the imperatives of military spending generated by imperialism to coincide with the imperatives generated by accumulation. In the case of the United States, the Vietnam War in the late 1960s is an example of a period where these two imperatives were quite contradictory. See Clarence Lo, "The Functions of US Military Spendings", *Kapitalstate*, No. 3, 1975.

Partially because of the personal ties between the corporate elite and the state apparatus (especially in the military-industrial nexus) and partially because of the social dislocation that would result from the bankruptcy of a major monopoly corporation, the state finds it very difficult to abandon a major corporation, even if that corporation's productivity declines drastically (witness the enormous subsidies of a notoriously inefficient and unproductive corporation, Lockheed). Even outside those companies which produce mainly for the state, the state is forced to underwrite the low productivity of many sectors of the economy in order to avoid major disruptions (the railroads in the U.S. are a good example).

Keynesian state policies also tend to undermine crisis management mechanisms on the side of labour. As discussed above in the section on theories of the profit squeeze, the expansion of state welfare programmes, unemployment insurance, etc., has weakened the reserve army of labour as a mechanism for disciplining the working class. In periods of underconsumption, such programmes appear as one way of increasing aggregate demand. If it was possible instantly to abolish such programmes as soon as they ceased to be functional for capital, then they would pose little problem. The legitimation costs of such a retrenchment, however, are unacceptable, and while there have certainly been attempts in numerous capitalist countries to cut back on welfare programmes in the current crisis, the basic contours of those programmes have remained intact.

The upshot of these contradictions in the role of the state is that Keynesian policies tend to become progressively more and more out of proportion to the requirements of accumulation. Although those policies originally emerged as a response to the problem of excessive surplus (as portrayed by the underconsumptionist model), the end result is that they begin to act as a drain on the surplus value necessary for accumulation (the image of crisis in the rising organic composition model). That is, in spite of the necessity for waste in the era of monopoly capitalism, there is a tendency for the level of state waste (i.e., unproductive spending) to expand more rapidly than the capacity of the system to produce waste (i.e., through increases in productivity). Because the crisis-solving mechanisms are partially blocked, the result is chronic inflation combined with

relatively high levels of unemployment, or what has come to be called “stagflation”.

One way of visualizing this argument is in terms of the standard Neoclassical notion of the Phillips Curve. The Phillips Curve represents the possible combinations of rates of unemployment and rates of inflation characteristic of an economy. It is usually represented as defining the trade-offs between unemployment and inflation that face policy makers. The classical form of the Phillips Curve is presented in Figure 3.3.

The premise of traditional Keynesian policies has always been that this trade-off function was itself more or less fixed and that the forces in the economy merely determine where on the curve the economy will fall at a particular moment in time. The task of policy-making was therefore merely to regulate the economy in ways which kept the economy in an acceptable range of the curve. The analysis presented above (which in a somewhat different form some neo-Keynesians have appended to their own conceptualization of the Phillips Curve) suggests that the developments in the economy and the interventions of the state determine not merely where on some ideal Phillips Curve the economy is located, but also the entire shape and location of the trade-off curve itself. Specifically, the theory of disproportionate growth of unproductive spending would argue that there has been a systematic secular deterioration of the terms of the trade-off over the past several decades. Such tendencies have been further exacerbated by the continual growth of monopoly concentration in certain key sectors of the economy, and especially by the growing internationalization of capital.⁵³ As a result of these forces, one might hypothesize that the Phillips Curve has moved away from the origin, and further-

53. The internationalization of capital means that a given effort by the state to reduce inflation will result in greater increases in unemployment than would otherwise be the case, since such state policies will tend to increase the movements of capital across the national borders (see Alberto Martinelli, “Nation States and Multinationals”, *Kapitalistate*, No. 1, 1973). Internationalization will thus tend to push the Phillips Curve away from the origin. It is probably impossible to disaggregate empirically the relative effects of such increasing internationalization of capital and increasing unproductive state spending on the deterioration of the trade-off of inflation and unemployment, since the two empirically tend to move together.

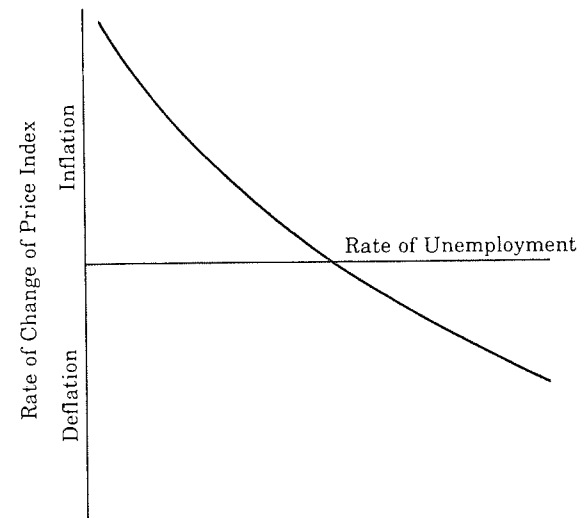


Figure 3.3 The Phillips Curve

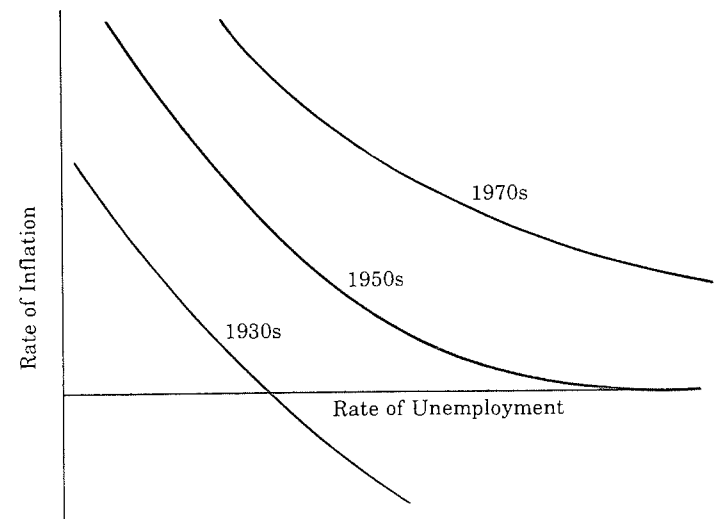


Figure 3.4 Hypothesized Changes in the Phillips Curve Over Time

more, that it may not any longer even intersect the horizontal axis at any level of unemployment. This new Phillips Curve is pictured in Figure 3.4. Keynesian policies are totally inadequate to reverse this deterioration of the Phillips trade-off.

The obvious solution to these dilemmas is, of course, for the state to shift the balance of its activities from unproductive to indirectly productive spending. Such indirectly productive expenditures have certainly been steadily growing over the past several decades, although it seems generally at a slower rate than unproductive expenditures. The state is increasingly involved not merely in what Offe calls "allocative" policies (policies which basically redistribute resources already produced or mobilize the production of resources strictly for Keynesian purposes)⁵⁴ but in "productive" policies as well (policies which directly impinge on the production process and which contribute to the productivity of the economy). As the productive forces in advanced capitalism have developed highly sophisticated technologies, increasingly interdependent productive processes, increasing requirements for highly specialized technical labour, etc., it has become more and more difficult for individual capitalists to provide all of the requirements for their own expanded reproduction, and thus they have turned to the state for various forms of socialized investments. It might well be thought, therefore, that the solution to the contradictions of Keynesian policies can be simply found in a dramatic expansion of these emergent forms of indirectly productive socialized investments. The problem is that the fundamentally Keynesian politics of the contemporary capitalist state, a politics rooted in pluralist interest-group demands, special interest subsidies, military production, etc., act as a serious constraint on the potential growth of these new productivity-enhancing forms of state intervention. This is at the heart of the "fiscal crisis of the state": the constant pressures from the growth of unproductive spending, which are exceedingly difficult to restrain for the reasons spelled out above, make it highly problematic for the state to finance the new forms of state policy which would help reverse the problem of declining productivity itself. Until such time as new political forces can be

54. See "Structural Problems of the Capitalist State".

mobilized successfully to generate what O'Connor has aptly called a new "social industrial complex",⁵⁵ it is difficult to see how this impasse can be overcome.

III. The Development of Capitalism and the Impediments to Accumulation

If these various interpretations are treated as total explanations of crisis tendencies in capitalism, then indeed they are quite incompatible: one cannot, for example, argue that the basic cause of crisis is excessive surplus value (underconsumption thesis) and simultaneously inadequate surplus value (rising organic composition of capital thesis); one cannot posit that the reason for crises is a declining rate of exploitation caused by successful class struggle (profit squeeze) and that at the same time there is a general tendency for the rate of exploitation to rise (underconsumption and rising organic composition perspectives). Either we must reject outright all of these views of crisis but one, or we must adopt a methodological stance which enables us to integrate them within a larger framework.

One strategy for reconciling these various perspectives is to analyse them in terms of the history of capitalist development. Instead of regarding any one crisis mechanism as the panhistorical cause of all economic crises in capitalist society, capitalist development should be viewed as continually transforming the nature of capitalist crisis. To recapitulate the logic of this historical transformation of crisis mechanisms set out at the beginning of this chapter, at each stage of capitalist development there is a characteristic pattern of impediments to the accumulation process. Through a combination of class strategies by the capitalist state and individual strategies by individual capitalists attempting to maximize their profits, these impediments are overcome and the accumulation process continues in new forms. The solutions to the dominant impediments at each level of capitalist development, however, contain within themselves new contradictions which gradually emerge

55. See *The Fiscal Crisis of the State*.

in the subsequent stages.⁵⁶ The logic of this dialectical process can be symbolically represented in a model of determination (see Chapter 1 for an explanation). Figure 3.5 illustrates the main contours of this model.

The historically specific articulation of the forces and relations of production—what is traditionally called the “economic base” in Marxist theory—establishes structural limits on the forms of accumulation in a particular period. Furthermore, the forces/relations of production determine the extent to which a given form of accumulation will be reproductive or non-reproductive of those forces/relations of production (i.e. they

56. There is a certain similarity between this conception of the stages of capitalist development and the theory of “long waves” as developed by Ernest Mandel in *Late Capitalism*, London 1975. Although to a certain extent Mandel holds to the traditional Marxist thesis that the ultimate constraint on accumulation is the tendency for the organic composition of capital to rise, he does insist that the dominant contradictions of one phase of capitalist development are not necessarily the same as in another. He stresses that the accumulation process encounters different immediate obstacles in different stages and he tries to show how class struggles mediate the historical readjustments of capitalism. He also argues that the constraints on accumulation encountered at the end of the long waves of capitalist development can only be overcome through fairly radical reorganizations of the mode of accumulation.

In one very critical respect, however, the analysis presented here differs from that of Mandel. For Mandel, the pivotal characteristic of each phase of the history of capitalism, and the decisive transformations which set in motion new long waves of accumulation, centre on technology. Technological revolutions are the essential basis for the structural reorganizations of accumulation, for the liberation of new possibilities of accumulation. As those possibilities become exhausted, accumulation begins to slow down until such time as a new technological revolution occurs. In these terms, the current world economic crisis, Mandel argues, should be seen as a consequence of the petering out of the third technological revolution.

Technology—or, more broadly, the forces of production—is, of course, important, and in a variety of ways contributes to the character of different periods of accumulation. But I do not think that the essential periodization of capitalism should be tied to a periodization of technological change. Nor does the essential structural solution to impediments to accumulation invariably lie in technological revolutions. The social organization of production, the forms of competition and class struggle, can be at least as decisive. It is historically variable which specific kind of structural change will be the most critical to re-establishing conditions for accumulation during periods of crisis. Mandel’s work is extremely interesting in pointing out the technical sides of these transformations, but in the end it unwittingly tends to reproduce the monocausal views of crisis which it so correctly rejects. For a similar critique of Mandel, see Bob Rowthorn, “Late Capitalism”, *New Left Review*, No. 98, 1976.

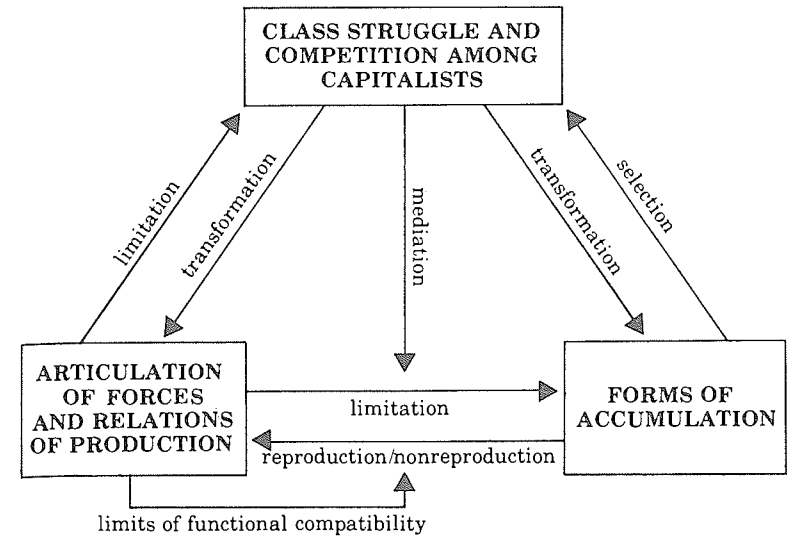


Figure 3.5 Model of Determination of the Accumulation Process

establish limits of functional compatibility). The critical question, then, is to understand the social processes which tend to push the forms of accumulation outside those limits of functional compatibility, thus generating structural crises within the accumulation process.

Class struggle and capitalist competition both directly transform the structure of forces/relations of production and the forms of accumulation. Of particular importance for understanding crisis tendencies, class struggle and competition continually transform the forces/relations of production. A given organization of accumulation, therefore, gradually tends to become less and less reproductive—i.e. as the limits of compatible variation set by the forces/relations of production shift, a given organization of accumulation moves away from what could be considered an optimal form of accumulation. Eventually, the form of accumulation may actually cease to fall within the limits of compatible variation altogether; this is a situation that can be described as a structural crisis of accumulation. In such situations, typically, the forms of accumulation are themselves restructured in basic ways, restoring at least a

minimal compatibility of the forms of accumulation with the forces/relations of production. When we speak of "impediments to accumulation" we are referring to the process by which a given form of accumulation progressively becomes non-reproductive. When we speak of "structural solutions" to those impediments, we are referring to the ways in which the accumulation process is transformed to re-establish a compatible relation with the forces/relations of production.⁵⁷ It is such structural solutions which define the essential character of the different stages of capitalist development.

Figure 3.6 summarizes the historical development which is generated by the structural relations in Figure 3.5.⁵⁸ This figure is, of course, highly oversimplified. The structural "solutions" to a particular impediment to accumulation generally do not eliminate the problem altogether, but merely help it to recede into the background. Every period of capitalist development

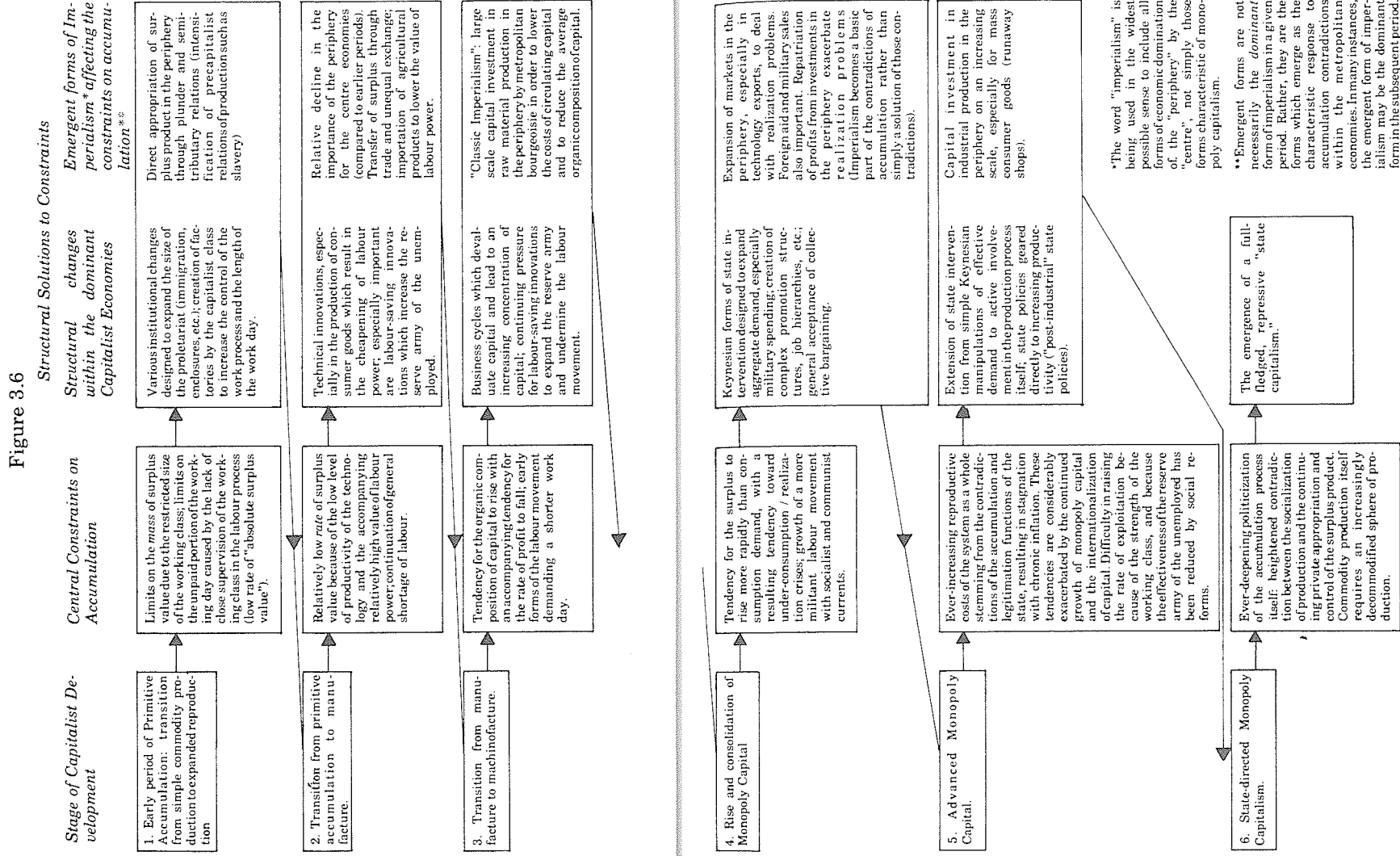
57. Two other linkages in Figure 3.4 should be noted. First, class struggle and competition are structurally limited by the forces/relations of production (as discussed in the previous chapter) and selected by the forms of accumulation. This selection relationship is especially important, since it means that the nature of class struggle and the forms of competition among capitalists are shaped by the very process which also becomes non-reproductive for the relations/forces of production. In effect, this means that class struggle and competition respond to a given form of accumulation even when that form of accumulation contradicts the forces/relations of production. This is one aspect of the relationships of determination which tend to push the system towards crisis instead of a stable equilibrium. Secondly, class struggle and competition mediate the relationship between forces/relations of production and the forms of accumulation. The speed at which the obstacles to accumulation emerge, the ways in which they impede further accumulation, the precise forms which they take and the ultimate consequences which they have are all shaped by class struggle and competition. A complete analysis of the accumulation process would have to deal with these complex relations of determination and not simply the ways in which class struggle and competition transform the accumulation process directly.

58. This chart draws heavily from a number of sources. The first three stages come fairly directly from Marx's discussion of primitive accumulation in Part VIII of Vol. I of *Capital*; the shift from stage 3 to stage 4 is quite similar to the analysis by David Levine, especially Part III of his thesis, "The Theory of the Growth of the Capitalist Economy"; the analysis of stage 5 is based largely on the analysis of the *Fiscal Crisis of the State* by James O'Connor; and the analysis of the emergent problems of stage 6 has grown out of the work of Claus Offe. The periodization of emergent forms of imperialism comes primarily from Ernest Mandel's *Late Capitalism* and to a lesser extent from Samir Amin's "Towards a Structural Crisis of World Capitalism", *Socialist Revolution* No. 23, 1975.

contains, if only in residual form, the contradictions characteristic of earlier periods. The same point can be made about the forms of imperialism which emerge in response to given constraints in accumulation. There is no suggestion here that a given form of imperialism occurs uniquely with a given impediment to accumulation; most forms of imperialism—plunder, trade, investment in raw materials, investment in industrial production—occur to a greater or lesser extent in every phase of capitalist development. Different forms of imperialism, however, represent the characteristic response to given crisis conditions within the metropolitan countries and it is this which Figure 3.6 attempts to represent.⁵⁹ As will hopefully become clear as we go through each of the stages in the chart, the purpose of the schema is not to present a rigid "stage theory" of capitalist development, but rather to capture the overarching problems and movements of the capitalist system.⁶⁰

59. The discussion of imperialism in Figure 3.6 will be limited in two important ways. First, no attempt will be made to present a comprehensive explanation for imperialism at different periods of capitalist development. Instead, we will focus exclusively on forms of imperialism as responses to crisis tendencies (impediments to accumulation) in the imperialist centres. While such contradictions within accumulation are clearly an important element in any explanation of imperialism, the actual historical development of imperialism is dependent upon many other factors as well. It would be a mistake to reduce imperialism to a mechanism of crisis resolution. Second, imperialism will be discussed only in terms of how it affects the imperialist countries, not how it affects the periphery itself. Of course, in a dialectical manner, the effects of imperialism on the centre are conditioned by the effects of imperialism on the periphery, and a fully elaborated analysis of the contradictions and transformations of capitalism would take this dynamic into consideration. For present purposes, however, I will deal with imperialism in a more limited manner as one of the ways in which the bourgeoisie responds to impediments to accumulation.

60. The chart may give the impression that the particular path of capitalist development and the particular pattern of contradictions which emerge at each stage in the process are rigidly determined. This raises some extremely important questions about the underlying logic of the concept of "contradiction": In what exact sense are the contradictions schematically laid out in the chart "inevitable"? Does the solution to the impediments to accumulation in one period intrinsically and necessarily lead to future impediments? While it is obvious that each of the "solutions" outlined in the chart have certain inherent theoretical limits, it is less obvious that the social forces in capitalist society necessarily push the system towards those limits, and thus transform a structural solution into a contradiction. Why, in other words, does each adaptive



1. The Transition from Simple Commodity Production to Expanded Reproduction

The two crucial constraints on the accumulation process in the early period of primitive accumulation were, on the one hand, the existence of institutional forms of production which made close supervision and control of the work force difficult, and on the other, a relatively small size of the proletariat and thus a limited amount of exploitable labour. The lack of supervision of workers under conditions of cottage industry meant that the capitalist had little control over exactly how much the worker worked per day. It was also often exceedingly easy for the worker to embezzle considerable amounts of raw materials from the capitalist.⁶¹ The result was that the rate of exploitation tended to be low because the effective unpaid portion of the workday was low. In combination with the restricted size of the proletariat, this meant the mass of surplus value available for accumulation tended to be quite low.

As Stephen Marglin has argued, in the English Industrial Revolution the creation of the factory provided the structural

strategy of the capitalist system tend to exhaust itself in time? The simple answer is that none of these adaptive strategies can eliminate the inherent class antagonisms of capitalism. Those class antagonisms make a simple, homeostatic reproduction of the system impossible. The more complex answer is that the forms that class struggle takes are themselves moulded by the dominant adaptive strategies of the system. This is precisely what it means to say that the mode of accumulation "selects" forms of class struggle (i.e. it acts as a force which shapes class struggle within limits set by the underlying structure of class relations). The working class is not simply a passive force, even in its most integrated and contained periods. It adapts its strategies to the "structural solutions" which emerge in the course of capitalist development. In their most class conscious form, these working class strategies are explicitly focused towards exploiting those structural solutions, and pushing them to their limits.

A similar argument can be made about the effects of struggle among capitalists (competition): as solutions to the impediments of accumulation emerge, individual capitalists adopt new forms of competition, new strategies for maximizing their individual accumulation. Since there is no overall planning in capitalist society which coordinates these individual strategies, there is an inherent tendency for these strategies gradually to push towards the limits of the existing structure within which accumulation takes place. There is thus a dialectic between the structural solutions to earlier constraints on accumulation and the forms of class struggle and competition which develop in response to those structural solutions.

61. For an interesting discussion of these issues, see Stephen Marglin, "What do Bosses do?", *Review of Radical Political Economics*, Vol. 66, No. 2, 1974.

solution to the first of these constraints. Workers were brought together under a single roof and closely supervised in their work. They were forced either to work as many hours as the capitalist dictated or not work at all, and thus the amount of surplus labour increased considerably. The creation of factories, however, only heightened the problem of the shortage of free exploitable labour. A variety of state policies such as open immigration, rural depopulation, closing of the poor houses, etc., contributed to the solution of the labour shortage.

The dominant forms of imperialism⁶² during the period of primitive accumulation in Western Europe can also be viewed, in part at least, as responses to the central constraints on accumulation. If the ultimate constraint on early capitalist accumulation centred on an inadequate mass of surplus value, the direct appropriation of surplus from the periphery was at least one way of counteracting this constraint. The forms of this direct appropriation ranged from outright plunder, to various forms of tributary relations, to the intensification of pre-capitalist coercive modes of labour control (such as slavery) in agricultural and precious metal production in the periphery for the world market. In all of these cases, a greater mass of surplus value was made available for accumulation than would have been the case simply on the basis of exploitation in the centre.

2. The Transition from Primitive Accumulation to Manufacture

The continual expansion of the proletariat and the factory system characterizes the transition from primitive accumulation to the period of manufacture. In the early period of this transition, the major way in which the rate of exploitation was increased was through the expansion of what is called "absolute surplus value" (i.e., increases in surplus value resulting from the expansion of the working day and the intensity of work). Very quickly, the working day had increased virtually to its biological maximum. In spite of this, however, the actual rate of

62. Throughout this discussion I will be using the expression "imperialism" in the broad sense, covering all forms of economic domination of the periphery by the centre, rather than in the narrow sense of the forms of domination specific to the epoch of monopoly capitalism.

exploitation remained relatively low because of the generally low productivity of technology and the accompanying high value of labour power. Even when the standard of living of the worker was pushed down to bare subsistence, it still took a relatively high proportion of the working day for him/her to reproduce the value of his/her labour power.

The solution to the problem of the relatively low rate of surplus value was the proliferation of technical innovations which drastically cheapened the goods consumed by wage labour, and thus lowered the value of labour power. Since many of these innovations were labour saving, they also had the effect of expanding the reserve army of the unemployed, thus further alleviating the general problem of the shortage of labour that characterized the period.

Imperialism played somewhat less of a role during this period than earlier.⁶³ Of course, the periphery was still important as a source of raw materials for capitalist production, but this function of imperialism was not primarily a counterforce to crisis tendencies within the centre.

3. The Transition from Manufacture to Machinofacture

The progressive introduction of machines into the production process defines the transition from simple manufacture to what Marx called machinofacture. The earlier tendencies for the expansion of factories, the expansion of the proletariat, and so on, continue, but there is added a constant stream of new innovations in the production process. In addition, in this period the first effective forms of proletarian class organizations emerge. Demands are made both for a shortening of the working day and for rises in real wages. The increasing intensity of class struggle creates considerable additional pressure on capital to introduce labour-saving innovations. The result is that in the period of transition from manufacture to machinofacture there is a very rapidly growing organic composition of capital. Thus, in spite of the increasing rate of surplus value, there was a definite tendency for the rate of profit to fall.

The solution to this impediment to accumulation, as we have discussed above, was contained within the impediment itself.

63. Amin, "Towards a Structural Crisis of World Capitalism", p. 12.

The classic pattern of business cycles, devaluations of capital, elimination of unproductive capitals and increasing concentration and centralization of capital provided the social mechanisms for periodically restructuring capital in ways which restored conditions favourable to accumulation.

The classic forms of imperialism in the second half of the 19th century were also in important ways a response to the impediments to accumulation characteristic of the massive introduction of machine production. In particular, large scale capital investments in raw material production in the periphery (e.g., building of railroads to transport raw materials, capitalization of mining, etc.) helped to counteract the rising organic composition of capital by lowering the cost of circulating capital. Furthermore, since production processes in the periphery were generally characterized by lower organic compositions of capital than in the centre, investments in the periphery helped to reduce the average organic composition of capital.

4. The Rise and Consolidation of Monopoly Capital

As the organic composition of capital continued to rise in the 19th century, and into the 20th century, two things occurred: capital tended to become ever more concentrated and centralized, and the rate of increase in the organic composition of capital (probably) tended to slow down. By sometime in the first quarter of the century it appears that the organic composition of capital more or less stabilized. The rate of exploitation, however, continued to rise both because of general increases in productivity (of both a capital-saving and labour-saving variety) and because of monopoly power itself. The result was that a strong tendency towards realization and underconsumption problems emerged.

One of the consequences of the tendency for surplus value to rise is a systematic stimulus for various forms of speculation since, unless realization problems occur, the prospects for strong future profits seem secure. The contradiction, of course, is that unless some mechanism for the continuous absorption of that surplus is created, serious realization problems will occur. Then, given that such realization problems occur in the context of heavy speculation, the resulting economic crisis will be that

much more severe (because of financial failures, collapses of credit systems, etc.). This was the essential scenario of the Great Depression.

Simultaneously with these developments in the accumulation process, the labour movement began to gather considerable strength, especially in the monopolized sectors of the economy. While demands tended to centre on issues of wages and immediate working conditions, the growth of socialist and communist forces within the labour movement, and the experience of the Russian Revolution, made the potential for a more genuinely revolutionary labour movement seem likely.

The great social invention of state sponsored waste, academically legitimated as Keynesianism, constituted the major structural solution to the impediment of underconsumption.⁶⁴ Initially, especially in the United States, such programmes of state spending were viewed with considerable suspicion, and it basically took the lesson of the Second World War to make Keynesianism an acceptable tool of crisis management. Keynesianism also helped to counter the threat of labour militancy, since it tended to underwrite the economic orientation of most trade union struggles. The institutionalization of collective bargaining and the proliferation of complex systems of job hierarchies, promotion systems, seniority rights, unemployment insurance, etc. further helped to contain the labour movement within bounds compatible with such Keynesian solutions.⁶⁵

The underconsumption crisis of the 1930s was not dealt with solely in terms of domestic policies. Changes in the international system also clearly played an important role in providing structural solutions to the specific accumulation impediments of the period. Perhaps more significantly, the Second World War provided an immediate antidote to under-

64. Keynesianism is clearly not the only possible response to the structural crises of accumulation characteristic of the rise and consolidation of monopoly capitalism. While it is clearly incorrect to reduce the complex phenomenon of fascism to a solution to economic crisis tendencies, nevertheless, fascism can be interpreted as at least partially a response to the same kinds of accumulation impediments which produced Keynesianism, but under different political and social structural conditions.

65. See Stone, "The Origins of Job Structures in the Steel Industry", and Braverman, *Labour and Monopoly Capital*.

consumption tendencies, both through massive military spending and through the destruction of great quantities of capital. After the war, the hegemonic position of the United States made it much easier to establish a stable system for international trade and finance (as embodied in the Bretton Woods accords) which greatly facilitated the expansion of markets and international credit necessary to alleviate underconsumption pressures. The long period of positive trade balances for the United States after the war certainly reduced realization problems in the U.S., while the investment requirements of economic reconstruction after the war in Europe reduced underconsumption pressures there as well.

The role of imperialism in this period is more ambiguous. The considerable increase in foreign aid, especially military aid, in the post-war period, and the expansion of trade with the periphery, especially in technology, contributed to reducing realization problems in the U.S. However, American imperialism was hardly limited to trade; American direct investments in the periphery also dramatically increased throughout the post-war period. To the extent that the surplus value generated through these investments was repatriated to the United States, such investments would only serve to augment realization problems. Compared to earlier periods, imperialism thus plays a much more contradictory role with respect to crisis tendencies during the transition from monopoly capitalism to advanced monopoly capitalism. While individual capitalists invest in the periphery because they see the periphery as offering profitable outlets for capital, the impact on the accumulation process as a whole is to heighten the problem of surplus absorption.

5. Advanced Monopoly Capitalism

The Keynesian solutions to underconsumption tended at least initially to dovetail with the political requirements for legitimation. But the initial harmony was shattered as the growth of unproductive state expenditures tended to expand faster than the surplus-absorbing requirements of the system. The organizational strength of the working class, especially at the economic level, further aggravated the situation by making it

difficult for the capitalist class to increase the rate of exploitation sufficiently to compensate for the overexpansion of unproductive expenses. To an important degree, the institutional arrangements which underpinned Keynesian state policies—collective bargaining, economism, welfare policies, unemployment insurance, etc.—all served to make it more difficult to adjust to new circumstances.

All of these difficulties were further aggravated by the continued concentration and centralization of capital on both a national and international scale. As has often been noted, competition under relatively monopolistic conditions is waged less in terms of prices than in terms of advertising, market strategies, and political manoeuvring. There is an internal tendency within monopoly capital itself, therefore, for unproductive activities to increase with concentration and centralization of capital. The internationalization of capital has further complicated these contradictions by undermining the capacity of national governments effectively to regulate their own national economies. The net result of all of these factors has been a serious deterioration in the trade-off between inflation and unemployment, which characterizes the economic crisis of the 1970s.

A variety of structural solutions to the accumulation impediments of advanced monopoly capitalism are now emerging. At the international level, foreign investments in the periphery are increasingly centred in manufacturing rather than simply raw material extraction, agriculture and trade. This is especially the case for relatively labour intensive mass consumption commodities. In the face of the difficulty of increasing the rate of exploitation in the metropolitan countries and the increasing burden of unproductive state spending, a considerable amount of industrial investment is occurring in the periphery. In the case of the United States, in addition to this movement of capital abroad there is considerable movement of industrial capital from the highly unionized Northern states to the less unionized South, again because the obstacles to increasing the rate of exploitation are weaker in those areas.

In terms of domestic state policies, the immediate response to the problem of the ever-expanding reproductive costs of monopoly capitalism relative to the growth in productivity has been

an attempt at cutting back many Keynesian policies, especially in welfare programmes, education and various public services. The emergent long-run solution is to move from predominantly Keynesian interventions in the economy to active state involvement in the production process itself. Qualitatively new forms of state intervention are called for. It is no longer enough for the state simply to set the parameters for capitalist production by regulating aggregate demand, interest rates and taxes, and to deal with the social costs generated by the irrationalities of capitalism through police, pollution control and mental hospitals. The state needs to become directly involved in the rationalization of production, the coordination and planning of productivity increases, the destruction of inefficient sectors of production, and so forth.

It is, of course, difficult to give precise descriptions of the forms such new interventions will take. The minimal steps would include direct state participation in the planning and allocating of resources for investments. In the United States this is already being proposed for energy development. Energy production will not be organized through unfettered market mechanisms, but through direct state controls. More pervasive forms of such production interventions would include the state directly organizing the modernization of production processes in heavy industry, either through outright nationalizations or through the creation of various kinds of co-planning boards involving the state and private capital (and perhaps labour and “consumers” as well). Given that in monopoly capitalism the classic mechanisms of advancing productivity—bankruptcies, devaluation of capital, etc.—are too costly politically and too disruptive economically, the state will eventually have to take the responsibility of directly increasing productivity.

In order to accomplish such rationalizations, the state will have to increase its capacity to control and discipline individual capitalists and the working class. In the case of capital, this means above all being able to prevent the flight of capital in the face of increasing state involvement in investments as well as being able completely to eliminate unproductive sectors of capital (especially small and medium capital), in the interests of increasing the productivity of capital as a whole. In the case of the working class, it will be necessary severely to constrain

wage and employment demands for an extended period of time, in order to increase the rate of surplus value necessary to pay for such rationalizations of production.

The political obstacles to these new forms of state intervention are very high, especially perhaps in the United States where small and medium capital have considerable political power. Organized labour is also extremely wary of such proposals, fearing that state planning will mean much more systematic controls on wages, reductions of monopoly sector employment through rationalization, and generally a weakening of the bargaining position of unions. In Europe, because of the political strength of socialist and communist parties, it may be easier to initiate these state capitalist programmes. Certainly in the case of Italy, there is widespread feeling that only the Communists would be able to maintain discipline within the working class to be able to initiate major new programmes of economic reorganization and rationalization, necessary for a revival of Italian capitalism. Whether or not such a reorganization could become a first step towards a transition to socialism, is, of course, a hotly debated issue. In any event, such a reorganization is necessary for a restoration of favourable conditions for accumulation.

What new impediments to accumulation are likely to emerge in the next phase of capitalist development? While it is quite problematic to speculate about contradictions in the future, several things seem fairly safe to say. As monopoly capitalism moves towards qualitatively new forms of state involvement in production, towards what might be termed State-directed monopoly capitalism, there will be an ever-deepening politicization of the accumulation process itself. It will become increasingly difficult to apply "neutral" market rationality to production; political criteria will become more and more central to production itself. Although it is almost certain that in the United States few major corporations would be formally nationalized, a greater and greater proportion of production will be *de facto* effectively organized by the state. This does not mean, of course, that commodity production (production for exchange) would disappear, but rather that an increasingly important part of production would be organized outside of the market, and not directly subjected to profit-maximizing

criteria. Stated more abstractly—in order to perpetuate commodity production, the state will have to organize a continually growing decommodified sphere of production.⁶⁶

All of this would occur within the continuing context of capitalist social relations and a capitalist state serving the function of reproducing the class structure of capitalist society. The expanded decommodified sphere of production would be strictly constrained by the requirements of reproducing commodity production itself. The new forms of impediments to accumulation would therefore centre on the heightened contradiction between the progressive socialization of the process of production alongside the continuing private appropriation (through commodity production) of the surplus product.

As the state assumes an ever-greater role in the actual organization of production, the ideological legitimations of the "free enterprise system" will tend to become more and more tenuous. As a result, it is likely that the socialist alternative will move more into the centre of American working class politics. Class struggles around the state and around production (which increasingly become the same struggles) will thus tend to become more ideological, more politicized, and ultimately more threatening to the capitalist system. Under such circumstances, it is quite possible to imagine the development of a full-fledged state capitalism in the United States (although dressed in the symbols of private capitalism) which would attempt to contain the glaring contradictions between legitimation and accumulation by means of considerable repression and centralized planning.

There is, however, no automatic reason for a "solution" which is theoretically functional for capitalism to be the solution which historically emerges. Whether or not such a structural

66. For an extended discussion of the contrast between commodified and decommodified state interventions, see Gösta Epsing-Anderson, Roger Friedland and Erik Olin Wright, "Modes of Class Struggle and the Capitalist State". *Kapitalistate*, No. 4-5, 1976. Decommodified state interventions have always been present in the capitalist state. To take perhaps a trivial example, public libraries represent a decommodified way of providing books for the public. What would be qualitatively new about decommodified interventions in advanced capitalism would be involvement in the production of use-values and not simply the distribution of use-values. Many of these ideas have been derived from the work of Claus Offe, see especially, "The Capitalist State and the Problem of Policy Formation".

reordering of monopoly capital will occur depends on the one hand on the cohesiveness of the capitalist class and its capacity to generate a class politics in the interests of capital as a whole, and on the other, on the strength of socialist movements in the working class and their capacity to organize a class politics capable of transforming decommodified production in the service of capital into genuinely socialist production in the service of the working class.

Bureaucracy and the State

Our discussion of the historical transformations of the process of accumulation closed with a somewhat speculative discussion of the emergent solutions to the economic stagnation of the 1970s and the new contradictions which those solutions were likely to engender. The central proposition was that the capitalist state was likely to engage in qualitatively deeper forms of intervention into the economy, moving from intervention and planning at the level of market relations towards planning within production itself. Such a transformation in the role of the capitalist state would itself generate new contradictions specifically centred around the politicization of the accumulation process.

Such changes in the forms of state activity in capitalist societies and in the contradictions of accumulation are of crucial importance in any discussion of socialist politics. A number of questions are immediately posed: In what ways do these changes in the role of the state affect the relationship of the capitalist state to class struggle? Do these new contradictions open up new possibilities for the left to use the capitalist state as part of a revolutionary strategy? What implications do these developments have for the classic debate between peaceful, incremental roads to socialism and violent, revolutionary strategies for socialism?

I cannot rigorously answer most of these questions, but I will try to clarify some of the issues involved in answering them. In this chapter I will focus on one specific issue which underscores all of these questions on socialist strategies: the problem of bureaucracy. In particular, I will address the question: how should we understand the relationship between class struggle