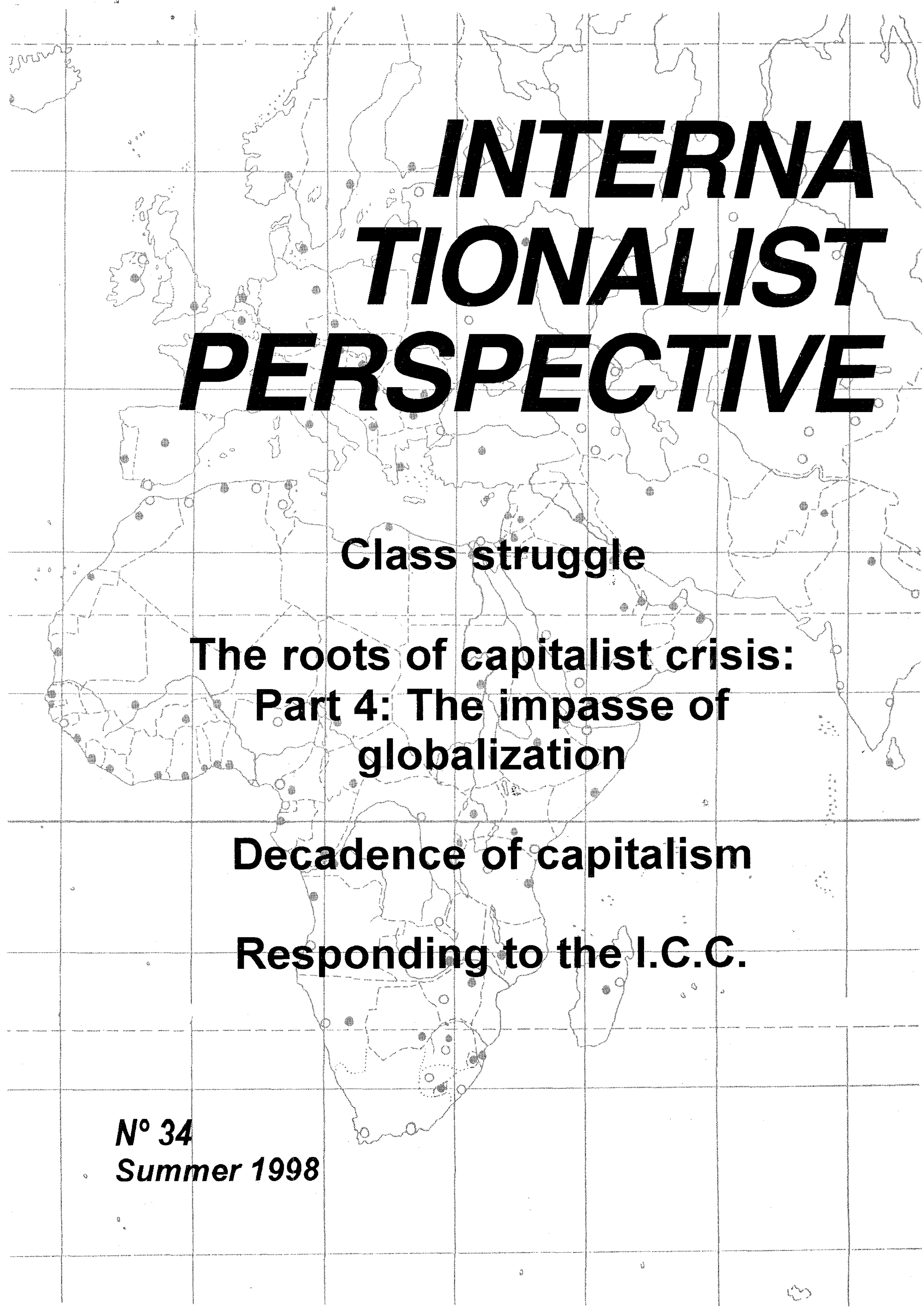

INTERNATIONALIST PERSPECTIVE

Class struggle

The roots of capitalist crisis: Part 4: The impasse of globalization

Decadence of capitalism

Responding to the I.C.C.

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CONTENTS

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TOWARDS AN EVALUATION OF THE CLASS STRUGGLE TODAY

In previous issues of *Internationalist Perspective* we have tried to provide an evaluation of the class movements which have arisen almost everywhere in the world over the past three years. Discussions within our group or at discussion meetings have led to very different ways of understanding these movements, as well as raising more general issues, such as the definition of class struggle. Around that issue, a number of questions have arisen: can we designate the present movements as manifestations of class struggle or are they "mere" defensive struggles for a better stake within the capitalist system? What can we expect from the struggle of the proletariat today?

In our opinion such questions must be placed within the context of the present period, and are closely linked to the economic and ideological transformations which the capitalist system has undergone since its entry into its decadent phase. To pose the question of class struggle in that way, is also to pose the question of the criteria for evaluating the present movements.

THE GLOBAL CONTEXT

Capitalism has undergone profound transformations since its inception. In particular, the phase of the real submission of labor to capital has seen the development of state capitalism. State capitalism has entailed the extension of the specifically capitalist social relations to all spheres of social activity, economic and ideological, collective and individual. On the economic plane, the passage to real domination has abolished the barriers between the different spheres of production, circulation, and consumption, by creating a single process of production, valorization, and accumulation, on the national level. That unification of what had been distinct processes has brought about important changes in the composition of the different social classes, inasmuch as it has changed the very concept of what constitutes productive labor. In effect, with state capitalism, it is no longer workers taken individually, or certain types of labor, which are productive or unproductive, but rather the social labor of the whole of the nation which constitutes the total productive machine of the national capital.

State capitalism implies the understanding of a global process of the valorization of capital, which renders obsolete the image of the worker in blue overalls and the capitalist in a high hat:

> "Class determination ceases to be individual and becomes collective. the capitalist class is no longer defined as a group of individual owners of the means of production but as a social entity collectively administrating the valorization process of the national capital, and which includes both individual owners of the means of production as well as bureaucrats who are merely owners of the means of production indirectly, as representatives of the state. Similarly, the working class is no longer defined as a group of individuals providing productive labor, but as a social entity whose collective labor valorizes capital."[i]

Clearly, all that changes the contours of class antagonisms.

A second important factor to be considered is the dismantling, at the international level, of the traditional bastions of the working class of the past, such as mining or steel. Those kinds of sectors constituted the veritable crucible of the experience and memory for the class struggle.

The phenomenon of recomposition, linked to the globalization of capital, makes a confrontation with the capitalist class more difficult. Previously, social conflicts

[i] M. Lazare, "The Recomposition of Classes Under State Capitalism," *Internationalist Perspective* No.15.

clearly opposed workers to a particular boss. With the transformations which capitalism has undergone, those conflicts are more impersonal, the enemy less identifiable. If, in the long run, this situation contains the prospect that conflicts will put capital, as a totality, up against the wall, in the short run, it implies the need for a much higher level of class consciousness, and makes the undertaking of a struggle that much more abstract. The working class has more difficulty in recognizing its common interests, and this fragmentation of the class plunges workers into a state of isolation, leading them to formulate their demands within a limited sectoral framework.

However, social transformations have not been limited to the economic sphere. At the level of the ideological consequences of these various changes, state capitalism has demonstrated a capacity to deploy its mystifications in a much more supple and insidious way than in the past. The ruling class no longer needs a centralized apparatus to control the class struggle and carry out its mystificatory function. Ideology is no longer disseminated through campaigns of mass mobilization, the model for which has been Stalinism, for example, but rather insinuates itself in a much more decentralized manner, more on the plane of daily life. If globalization on the economic level goes hand in hand with tendencies to accentuate regional or ethnic specificities, then the unprecedented penetration of ideology into every aspect of private life goes hand in hand with the decentralization and multiplication of the tools for its dissemination. Thus, every mode of communication serves to disseminate the reigning ideology, and every initiative, however anodine, and far removed from class confrontation, arouses the interest of, and is then subject to recuperation by, the capitalist class.

As an example, recall how the bourgeoisie has deftly handled its own scandals, as in Italy, France, and Belgium, where it has undertaken the task of "purification" in the face of massive political corruption. Another example has been the international media blitz around highly emotional issues such as the kidnapping of children who have become the victims of pedophiles in Belgium, or the deaths of Princess Diana and Mother Theresa. In the Belgian case, the ruling class channeled the incipient and growing awareness that there was something basically rotten in the whole social system, and oriented it towards the demand for a more effective judicial system, one which would be "depoliticized." As a result, what might have led to a questioning of human relations within capitalism was transformed into the prospect of the modernization of the repressive apparatus by the bourgeoisie. With respect to Princess Di and Mother Theresa, the occasion for the ruling class to show a more human face, by hypocritically creating its own martyrs, was seized.

While during periods of economic prosperity, capitalism could sometimes throw some crumbs to the workers, thereby giving them the illusion that struggles for specific demands could yield durable results, the economic crisis has rendered that tactic almost impossible to use. The increasingly smaller margin for maneuver of the bourgeoisie removes the possibility of conceding anything to the workers. To extricate itself from growing exploitation and uncertainty, the working class today must confront the capitalist system as a global set of social relations. And if this situation has the merit of shattering reformist mystifications, it imposes on the working class the need to make a leap forward in the way it conceives of, and carries out, its struggles.

THE CRITERIA FOR EVALUATING THE CLASS STRUGGLE

This overall context creates a particularly difficult situation for our class with respect to the degree of political consciousness required to extricate itself from the stranglehold of the dominant ideology, and to put forward its own perspective. This situation is directly linked to any evaluation of the current struggles.

Until now, we have basically emphasized one element in evaluating the level of development of a movement: its autonomy. The possibility for the extension of a strike, its self-organization, and prospects for breaking out of the straitjacket imposed by the unions, seemed to be the crucial factors. Today, while all these points remain important, it seems evident that concentrating only on these factors fails to take into consideration the ideological obstacles which must be overcome. The capacity of the working class to develop, and above all to maintain, a movement outside of any bourgeois control is extremely difficult at the present stage of the development of its consciousness, and of the present level of capitalist ideological domination. To do that would mean that the workers had a consciousness of their class unity and interests, that they functioned as a class-for-itself, and had sufficiently extricated themselves from the stranglehold of the dominant ideology to conceive of alternatives to the present system. Now, even if a movement spontaneously erupts, even if it remains outside the control of the unions, and criticizes and denounces them, it still faces the issue of the outcome of a struggle within the framework of the capitalist system. How can the workers defend themselves within a framework which itself creates their struggle, and within which it will be resolved?

The question of self-organization cannot, therefore, be encapsulated in a form of struggle which is opposed to the unions: it is posed globally -- in keeping with the organization of capitalism as a global system -- in a capacity to formulate perspectives which go beyond the logic of the functioning of capital as a globality. Too often, we remain stuck in a framework which limits itself to seeing the autonomy of our class only in its opposition to the unions. However, that is just the tip of the iceberg.

So, it is worthwhile to come back to the question of self-organization, and to the way the criteria for it have been understood and analyzed in the past. A number of the struggles which we have analyzed as experiences of "self-organization" were more the result of particular situations of clumsiness or weakness on the part of the local union structures than a reflection of of a development of the political consciousness of the proleteriat concerning the need to extricate itself from the control of the ruling class. For example, the strikes of the Polish workers in 1980, where the lack of clarity concerning the movement's autonomy ended by provoking the emergence of a new union -- Solidarity -- better adapted to the bourgeoisie's need to control the workers than were the old unions in the Stalinist world. We also have to take a new look at the mistakes made in the past where self-organization was sometimes confounded with base unionism. Thus, many unemployed committees or strike committees were evaluated too much on the bases of a focus on the seemingly autonomous form which these organs took and not enough on the bases of the actual political consciousness which propelled their dynamic.

To continue to utilize a single criterion to evaluate the present struggles, and in particular the criterion of self-organization, does not take into consideration the complexity of the present situation, and risks overlooking the actual development of class consciousness. As a result, we will deceive ourselves when we look at the weaknesses of the proletariat today, and see its movements, not as rich experiences for the future, but merely as repetitions of the failures of past struggles. The question that is posed to revolutionaries today is, then, to understand the present movements by situating them within the context of the evolution of capitalism -- of its ideological domination and the deepening of its economic crisis.

THE ANALYSIS OF RECENT MOVEMENTS

In recent articles on the class struggle, we have spoken of the entrance into a "new period" of struggle. That designation has generated a great deal of controversy both inside and outside our group, and today it seems that that term -- a new period of class struggle -- may have confused our overall evaluation of the present movements. We have, therefore, continued our discussion by seeking to deepen our understanding. This has led us to distinguish two -- closely linked -- facets of the evaluation of struggles, one quantitative, the other qualitative.

On the quantitative plane, we have seen a renewal of struggles since 1994, and a break in the social calm which characterized the preceeding years. Strikes have hit almost all parts of the world: The US, Canada, Brazil, Bolivia, Venezuela, in America; Poland, Russia, Serbia, The Czech republic, Bulgaria, in Central and Eastern Europe; Great britain, Spain, Italy, Germany, France, Belgium, in Western Europe; to which one can add movements in Australia, in Greece, in South Korea, Indonesia, Japan, and Israel. Moreover, this list is far from exhaustive. This enumeration, affecting so many countries, different levels of industrialization and diverse regions, is indicative of a general climate in which what stands out is the simultaneity and continuity of these class movements. These two features are not the result of a conscious process of the unification of struggles, but, rather, indicate the same refusal to submit to the conditions of exploitation imposed by capital.

Without wanting to make of the movement a goal in itself, we want to emphasize the qualitative element contained in the quantitative development. At a time when the dominant ideology presents diverse mirages, such as "American full employment," the "Asian miracle" (now in tatters), or the "wealth" of the Western economies, the quasi-simultaneous entrance into struggle of workers everywhere in the world indicates the absence of economic solutions, the global degradation of living and working conditions, and the rejection by the working class of the ineluctable character of this situation. Moreover, these movements have an impact on the development of class consciousness; struggle represents the sole possibility for the proletariat to have a collective experience of opposition to the bourgeoisie. It is in open and collective struggle that the class develops its own conciousness, not in individual isolation and thought, where the whole weight of the dominant ideology is present. The workers who have launched the recent movements, therefore, have succeeded in overcoming their individual fears of unemployment, or the idea that "struggle doesn't pay," and have collectively taken a stand against the prevailing conditions of exploitation.

In the space between the quantitative and qualitative elements, we can situate the movements which have been launched by those workers who normally remain on the fringes of class struggle: the unemployed. This is not the first time that there is agitation within the ranks of those ejected from the productive process. However, if in the past there were attempts at regroupment and organization into committees on the part of the unemployed, the present movements display other characteristics. These movements, which have arisen principally in France, but also in Germany, Italy and Spain during the winter of 1997-1998, have as their common feature an economic demand: the increase in unemployment benefits. These demonstrations, and, in the case of France, occupation of unemployment offices, have taken place in a particular context: on the one hand, in a society where unemployment is no longer a temporary situation faced by a group of workers who will be reintegrated into the system of production, but, rather, where unemployment has become a chronic situation, a permanent status, for masses of workers; on the other hand, these selfsame movements of the unemployed have unfolded in the midst of campaigns in which the bourgeoisie claims to be able to solve the problem of unemployment by a reduction in the work week, which will purportedly create jobs. Despite that, the question of what perspectives capitalist society offers to the unemployed has been clearly posed in these movements, as it has been in strike movements, thus signaling the unity (not organized, but real), which links the actions of active and non-active workers.

On the strictly qualitative plane, we have emphasized the fundamental questions posed in certain movements, questions which are indicative of the potential for the future. These questions were involved in all the movements which erupted in December'95 - January '96 in France, and those in Belgium in 1996. We lack the concrete information to determine whether these same fundamental questions were posed elsewhere. Nonetheless, even if we limit ourselves to the French and Belgian struggles, we can link the questions which were posed there to the overall characteristics of the present period. Each struggle began with a precise demand: opposition to a retirement plan, rejection of a factory closure, a demand for higher wages. But, these original demands were very quickly absorbed into a general discontent which first led to masses of non-striking people supporting these movements, and then unleashed a dynamic of solidarity and contact between striking workers in different factories, and even workers in completely different sectors. It was the same thing with demonstrations of the unemployed, which met with the support and understanding of the rest of the population. Thus, for example, in France, active workers marched together with the unemployed, clearly expressing their concerns about the future, and accentuating the community of interest between the all the exploited of this society. This consciousness of systemic problems, such that the mass of the population has concerns beyond specific demands, that it grasps the fact that what happens to one segment of the class today will happen to others tomorrow, moves us in the direction of overcoming the problem of the fragmentation of struggles. Even if these issues could only be raised in these movements, they contain a real potential: that of a unification of the working class. The possibility of identifying a community of interest of the working class goes against the fragmentation of the class imposed by the new forms of the exploitation of labor.

Beyond this recognition of common interests, the question of overall perspectives was also posed by the movements in France and Belgium. At the outset, the specific demands already expressed a discontent with the global functioning of the system, and what it could still offer. That opened up two possibilities: one going beyond the level of strictly economic demands, the other putting in question the system as a global set of social relations, and not just the direction of a specific factory or a particular government. Putting the capitalist system in question, and no longer accepting the "solutions" that it proposes, also entails the possibility of posing the question of an alternative to that system; that is, the historic perspective of the creation of a new society serving human needs.

CONCLUSIONS

Many questions have been raised in the revolutionary milieu over the evaluation of the class movements which have unfolded over the past three years. Among them is the question of whether these movements can be designated as examples of actual "class struggle" or merely as examples of resistance. For us, the activity of the class which will lead it to pose the political question of the creation of a new society, arises from the constant resistance struggles of the exploited class against the exploiting class. In emphasizing the potential contained, often in an embryonic fashion, in these movements, this article is an effort to forge the link between the economic struggle and the political struggle which it entails as a potential.

The question of the criteria for the evaluation of struggles is a basic one. Criteria wielded in a formalistic and rigid manner lead to a categorization of struggles into "good" and "bad." Every struggle is an experience of collective confrontation with the class enemy, from which the workers can draw valuable political lessons. Our task is to indicate the potential contained in the struggles, and to denounce the illusions which are also fostered by them. Above all, however, our task as revolutionaries is to link that potential with the historic perspectives towards which it points.

The question of the autonomy of the struggle, which means its autonomous organization outside the union framework, but, above all, outside the logic of the capitalist system, cannot be conceived without a class autonomy produced by a degree of development of consciousness which we are nowhere near today. Thus, if revolutionaries must continue their unceasing denunciation of the way in which the unions mobilize workers and bring about their defeat, it would be a mistake for us to expect a movement, under pain of being denounced as counter-revolutionary, to have completely broken with all illusions in the unions, and still more dangerous for us to make that the sole criterion for an evaluation of the positive dynamic of a strike movement.

Rose

THE ROOTS OF CAPITALIST CRISIS

Why the collapse of the world economy is inevitable

Part Four

Globalization's Impasse

Once again, capitalism's "miracles" lie bleeding on the floor. For the last 20 years, the fast growing economies of South-East Asia were held up as the living proof that capitalism has a bright future, that there is a way out of the misery spreading over the world, if only the Asian example of hard work, high savings and hospitality to international capital is followed everywhere. Now the very same "experts" who were gushing over Asia's promise, have turned their former models into scapegoats, blaming the turmoil in Asia on local corruption and ineptitude, all the while proclaiming that, for capitalism in general and the US in particular, "the fundamentals are strong" and the economic prospects are "healthier than ever". The Asian crisis poses no real danger, so they reassure us, it's no more than a slight bump on the road; its effect is even beneficial, according to the Wall Street Journal, "a pause that refreshes". It's a fitting irony that, at the very same time, a movie about the sinking of the Titanic is breaking all records in movie-theaters around the world. Just as the owners of that technological marvel were confidently stating that their mighty ship was unsinkable, just as President Hoover declared on the eve of the crash in 1929 "our situation is fortunate, our momentum is remarkable", today's Panglosses are reassuring the world that there is no iceberg that can sink the mighty ship of global capitalism. The "experts" are fiercely debating whether the Asian crisis was caused by too much or too little control over the financial markets, but while there's no lack of arguments on either side, both are missing the larger point: different policies would have altered the form in which the crisis in Asia would have unfolded, but none would have prevented it. And we haven't seen anything yet. Dear fellow passengers: the crisis in Asia is only the tip of the iceberg.

CONDEMNED BY ITS OWN LAW

In "The roots of capitalist crisis" (IP 30-31 and 32-33), we laid out the framework to understand why the global economy is doomed to collapse. The events in Asia since July 1997 confirm this analysis, which allows us to see how the drama will further unfold. What we are witnessing is not a local crisis, but an acceleration of the historic crisis of a mode of production which has survived the conditions that made it historically necessary, which has become obsolete and must be cast aside for humanity to survive. Capitalism is a child of history, of the conditions in which human civilization grew up. These conditions implied the constant presence of scarcity, a quasi-permanent shortage of supply in relation to potential demand, inevitably resulting in want for the many and wealth for the few. They implied that wealth could only be the product of the surplus labor of the many, of work done on top of what's strictly necessary to survive, so that the growth of wealth - and thus the development of society - depended on the growth of labor productivity, or the growth of the surplus labor that could be stolen, and therefore on exploitation, on an increasing division of labor. They implied trade governed by the law of value, basing the exchange value of commodities on the average labor time required for their production.

Capitalism, by turning labor power itself into a commodity, has pushed its exploitation and specialisation to the hilt, and has thereby developed labor productivity, and thus civilisation, as far as it can go under these conditions. Yet while it remains irrevocably imprisoned by them, it has developed the productive forces to a level on which they have become incongruent with these conditions and rebel against them:

- Applied science and technology have replaced the theft of surplus labor as the great well-spring of real wealth, yet capitalist wealth remains determined by the law of value, which measures wealth in labor time. That explains the contradiction which bourgeois economists and pseudo-marxists find impossible to comprehend: the more efficient modern production methods become, the more general wealth (use values) they can produce with less direct labor time, the less capitalist wealth (exchange value) they proportionally generate, and thus the more the profitability of capitalist production as a whole declines (even though this tendency is masked by the fact that the most efficient producers generally obtain the highest profits, because of their competitive advantage).
- Production for profit not only is born out of scarcity, it absolutely needs it. Capitalism cannot function when global supply overshoots demand. Yet competition forces capitalists to use ever more powerful technology to lower production costs and thereby to create oversupply, while simultaneously diminishing productive demand, by reducing the number of producers required in the production process.

Its very success dooms capitalism to economic collapse. It has created the impossibilty of maintaining relative scarcity and the impossibility of basing real wealth on exchange value. We have seen in "The roots of capitalism's crisis" how this creates a dynamic in which the decline of the average rate of profit and market saturation reinforce each other. We have also seen which counter-effects check this dynamic and how their relative exhaustion makes production for profit increasingly difficult, for many capitals even impossible. This creates, then, a growing tendency for capital to shun long-term investment in production and to seek shelter outside of the productive sphere, in financial assets which for a variety of reasons provide the hope of escaping the tendency towards devaluation which inevitably results from the sagging profitability of capital as a whole. For these assets, as for any commodity, the law of supply and demand applies: because the demand for them rises, so does their market-price. Their increasing price seemingly confirms their capacity to withstand the downward trend and so they attract even more capital, which again pushes their price up, and so on. Bubbles develop which must explode at some point (when the gap between the exchange value attributed to them and the exchange value created in the real economy which feeds them becomes untenable); at which point money itself - exchange value in its most general, abstract, form - must massively devalue. Then the entire chain of payments, the nervous system of capitalism, threatens to become paralyzed so that production itself is facing collapse. When such a collapse is limited to a minor economy, it can be easily contained. When it hit Mexico in 1994, a 50 billion dollar emergency loan sufficed to stem the panic and stabilize the financial institutions. A massive devaluation of the peso and Mexico's priviliged access to the American market allowed it to export its way out of the danger zone (while the already low living standards of the Mexican working class - and even more, of the peasants and others marginalized by the global economy - took a plunge). The Asian collapse was already of a different order. It required more than four times as much emergency-aid (most of it coming from the IMF which was forced to make its largest loans ever and whose reserves are now dangerously low) to calm the waters, and even then South-Korea and Indonesia remain at the brink of massive default. It was different also in its exposure of fault-lines that run towards the centers of the world economy, most notably Japan. Still and all, the so-called "Tiger" economies play too limited a role in the global economy for this crisis to be an immediate threat to it. There would be no fundamental problem if this were only a local crisis. But it is not - and the mechanics of this crisis show it will recur again and again, each time becoming more threatening to the global capitalist economy.

FROM HYPER-INFLATION TO DEFLATION

When the post-war expansion period, made possible by the devaluation and destruction of existing capital in world war and the extension of the playing field of developed capital following the reorganisation of the world economy after the war, ran into trouble at the end of the '60s, most governments confronted the re-appearance of glutted markets and sagging profit rates with frenetic attempts to keep their economies growing by pushing the pedal of money creation all the way to the floor. By the end of the '70s, these policies had led the world economy to the brink of hyper-inflation. While the growing unpredictability of circulating money's future value inhibited investment and trade, thereby threatening global depression, speculative bubbles developed as capital sought refuge in financial assets like gold and foreign debt and in a wildly growing money market, where giant fortunes were made just by shifting capital from one currency to another. A change of course was imperative and had to be led by the US, given the dollar's position as the international currency. By sharply curtailing the growth of the money-supply and thus of credit, the US brought inflation under control but also triggered a deep, international recession, from which most of the underdeveloped areas of the world never recovered. In particular Latin America, which in the '70s had become a favorite investment-zone for Western capital looking for alternatives to its saturated home market, was brought to default by the sudden contraction of its export market and the devaluation of their currencies in relation to the dollar. Another bubble exploded, another "miracle" hit the floor. But the strongest countries, the US in the first place, were still able to stimulate their economies through massive deficit spending, without re-igniting inflation.

Japan, which had stuck to prudent financial policies in the '70s, did not join this orgy of debt-creation. It didn't have to, because it was well positioned to take advantage of the market-stimulating policies of others. In the decades after world war II, Japanese state capitalism, with the implicit approval of the US, had created a double economy: one serving only the domestic market, the other geared mostly towards export. The first, about four fifths of the Japanese economy, was largely sheltered from competition, from foreign competition through implicit and explicit forms of protectionism, and from domestic competition through state-directed price-fixing and other means. This created a relatively backward domestic economy, with high production costs and low productivity growth. It was unable to compete internationally but because it didn't have to, its backwardness was turned into a relative advantage: its inefficient, labor-intensive production methods (in Marxist terms, its low organic composition) kept the employment rate high and stable and provided a relatively high rate of profit and thus a high rate of savings which were siphoned off, through the tightly controlled banking system, to the sectors selected by the state to compete internationally. While some of these sectors ran into the same problems of overcapacity which plagued other countries (e.g., steel, ship building), others (cars, telecommunication, semiconductors, consumer electronics...) were well chosen for the elasticity of their markets. In conditions of generalizing overproduction, the excess supply accelerates the decline of the average rate of profit. Therefore, developed capital constantly seeks markets in which demand exceeds supply, allowing the seller to make a surplus profit. That means sectors in which a high rate of technological innovation constantly creates new, qualitatively better commodities and especially commodities which affect the production methods of others (1). While all developed capitals seek a dominant position in those sectors, Japanese capital succeeded particulary well in expanding its share, thanks to a state capitalist industrial policy which creamed off surplus value from the whole Japanese economy and directed it towards these priviliged sectors and to their constant improvement, at the expense of the development of the rest of the economy.

As a result, Japanese exports, already strong in the '70s, rose spectacularly in the '80s. Japan was raking in huge trade surpluses with all other countries but especially with the US, whose policies (tight money pushing up the dollar, thereby cheapening Japanese imports; and big tax cuts stimulating consumption by the wealthy) played right into Japan's hands. This was not without benefits for the US, since a huge chunk of Japanese profits was spent on US-securities, thereby financing America's deficit spending and pushing up the value of other American financial assets. Elsewhere in the world, Japanese capital exports also rose. Yet Japan's deep penetration of the best parts of the world market inevitably provoked reactions from its competitors. The US and Europe adopted import quotas for Japanese cars and some other commodities and in 1985 (the Plaza accord) Japan was forced to double the value of the yen and thus raise the price of its export products, and to make other concessions aimed at prying open Japan's domestic market. As a result, Japan's growth began to cool off. Instead of expanding their home base, Japanese multinationals began to move a large part of their manufacturing (about 10 % of Japan's industrial capacity) abroad, to get around import restrictions and the high yen, and also, to take advantage of low wages abroad. The other South Asia economies were the primary benificiary of this tactic. To counter-act the chilling effect on the domestic economy and to prevent the yen from rising higher, the Japanese central bank pushed interest rates down. But with a saturated home market where competition was tightly restricted, there was not much prospect for profitable investment in Japan's domestic economy. Yet there was a lot of money to invest. The Japanese export-sector was no longer expanding but was still making large profits, competing now more on quality than on price; and the low rates greased the flow of money. But where to invest it profitably? With the prospects of profit from expansion of production dwindling - Japan was awash in excess capacity - Japanese capital owners went on a buying spree, almost indiscriminately purchasing real estate, stocks, bonds and other financial assets both at home and abroad. Their surging demand accelerated the upward trend of financial assets, making investing in them instead of in the real economy even more attractive. After the New York stock market crash in 1987 more Japanese capital stayed home, again raising demand for, and thus pushing up prices of, financial assets, now to absurd levels. In 1990, real estate values in Tokyo alone, were deemed to be three times the worth of all land and all buildings in the US and "the value" of the Imperial Palace was as high as of that of the real estate of the entire state of California. The value of the shares traded on the Tokyo stock exchange rose from 91.9 trillion yen in 1981 to 611 trillion in 1989, an increase of about 4 trillion dollar in "new wealth". What makes such a bubble of fictitious capital so dangerous, is that it does not exist outside the real economy but is tightly interwoven with it. Inflated real estate is used as collateral for buying new plant equipment, pension funds or invested in overpriced stocks and so on. When the bubble bursts, the entire economy is in danger of crashing.

The bubble burst in 1990, when the world economy was approaching a new recession which further reduced the prospective earnings of the Japanese export-machine. Ironically, the explosion was triggered by an attempt of the central bank to rein in the bubble's inflation, by raising interest rates. Japanese capital massively devalued. The stock market lost half its value; real estate went down by more than two thirds. Overnight, assets turned into liabilities and Japan's mighty banks were suddenly awash in a sea of red ink. But because of Japan's enormous financial reserves the currency, while going down, did not collapse. The Bank of Japan could afford to protect private banks and did not allow any big financial institution to sink, fearing a chain-reaction that would drag the country into a depression. All the right measures - tax cuts, increased deficit spending, low interest rates - were taken which according to the textbooks, should revive the economy, but they didn't. The Japanese economy has continued to stagnate ever since, because the basic outlook - the lack of profitable expansion potential for an economy which already has a massive overcapacity and little prospect of widening its export market - hasn't changed. So the crash, and the measures to contain it, stimulated Japanese capital to seek profits abroad even more. More than 265 billion dollars of Japanese capital was poured into South East Asia, both to expand Japan's manufacturing base there and as loans to local capitals, taking advantage of the spread between the extremely low Japanese interest rates and higher ones abroad.

THE PUSH FOR GLOBALIZATION

The global recession of the early '90s resulted from the gradual exhaustion of the attempts of capitalism to overcome its contradictions by stimulating the economy through debt-financed deficit-spending. Government debt had risen on average 9 % a year across the OECD countries (developed capital) during the '80s, more than three times faster than their economic output. The rise was most spectacular in the US, where public debt quadrupled and the overall (public and private) indebtness of the economy rose from 4.2 trillion dollars to 12.1 trillion. As a result, a growing share of the income of consumers, companies and the government went to interest-payments, which in 1990 swallowed almost a quarter of the federal budget and 61% of the gross earnings of US-corporations (as opposed to 35% in the '70s). This left them with less to spend and forced them to cutbacks which triggered the recession.

But the US used the occasion to accelerate the restructuring of its capital already begun in the '80s, liquidating less efficient factories and services and integrating new information technology at a rapid pace, merging companies into stronger, bigger units. This caused mass lay-offs which compounded the chilling effect of the efforts (tax hikes and sharp spending cuts) to reduce the budget deficit, but eventually it improved US capital's competitive position considerably. American capital emerged more concentrated, more productive and more dominant in the most profitable markets (computer software, for instance, became its third largest industry). Other developed capitals followed the same course, but, for a variety of reasons, at a slower pace (except Britain). Besides, none of them had the American advantages of a giant home-market and control over the global currency.

The global effect of the accelerated pace of automation and other tecnological innovation in the '90s, could only be an aggravation of the basic contradictions at the roots of the crisis. By increasing productive capacity and shedding workers it exacerbates the market contradiction; by reducing human labor in production it also reduces the general rate of profit. Yet by widening the productivity-gap between the strongest capitals and the rest, by altering the shape and content of the world market, making production everywhere more dependent on new technology, the same development also increases the share of the strongest capitals in the global market and gives them a competitive advantage that boosts their profit rate.

The same worsening of capitalism's global contradictions which triggered the puncture of the Japanese bubble and the recession of the early '90s also caused the implosion of its Russian bloc. Collapsing under the weight of unproductive spending, seeing its technology and productivity gaps with the West widen at an alarming pace, and unable to launch a global war-effort, Russian capital was forced to give up (at least for now) its global imperialist aspirations, which soon also led to the abandonment of the Stalinist system of control and of its semi-autarky.

This widening of global capital's playing field coincided with a number of political and economic developments working in the same direction:

- the deregulation of financial markets, under American pressure and as a result of their growth and of technological changes making their control ever more difficult, gave financial capital unprecedented freedom to invest anywhere and to withdraw whenever;
- the conclusion of the GATT-negotiations and creation of the World Trade Organisation, under impulse of the competitively best positioned countries - i.e. the strongest capitals - further reduced trade barriers, widening the global market;
- new technology, vastly reducing the costs of communication an transportation and changing the shape of the work process itself, further facilitated the movement of financial capital and commodities, creating a "global assembly line".

This globalization obviously benefited the strongest capitals, whose advanced productivity and dominance of the most profitable sectors gave them a competitive edge in the widened global market. But it also benefited capitals in underdeveloped areas which were best positioned to win a place in the global assembly line.

Both saw their profits and thus their buying power increase and their increased spending created work and profits for others. The victims of globalization were those capitals, and thus the many millions of workers they employed, and peasants and others who couldn't compete in the global economy. But how does this acceleration of globalization affect capitalism's underlying contradictions? The effect changes over time. Initially, it boosts the general rate of profit and widens the global market. But that doesn't last.

The rate of profit initially rises, because the globalization of the labor market not only widens access to cheaper labor, but also because it allows capital to play off different labor markets against each other, using the threat of moving to keep wages down everywhere. So the rate of exploitation increases and, with it, the average profit-rate.

As we've seen earlier, this is not the only reason why profits rose for the strongest capitals in the '90s. They obtain surplus profits because of their competitive advantage on the widened global market, not only resulting from their higher productivity but also from their dominant position in non-saturated markets, created by the development of technology or artificially through marketing strategies, etc. (2) But to these surplus profits corresponds a decline of the profit rate of those less productive and less innovative capitals which, because of globalization, must now compete directly with their stronger, more concentrated counterparts, which means they must sell their commodities under their value, at a very low profit-rate. Their lack of profitability tends to devalue these capitals in their entirety, which is why their currencies are continuously worth less than the currencies of stronger capitals. (This is both an effect of their low profitability - the less the profit that can be obtained in a local market, the less sense it makes to invest in it and the less demand there will be for its currency - and a reaction to it - by cheapening their capital, weaker countries try to attract investment in export-production). This devalorization trend again benefits the strongest capitals (since it cheapens their imports from weaker countries) as long as it doesn't spread to them. But the cheapening of their capital becomes a competitive weapon for the weaker countries, that carries more weight to the degree trade barriers fall and transportation costs diminish. Since it makes no sense to compete globally by investing in backward production methods, the new capital they attract is often of the same high organic composition, or as capital-intensive as in developed countries. This allows a number of weaker countries to move up the ladder, from producers of cash crops and raw materials to producers of manufactured goods and onwards, of high-tech and services. So globalization accelerates the spread of a highly productive, capital-intensive, integrated production process over the planet while simultaneously liquidating more backward producers that can't compete in this new environment. In short, it creates winners and losers, but the losers are generally more labor-intensive than the winners, so the total sum of surplus-value extracted must decline. Thus, even though the rate of surplus value (the ratio between unpaid and paid labor) increases, to the degree globalization becomes succesful, the rate of total surplus labor to total capital, and hence the rate of profit, goes down, no matter how low wages sink.

Globalization by definition widens the market for developed capital and therefore tempers the market-contradiction. But here too, the effect is temporary. Globalization accelerates the replacement of labor-intensive production methods (low organic composition) by capital-intensive production methods (high organic composition) not only because the latter are more competitive but also because the products of the former fit less and less into the market created by global capital (3). With less workers employed per capital invested (and downward pressure on wages) productive demand goes down. Unproductive consumption may continue to grow, but as we've seen earlier, that doesn't soften the global market contradiction. (4)

The acceleration of technological change and the export of capital to underdeveloped areas like South East Asia, further adds to the overcapacity of the global production forces. The market in these areas grows, but its growth is feeding off the success of their exports to the markets of developed countries. Therefore it must crumble as soon as their exports stop growing. And since their production capacity and thus their supply grows faster than the demand of their export markets (especially since the burden of debt forces states to diminish their support to the market), it doesn't take long for that point to be reached.

Every capital owner willing to invest abroad, hears a chorus of "pick me!" shouts from around the world. Since every underdeveloped country wants to join the ranks of the developed, or at least not to slide further backwards (for which it needs foreign capital) and since the global economy is already suffering from overcapacity, the capital owner not only can afford to be picky, he also must be; and his willingness to invest will diminish - or he will demand a higher premium - each time a bubble created by globalization bursts. Which one to pick? The countries competing for capital, have mainly three weapons, apart from their political conditions (order, stability) and their degree of infrastructural development, taxes, regulation, corruption, etc.:

- the cheapness (and docility and formation) of their variable capital (labor power)
- the cheapness of their currency (and thus of everything that they have for sale)
- interest-rates (the higher they are, the more attractive it is to loan to them, provided that they seem capable of paying it back and that their currency won't plunge).

The more crowded the competition becomes, the more these weapons will be used. Growing overcapacity accelerates the competitive race to the bottom. Finally, when the overcapacity of a country or a region signals dismal future profits, capital begins to pull out. The more liquid it is, the faster that happens. One reason the South East Asian crisis unfolded so fast, was the growth of speculative, short-term loans in the preceding years.

THE ASIAN CRISIS ...

Globalization spurred a massive influx of capital, and therefore rapid growth, in South-East Asia in the early '90s. A lot of it came from the US and Europe, but by far the largest investor was Japan. It invested more than twice than as much as the US in the region, most of it - at least orginally - in the expansion of export-oriented manufacturing. With Asian exports booming, still more capital flowed into the region from 1993 onwards. European and American capital increased their lending, prompting Japanese banks to loan even more at lower rates to grab a larger market share. They did so, not only because of the lack of profitable investment opportunities in their domestic economy, but also to tie the region to Japanese capital, just as American capital had done in Latin America and European capital was trying to do in Eastern Europe.

With this lending binge, a new bubble began taking shape. More and more capital went to non-export related sectors and fueled asset-inflation in real estate. But the growth of the region's domestic market depended on the growth of its exports. Competition was getting more crowded, especially because of the strong export-expansion of China, which was increasingly competing in the same sectors as the other "emerging" countries. After getting over the disastrous results of Mao's attempts at autarkic development, China had opened its doors wide to foreign capital. The resulting booms in investment and exports, and a rapidly growing money supply, spurred on rapid economic growth but because of the mounting losses of the state sector and increasing speculative investment, debt and inflation rose dangerously. In 1994, China adopted a stringent austerity policy, reined in the growth of money, and devalued its currency by 35%. The effect was chilling for its domestic economy but increased the confidence of foreign capital. With its cheap currency, its extremely low wages (averaging 0.30 dollar), and its Stalinist regime maintaining a harsh discipline in the factories, China was very competitive. The only drawback was that foreign-owned plants couldn't sell on the Chinese market, but, betting that this would change in the event that China joined the World Trade Organisation, foreign capitals wanted to position themselves nevertheless in this potentially large market. Foreign investment in China rose sharply, peaking in 1996, when it received almost half of the so-called developing world's share. It went into the building of a mammoth-export sector ("just 12 years ago, foreign-owned factories produced only 1% of Chinese exports." Today, "only one-fourth of China's exports consists of Chinese goods made by Chinese-owned companies and that share is shrinking, Chinese customs statistics show". (5) The yen also began to slide (by 60% to the dollar by the end of '97) because Japan maintained a cheap-money policy (with interest rates close to zero) to prevent its stagnation from becoming a depression. But it also made its exports cheaper and thus more competitive. The pressure for devaluation on its competitors increased.

Asia's exports began to stagnate in 1996. With sales increasingly lagging behind production, the Wall Street Journal reported "a time bomb of deflationary pressure - vast inventories of unsold goods, the detritus of yesterday's great expectations". In country after country and sector after sector, it signaled "massive manufacturing overcapacity" resulting in giant stocks of all sorts of commodities, some produced years ago. China, with an overcapacity of almost 100%, had "the mother of all inventories, with more than 360 billion dollars in unsold goods (6) This glut forced them to a price war which dragged down the prices of most Asian exports (by 50 % in 1997). With export earnings down, profits were sagging and bankruptcies rose. In early 1997, South Korea's largest steel companies collapsed and yet, foreign capital, facing stagnation in their home-markets, plunged in even deeper. Only now, the vast majority of incoming capital consisted of short term loans, to be repaid in foreign currency. That way, financial capital sought to protect itself against future risks but it only inflated a bubble already doomed by deflationary pressure. The implosion began in Thailand, where reports of the continuing fall of exports set the exodus of foreign capital in motion. Stocks were unloaded, investments withdrawn, local currency converted into foreign money. Thailand's attempts to swim against the deflationary tide and resist pressure for devaluation, only created room for massive speculation which accelerated the collapse (7). Soon Indonesia, Malaysia, the Philippines and South Korea were swept up in the crisis. In just a few months, more than 100 billion dollars fled the region. Stock markets crashed, currencies lost half their value or more, foreign debts rose accordingly and, inevitably, the chain of payments broke at thousands of places, threatening to provoke a collapse of the banking system and paralyze the region in a deep depression.

Was the problem compounded by the corruption, cronyism and mismanagement in Asia, which wasted so many loans on unprofitable ventures? Was it worsened by the recklessness of foreign capital pouring in so much money for short term profits, despite the signs of impending disaster? The answer is yes to both questions. But it's striking how all commentaries on the Asian crisis have worked to reduce the problem to those two aggravating factors, to cover up the real causes of Asia's crisis, of which those aggravating factors were only by-products. They must be covered up because capitalism can't adress them nor prevent them from worsening. Asia's overcapacity reflects the growing overcapacity of global capital in relation to the productive demand it generates. Financial capital's restlessness reflects the growing incapacity of global capital to generate enough profit to prevent capital's massive devalorisation.

... AND ITS HANGOVER

Asia's financial meltdown had to be stopped to prevent if from spreading to the rest of the world and to assure that the region would maintain at least some ability to pay off its debts to foreign capital. So the IMF and other institutions of developed capital moved in a big way to stabilize the situation. But their loans are no gift - they must be repaid with interest at market rates - and they don't come without strings attached. The IMF imposed reforms which force these countries to remove most obstacles for foreign capital to compete in their markets (in finances as well as commodities), to abolish cross-shareholdings and other market-manipulations typical for the "Japanse model" which most of them had adopted, and to sell off state companies, close insolvent banks, maintain a tight money policy and take other austerity measures.

For the devalued South East Asian capital's, the crisis is obviously a disaster. Especially for Indonesia, Korea and Thailand, which haven't hit bottom yet. Their possessions have shrunk, their markets have contracted and they face a mountain of debt. It's worse for the many millions of workers who are losing their jobs and for all the others who see their already meager incomes plunge. The foreign banks, to the degree they are exposed (especially the Japanese), are losers too. They can never recoup all of their loans. But in many ways the crisis is, at least in its initial effects, a boon for developed capital, the US in the first place:

- the huge devaluations make it a lot cheaper to operate a factory in South-East Asia, since all costs - wages, taxes, supplies - diminish accordingly;
- the stock market crashes make companies themselves a lot cheaper, creating countless opportunities for bargain-take overs. So developed capital returns to the region, at levels far from those of the past but achieving a greater penetration and control than before;
- not only do the IMF reforms throw South East Asia's domestic markets wide open for developed capital, the crisis has also strenghtened their global bargaining position, as was confirmed by the adoption last december of a treaty by which 102 countries agreed to open their financial markets to foreign competition by 1999. For the US, which did not have to concede anything, all this was a clear victory:
- the cheapening of Asian imports checks inflation in the developed countries;
- the sharp contraction of the Asian financial markets and the increased, well-founded fear of similar events in other 'emerging' countries sends more and more capital to the safe havens of developed capital, especially to dollar assets. Since this raises the demand for dollars, etc. the supply can grow faster too, without causing an excess of money in circulation and thus inflation, which makes it possible for the US and (to a lesser degree) others to keep interest rates relatively low; and thereby stimulate their domestic economies;
- the same flight of capital to the safe dollar-havens boosts the stock markets in the West. With the Dow Jones continuing on its merry way to 10,000 and beyond, there's no shortage of fools proclaiming that the Asian crisis did not affect Western capitalism at all. But, once again, we have to look beyond the surface at the underlying contradictions of global capital, to assess the real impact of this crisis, which portends both an acceleration of the decline of the average rate of profit and a sharpening of the market contradiction.

Obviously, the South East Asian market is contracting sharply, but the contraction also spreads to other regions. The devaluation of Asian capital, cheapening its exports, puts intense pressure on all its direct competitors to devalue also, in order to remain competitive. These competitors are in the first place other "emerging" countries in Asia, Eastern Europe and Latin America. It's better for them if they can avoid a devaluation, because it destroys their own buying power and fuels inflation (because of the higher price of imports), while the competitive advantage it gives, disappears when others are doing the same. But market pressure can make it impossible to avoid. The pressure builds when falling export-earnings prompt capital to move out. The main weapon of defense against this is raising interest rates. Brazil, for example, had to raise its interest rates to almost 40% to support its currency in the aftermath of the Asian crisis. So far, this has worked (it prevented a devaluation of the real and a flight of capital) but at a devastating price: the high interest rates have contracted Brazil's domestic market which forced mass lay-offs. Therefore either "solution"- devaluation or high interest rates - shrinks the domestic market and increases dependency on exports. So South East Asia as well as the rest must try desperately to increase their exports and cut prices to do so. "Double Exports!" proclaims a banner at the headquarters of Hyundai. The slogan echoes all across the world. But its implementation faces many obstacles. One is that developed capitals who face increased competition from cheaper Asian and other imports, respond by investing in new technology to reduce production costs and to develop new products. Lacking the capital access they enjoyed before, companies in Asia and other "emerging" areas can't keep up the technological pace and risk a deterioration of their competitive position, especially in the most profitable sectors. In some others, they might simply swamp their export markets were it not for the many import quotas and tariffs that still exist, despite the movement towards freer trade in recent years (apparel, for example - one of Asia's main export sectors - can't expand anymore because of import quotas). This is expecially true for China. The walls around its market and the inconvertibility of its currency protected it from speculation and devaluation during the Asian crisis, and from IMF-diktats afterwards, but the same semi-closedness limits its export-market access. And while Asian and other capitals look to export expansion as the only way to prevent the further devastation of their home markets, they must increase the volume of their exports at least as much as their export prices have dropped, just to prevent their export earnings from falling. Finally, price cuts become increasingly powerless against market saturation. Just because prices of TV sets drop, doesn't mean that consumers rush to the store to buy five TV sets.

THE MARKET OF LAST RESORT

With the domestic markets of most countries shrinking or at best stagnating and all of them focusing on export-expansion, new inventory gluts are building, which again will force deep price-cuts, just to make room for what keeps pouring off the assembly lines. Inevitably, deflationary pressure will keep building up. Where it is the strongest, devaluation wreaks devastation but also lowers production costs most. The steeper the devaluations, the more they push up the value of the dollar and other strong currencies and thus the relative costs of production in countries with strong currencies. With more countries possessing an educated and adaptable work force, this growing cost differential lures away production from more sectors, threatening to hollow-out gradually the industrial base of the strongest economies. Deflation will invade more sectors and thus become more difficult to escape. As we said earlier, developed capital's first line of defense is to improve its competitive position in other ways, in the first place by employing new technology that raises productivity. In this way it tries to eliminate its wage cost disadvantage not so much by lowering wages as by employing fewer workers per output. Besides its downward-pushing effect on the average rate of profit, this further increases global overcapacity, while diminishing productive demand, consumption that leads to the creation of new value; to profit. So, unavoidably, global saturation is building.

At present, only two regional markets are still growing: North America and Western Europe. They are supposed to absorb all of the growth in output. They have been playing the role of market of the last resort increasingly since 1980 but at the price of an explosion of debt, that is, a creeping transfer of value and thus of buying power from the whole economy to financial capital. As the debt mountain grows, a growing part of incomes, profits and taxes must be forked out as interest payments to financial capital. Europe's public debt crisis has forced its governments to cut back state support to the market, in order to bring down budget deficits. They will have to do so even more, if they want to inspire condidence in their new single currency, because their debt-burden keeps growing, only at a slower pace. The US has increased its debt spending even faster since 1980. Its public debt is by far the largest, though as a percentage of GDP still far lower than most European countries. Thanks to the rising profits in the '90s and draconian spending cuts, it (temporarily) brought down the budget-deficit but not the public debt. The general indebtness of the American economy keeps rising. The importance of this is not that the US has become a net-debtor nation, even the biggest one in world history (it owes foreign capital owners 9% more than what foreigners owe to US capital), for the economy as a whole, the nationality of creditors and debtors doesn't really matter. What's important is the growing transfer of wealth from the economy as a whole (which through its productive consumption creates new wealth) to financial capital which, by itself, creates nothing.

The main reason why America could keep on playing the role of market of the last resort for the rest of the world economy, is the dollar's position as the world's dominant reserve currency - the preferred store of value for corporations, central banks and capital owners in general around the world. This creates an endless global demand for dollars and dollar assets which not only allowed the US-government to increase its debt so fast, always finding buyers for its debt-notes, but also allows the whole economy to buy more than it sells year after year. Since 1980, the US economy bought in excess of 1.6 trillion dollars more from the rest of the world than it has sold to it. Any other country with such chronic trade deficits would soon deplete its foreign exchange reserves to settle its trade debts and its currency would plunge as a result. But the US can settle its current account deficits simply by printing dollars since the dollar is its trading partners' reserve currency. Obviously, its capacity to do so is far from unlimited, since inflation would flare up if the dollar supply rose too fast. But the stronger the global demand for dollars and dollar assets - and the demand increases each time a deflating bubble sends more capital to the safe dollar haven - the more leeway it has to raise the money supply and encourage domestic spending. So, thanks to the growing global demand for dollars, the US could in past years cheapen credit and see its dollars and dollar-values increase in value at the same time. This caused a spectacular burst of borrowing for consumption, the chief reason for the US' relatively strong economic growth. But total household debt in the US grew to 5.4 trillion dollars, 91% of the disposable income, an all-time record (on the eve of the recession in 1980 it stood at 65%). Personal bankrupcies are also at a record high. This means that a growing part of personal income (now one-fifth) goes to interest payments, transferring buying power from consumers to financial capital. This points to decreasing economic growth in the near future. The market of the last resort will begin to contract. Thanks to globalization, the impact will be felt more widely than ever. With the dependency on the American market so great, and so many capitals around the world hanging on by their teeth, declining export earnings will again devalue currencies, cause a flight of capital, create social upheaval, and make the affected capitals lower their own demand and cut their export prices. This increases price competition and spreads saturation to more sectors, even the more profitable ones. It is estimated, for instance, that in the year 2000 the global automobile industry will produce about 80 million vehicles for a market of fewer than 60 million buyers. And so on. The best positioned capitals will still rake in surplus profits but the growing saturation will further push down the average rate of profit, already declining because of the rising average organic composition of capital, which reduces the labor and thus surplus value content of production.

The debate on protectionism will flare up again. The most affected industries and the trade unions in North America and Western Europe will demand new tariffs and quotas against imports. But the globalization of the production process and the increased concentration of capital has made more capitals dependent on access to large, global markets and thus rightly fearful of an erosion of free trade. The experience of the '30s has shown how rising protectionism can accelerate a spiral of depression. But without protectionist measures, deflationary pressure spreads even faster to the centers of capitalism.

DEADEND STREET

It is approaching fast. As one economist has noted: "In Europe and the US, we are only a foot away from outright deflation in consumer prices. At the level of producer prices, we are already there".(8) And in Japan, deflation has reached the retail-level, with prices generally falling since mid-1997. In much of the rest of the world, there is deflation in financial assets and currencies but inflation in consumer-prices because of currency-deflation (rising import-prices). On the global market, deflations is so far most pronounced in sectors such as agricultural products, textiles and even more so prime materials (oil, steel, etc), a sector which is often likened to a canary in a coal-mine: an early warning-system of dangers ahead for the entire economy. It is suffering its worst decline in prices in more than half a century. On the surface, deflation may appear a technical question, a problem of mismanagement of the quantity of money in relation to the commodities it circulates. Indeed, too little money makes it more expensive and therefore cheapens comodities, just like too much money raises commodity-prices and thus fuels inflation. But the enormous growth of the money-supply and of financial assets in general, proves that the problem lies elsewhere. With market-saturation and the average profit-rate jointly worsening, and wealth moving from the whole economy to financial capital, the incentive to buy commodities, either for consumption or for production, is diminishing perilously. The incentive isn't restored when more money is floating around. This merely chases money away to other financial assets and the only way to stop it is by raising interest rates, that is by making money more expensive again.

The forces leading up to a tidal wave of deflation have slowly been building over several decades, fed by the very policies aimed at keeping the twin contradictions of decadent capitalism - market saturation and the fall of the profit-rate - at bay: the massive creation of money in the inflationary '70s, the debt-explosion of the '80s, globalisation in the '90s. They have created a massive, global financial market that demands ever more from an economy ever less capable of delivering it.

In part 3 of this text (IP 32-33, p 22 e.v.) we noted how financial capital is growing at a pace ever faster than the real economy. Between 1980 and 1992 the financial asets of the OECD countries (developed capital) grew twice as fast as their economies. In 1992 they represented twice the value of the OECD's output, by 2000 they will be valued as three times the OECD's production. In other words, an ever larger share of the total buying power is transferred from the economy as a whole to financial capital. That would not matter much for total capital, if financial capital would use this buying power like other economic agents and spend it on goods and services. But financial capital doesn't have to spend. It only does so if that's the best way to augment its value.

The goal of financial capital (M) is to become more money (M'). The goal of the real economy, the reason why it exists for society, is to assure its survival and if possible prosperity, to produce in such a way that it can consume more, and to consume in such a way that it can produce more. Or, in other words, to transform the commodities at the onset of the productive cycle (C) into more commodities (C') which allow society to survive and to continue to produce. The fundamental argument upon which capitalism's dominance over society rests, is that M-M' and C-C' make each other possible. The intermediary role of M in the circulation process of commodities (C-M-M-C: commodities are sold, and the resulting money is used to purchase new commodities) makes possible the cycle of expanding reproduction (M-C-C'-M': money is spent on commodities, whose use in production leads to the creation of more commodities, containing more value -since surplus value is added- and therefore, when they are sold, to more money than at the start of the cycle). But deflation breaks the cycle. When prices are falling, so that the M' at the end of M-C-C'-M' no longer exceeds M, there is no incentive for M to make the essential next step in the cycle, to accomplish M-C. It will remain money, though it may shift nervously within the financial market, always in search of the best way to retain its value. The more deflation spreads, the less incentive there is for financial capital to accomplish M-C, but that also means the less the real value of M can increase, since its increase is the result of the cycle M-C-C'-M', which is interrupted to the degree that M refuses to become C. But this decrease in value growth of M isn't reflected in the prices of financial assets. Because M increasingly seeks an alternative investment to M-C, a store of value within the financial market itself, increasing demand pushes up the price of M. With M appreciating more by staying M, the incentive for M-C diminishes further, so that even more M resulting from the cycle M-C-C'-M' remains M instead of returning into the cycle of production and consumption, thus further feeding the forces of deflation.

Because C has no choice but to try to become M at any price (commodities lose their value when they remain unsold) while M is losing its incentive to become C, C-M and M-C, supply and demand, are pulling in opposite directions. The two essential moments of the exchange process that regulates the economic cycle, sale and purchase, are disjointed, so the circulation process, C-M-M-C, breaks apart. The two can only be realigned by a violent correction, a massive devaluation of financial capital, of the value that already exists in relation to value that is newly created, so that C' has more value than C, so that M-C, and thus the cycle M-C-C'-M', can make sense again. Since this impasse is not the result of policy mistakes but of the inherent logic of the market, there is absolutely nothing that can be done to stop it, despite all the wisdom that the capitalist class thinks it has gained since the 1930s, when the same impasse led to global depression and world war.

Nothing can force global capital to do what makes no sense for capitalists to do, nothing can force M to become C. But its value really is C, it is based on the fact that money is universal exchange value, exchangeable for all other commodities. Without C, M is just paper. Therefore, the real value growth that the appreciation of financial capital represents, can only come from the growth of value in the real economy. All appreciation above that is fictitious value, which cannot be maintained when there is a devalorization of C and the economy's inability to increase value makes it impossible to meet its obligations to financial capital. Deflation destroys profits and therefore also financial capital's claims on profits (dividends, interest payments) so that its fictitious value must collapse. It collapses first where the tension between the rising fictitious value of financial capital and the deflationary pressure on the real economy is the greatest. That's why the bubble burst in South East Asia. While it's not certain where the next bubble will be punctured, there's no shortage of candidates, Russia and Brazil are among the most likely. Both are suffering from crushing debt levels and a flight of capital only reined in by steep interest rates which worsen the depression-conditions in much of their economies. They don't need much to crash, but there are many others whose position is only slightly better.

As with the deflation of South East Asia's bubble, future asset-deflation in other regions will have some benificial effects for developed capital, especially for the US, as more capital will flee to dollar-assets. The ship is slowly sinking and the rats run to the upper decks where they see no problem whatsoever. But with every crash, the choices for financial capital narrows and deflationary pressure moves closer to the center of the system. It's therefore likely that the unavoidable next global recession will be very dangerous. The demand for emergency-loans might well become so large that the IMF will run out of funds and financial panic will spread beyond the periphery of the global economy. Even Western Europe could be threatened. European capital has lost ground in the global competition and wants desperately to obtain the advantages which are such a tremendous boon to US capital: a huge, unified home market providing a strong base for multinationally operating, profitable mega-capitals, and a currency that is used as a global reserve currency, so that its central bank, like the American Federal Reserve, can act as global banker and use foreign demand to expand its money supply and thus its wealth. Therefore it rushes ahead with the Euro, despite the fact that almost none of its members meets the self-imposed condition of having reduced its public debt to 60% of its GDP. But with fiscal policy still decided by the different states and no credible means to enforce economic discipline throughout the union, it's quite possible that a recession would break it apart, with speculation against and capital flight from the hardest hit member-states. If the Euro survives, it could itself become subject to speculation and deflation, or it might deflect this pressure onto the dollar.

But the most threatened of the central economies is the world's second largest economy, Japan, whose dollar value is twice as large as the rest of Asia's combined. A Japanese meltdown would be disastrous for all other economies, the American in the first place. Since the early '80s, Japan has been a steady buyer of American financial assets, pushing up the prices of American stocks and bonds and of capital in general, creating purchasing power for American capital, allowing it to consume more than it produces, to spend more than it taxes. America's relative prosperity is dependent on this high valuation of its assets, and thus on continuous strong demand for it. While this demand is global, Japan has been by far the largest source.

But Japanese capital is reeling after the Asian crisis. Since 40% of Japan's exports went to Asia, its export-market is contracting sharply. The continuing wave of bankrupcies in Asia is affecting Japan in another way: it invested and loaned close to $300 billion to its neighbours. A good chunk of that money - no one knows exactly how much - is lost. This comes on top of the mountain of bad loans at home which Japanese banks have accumulated since 1990. The banks have reported more than 560 billion dollars in bad loans; their total value is estimated to be larger than that of the entire economy of China. Furthermore, under the Japanese system of cross-shareholdings, a huge chunk of Japanese stocks is owned by the banks. The downward slide of the Japanese stockmarket since 1990 therefore means a continuous loss of assets for the banks.

Experts agree that most Japanese banks are insolvent. The sector can only recover if the Japanese economy recovers. The government has tried many things to make this happen, but all to no avail. Since 1992, the state has augmented its spending with stimulus-packages to the amount of $560 billion, to which another $124 billion is now added. On public works alone, Japan has spent about $500 billion in the last seven years (9). Taxes were cut and interest rates are the lowest in the world. Despite all this, prices are falling, the economy is close to recession, while public debt ballooned to 98.4 % of the GDP. With the highest budget-deficit of all developed countries (5.9 % of the GDP) and 22 % of its budget spent on debt service, the state is afraid to expand its spending and afraid to shrink it for the same reason: that this will trigger a recession which pushes the banks over the brink. That's also why the central bank doesn't raise interest rates, even if though the low rates send about ten times more capital abroad than is invested domestically. A recession certainly would accelerate this capital flight. With more and more yen withdrawn from the banks and converted into dollars, banks would start to collapse. Falling demand for yen assets would further drag the stock-market down and thus wreck more havoc in the banking sector. For other countries that would cause not only a fall of their exports to the contracting Japanese market but also (because the devaluation of the yen would slash Japanese export prices) a sudden acceleration of deflationary pressure, pushing down the rate of profit.

This spiral could be prevented by a vigourous defense of the yen. Japan certainly still has the means to do so. Its central bank possesses 230 billion dollar in US securities and holds, together with other institutions, some 570 billion dollars more in foreign assets. It could sell some of these and convert the proceeds into yen to defend its currency. But if it must do so in a massive way, Japan becomes a seller instead of a buyer of American financial assets. Since American financial markets need at least a billion dollars a day in foreign demand to keep the price-level up without rising interest-rates (10) and since most of that demand comes from Japan, the defense of the yen could raise supply and lower demand in the American financial market and therefore cause prices to fall. It would then be the most important bubble of all, the one that has become vital to the functioning of the global system, that would come under attack.

I don't suggest that the above scenarios will necessarily become reality or that the next recession will immediately lead to a global collapse. I don't think that the underlying contradictions have deepened yet to the point of making that inevitable. But while it cannot be foreseen when a global collapse will occur, it seems certain that the world economy is heading towards it and that nothing can be done to stop it, because we're being dragged there by forces which are only following the logic of the market. It also seems certain that the period which separates us from this cataclysmic event will be one of growing social turmoil. But we can't predict precisely where and how this turmoil will manifest itself. In Asia, after the recent crash, we saw hunger riots and demonstrations, but also the scapegoating of an ethnic minority in Indonesia, strikes and workers' demonstrations against wage cuts and lay-offs in China, and a left talking governement using the trade unions to clear the way for mass layoffs in South Korea. In the coming period, we'll see the same turmoil magnified, with the forces of capital working very hard to make the devastation accepted like an act of nature, to deflect the anger into destruction and hate, and workers refusing to take what is done to them and fighting back on a class-basis. We can't predict what the outcome of this conflict will be, whether it will lead to an orgy of destruction or to a new beginning for humankind. All of us are deciding. We can make a difference; to understand what is happening is the first step.

(to be continued)

March 1998

Sander

NOTES

1. See "The Roots of Capitalist Crisis, Part 3 in IP , "Markets and Profit-rates", p.14 and following.

2. See same text, Part 3 , p.16. The wider the market, and the more it is threatened by saturation, the more investment in marketing makes a difference.But this also raises improductive costs for capital substantially because of "the great quantities of labor that are expended, in both manufacturing and the service sector, to hold on to customers or to lure them away from other companies (...)the greatest drag on productivity (comes) from the huge investment in manpower to develop products and services that are only slightly different from their predecessors, and then to advertise and market these variations." (Louis Utichelle,"America's treadmill economy, New York Times March 8, 1998). A recent study of the US Labor Department named Marketing as the category with the highest job growth in the US. "The decision structure in a gobal economy demands these people," commented an economist on the study, "it takes less and less to produce a product or service, but more and more to promote it, manage the process, customize it...No firm feels it can cut back without losing market share." (New York Times, Feb. 10, 1998). For US capital , the marketing-experience gained in its vast home market and the fact that many potential foreign competitors cannot afford the same marketing-efforts, obviously give it a big advantage in global competition.

3. When capitalism was young, it competed with non-capitalist producers, often making the same commodities. Now the latter are chased to the farthest corners of the market. What they can produce and sell, doesn't fit anymore in the modern world. In the same way, globalisation drives the old, labor-intensive, pre-electronic industrial way of producing things to near-extermination. Not only because of cost but also because of content of production.

4. See "The Roots...", part 2 (IP 30-31) p.33, and Part 3, p.6 and 10.

5. Wall Street Journal, 7/4/97

6. Wall Street Journal, 11/26/97

7. When it's clear that a currency must go down and a governement tries to resist it, it's easy to make money. You borrow in this currency, convert the amount in dollars and by the time you have to pay the loan back you only have to spend part of your dollars to convert them in the sum you owe. To fight this speculation, interest rates have to be raised even higher, which provides an irresistible incentive for owners of already declining stocks to sell, so that the stock market crashes which increases the pressure on the currency even more.

8. MIT-professor Rudy Dornbusch in Wall Street Journal, 5/1/98

9. That this is aid to capital, not to the population in general, is illustrated by the fact that half of the homes in "super rich" Japan are still not connected to a sewage system.

10. According to an estimate of Deutsche Bank Group Asia-Pacific, quoted in the New York Times, Dec. 17, 1997.

ERRATA

Our apologies for the typing errors that may have obscured some passages in previous parts of this text:

In part 1:

- IP 30-31, p.15, second column, 18th line: read 200c+20v, in stead of 22c+20v

In part 3:

- IP 32-33, p.10, second column, 8th line from the bottom of page: read instead of ..would be equal to the to the total... : would be equal to the production costs of that sector (C+V), but the decrease of the markt for total capital would be equal to the total value of the production of that sector (C+V+S). Therefore, the market would shrink more than capital's production costs. But because ...
- Endnotes 23 and 24 are accidentaly bunched together. Endnote 23 ends with: Greider, op.cit., p.390. The rest of this line, the referral to the Wall Street Journal, is endnote 24. All the endnotesafter that should be changed accordingly (endnote 24 becomes 25 etc).
- page 26, second column, second paragraph. The end of this paragraph was acidentaly dropped. It should read, after ..to fall apart. : We don't pretend to know when this will happen. There may be a series of relatively minor financial crises and corrections before capital's fundamental contradictions have developed to the point that such a crisis hits capitalism at its core -the value of money. It may take several years, maybe even decades, before this point is reached.

TOWARDS A NEW THEORY OF THE DECADENCE OF CAPITALISM

The text which follows is based on a presentation made at one of our recent discussion meetings. It attempts to synthesize the recent debates and advances made within *Internationalist Perspective* on the conception of the decadence of capitalism, without in any way closing the debate or articulating a definitive position.

There are several reasons which have led us to again take up the concept of the decadence of capitalism. This re-examination is motivated by the inadequacy of the prevailing theories of decadence, in particular the most influential among them, that of the International Communist Current (ICC), which does not take account of the real evolution of capitalism in this century. This re-examination is also motivated by the inadequacy of those theories which reject the notion of decadence, and which are no less incapable of accounting for the profound transformations undergone not just by capitalism on the economic plane, but also by the class struggle. Finally, such a re-eaxamination has become necessary because of the inadequacy of the economic theories which have constituted the veritable foundation for the theories of decadence articulated by the communist left, specifically the theories of Rosa Luxemburg on the one hand, and Grossmann/Mattick on the other.

These insufficiencies on crucial points of the revolutionary program of the proletariat make it indispensible to undertake an important theoretical effort to better understand the world in which we live, with the goal of transforming it. Revolutionaries are useless if they are incapable of understanding the very world which they propose to overturn, because they are then incapable of grasping the actual historical perspectives, and can only give themselves over to sterile incantations.

A SHORT HISTORICAL SKETCH OF THE CONCEPT OF DECADENCE

The concept of the decadence of capitalism first arose within the Third International, where it was developed by Trotsky in particular. Trotsky's basic idea was that capitalism had reached the end of its historical course, that it had entered a phase of profound and permanent social and economic crisis. Trotsky soon fine tuned his conception by assimilating the decadence of capitalism to a pure and simple halt in the growth of the productive forces of society, a growth which had constituted the historic mission of capitalism. That vision seemed to correspond well enough to the reality of the first half of this century: after the descent into barbarism represented by World War I, the economic reconstruction had been of short duration and limited amplitude, ending in a new crisis and a new world war. From that reality emerged the vision of a cycle of crisis-war-reconstruction characterizing world capitalism in our epoch, without any clear development of the productive forces over a complete cycle. It's important to note, however, that Trotsky, at the same time, defended the idea that the superiority of "socialism" over capitalism manifested itself by the development of the productive forces in Russia. Now, we know that this development in Russia was only a capitalist development. Trotsky's very description therefore contradicted his theoretical vision of a halt in the development of the productive forces on a world scale.

Trotsky's vision was basically taken up by the Italian communist left around <u>Bilan</u> before World War II, then by the Gauche Communiste de France (GCF) after it. That vision moreover led the GCF to predict the imminence of a third world war after the end of the second, and to dissolve itself and choose exile at the time of the Korean war. Fifteen years later, a different conception was developed by M.C., an exile from the GCF, within the group <u>Internacionalismo</u>, and then by the group <u>Révolution Internationale</u> and the ICC: following the obvious development of the productive forces brought about by capitalism between 1945-1968, the decadence of capitalism was defined no longer as a halt but as a <u>slackening</u> in the growth of the productive forces. This more nuanced conception was more in accord with the empirical observation of reality, but it became incoherent in its theoretical bases. In effect, it remained based on Luxemburg's theory, which placed the necessity for non-capitalist markets to realize the surplus-value destined for capitalist accumulation, at the very heart of its explanation of economic crisis. In that theory, the disappearance or saturation of non-capitalist markets necessariliy meant the breakdown, or at least the halt, of capitalist accumulation. Such a theory is, therefore, incapable of explaining the development of the productive forces which followed World War II, and which has very largely rested on the expansion of the market internal to capitalism.

The state of this question within the revolutionary milieu today is disheartening to say the least. On the one side, based on its conception of a slackening in the growth of the productive forces, the ICC has been led to systematically minimize, if not deny, any form of development of the forces of production and technological evolution (as can be seen in its fierce opposition to the notion of a "third technological revolution" in the 1980's, an opposition which went way beyond a problem of terminology), and to see in capitalism only a stagnation without end. The most complete expression of that vision is the ICC's new "theory of decomposition," which in fact is merely a decomposition of theory; a "theory" powerless to comprehend and to explain reality, not just the post-World War II reconstruction, but also the present crisis. On the other side, a number of groups and individuals have been led to reject the very concept of decadence because of the incapacity of existing theories to account for the development of capitalism in the course of this century. These groups and individuals have articulated a vision of capitalism which develops by always overcoming its crises, without making any qualitative distinction between periods of ascendance and decadence of the system. In general, those visions demonstrate their incapacity to provide an economic explanation for the world wars, and other essential features of contemporary capitalism, such as the hypertrophy of the state and the war economy.

This historical sketch of the state of the concept of decadence, leads us to believe that it is necessary to go beyond the prevailing conceptions and develop a new theory of decadence which will not be encumbered by its past incoherence. Such a theory must also be based on a coherent crisis theory, one which is extricated from the sterile antagonism between the conceptions of Luxemburg and Grossmann/Mattick.

THE NECESSITY OF A CONCEPT OF DECADENCE

Before examining the elements for a new theory of the decadence of capitalism, we first have to raise the question of the very need for such a concept. Inasmuch as the the concept itself has been put in question, it is only right to ask if there is any reason to retain a conception of capitalist decadence. Such a concept seems to us to retain its fundamental importance for three principal reasons.

First, important changes, both quantitative and qualitative, have marked the evolution of capitalism, and distinguish capitalism today from what it was in the past. The most important of these changes include the appearance and significance of crises and world wars; the development of state capitalism and the war economy, with the growing control of the state over economic, political, and social life; the incapacity of capital to integrate ever growing segments of the world population, and the concomitant growth of famine, genocide, and permanent war. At the same time as it develops, capital self-destructs, and destroys social wealth and human life on an unprecedented scale. Here, quantity is transformed into quality: the amplitude of these phenomena cannot be compensated by the simple quantitative growth in the scale of production.

Second, decadence is a regular phenomenon in the history of human societies and modes of production. There is a simple reason for that fact: human never abandon the tools which they have forged before having utilized all the possibilities inherent in them, and having found new ones with which to replace them. Consciousness generally lags behind existence. Trotsky pointed out, quite correctly, that revolutions are not explained by the audacity of humans, but rather by their conservatism, by the fact that their ideas, and economic and political structures, lag behind the real evolution of society:

> "The swift changes of mass views and moods in an epoch of revolution thus derive, not from the flexibility and mobility of man's mind, but just the opposite, from its deep conservatism. The chronic lag of ideas and relations behind new objective conditions, right up to the moment when the latter crash over people in the form of a catastrophe, is what creates in a period of revolution that leaping movement of ideas and passions which seems to the police mind a mere result of the activities of 'demagogues'."[i]

The decadence of capitalism, like that of earlier social forms, is a product of the gap between the objective social and economic evolution on the one hand, and the mode of production and corresponding political and ideological structures, inherited from the past, on the other.

Third, the decadence of capitalism is the reverse side of a positive necessity, that of communism. If the revolution was merely a moral imperative, it would never be made. Humans only make revolutions because they are compelled by an imperious need. And this imperious need derives from the incapacity of the

[i] Leon Trotsky, "The History of the Russian Revolution," Preface.

existing order to fulfill their wants, in particular their material wants. The continuing inability of capitalism to assure the social and economic development of humanity in accordance with the state of development already attained is a necessary condition for the communist revolution, which will put an end to the reign of capital. The decadence of capitalism corresponds precisely to the historical period in which it becomes a fetter on the development of society, and in which communism, therefore, becomes an objective necessity.[ii]

For all of these reasons, the concept of decadence is, and remains, indispensible if we are to grasp the historic trajectory of capitalism, and the movement towards communism.

SOME ELEMENTS FOR A NEW THEORY OF DECADENCE

Once again, we do not make any pretence of articulating a new theory that is completely worked out. Rather, we want to point to certain elements which we believe to be indispensible to the development of such a theory.

1) The recognition that there is a development of the productive forces under decadence; the insufficiency of purely quantitative economic criteria in the determination of capitalist decadence.

Previous conceptions basing the decadence of capitalism on a simple halt or slackening in the growth of the productive forces are insufficient for several reasons. First, contrary to a superficial reading of history, the periods of decadence of earlier modes of production have continued to know a development of the productive forces, despite widespread famines or epidemics. More to the point, the development of the productive forces is specifically an imperious need for capital, a necessity from which it cannot extricate itself. The tendential fall in the rate of profit intensifies competition between capitals, and, thereby, the need to accumulate, because only that accumulation, and the technological progress which accompanies it, makes it possible for individual capitals to obtain a surplus-profit, and stay afloat in the competitive struggle. Indeed, the development of the productive forces continues even in more or less generalized periods of crisis, as is the case today. Thus, at the very moment entire segments of the world economy collapse into the chaos of famine and war (as is the case with much of the African continent today), technological transformations and industrial growth continue in the most powerful economies.

This example of the present period illustrates not just that a conception of decadence based on a halt in the growth of the productive forces is mistaken, but that so too is a conception of decadence based on a slackening of that growth. True, in the long run the self-destruction of capital through crises and wars must entail a slackening in the growth of the productive forces relative to the potential for the development of capital. But a notion of slackening is incapable of grasping the real dynamic of capital, which is constituted by a dual contradictory movement of growth and destruction, of development of the productive forces and the reverse movement towards the expulsion of a growing part of social wealth and living labor from the cycle of production. Therefore, decadence cannot be defined on the bases of simple quantitative criteria. Rather, the decadence of capitalism means first, the exacerbation of the contradictions of capital, under the form of crises, wars, the destruction of capital, and the expulsion of living labor from the cycle of production; and second, the transformation of capital into an historic fetter on the development of society, a fetter which is measured qualitatively by the extent to which the state of development attained deviates from the potential for development.

2) Recognition of the insufficiency of classical theories of economic crisis. The necessity for a unified crisis theory.

This point has been largely dealt with in the recent text of Sander on this question.[iii] In this text, we will utilize only the essentials. Marx clearly pointed to two fundamental contradictions of capitalism which made its crisis ineluctable. First, the tendential fall in the rate of profit, which results from capitalist accumulation because of the growing weight of constant capital relative to variable capital in the production process, but which also intensifies the accumulation of capital because it increases still more the weight of constant capital in order to appropriate a surplus-profit which will alone permit the individual capital to compensate for the general fall in the rate of profit. This tendential fall in the profit rate drives capital into a growing contradiction. Second, the widening gap between the enlargement of the scale of production and the enlargement of the market necessary to realize the exchange value contained in that production. That gap continues to grow not just because of the growth of the exchange value of

[ii] However, we need to point out that this objective necessity does not make itself felt in a uniform fashion in the course of this historical period. The decadence of any society itself has a history, with moments of deep crisis, and lulls.

[iii] "The Roots of the Capitalist Crisis: Why the Breakdown of the World Economy is Inevitable," *Internationalist Perspective*, numbers 30-34.

the total production, but also because of the much more rapid growth of the quantity of use values constituting that production, this latter being the result of the increased productivity of labor. Marx, however, had not combined these two contradictions into a coherent and explicit crisis theory, and his successors focused on one of those contradictions to the exclusion of the other, Luxemburg focusing on the second, while Grossmann/Mattick concentrated on the first. As a result, those thinkers articulated a partial view of reality, not permitting a satisfactory understanding of the economic contradictions of capitalism in its phase of decadence.

In reducing the contradictions of capital to the fall in the rate of profit alone, the Grossmann/Mattick school tended to put off the concrete prospect for the economic breakdown of capital. In effect, there is no absolute limit to the fall in the profit rate which makes the accumulation of capital impossible. While being the historic motor of the development of the crisis of capital, the tendential fall in the rate of profit cannot alone provoke a generalized breakdown of capital. The play of competition makes it possible for the most competitive capitals to survive the elimination of the less competitive.

In seeing the elimination of non-capitalist markets as an absolute barrier to the accumulation of capital, the Luxemburgist school made the economic breakdown of capital into an immediate, and permanent, fact of life, and thereby eliminated the complex historical dynamic which would bring about such a breakdown. The Luxemburgist theory is incapable of accounting for the expansion of capital after the exhaustion of non-capitalist markets in the course of the twentieth century. The only attempt to update this theory so as to explain the economic growth following World War II was made by the ICC, which pointed to the massive recourse to credit. If the development of credit, and of fictitious capital, is one of the key features of contemporary capitalism, it in no way resolves the basic problem of Luxemburg's theory. The irony is that Luxemburg herself had correctly rejected the recourse to credit as a solution to the problem of the accumulation of capital. Credit creates no effective demand (in the Marxist understanding of the term) for production.

The incapacity of either of these schools to provide an adequate theoretical framework to grasp the economic contradictions of capital, and, therefore, the economic bases of the decadence of capitalism, compels us both to again take up the key elements of Marx's own analysis, and to go beyond them by integrating those elements in a more coherent crisis theory, one which is suited to the present reality. The economic analysis of capital does not reveal any absolute limit to the development of capital, but rather a growing accumulation of contradictions which can only explode in more and more massive and profound economic breakdowns, consonant with the dynamic vision of decadence which we have sketched.

3) Recognition of the importance of the transition from the formal to the real domination of capital

The transition from the formal to the real domination of capital expresses the transition from the extraction of absolute surplus-value to the extraction of relative surplus-value in the immediate process of production. the implications of that transition are fundamental for the functioning of capital as a totality, and, therefore, for the class struggle too. The generalization of relative surplus-value is closely linked to the generalization of the domination of capital over the whole of the economy and society, this domination being the economic condition for the general fall in the value of the means of consumption of the proletariat and therefore for the very growth of relative surplus-value. Under the real domination of capital, capital operates exclusively according to its own economic laws. There is a unification of the processes of production and circulation in a global process of reproduction and accumulation of capital, the formation of an average rate of profit, the integration of science with production and circulation, and the penetration of the law of value into every realm of social activity. These profound social transformations bring about an expansion of productive capacities, which accelerates the development of capital, and, therefore, also its decadence.

Although the two concepts are not the same, there is a close link between the real domination and the decadence of capital. The decadence of capital, an historical period in which the contradictions of capital determine its very mode of existence on a world scale, implies the real domination of capital on a global scale. This world domination of capital does not mean that all immediate production everywhere on the globe is really, or even formally, subject to capital. The control of capital has been geograpically expanded into new areas throughout both this century and the previous one, and capitalist decadence itself is accompanied by the expulsion of insufficiently productive forces from the process of capitalist production, something which is happening today on an increasingly large scale. Nonetheless, all national and regional economies today are directly or indirectly determined by the imperatives of the world market, over which the most powerful capitals preside precisely because they are the most productive. In the phase of the decadence of capitalism, therefore, the features of the real domination of capital impregnate all economies.

The real domination of capital is also closely linked to state capitalism. The real domination of capital transforms the state into the collective administrator of the national capital (or even the supranational capital, as is the case to a certain extent today, especially in

Europe). Indeed, the forms taken by state capitalism, and the armaments and other policies followed by states in this century have been strongly determined by crises, wars, and other manifestations of the decadence of the system, but the tendency to state capitalism itself cannot be reduced to the simple consequences of decadence. The tendency for the state to assume a totalitarian control over the economy and the whole of society already existed at the end of the last century, before World War I, as can be seen with the progressive integration of the unions and mass parties into the state apparatus in that period.

IMPLICATIONS FOR THE CLASS STRUGGLE AND THE DETERMINATION OF CLASS LINES

The conception of the decadence of capitalism which we have developed here is far removed from the caricature provided by the ICC, for whom everything hinges on the outbreak of World War I. The explicit recognition of the absence of any absolute limit to the development of capital, the recognition that the development of the productive forces continues in decadence, and the focus on the transition to the real domination of capital, have important implications for the class struggle and the delimitation of class lines in the present epoch.

If capital continues to develop in its phase of decadence, even if this development is below its potential, one can no longer insist on a Manichaean opposition between the ascendance of capitalism, a golden age of development for capital in the course of which improvements in the living conditions of the proletariat were possible, and its decadence, a dark period in the course of which such development and improvements have become impossible. It is true that durable improvements in the living conditions of the proletariat become much more difficult in the decadence of capitalism, but they are not systemically ruled out, and such obstacles cannot be explained merely by a simple halt or slackening in the growth of capital. Thus, the durable reforms in the working day won by the proletariat cannot only be explained by the better economic health of capital in that epoch, but also by the transition from the formal to the real domination of capital. The reduction of labor time was a powerful stimulant for the accumulation of capital and its transition to the extraction of relative surplus-value, those economic sectors based largely on the extraction of absolute surplus-value and a low organic composition of capital being the first to be threatened by the reduction in labor time. That reduction in labor time, therefore, was not due only to the class struggle, but was also a weapon in the hands of the most modern capitals in their struggle against the more backward.

The integration of the unions and mass political parties within the state apparatus in the present epoch is explained, therefore, not just by the economic contradictions of capital which tend to make improvements in living conditions more difficult and limited in time, but also by the more and more totalitarian domination of the law of value and of capital over the totality of society, and by the growing gap between the accumulation of capital and the satisfaction of human needs under decadent capitalism. Capital tends to subject the whole of society to its imperatives of profit and accumulation, and to no longer tolerate independent class struggle, this latter threatening those economic imperatives in the short run, and capital's social domination over the long run. Similarly, the impossibility for the proletariat to engage in parliamentary politics, and to provide critical support for certain factions of the bourgeoisie against others in the present epoch, has its basis in the real domination of capital and the integration of all its different factions in the global process of reproduction and accumulation of the national capital under the control of the state.

Finally, if any policy of support for so-called national liberation struggles or for factions of the bourgeoisie which champion them is prohibited for the proletariat in the present epoch, this is not simply because any national development has become impossible. It is true that the majority of "national liberation struggles" in the course of this century have been merely episodes in the confrontation between the great imperialist powers, and that the emergence of new capitalist powers has become more difficult and more rare, but the example of the development of Japan in this very century shows that such development is not impossible. Nonetheless, the world domination of capital, through the world market if not by armed force, compels emergent national capitals to forge themselves on the bases of the features of the advanced capitals, including the muzzling of the class struggle.

IMPLICATIONS FOR THE TRANSITION FROM CAPITALISM TO COMMUNISM

The conception of the decadence of capitalism which we have developed also has important implications for the understanding of communism and the period of transition from capitalism to communism. The Trotskyist theory of a halt in the development of the productive forces goes hand in hand with a simplistic view of the progress and development of the productive forces in history. In short, capitalism is an obstacle to that development and caommunism will permit it to continue. This is a productivist vision which can no longer be accepted today. Productivism as an ideology is an integral part of capitalism; it corresponds to its "historic mission" of the development of the productive forces.

Communism, by contrast, is not synonymous with the growth of the productive forces, but rather signifies their liberation in conscious human social activity. The goal of communism is not the infinite growth of production and of the human population -- a goal which would be completely illusory because of the physical limits of the globe -- but the satisfaction of human needs and desires.

Capitalism will perish because of its incapacity to continue its mission of the development of the productive forces of humanity, but that in no way means that communism must continue that mission in its place. On the contrary, the disappearance of capital means that the historic program of the development of the productive forces has come to an end, at least in terms of quantitative growth. The period of transition from capitalism to communism which will follow the communist revolution is, from this point of view, effectively transitory to the degree to which a development of the productive forces will still be a necessary objective. That development, however, will be henceforth oriented towards a new goal emphasizing the qualitative transformation of production and living conditions over the quantitative growth of production.

M. Lazare

(SIGH) RESPONDING TO THE ICC

It is with a great deal of reluctance and weariness that we devote another article to the ICC. It would seem quite sufficient to urge those of our readers who want to know about the evolution of this organization, to read its press. It speaks for itself, so eloquently that it makes all critical comments superfluous. Besides, it's rather painful for us to reflect upon the process of degeneration of a revolutionary organization of which we once were part; a processof degeneration that is unfolding before our eyes with such awesome hallucinatory starkness. In the revolutionary milieu (the groups and elements fighting for an internationalist working class revolution to overthrow capitalism and abolish the law of value), itself thinned and groping, reactions vary. As in a family where one is losing his mind, and he's the only one who doesn't realize it, some make fun of it, some get angry, still others prefer to act as if they don't notice. But what all have to discover sooner or later, is that it makes no sense in arguing with the patient, in trying to convince him there's something not quite right with him.

So when we respond to the latest vicious diatribe in the ICC-press against IP (1), we do so without any illusion as to the possibility of real debate with the ICC, but merely in order to clear up any misunderstandings which may exist on how we see our role, and on our position towards the ICC. We do not relish criticizing the ICC. Contrary to what it writes, we don't desire its demise.

Although we know it has become impossible, we would like nothing better than that it once again would become what it claims to be: a vigorous revolutionary organization full of vibrant debate, elaborating revolutionary theory, intervening in the working class to strengthen its autonomous struggle and organization, clarifying the path towards communism. That was the ICC which we helped form in the "70's. It was a period in which economic crisis, class struggle and military tensions between the blocs all accelerated. It seemed clear to us that this acceleration would continue, pushing capitalism to global war to get out of its impasse, and pushing the working class to global revolution, to get out of its misery. Inevitably, confrontations would follow which would decide which class would impose its perspective on the world. The ICC felt so confident of the nearness of these "decisive confrontations" that it predicted that they would take place in the '80's, "the years of truth".(2)

But it didn't turn out quite that way. Although its fundamental contradictions continued to sharpen, capitalism adapted, learned to manage its crisis better, continued to grow and to generate profits. The class struggle too did not develop in a linear way. Waves of intensifying class conflict were followed by periods of drought, as the development of class consciousness encountered obstacles we hadn't foreseen. All this showed that our theoretical understanding failed to explain what was happening and needed to be deepened. As obvious as it is in hindsight, few in the ICC drew that conclusion. The urge was to devote more time and energy to intervention in the working class, even in the absence of open struggle, to overcome the apparent malaise. But the relative retreat of the class struggle in the '80's and the success of the unions in getting a better grip on it, were frustrating. It clashed with our assumptions. One comrade argued that the absence of class struggle was no cause for alarm, because class consciousness continued to develop in a subterranean way, so that the next wave of struggle would begin from a higher level of consciousness than the previous one. To which another comrade answered that class consciousness develops only in mass struggle and does not exist outside of it. This position, with its councilist implication that revolutionary theory does not express class consciousness and that the work of revolutionary minorities outside mass struggle does not contribute to its development, was broadly criticized. MC, the most influential member of the ICC, joined this critique and argued that we should distinguish "class consciousness" (as embodied in the communist program) and "the consciousness of the class" at any given moment. When some comrades objected to this, arguing that this concept too, created a false separation between revolutionary theory and the praxis of the class as a whole, MC accused them of seeking a "centrist" middle ground between Marxism and councilism. Suddenly, "the struggle against centrism" became the obsession of the organization. All dissenters were branded "centrists" and therefore defined, with Trotsky's aid, as a bunch of spineless cowards. This smear campaign was intimidating enough to make some dissenters retreat and to isolate others, which was undoubtedly the effect that was aimed at. For MC, this campaign was justified because of the paramount goal of preserving the unity and coherence of the organisation. But the remaining dissenters rejected the "centrism-theory", so conveniently rediscovered at the appropriate moment, and wanted to focus on the underlying disagreements and their implications. When they were forbidden to meet for that purpose, they formed a tendency, which, by definition, has its own meetings. Some in the ICC wanted to forbid that too, only to discover that the

ICC-statutes didn't allow it. The statutes permitted the creation of tendencies in the organisation for the common defense and elaboration of minority-positions, but it would be the last time that one would emerge in the ICC.

Not the first time: the ICC had known various tendencies. But increasingly, such episodes had become hysterical affairs in which both majority and minority created a climate in which real discussion became virtually impossible and a split inevitable. Sometimes, real fundamental disagreements were the cause, sometimes personal ambition and power-plays played a role, sometimes both. The debate with the last tendency, formed in the early '80's to defend an even more activist approach to intervention and to serve the raw ambition of its principal animators, had ended in a particularly sorry way, with both sides trampling on the principles upon which relations amongst revolutionaries ought to be based: the dissenters left the organisation, refusing to return to the ICC material in their possession, after which the ICC organized a commando-style night raid to recuperate its stuff. The debate itself, of course, was the principal victim of these power-games.

The new tendency wanted no power, only clarification of the underlying issues which had set the debate in motion. Clearly, the dispute was not just on formulations but on how the organization saw its tasks. The separation between "class consciousness" and "consciousness of the class" corresponded to the prevalent activist views in the ICC, with its overriding emphasis on strengthening the organization and its presence in the class, so that it could play its role in the imminent battles that would decide the course of history, by spreading "class consciousness" in the "consciousness of the class". For those who disagreed with this dichotomy, the immaturity of class consciousness reflected itself both in the difficulties of the class struggle and in the deficiencies of revolutionary theory, in its incapacity to analyse and explain, to be a guiding force. If the revolutionary organization would become that guiding force, an active and decisive factor in the development of class consciousness, it would have to develop its theoretical understanding, it would have to reexamine its assumptions, face reality in all its complexity, instead of ignoring everything that didn't fit in its schemas, instead of seeing its program as a finished package ("class consciousness") to be injected into the "consciousness of the class". In short, the disagreements were not just about theoretical concepts, but about the praxis of the organisation.

An upcoming ICC-Congress (1985) seemed to provide the perfect occasion to clarify the debate so that the whole organisation could draw its implications. But the preparation of this Congress took place in an atmosphere of extraordinary hostility. For most of the majority, the minority were traitors to the common goal, since their disagreements undermined the unity of the organization at a time when its unity seemed most needed, and their critique of the ICC's intervention as activist and immediatist in their eyes weakened this intervention when it seemed most urgent. For the majority-leadership, the restoration of the unity of the organization was the goal of the Congress, and in its view that meant the minority had to get in line - or be made to quit.

Eager for a spirited debate, the tendency had prepared interventions on all the subjects on the Congress'agenda. But the discussion had barely started when MC intervened to demand that the minority would promise to stay in the organisation, regardless what would happen at the Congress. When the minority answered that the Congress would first have to demonstrate that real discussion was still possible in the ICC, and that only after real discussion could it draw the consequences of the disagreements, the reply was that we all knew beforehand what the outcome of the Congress would be. What was the point was of holding a Congress, except for rubber-stamping the decisions of the ICC-leadership, was left unclear (maybe for boosting the morale of the membership, since after every Congress, the ICC declares that it has strengthened the organization and made yet another big step forward in the history of the working class). When the minority refused, they were thrown out and told not come back until they were be ready to swear their loyalty. A formal vote of expulsion was never taken but the doors closed in our face made that superfluous.

The split was a fact, though both sides said they deplored it. For the ICC, the fate of the minority could only be political suicide or worse, a descent into counter-revolution as the splitters would have to break with the revolutionary platform to justify their existence outside "the" organization based on it. When neither happened, the ICC decided that the nature of the new group was "parasitic", existing solely to undermine the revolutionary milieu and in particular the ICC, "its most important organisation".

For the minority too, the split was premature, since the discussion had only begun, but the refusal of the majority to wage that discussion at its Congress, had forced the situation. Premature or not, the split was real, based on widely diverging views on what was to be done.

The minority called itself "the External Fraction of the ICC", in recognition that its work was still based on the ICC-platform, despite its insufficiencies. We recognized that we were not a new pole of revolutionary regroupment (such as the ICC once had been) but vowed to work towards its constitution. But we realized that this new pole of regroupment could only be the product of the development of class consciousness, both in the praxis of the mass struggle and in the theoretical understanding of its political minority. This implied for us an emphasis on reflection and discussion rather than on organisation-building and agitation, despite the predictable accusations of "academicism" from the ICC and others. After drawing the lessons from the aborted debate in the ICC, we focused on areas in which our theory seemed the most underdeveloped: the development of class consciousness, the economic and political changes of capitalism in this century, etc. Then the Russian bloc disintegrated, without a shot being fired and at a time of relative social calmth. This questioned the very framework we had inherited from the ICC. Some of us had trouble believing it, suspecting there had to be some kind of a manoeuver behind it, aimed at restructuring rather than dismantling the bloc. These suspicions showed that we were still influenced by the ICC's habit of reducing all world events to Machiavellian plots of the bourgeoisie, but they were not as ridiculous as the ICC portrays it. After all, already in 1984 a KGB-defector claimed that inner circles of power in Russia were hatching a plan to abandon control over satellite-states, abandon "communism" and link the state to a revitalized Russian Orthodox Church, establish some sort of democracy and free market, in order to create an influx of Western capital to revitalize the economy (3). Buth whether prepared from the inside or not, the collapse of the Russian bloc (though not of the Russian state) was real and challenged the assumptions, not just of us and the ICC, but of the whole revolutionary milieu. It revealed that these assumptions were built on schematism, on a poor grasp of reality, and pointed to the need for a real renaissance in Marxist theory, for a new revolutionary platform for our times. This was needed, not only because of the theoretical shortcomings of contemporary revolutionary groups, but also because of those of previous generations. That doesn't mean the ICC is right when it writes that we want "to reject the analyses of the communist left". On the contrary, we want to build on them and develop them. But that is only possible when we also face their insufficiencies and weaknesses instead of seeing them as the Holy Scripture, to be quoted from when it suits our purpose.

We realized that such a new platform would not be built overnight. We were entering unchartered territory. But it was also clear, that this work could no longer be based on the ICC-platform. Therefore we changed our name from External Fraction of the ICC to IP and adopted, as a base for our activities, a document synthesizing our understanding of the world and of the present challenges facing the proletariat and its political minority (4). We could have called this our platform but we didn't because we realized that the new platform that our class needed would require a depth and clarity of understanding that neither we or anybody else in the political milieu yet had. We vowed to work towards it and called on all in the milieu to join us in this effort.

The shortcomings of revolutionary theory today begin with the lack of understanding of the basic mechanisms of capitalism, its way of functioning and therefore also the roots of its historic crisis, the changes it underwent in its decadent period and their political implications. So we reexamined and discussed our economic theory, decadence, the characteristics of the period we're living. In this and past issues of IP, the readers can judge for themselves whether the fruits of this work were worth the effort. We know we're not there yet, but we think we're going in the right direction. We showed that the Marxian interpretations on which the understanding of capitalist crisis are based in today's political milieu (mainly those of Grossman/Mattick and Rosa Luxemburg) are fundamentally flawed and fleshed out a dynamic crisis-analysis thoroughly rooted on Marx's unfinished work. We moved towards a better understanding of decadence (see article in this issue) and try to use it to get a better grasp of the obstacles to the development of class consciousness in this period.

We sorely need the contributions of others in the political milieu to advance in this vital debate. But one thing is clear: such contributions will not be coming from the ICC. It had nothing to say on all these questions and shows how little it understands the need for theoretical elaboration today, by ridiculing us .for publishing diverging positions on the issues we debate ("it would seem that its [IP's] members are having some trouble agreeing") and for taking too much time in working towards a new platform ("they've been at this job for several years but it seems to be a bit much for them"). As if any debate has ever produced any clarity without the necessary clash of diverging positions; as if revolutionary theory never required a concentrated effort of several years (we guess the ICC would have told Marx after he worked for some years on *Capital* without finishing it, that "it seems a but much for you.") For the ICC, disagreements are a sigh of weakness, of incoherence, of confusion. Since it expelled us from its congress, its undivided focus has been on organization-building and its contempt for theoretical debate has become absolute. Since then, it has always spoken with a single voice, it has always marched in lockstep. In vain you will search the publications of the ICC of the past twelve years for any serious contribution to the deepening of revolutionary theory, in vain you will look for any trace of debate, for any diverging viewpoint, for any sign of spirited theoretical discussion at its congresses. There was however, plenty of mayhem, plenty of militants leaving with slamming doors (indeed, the number of ex-ICC members now exceeds by far the present membership) but always without political discussion, at least none was reported in the ICC-press.

Even the events which concluded the so called "decade of truth", the disintegration of the Russian bloc, the vast changes in the mode of functioning of capital, its globalization and technological transformation, the huge obstacles the working class encountered in the development of its struggle, which ought to have forced the ICC to acknowledge its schematism and the inadequacy of its assumptions, didn't shake it from its lethargy. It simply decreed that there was no breakthrough towards war or revolution because neither the capitalist class nor the working class had the strength to impose its perspective on society so that the world had entered a period of "social decomposition". We have criticized this poor excuse for an analysis before (5), to which the ICC, not surprisingly, had once again nothing to respond. It is one thing to observe the growth of social decay (which is an inevitable by-product of the deepening capitalist crisis) but it's preposturous to present this observation as an analysis of today's global situation. For the ICC, this new "theory" was just a way to avoid having to question its basic assumptions, so that it could continue to concentrate on organization-building. But its theoretical incapacity inevitably accelerated its degeneration. As is so often the case, the vacuum of theoretical reflection was filled with the lazy man's substitute for real analysis: conspiracies. The ICC's world is filled with them. It can't see a conflict, a civil war, a massacre, a terrorist act, a political scandal or media-frenzy, without discovering the hidden hands of the puppeteers behind it. The Russian bloc may have disappeared but for the ICC every event on the world scene is still exclusively seen in light of the manoeuvering of imperialist rivals. Even class movements such as the massive strike wave in France in the winter of 1995-1996 or the recent UPS-strike in the US, are routinly denounced as conspiracies to strengthen the trade unions. Like other conspiracy buffs, the ICC feels little obligation to prove its case with fact-based arguments; the utter self-confidence with which there judgments are made, should apparently suffice. Of course, imperialist powers do manipulate behind the scenes and so do unions, but that doesn't mean that the analysis of all events can be reduced to these manipulations. Yesterday's simplistic schemes don't even come close to understanding and explaining today's complex reality.

Within its own organization as well, the witchhunt for conspiracies has become the ICC's paramount theme. The rest of the political milieu could only watch in amazement while the ICC was battling its demons, embodied by "circles of friends", "clans", "esoterists" and "freemasons", which became the subject of frenzied campaigns, which further accelerated the militarization of the organisation, as testified by an eye-witness account of a leading member who recently left (6).

Other organisations also, were part of conspiracies. The ICC condemned scores of political groups and individuals as "parasitical", used by the bourgeoisie against the revolutionary milieu's most dangerous organization, the ICC. This "analysis" not only reflected the ICC's megalomania, so typical of the paranoid mindset, but also its abandonment of political criteria for understanding the nature of political groups, in favor of dubious psychological ones, as it had already done in its campaigns against "centrism" and "opportunism". It further showed how extreme its sectarianism had become. For the ICC, IP and many other groups are, consciously or unconsciously, "agents of the bourgeoisie" and thus treated as such. Therefore, when the ICC goes to a meeting organized by a "parasitical group", such as ours, it does so not to discuss, but "to unmask it (IP) in front of those taking part in such meetings". The article from which we quote, full of hate, venom, posturing, and demaguogery to score points and impress, and outright lies (such as the claim that we borrow our position from Trotskyists and others, too silly to dignify with an answer) is a good example of what such an "unmasking" entails. The effect, especially when repeated enough, can be pretty negative on the development of a real discussion. In Paris, where our organization-potential is very limited but the potential for real debate with other revolutionaries quite good, we decided to change these meetings into discussion meetings to limit the participation to those who come to discuss. That meant the ICC was no longer welcome. Not because we think it is no longer part of the revolutionary milieu. It is a revolutionary organization, but one whose degeneration process seems unstoppable and which is no longer capable of contributing anything to the debate on the issues before us. The ICC can still come to public meetings to deliver its tired litanies, but we reserve the right to hold discussion meetings not open to everyone, in order to maximalize the chances for real discussion, for which the will to discuss is the first requirement. (7) It's simply preposterous to say that this shows "a fear of confrontation", proving that we "lost sight of what militant communist activity means" and even our "total abandonment of the very foundations of what a revolutionary organization is", so that we see discussion-meetings as "clubs where you can chat in pleasant company, and above all abstain from any polemic." Anybody who has been to one of our meetings, knows how ludicrous this charge is. (8)

The revolutionary minority has a lot of work on its plate. Time presses, capitalism's contradictions sharpen. Our class, more than ever, needs a clear theory, an understanding of the stakes and the possibilities of our times. If the ICC has nothing to contribute to that goal, let it step aside. We will discuss and regroup with all those who see this need end recognize their responsability to meet it; who don't play political games but seek the clarity and effectiveness without which the revolutionary minority can never be what it must be for our fight to succeed. And we will leave the ICC to its pathetic wrestling with the "clans", "free masons" and all the other fallen angels that populate its ever more bizarre planet.

Sander

P.S. Since the above article was written, the ICC published yet another attack on IP, in its *International Review* #92 (first quarter 1998). The title, "Internationalist Perspective and the crisis: a new Oscar for political stupidity", briefly made us think that the ICC had succeeded in reading the first three parts of our series "The Roots of Capitalist Crisis: Why the Collapse of the World Economy is inevitable", which filled most of IP30-31 and 32-33. But no such luck. This series is probably too long for its attention-span, or digging too deep for its comfort. It contains, amongst other things, a solid demonstration of the falseness of its economic premises, to which the ICC is incapable of theoretically responding. So instead, it claims with a straight face that IP defends that capitalism is "in its most dynamic and prosperous phase" and that we are "lauding the radiant future of capitalism". The "proof" of this demented howler is a selective quote from a discussion-article on Decadence in IP 28, which talks of the enormous growth of capitalism, not only in the decades after World War II, but even since the return of the crisis in the 1960's, in Asia in particular. According to the ICC, the crisis in South-East Asia demonstrates that this is false and it therefore rewards us with an "Oscar for Political Stupidity". Nevertheless, the growth the article in IP points to, is as real as the current convulsions in Asia and, sadly, the ICC is unable to explain either. Yet in the same issue of its International Review it promises "to use the most trenchant tools of Marxist theory" to do just that. Poor Marxism. What the reader gets, is the familiar mantra the ICC has been repeating forever: Since 1914 the extra-capitalist markets are exhausted so that capitalism can't grow anymore except through reconstruction after war and through artificial markets created with debt. (This is not a caricature but a fair summary of its "trenchant tools of marxist theory.") How war and debt create markets, the ICC has never been able to explain, but of one thing it is always certain: the collapse is imminent. Like a broken clock with its pointers stuck on five to twelve, at some point that prediction will be right, but that doesn't mean the clock is working. As for the ICC's "Oscar": thanks, but we really can't accept something you worked so hard for. You earned it and you truly deserve it.

FOOTNOTES

1. "Parasites bar the ICC", in *Revolution Internationale* # 273 (Nov. '97) and other ICC-publications (further quotes from the ICC are from the same article).

2.No retraction nor self-critique followed when the 80's passed without sealing humankind's fate. Nothing unusual about that, since the ICC portrays itself as always right, afraid that an admission of error would be seen as a sign of weakness and confusion and undercut its brand name and credibility. The only time we can recall the ICC publicly admitted "a mistake" (despite the many occasions), was in its recent reaction to the departure of one of its leading members, whose affections, according to the ICC, were manipulated by another member breaking with the group, who was in her turn manipulated by another leading member, who had turned into a sinister free mason, manipulated presumably by the French secret service. The lesson the ICC draws from this, is that it made the mistake (its "biggest ever" -so there were others..) of not meddling in its members' personal lives to defend the good old family values. (For more on this rather entertaining story, read the ICC's pamphlet: "On the so-called paranoia of the ICC"

3. Anatoly Golitsyn: New Lies for Old (Boston,1984)

4. "The world as we see it: Reference Points" in *IP* #27, 1994

5. See *IP* # 22, 24 and 26

6. Text by RV

7. An ironic note: right after the ICC published its outrage over its disinvitation to our discussion meeting in Paris, it sent us, for the very first time in 12 years, an invitation for its public meeting there. The subject: "the slanders spread by the parasitical milieu about the ICC"...

8. The meeting in which the ICC wasn't allowed in, was no exception. In fact, arguments got so heated between two participants that they scuffled at the end of the meeting. The ICC deservedly flays this incident, adding that, if it would have been present, it would surely "have been blamed for this scuffle". The latter remark is just one more indication of the ICC's paranoia. The scuffle occured, not because of the ICC nor because of IP but because of the pressure of bourgeois society on us. We don't want to make too much of one momentary lapse of reason but we hope that the comrades involved understand that it's unacceptable on principle. Unless they recognize this, they will no longer be welcome at our meetings. Violence can never be accepted as a way to settle a proletarian debate. In that sense, a scuffle at a meeting is as wrong as the ICC's raid against the ex-"Chenier"tendency or the Red army's attack on Kronstadt.

CONTENTS OF PREVIOUS ISSUES

Internationalist Perspective **No 24**

- The world economy: the light goes out at the end of the tunnel
- War in Yugoslavia: the hidden face of the capitalist order
- Theory of decomposition and the decomposition of theory
- The necessary recomposition of the proletariat (II)

Internationalist Perspective **No 25**

- Somalia: when humanism justifies militarism
- Crisis and class struggles in Europe
- The United States: what's new in the White House
- Debate: globalisation of capital and new tendancies of the state
- Debate: proposals for the elaboration of a new platform
- Public meetings: towrds a new revolutionary platform
- About a new pamphlet on H Chaze: *Communism and counter-revolution*

Internationalist Perspective **No 26**

- Editorial: perspectives of the Fraction
- Resolution on the imperialist situation
- On 'social decomposition': understanding the ral changes in the world situation
- Review of a book by P Kennedy: visions of a politiologue on the future of his system
- Correspondence: the final crisis of capitalism:
- Review of a book by A Bihr: *For the end of the National Front ...* and capitalism
- Reply to comrade Everhard
- Reply to IP: on the revolutionary nature of the proletariat
- Open letter to the CBG and the CWO: our conceptions of political debate

Internationalist Perspective **No 27**

- The new world disorder
- Balance sheet for a new departure: *Internationalist Perspective*
- The world as we see it - points of reference
- Economic aspects of the transition from capitalism to communism
- On 'Paradoxes of materialism' from *Transition*: marxism and materialism

Internationalist Perspective **No 28**

- Russia doesn't sulk, it collects itself
- A future for Africa ... and for the rest of the world
- Is there a revolutionary perspective?
- The three stages of the concept of decadence
- The economy in the Russian Revolution
- Cracks in the rear-view mirror (Reply to Rose)

Internationalist Perspective **No 29**

- A new period of struggles has begun
- Behind the current struggles, the need for a new society is raised
- The agony of Bosnia
- The development of the productive forces and the decadence of capitalism
- *Communism has not yet begun* by Claude Bitot (book review)
- The economy in the Russian Revolution (Reply to Sander)

Internationalist Perspective **No 30-31**

- Editorial
- The ICC: One more step towards the abyss
- Reply to comments on the *book Communism has not yet begun*
- The roots of capitalit crisis: Why the collapse of the world economy is inevitable (Parts One and Two)

Internationalist Perspective **No 32-33**

- Editorial
- The roots of capitalist crisis: Why the collapse of the world economy is inevitable (Part Three: From decline to collapse)
- Value, decadence and technology: Twelve Theses
- Review: *Nights and Fogs of Revisionism* by Louis Janover

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