

INTERNATIONALIST PERSPECTIVE



A CRISIS OF VALUE

Why Capitalism cannot escape Economic Breakdown
The Stakes: Socialism or Barbarism
An Appeal to Pro-Revolutionaries
Capitalist Rule in Venezuela

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Editorial: Prospects for the World Economy

The global economy is mired in its deepest economic crisis since the “great depression” of the 1930’s. Moreover, despite the claims of the statesmen, politicians, business leaders, and economists, who share Barack Obama’s optimistic picture of “green shoots” of recovery for later in ‘09, or – “certainly” – 2010, an analysis of the actual situation of world capitalism reveals new shock waves to come. Marxism, which provides us with the analytic framework to grasp the trajectory of capitalism, its immanent *tendencies*, however, is not a science that has unearthed universal historical laws on the basis of which the actual course of economic, political, social, and cultural, events can be accurately predicted. Marxism is a “tool-box,” and the theoretical concepts that it contains make it possible to grasp discrete events as over-determined by the complex interaction of social, economic, political, and cultural, factors, each having a considerable degree of autonomy. Those same concepts allow us to see how contingency also plays a significant role in the historical trajectory, even as the *capitalist* totality is shaped by the value-form, which in the present epoch has permeated every domain of human life. It is, then, on the basis of an understanding of the contradictory tendencies inherent in the value-form in the present epoch of capital’s *real domination* that an analysis of the current perspectives for global capital can be made. While the hegemony of the US in the world is not fated, and the period to come, even in the absence of mass movements of the collective worker against capitalist order, may see significant challenges, economic, political, and military, to that hegemony, at the present time Washington remains the cockpit from which the capitalist reaction to the global crisis will be primarily managed.

The past several months have already demonstrated that the Obama administration best serves the needs of capitalism as it confronts a devastating economic crisis. While the *rhetoric* of the Obama administration is in sharp contrast to that of the Bush administration, which has greatly facilitated its capacity to manage the crisis, there has been a real continuity in economic and foreign policy, such that the replacement of Hank Paulson by Tim Geithner as Treasury Secretary meant

that fiscal policy would remain fundamentally the same as the crisis deepened, while the fact that Fed Chairman Bernanke remained in charge of monetary policy, and Secretary of Defense Gates continued to manage America’s wars guaranteed that the change of administration would not produce a change in policy in those crucial domains. With respect to the credit freeze and the threat of insolvency in the banking and insurance sectors, the policies of the Fed and the Treasury -- the TARP, a massive injection of capital, and low interest rates -- changed not one iota on January 15, when Obama became President, and the injection of money into the banking and insurance sectors by the Fed and the Treasury, coordinated with the Bank of England and the European Central Bank (ECB), did succeed in preventing a feared meltdown of the global financial system. In foreign policy, to the Bush surge in Iraq, can now be added the Obama surge in Afghanistan, where thousands of battle-hardened American troops are now going, and the expansion of that war into the heart of Pakistan. So, while the unemployment rate in the US rises towards 10% based on official statistics that underestimate the actual numbers of those who are jobless, while home foreclosures and homelessness continue to rise, and while the new administration re-negotiates labor contracts in the automobile industry to sharply cut the wages and benefits of workers, Obama’s popularity, abetted by the media -- the organs of mass manipulation in late capitalism -- for the moment soars, though there can be little doubt that had capitalism been saddled with a McCain administration, the same policies would have elicited far more opposition and resistance. The same is true with foreign policy, where it is unlikely that a putative McCain administration could have simply shifted combat brigades from Iraq to Afghanistan, used drones to attack villages in the tribal areas of Pakistan, or “ordered” the Zadari regime in Islamabad to wage war against the Taliban, all without provoking a storm of protest, domestic and international.

One issue, then, where the *continuity* between the Bush and the Obama administrations was absolute, lay in the determination of both to preserve the fruits of the

globalization of world capital that had shaped American economic and foreign policy for most of the twentieth century, and that had veritably transformed the landscape of global capital. No less than Bush, Obama was determined to reject the siren call of protectionism, despite his willingness to sometimes play that card during the electoral campaign. Indeed, Obama has not just rejected calls for protectionism within the US, but is also waging a tireless campaign to prevent an eruption of protectionism and any tendencies towards autarky in America's trading partners, actual and potential. And here the rhetoric of internationalism, and universal values, in which the Obama administration has bathed itself, is far more synchronous with the actual needs of the American hegemon than the unilateralism that came to characterize the Bush administration after 9/11.



Meet the new boss...

With the continuity between Bush and Obama in mind, we can point to three basic tasks that the Obama administration needs to confront: first, the need to respond to the sharp contraction of global economic output and world trade, a deflation not seen for decades; second, the need to assert ideological control over the collective worker, to prevent its anger and fear from translating into a massive wave of class struggle, as capital and its state seeks to manage the draconian austerity and slashing of living standards that the crisis

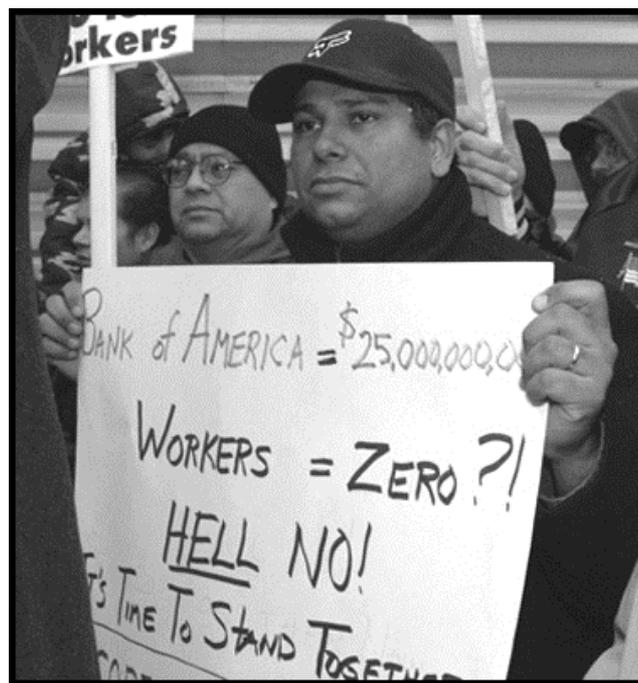
imposes; third, the need to preserve the global hegemony of American capital, economic, military, and political.

The backdrop to the tasks faced by capital today is a crisis of over-accumulation, itself inherent in the very operation of the capitalist law of value, and in the conjoined necessity for a massive devalorization of capital if a new round of accumulation is to be possible. The vast increase in the role of the state in the management of the capitalist economy, the tendency to state capitalism, which has been a hallmark of the past century, has in no way eliminated the crisis tendencies of capital, its tendency to periodic and devastating breakdowns. Such crises are inherent in the value-form, in the dual nature of labor and production in a capitalist society, in the contradiction between concrete and abstract labor, the use value and the abstract value of commodities, the limits to the possibilities for valorization and the insatiable drive of capital to develop the productive forces. When there is an open crisis of capitalism, the response needed for a new cycle of accumulation to begin historically entails a lowering of real wages, a cheapening of raw materials, and a reduction of production and circulation costs, in which both the mechanism of deflation and a concerted effort at the further rationalization of the economy and technological innovation play important roles. To these must be added a massive *devalorization* of capital, which in the devastating economic crises of decadent capitalism, in the twentieth century, has entailed the massive destruction of both productive capacity and living labor in horrendous wars. It is this necessity for devalorization, which operates, so to speak, behind the backs of both corporate and state bureaucrats, that constitutes the unseen dimension of the tasks that confront the Obama administration.

While globalization and de-regulation have been the twin mantras of capital for more than two decades, shared by right and left, by Reagan and Clinton in the US, by Thatcher and Blair in the UK, by Christian Democrats and Social Democrats in Germany, the present crisis has already led to a severing of globalization from de-regulation. Now it is *regulation* that has become the new mantra of capital, even as globalization continues to be the primary concern of the capitalist class. Milton Friedman and Alan Greenspan are discredited. Paul Krugman is the new guru amongst American economists, and Lord Keynes again provides capital with its Bible. The monetary and

fiscal policy of the US and its British partner is predicated on easy credit and low interest rates supported by the Central Banks, together with enormous budget deficits; indeed, with expectations that American fiscal policy may soon result in a deficit/GDP ratio of 75%. Here a division has appeared between Anglo-Saxon capital on the one hand and European capital on the other. The ECB is far more concerned about the specter of *inflation* than is the Fed, for example, and the EU has rejected the kind of *stimulus* packages that the Obama Administration has already written into law. In that respect, the EU, and Japan too, are far less Keynesian than the US hegemon, far more leery of huge budget deficits, leaving the burden of spending its way out of the crisis to Washington. Yet the destruction of capital over the past year, enormous though it has been globally, on the order of trillions of dollars of “wealth” wiped out, has been insufficient to provide a basis for a new cycle of accumulation, and Paul Krugman to the contrary notwithstanding the expected budget deficits, and interest rates sometimes at virtually zero for lending to commercial banks, does raise the specter of a new credit bubble and an inflationary blowout long before it could produce any new expansion of capital.

While the green shoots of economic recovery may be an illusion, the *anger* of the working class faced with the crisis, the unemployment, and the drastic reduction in living standards that are taking place, is very real. That anger, indeed rage, has expressed itself on virtually a daily basis in plant occupations in the US (the Republic Windows and Doors plant in Chicago last December, for example) Britain (the Visteon car parts factories, in April, for example), and France (Caterpillar, for example, where in addition to the occupation of the plants, workers have also held managers captive). Where transnational corporations have sought to shut or downsize plants in France and Germany, at Continental Tire, in May, for example, coordinated actions of workers across national frontiers have erupted. Nonetheless, most of these actions have focused on the payment of back wages and benefits legally due to workers who have been laid-off, and have not directed challenged the waves of unemployment itself. The determination of workers to take direct action, and not proceed through the courts, has been both exemplary, and pregnant with possibilities, but despite this, and a willingness to go outside the unions, these actions have not yet posed a



Angry workers protest in Chicago

significant challenge to the power of capital, and its state and unions to impose the austerity that capital in crisis requires. Similar outbreaks of struggle in the face of massive lay-offs are now occurring regularly throughout China, where tens of millions of workers are not just losing their jobs, and typically being robbed of months of wages, but are also being sent back to villages in the countryside, which they left over the past few decades to work in the coastal industrial zones, with no prospect of even earning a living. This reverse migration too is pregnant with possibilities for massive struggles, against which the Chinese regime is mobilizing the police power of the state. The capitalist landscape has also seen the outbreak of social struggles on a national scale in Greece, where the economy was paralyzed for weeks last December as students and workers seized control of urban streets and the public space. But there too the rage was eventually spent, and capitalist order restored to the streets of Athens and Thessaloniki. In Iceland, in late January, as the financial and banking crisis literally brought the country's economy to a halt, massive protests led to the fall of the Conservative government. But there too, order was restored as a Social-Democrat formed a new left government with promises of major reforms,

amidst a draconian austerity. Meanwhile, in the US, the Obama administration has succeeded in imposing its restructuring plan for bankrupt Chrysler and GM, which has entailed the support of the United Auto Workers (UAW) for massive lay-offs, and wage and benefits cuts, as well as speed-up and work rule changes, for the workers who remain – a capitalist success for which the unions have played an essential role, in exchange for shares and a seat on the GM board of directors, no less.

A global economic crisis has the potential to disturb the imperialist balance of power, to threaten the status of the hegemonic state, and its order, and to propel contender states to challenge the hegemon. The Obama administration is determined to preserve American global dominance from any such challenges.

While EU leaders, especially Sarkozy and the new French “anti-capitalist” party, and the German Greens, have adopted an increasingly anti-American rhetoric, blaming Anglo-Saxon capitalism for the crisis, and while the ECB and continental governments have been hesitant to reflate and embark on the kind of stimulus package that Obama has championed, they have nonetheless in practice tailed after the Americans, and resisted any real tendencies towards responding to the crisis with outright protectionist policies or moves towards autarky. And the far-right, which has proposed such policies, along with anti-immigrant policies too, has so far not mounted an effective challenge to center-right and center-left governments in Western Europe. Moreover, the fact that the EU is a loose federation of sovereign states, and the divisions between the ECB on the one hand, and the finance ministries of each state on the other, mean that a coherent and unified monetary and fiscal policy for Europe is extremely difficult to achieve, while the Anglo-Saxon powers have a long history of just such coordination between the Central Bank and the Treasury. Meanwhile, beyond national divisions, and a lack of political unity, the renewed danger represented by a Russia determined to expand its own power, means that the EU is not a real threat to American hegemony at this point. And while Russia seeks to use its control of gas to Western Europe to reassert some power over its “near abroad” in the Ukraine, the Trans-Caucasus, and perhaps the Baltic states and the Balkans too, lower oil prices leave the Kremlin with its own huge economic problems. That said, it’s worth noting that in Latvia the “Harmony” party, which is pro-Russian succeeded in

winning 20% of the votes in the recent EU parliamentary elections, while a second pro-Russian party won nearly another 10%, indications that as the crisis deepens there may be opportunities for Russia to challenge the imperialist “boundaries” post 1991. Yet that prospect, still remote, only heightens the military and political dependence of the EU on the American hegemon.

The aftermath of Iran’s presidential elections, which have provoked such political turmoil internally, and which is still ongoing, provide a glimpse into the situation of a country whose integration into the American dominated world market is complicated by geopolitical antagonisms between Washington and Tehran, where significant divisions within the local ruling class have arisen, and where the policy of the Obama administration also appears to sharply diverge from that of the Bush administration. The global economic crisis has exacerbated Iran’s economic problems and the discontent that those problems have created within broad strata of the population, including the working class. Both high rates of unemployment and inflation plagued the Iranian economy even before the onset of the global downturn, and the sharp fall in the oil revenues with which the regime of the Mullahs had sought to both fund its regional imperialist objectives and purchase social peace domestically. The presidential election revealed deep splits *within* the Iranian ruling class over whether to moderate a foreign policy that the West, and especially the US, has seen as threatening, and to concentrate on strengthening its economic base. At stake was a choice between a reliance on hyper-nationalism or better economic integration into the global market, including a possible *modus vivendi* with the US, as the best way to develop Iranian capital, as well as to ideologically guarantee its control of the population. Ahmedinejad, and his sponsor the “Supreme Leader” Ayatollah Ali Khamenei, was opposed by the “reformist” Mir-Hossein Mousavi, who claimed that Ahmadinejad’s policies -- foreign and domestic -- were a threat to both Iran’s capacity to weather the growing economic storms and to keep the social peace. Mousavi had the powerful backing of Iran’s ex-president Akbar Hashemi Rafsanjani, the head of one of Iran’s most powerful economic clans and like Khamenei a protégé of the Ayatollah Khomeini. That split in the clerical caste that has been the personification of capital in Iran since the “Islamic” revolution is far more important than the issue of whether or not the ballots were

counted honestly. All elections in capitalist societies are “rigged,” either through ballot stuffing or the power of the mass media or charismatic leaders to guarantee the outcome that serves the interests of capital. What perhaps was unexpected, though, was that the division within the highest circles of the clerical leadership spilled into the streets, where the discontent of significant strata of the population fed the challenge of the reformists to the authority of the Supreme Leader. What has so far been missing from the demonstrations is an autonomous action on the part of the working class; and here it is important to remember that what spelled the beginning of the end of the reign of the Shah in 1978-79 were the massive strikes of workers in the oil sector and the formation by them of worker’s councils.



Protests in Iran

The reaction of the Obama administration has been muted, lest it give Ahmedinejad the ammunition he needs to portray his reformist opponents as simply tools of American imperialism. Indeed, the Obama administration has held out the prospect of normalizing relations with Iran and its present regime provided it enters into serious negotiations over the question of its putative nuclear weapons program. Where the Bush administration had used the threat of military action on the part of the US or giving its Israeli ally “permission” to attack Iran’s nuclear facilities, Obama speaks the language of negotiations, and acting on a multilateral, not unilateral, basis vis-à-vis Iran. And while Obama would clearly prefer to deal with Mousavi as opposed to Ahmedinejad, he is prepared for a second Ahmedinejad term, confident that the split within the Iranian ruling class, and the deepening world economic

crisis, will combine to moderate Iranian policy. It is a stance that for the moment appears to serve the interests of the American hegemon well.

What, then, of China, the growth of whose economy over the past few decades has been prodigious? Quite apart from the impact of the global economic crisis on China’s export dependent industries, which have already led to a slow-down in its vaunted economic growth, the Chinese ruling class faces significant challenges as it seeks to formulate a coherent policy for Chinese capitalism; challenges that appear to have provoked debate within the ranks of the capitalist rulers in Beijing.¹ One faction of Chinese capital, increasingly vocal, is especially concerned about the risks entailed by China’s huge dollar denominated holdings, its vast accumulation of American debt, which has made possible its export-led economic growth of the past several decades. The fear is that a possible collapse of the dollar will leave China with worthless American paper, wiping out decades of its “savings.” For that faction of Chinese capital, the answer seems to be tentative moves towards a new reserve currency, perhaps at some point the Yuan, in the short run a “super-sovereign reserve currency” to replace exclusive reliance on the dollar. This is a faction of Chinese capital that also favors a more robust imperialist policy, seeking raw materials throughout the Third World, and investments in infrastructure to extract them, and propelling China’s military sway throughout the Pacific and Indian Oceans. It also means beginning to detach China’s economy from an exclusive reliance on exports to the West. By contrast, another faction of Chinese capital, still apparently the most powerful, no less concerned by the weakness of the dollar, sees little prospect of

¹ There is another issue around the Chinese trajectory that we also need to point to: For many, China’s becoming the dominant economic power in the world sometime this century has assumed the status of an historical “law.” That is certainly the case for Giovanni Arrighi, who argued that such a putative Chinese hegemon will be a market economy, but a non-capitalist one! See *Adam Smith in Beijing*. Arrighi, and others on the left who believe that China is a Smithian paradise based on a market economy without capitalism or exploitation, should have spent a day or two in a Shanghai factory, or a Chinese owned mine in Congo, and then they might also have taken the time to explain how an economy based on the export of cheap consumer goods to the West, Department II, will become the economic hegemon of the future.

replacing it as the world's reserve currency in the short-term or seamlessly finding an alternative to Western export markets, even as it seeks to stimulate effective demand domestically as an alternative to continued massive American trade deficits with China, which exacerbate the weakness of the dollar, and threaten Beijing as the largest holder of American debt. The Obama administration has its own view of how China should respond to the world crisis: continuing to fund America's debt, even as the US pledges to reduce its massive fiscal deficit once the crisis is past (sic.), spending more on its own social safety net, paltry even by American standards, and opening its own economy to global market mechanisms and foreign investment.

What, then, are the prospects for the global capitalist economy over the next few years? There is no such thing as a "death crisis" of capitalism, no automatic or inevitable end to capitalism. The breakdown of capitalism, a global crisis, such as this one, creates the conditions for the "collective worker" to overturn the value-form, to smash the capitalist state, to construct a human *Gemeinwesen* or community, but that depends on the *negative potential* of the working class being realized, on the capacity of the collective worker to reject both the ideologies of the right, racism, xenophobia, and the left, which seeks not the destruction of the value-form but its reform, a humanization of capital, a more equal distribution of

the wealth, in the commodity form, that is produced. Both of those alternatives, because they leave the value-form intact can only end in *barbarism*; the barbarism of race war or the barbarism of ecological destruction and a purportedly "equal" distribution of the austerity that the continued existence of capitalism entails. But what of a new cycle of accumulation as a result of the massive devalorization of capital wrought by the crisis itself? As we suggested above, the scale of devalorization necessary for a new cycle of accumulation would have to exceed by far the levels that we have seen this past year, an outcome only possible, if possible at all, by the ever greater ecological catastrophes, and wars, that the continued existence of capitalism will provoke. That is why, Rosa Luxemburg's vision, socialism or barbarism, marks out the real stakes of the present crisis. Pro-revolutionaries can contribute to the realization of socialism by providing a clear theoretical explanation of why the value-form, however it is institutionalized and structured, whatever ideologies accompany it, means barbarism. Only an intervention into ongoing struggles of the collective worker can contribute to liberating the negative potential that the collective worker represents.

Internationalist Perspective



Appeal to Pro-Revolutionaries



Looking at the world today, we see an urgent need for revolution, contrasting with a profound weakness and division of pro-revolutionaries. Some of their disagreements are serious. And yet, pro-revolutionaries also have something essential in common, internationalist, revolutionary, positions that separate them from those, whose pseudo-revolutionary discourse, in the end, is nothing more than an excuse for the perpetuation of the value-form. We use the term “pro-revolutionary” deliberately, because only history will be able to judge whether what we do, discussing, writing, publishing, intervening etc...has a revolutionary impact or not. We certainly want that. But do we act accordingly?

1. The present-day crisis is not just a conjunctural downturn, not just a result of unbridled greed. It is not a crisis of neo-liberalism but a crisis of capitalism. It demonstrates capitalism's historical obsolescence, the urgent need to kill it at its core and replace it with a world in which the satisfaction of human needs, not profit, is the driving force, a world no longer ruled by the law of value, no longer divided by nations, races and religions, in which the collective self-emancipation of the exploited will, for the first time, make individual freedom real.

2. The consequences of this crisis are and will be increasingly devastating. In its desperate attempts to cut costs to restore its profit-rate, the capitalist class

inflicts mass unemployment, wage and benefit cuts on the working class, hunger, disease and homelessness on all the dispossessed. For the same reason, it continues its onslaught on the natural environment. Furthermore, the crisis widens the door to war. When the normal economic ways to obtain profit are blocked, the use of violence becomes increasingly attractive, while the need of the accumulation process for devalorization invites ever-greater destruction.

3. The only force capable of preventing capitalism from dragging humanity into the abyss is international working class revolution. The only way this revolution can succeed is through the development of collective self-organization of the working class in struggle;

breaking through all the divisions capitalism imposes on it. From this self-organization of the struggle will arise the self-organization of the post-capitalist world.

4. The crisis inevitably provokes social convulsions. In each of them, contradictory forces are at work. In every struggle, there will be voices pleading for giving in, for ending the fight. There will be those who defend the particularity of each struggle, to keep it isolated. There will be those who will try to redirect the anger away from capitalism towards workers of other countries or towards immigrants or other scapegoats. But in every struggle, there also will be the urge to push ahead, to take the movement as far as it can go; there will be voices that plead for the extension of the struggle, for the unity of the exploited, for collective self-organization, against respect for capitalist laws and institutions. And increasingly, there will be voices that will clearly state that the real enemy is capitalism itself.

5. What the outcome of the confrontation of these contradictory forces will be is not predetermined. Pro-revolutionaries recognize that they are part of the equation. The social force that works towards the overthrowing of capitalism takes many forms and they are one of them. So they participate in the struggle of the exploited whenever they can on the side of those pushing to widen the envelope.

6. Their theoretical clarity can be an important catalyst in the development of the understanding, throughout the working class and even beyond, of what's at stake.

But to play its role, the pro-revolutionary milieu must transcend its fragmentation by coming together to defend basic revolutionary positions with a clear and loud voice.

7. It is time that the pro-revolutionary milieu openly recognizes that the acceleration of capital's crisis, of both its depth and its breadth, has raised the stakes considerably. It needs to weigh its differences and disagreements against its obligations at this hour of urgency. Of course the groups and circles in the milieu are deeply divided, but if each has an aspiration to defend revolutionary positions then that is the basis for us to put them forward together. Seeing our way through the challenges ahead demands that we disseminate our ideas in as public a way and as often as possible through common discussions, common meetings, common statements and interventions. If the pro-revolutionary milieu does not put forward the revolutionary perspective, then who will? Who will discuss openly inside the working class both the historical meaning of its struggles in the face of this crisis and the consequences of letting the ruling class have its way?

8. Theoretical disagreements aren't the obstacle to working together, they are part of the stuff of the revolutionary life of the proletariat; the obstacle is sectarianism. The milieu has a stark choice to make. Agreeing with the above would only be a first step; we have to actually do it. And we don't have forever to think about it. Capitalism will not die by itself. We are determined to do our part.

Internationalist Perspective's Appeal is posted at our blog, along with other documents which do not appear in the magazine.

To leave a comment please visit our blog at:

<http://internationalist-perspective.org/blog>

or go directly to the appeal at:

<http://internationalist-perspective.org/blog/2009/03/02/appeal-to-the-pro-revolutionary-milieu/>

The Appeal of Internationalist Perspective: Reactions and Perspectives

At the beginning of 2009, IP launched an Appeal to the revolutionary milieu, with the objective of re-initiating a process of discussion and exchange between groups of this milieu (see the Appeal above). This Appeal generated a number of reactions in the United States, in England, in France, in Germany, and Belgium. The purpose of this text is to specify the context in which this Appeal was launched, to give an outline of the reactions sparked, and to trace the prospects for possible exchanges and collaborations between groups.

The context of the Appeal launched by IP is precisely the present crisis of capitalism, the most profound since the '30's. This crisis was explained in the media by greed, bad management, and a lack of regulation by the State. The solution preached by the left can be described as a *positive critique* of capitalism: more interventionism, regulation of the economy by the State, nationalization of the banks and the economy.

Revolutionaries need to develop a *negative critique* of capitalism. They understand that more regulation, and even a complete replacement of private capitalists by state bureaucrats, would not overcome the crisis. It is the *law of value* that shackles global human society: each commodity is produced to make a profit. This profit comes from surplus-value extracted from human labor. The accumulation of value is the real goal of the capitalist economy, whether it is managed by the right or the left. We are at a point in history where the increase in productivity makes possible the production of far too many commodities at a relatively low cost (with less and less human labor involved), and where it is impossible that all the value created can preserve itself as value. Capitalism propels us towards more misery, wars, ecological destruction and other catastrophes, because the massive destruction of existing value is necessary to restore the conditions of accumulation, so that value can again expand. A negative critique means that capitalism must be attacked at its roots. It is the whole of the interconnected system of wage labor, money, markets, and nations that must be eradicated.

Revolutionaries must say NO to many things. They must tackle illusions. Contrary to the positive critique of capitalism, the negative critique does not offer practical proposals for concrete improvements here and now, other than resistance without compromise against the misery which capitalism inflicts upon the working class. We hope that in this resistance the working class will be transformed into a “class for itself”, into a class that while liberating itself from its conditions of exploitation will thus liberate all of humanity. We hope that in this self-organization, the organization of the classless society will emerge. In spite of the urgency of the situation, it is not a short-term plan. Illusions are still strong in the working class, as well as fear that resistance might worsen the situation. But, even if there are pauses, the crisis will continue to deepen. The crisis of confidence in the financial system will be transformed into a crisis of confidence in the state. The state can save the banks (as happened over the past several months), but there is no higher authority that can come to the rescue when even the strongest states are no longer a safe refuge for value. The illusions in the state as a guarantor of value, of the future of society and the future of workers, will collapse.

Events themselves will compel the working class to struggle. But if struggle is inevitable, and if it leads to the self-organization of the collective worker¹ that can threaten capitalism, what will be the role of revolutionaries? Of course, they take part in the struggle, since they belong to the class. But what is their specific role? It often happens that when we hear somebody speak (or when a text is read), we have the impression of hearing (or reading) exactly what we

¹ The notion of the collective worker was articulated by Marx in the *Grundrisse*. At the developed stage of capitalism, one has to see wage-workers as a body participating in a collective way in the valorization of capital. Thus, in the period in which the law of value has increasingly penetrated ALL aspects of social life, teachers, those who transport commodities, workers in the health sector, are all included in the concept of the “collective worker.”

were thinking. Indeed following this experience, we realize what we were thinking, and that we now know what must be done. That's what revolutionaries can do. To explain in an understandable way, to clarify, that which is felt intuitively.

That does not mean that they are the only ones to defend a revolutionary perspective, the necessity to destroy the law of the value. This occurs spontaneously in resistance to the crisis, as the following anecdote in Cleveland Ohio, illustrates. Workers fired in the construction field, and who had lost their own homes, realized at that point that the situation was absurd: after having built so many houses for "others" (the market), they are themselves homeless, the same as other families, whereas 15.000 houses were empty in Cleveland. They spontaneously formed a group and used their skills to fix up empty houses and to transfer homeless families to the empty ones. It was an illegal act, an attack of the value-form, as is the resistance to dispossession in working class neighborhoods. It is one of the ways in which the value-form is cracking, revealing its obsolescence: the crisis reveals contradictions between the needs of capital and human needs, and creates visions of a post-capitalist society.

So that revolutionaries can play their part in the struggle, against the organizations that try to choke off resistance with a "positive critique" of capitalism, they must overcome two false conceptions.

Firstly: The idea that revolutionary theory is more or less completed, and that the only task of revolutionaries consists in disseminating this theory in the class. Against this idea, which leads to theoretical sterility, IP underlined the incomplete character and the weaknesses of that theory (on which we all based ourselves in the '60's and '70's); on the need for a major theoretical effort to understand how capitalism evolved during the last 30 years, how these changes affect the consciousness of the proletariat, the way it is subjectified². It is critical for revolutionaries to

² Subjectification refers to the way in which the proletariat is subjugated by capitalist ideology, by its position as an exploited class. Subjectification changes as a result of changes in historical and social conditions. For example, workers in the second half of the twentieth century were increasingly subjugated through the consumption of commodities, inasmuch as increases in the productivity of labor made it possible to produce more at a lower cost.

comprehend how class consciousness develops under the present conditions of capitalism, if we want to be a factor in that development.

Secondly: The error of believing that what the working class needs above all, is an organization such as ours, but much larger, and thus the fact of seeing the growth of the organization as the absolute priority. That results in stressing recruitment, in measuring its own activity in quantitative terms (number of publications, members, sales, contributions, pages written...), to see other organizations are competitors, even parasites to be exterminated, adopting sectarian attitudes, an impatience with debates.

This is why IP, now that the crisis has given a new urgency to the negative critique of capitalism, launched an Appeal to the revolutionary milieu. What IP hoped to create is:

- That groups would focus on essential tasks, give up sectarian practices, decrease fixation on secondary quarrels and overcome the useless frictions between them;

- That groups would have the concern to discuss in an honest, fraternal, manner and at the same time to deepen their theoretical understanding (about the evolution of capitalism, the development of class consciousness within the collective worker) and to more effectively articulate a negative critique of capitalism within the class.

The Appeal of IP is *not* a call to regroupment, to create a larger organization. It is not an appeal either to create an anti-ICC or any other pole. At the risk of repeating ourselves: we would like to stimulate within the milieu an attitude turned towards what we have in common (instead of focusing on what divides us), an attitude turned towards discussion, common practice (instead of practice isolated from one another), an attitude based on an open frame of mind, turned towards a vision of the future (instead of being turned towards the quarrels of the past, and towards the ideas of the past).

Is the Appeal utopian, only a product of our will

Workers are also subjugated by the necessity to produce *value*, in which any creativity in work is subordinated within industrial activity.

outside of any context? We do not think so. Various signs make us think that the moment is ripe. Last year a conference in Korea was held, called by a group of Korean militants, and in which a certain number of European groups also participated³. More recently, a conference of revolutionary groups in Birmingham, England, was called by the “Midlands Discussion Forum”, in which IP, as well as other revolutionary groups, took part. The will to hold these meetings, as well as the fraternal character of the discussions which took place there between the participating groups, testify indeed to a new spirit of openness on the part of revolutionaries.

Since IP launched its Appeal (March 2, 2009), many groups and individuals have responded, sometimes on several occasions. Certain groups requested the reactions of others groups,⁴ as one would expect in a living process. The Appeal was thus heard, and its echo was reflected in new directions. The reactions were many, and generally positive. Certain reactions to the Appeal were very critical of IP, others supportive, but with reservations; still others were supportive with more enthusiasm and a readiness to undertake common initiatives. In the short report below, we will synthesize the way in which groups and individuals positioned themselves with respect to the Appeal.⁵

The Party-ists: Attached to the distant past

The most negative reaction came from the Internal Fraction of the ICC (response dated April 25, 2009): “We will not answer this Appeal favorably because we do not believe that it represents a step forward in the regroupment of communist forces. We even think that it is opposed to that need”. The Fraction denounces the “political nature, the trap contained in the Appeal”, that would be an opening to the anarchists: “... Not a word on the proletarian insurrection, not a word on the dictatorship of the proletariat, not a word on the party, not a word on the state, etc”. The Appeal would be (also) a masked attempt to constitute an anti-ICC pole: “Your Appeal’s ... also aims at, or at the very least opens the door ... to a regroupment with an anti-ICC

front”. For the Fraction, the initiative for a process of regroupment is linked to the recognition of centrality of the Party: “For us, today, any initiative aiming at the development of a process of regroupment would make sense only if the criterion of the political organization and World Communist Party is at the center of such an Appeal ... only the IBRP appears to us to represent, at this moment, the pole around which such a process of regroupment could be articulated and develop. Your Appeal is not only removed from such a perspective, but even turns its back on it.”

The diatribes launched against the anarchists, the explicit claim to the conception of the Leninist organization, these conceptual tools which characterize the Fraction, are so many signs of its rootedness in the past, as if nothing had happened in the last century, as if the proletariat and its organizations were immutable, as if there were nothing new to understand concerning the trajectory of capitalism, the domination of the law of the value, the way in which consciousness develops. Fortunately for the future of both discussions and contacts, we received only one answer of this type.

Moderate supporters: Skeptics, but why?

A second group consisted of responses to the Appeal that were positive, while putting forward reservations both about being too enthusiastic and exaggerating the possibilities in the current period. The CDP [the Paris Discussion Circle] for example (response dated April 11) agreed with the Appeal, responded favorably, and shared the desire to re-start and continue the discussion. The CDP, like DA in the review “Letters,” had reservations related to what it saw as the urgency emphasized in the Appeal, and warned against premature initiatives: “However, some voices arose to nuance the tone of urgency contained in the Appeal. For the time being, there is no general mobilization of revolutionary social forces, even if we see here and there some rustlings. Other voices found premature some of its proposals, such as for example considering common interventions now”. The CDP rightfully recalled that other initiatives for collective discussion launched in the past, among them the International Discussion Network, was short-lived. “The global discussion network, that began with large numbers and just essential minimum criteria for participation, has, in spite of many fruitful exchanges, especially at the beginning of its existence, encountered multiple difficulties and no longer is very active, partly because

³ See the texts of the conference in Korea in IP 47, also available on the IP web site.

⁴ The Forum of the Internationalist Communist Left translated the Appeal into several languages, and also solicited the reaction of many other groups in Europe.

⁵ For the actual responses, see the IP web site.

we did not know and could not call into question analyses in the light of hard reality. IP asks us to tote up the divergences and the agreements, but that entails understanding what happened in the Network in order to avoid a possible failure of this latest Appeal". It is true that the risk of failure after a beginning filled with enthusiasm always exists. But it is also true that the situation has changed since the creation of the Discussion Network. The economic and social cracks in the capitalist edifice have become more evident today than they were it at that time. The resolute, active, character of the activity of revolutionaries is also under the pressure of intervention, of theoretical clarification, as well as of contacts and discussions held with other groups.

The sceptical supporters rightly raise the question of the origin of the current fragmentation of the revolutionary milieu. This question has been raised by the CDP, and by the "Freundinnen und Freunde der klassenlosen Gesellschaft" [Friends of the Classless Society]. According to the CDP: "One can only agree with IP that the revolutionary milieu is deeply divided, but sectarianism is not the only cause of this fragmentation. It is also the product of the divisions born in the worker's movement of the last century which current reality cannot erase because it has not yet compelled us to rid ourselves of the dead ideas that weigh on the brains of the living, and to think based on the future. And yet, it is especially the future that must give meaning to the present". The "Friends of the Classless Society" defend a similar position: "We see in the fragmentation within the 'pro-revolutionary' milieu the result of more than 80 years in which after the defeat of the proletarian revolutionary wave the class itself has been fragmented and has acted in a fragmented way. Sectarianism is not the cause of the present lamentable situation of the milieu but partly the expression of the lamentable situation of the working class. So, overcoming the division of the 'pro-revolutionary' milieu is desirable but is not essentially a matter of will, it is primarily a matter of how clearly and unequivocally the issues at stake appear for the class and for the 'milieu.' For the moment we do not see the real possibility of bringing together all the efforts done by multiple local pro-revolutionary groups, because of the diversity of regional situations and of the analysis and opinions about what are the essential and priority tasks".

The idea according to which one cannot take decisive

steps as long as one does not know where one is going, is correct. If IP took the initiative to launch the Appeal, it is because, in addition, we have worked for many years on the theoretical questions related to the trajectory of capitalism since the Second World War: ecological catastrophe, genocides, globalization, economic crisis, development of class consciousness. It is because we think that theoretical projections are POSSIBLE, projections which have grasped the changes in social reality over the last 50 years, that we can, and want to, undertake open discussion with other groups.

The Enthusiasts

Among the most enthusiastic reactions to the Appeal, we would like to indicate that of the Communist Left Forum, which publishes the *Controverse* review (response dated March 29, in French and English): "We thus think that the resumption of contacts within the revolutionary milieu should also consider the tasks consisting in 'restoring the notions of Marxism in all fields of knowledge,' and that 'without any dogma' ... without opposing to this essential work of historical analysis the cliché of the immediate mobilization of workers ... We are already committed to supporting all the initiatives, modest though they may be, in that direction." The Forum thus supported the Appeal, while taking part in our discussion meetings, by disseminating the Appeal to other groups, by organizing meetings with other groups that will be held in the near future. A beginning of concretization of the Appeal thus took place, thanks to the enthusiasm of a whole lot of groups and comrades (Tumulto, Friends of the Classless Society). The position taken by the ex-Communist Bulletin Group (in April 2009 at the Birmingham meeting) is equally interesting to quote : "internally, we must move away from the practice of seeing discussions as something that take place primarily behind close doors and only "released" to the milieu when "done and dusted". Externally we must encourage joint interventions, dissemination of press and leaflets not as something pragmatically useful but as cementing solidarity between us". These groups, while recognizing the existence of divergences, and the necessity for clarification of theoretical points, have adopted a pro-active attitude of open discussion and common initiatives.

Conclusions

We received many other reactions, from groups or individuals, not cited here: “La lettre Internationaliste” and GS, Philippe Michel, B. York, Internationalism, the US section of the ICC, John Ayers of the Socialist Party of Canada, Loren Goldner, John Garvey, Against the Wage, Perry Sanders of the Chicago Revolutionary Network, Victor of the Internationalist Workers Group in the name of the IBRP.

If the Appeal of IP has already born fruit, it is in a certain degree of opening to debate, which testifies to a possible new period in the relations between revolutionary groups. Our goal is to encourage groups to overcome sectarian attitudes (centered on “what differentiates us” rather than on “where we want to go”), attitudes of competition. We want to reaffirm our conviction: it is necessary to be open to the “New”:

- “Renewal of Marxism”: the necessity to critique not only Leninism, but also the theories of the Communist Left; to consider the limits of the contributions of the lefts and the theoretical developments which we need in order to understand the world today;

- The “new” in the forms of organization: how the proletariat questions the “value-form” today, and what role revolutionaries can play in this transformation.

Now that the Appeal has been launched, now that several groups and individuals answered favorably, we must take the following steps to concretize it in practice. Concerning the follow-up to the Appeal, we make several proposals:

1. To publish the debates concerning this Appeal
2. To exchange information concerning the meetings to come planned by IP as well as by the other participating groups;
3. Joint distribution of the press, leaflets;
4. To organize discussion meetings together in Brussels, Paris, Berlin, the US, Great Britain, and in several towns of France where there are other interested comrades/groups;
5. Joint interventions in strikes and demonstrations
6. Holding a common meeting in 6 months, in which each participant will present its analysis of the evolution of the situation as well as initiatives between groups.

The future will decide if the Appeal launched by IP will have been useful in advancing theoretical and political clarification and the more active and more effective engagement of revolutionaries in intervention in struggles.

Internationalist Perspective

A Crisis of Value

There's no need to repeat that we are in the midst of the worst crisis of capitalism since the 1930's: even in the mass media this has become a mantra. But why are we in this mess? The course of action (or inaction) that is advocated depends on the answer to this question. Already, the way in which the crisis is portrayed implies an answer. The mass media has inundated us with stories of greed, stories of mismanagement and of lack of regulation. The "Anglo-Saxon," "neo-liberal" model of unbridled free markets has been thoroughly discredited, the economic heroes of the right have fallen from their pedestals, and good old Keynes is back in fashion. The new consensus favors more regulation, more state-intervention, and more debt creation by the state in order to counter-act the deflationary pull that is contracting the economy. The debate is only about how much. That is a debate that, by its nature, is waged within the left of the capitalist political spectrum. It pits those who believe that fine-tuning the symbiosis between the state and private capital leads to the best of all possible worlds, against those who hallucinate that, through gradual statification of the economy, they will ease capitalist society into socialism. But the latter support the first in their narrative of the crisis as a result of greed, mismanagement and deregulation. They both critique capitalism, to various degrees, but their critique is a positive one. They share and propagate the belief that capitalism can be improved upon. That makes them the most crucial defenders of capitalism today.

There is another answer to the "why are we in this mess?" question. An answer that was implied in the recent Greek riots, in the refusal of workers in France to share responsibility for the crisis, in the refusal of workers in China to obey the law, in the determination of unemployed construction workers in the US spontaneously organizing themselves to give back empty property to the homeless...an answer that says: capitalism is obsolete. It's time for something new.

If the time comes that this answer swells into mass struggles, there will be a need for a strong pro-revolutionary political movement that articulates clearly what is then intuitively felt and, through its

clarity, helps to wipe the dust of time and memory loss, and all the ideological cobwebs off the mirror, so that the collective worker can recognize himself. Today, what these pro-revolutionaries have to say is not very popular. Again and again, they throw cold water on the proposals of the left (or the right) to make some improvements in the current system. To the reproach: "but what do you propose then concretely?" they can only say: uncompromising resistance against the misery that capitalism in crisis is inflicting on the working class. They can only offer the hope that in this resistance, the working class will transform itself into a class for itself, and thereby free humankind; that in its self-organization, post-capitalist society will begin to take shape. As a result, pro-revolutionaries are called utopians by those who do not dare to stare reality in the face, and who cling to illusions in the name of "realism."

In contrast to the left, the pro-revolutionary critique of capitalism is a negative one. It claims that the current crisis will worsen whatever measures are taken. At best, these measures will slow its acceleration, but any reflation will be a reflation of the bubble; because the bubble is not only in real estate and in finance. The world economy as a whole is a bubble that must explode or deflate, with terrible consequences for the vast majority of humanity, regardless of how and by whom this is managed. In its first phase, this deflationary pressure quite naturally manifested itself in a crisis of confidence in the banking system, which could, for now, be stemmed by state intervention. The force of the deflationary trend, and the degree to which the state resists it, will determine how quickly this will become a crisis of confidence in the state, in the dollar, in the euro etc. When that point is reached, there is no other higher power that can come to the rescue. Capitalism becomes the most dangerous when the flight forward is the only alternative left.

The negative critique of capitalism claims that it can't be repaired because the crisis is the direct result of the historic over-ripeness of its very foundation: the value-form.

A world of value

Value is the most powerful god on earth, worshiped and obeyed as no other. We humans invented it, but we serve its needs, not the other way around. We suffer and die, so that its accumulation can continue. Although a human construct, it has autonomized itself and appears to us as an outside force like the weather, which we can try to manipulate, but to which ultimately we must adapt and suffer its consequences, however terrible.

Even though it has become completely irrational for society to continue to base its interactions on the value-form, value could not exist without rational thinking and is entirely logical. Its logic has become increasingly complex with the development of capitalist society, and implies now the necessity of money, banks, states, borders, armies, police, unions, churches and pornography and many, many prisons, some called “prisons,” others “schools,” “factories,” “offices” or “barracks.” According to the logic of value, none of that can be dispensed with. It begins quite simply though.

It’s quite logical that societies that produce a surplus product, beyond their own needs of reproduction, engage in exchange. It’s logical that such exchange creates a market, where everybody wants to sell as high as possible and everybody wants to buy as low as possible. It is logical then that the exchange of commodities will occur on the base of the amount of average labor time needed to produce them. If a commodity fetches a higher price than others requiring the same amount of socially necessary labor time (SNLT), labor power will flow to its production to take advantage of the higher yield, until oversupply on the market forces it down so that its value (SNLT) is exchanged for an equal amount of value (SNLT). In this way, the more a society’s production is geared to the market, the more the law of value decides where its labor power is allocated. Value is the architect of capitalist society.

Markets and money and thus value existed before the capitalist mode of production. But the law of value can operate only to the degree that concrete, specific labor becomes abstract, undifferentiated labor. It supposes an equality of labor of different sorts so that it is interchangeable and there is the constant possibility to shift labor power from one area of production to

another. The expansion of the market thus logically led to the next step: labor power itself became a commodity, freely bought and sold. That was the birth of capitalism, which is based on the fact that this commodity creates value, while its own value, like that of other commodities, is determined by the SNLT required for its production. The worker works 10 hours, but the production of the goods and services he needs to be able to continue to sell his labor power requires only 5 hours of SNLT. 5 hours is the equivalent of the labor power he sold yet he works 10 hours. The value of the 5 other hours goes to the capitalist who owns the product of his labor. The value of a commodity in capitalism thus becomes: $C+V+S$, in which C (constant capital) stands for the value of the past labor (machinery, infrastructure, raw materials) that is consumed in its production, v (variable capital) for the value of the new labor power that is used in its production, and S (surplus-value) for the SNLT that labor power expended on its production minus the SNLT needed to reproduce its own value (V).



Money makes the world go round

While previous ruling classes had squeezed society in order to amass wealth and power, with the advent of capitalism, the accumulation of abstract value through the production of s became the goal of society, the driving force of the economy. That required another

pre-capitalist invention capitalism could not exist without: money. The value of that very peculiar commodity, with the unique ability to represent abstract value and therefore to be exchangeable for all other commodities, and thus making their exchange possible, was originally, like that of other commodities, the SNLT needed to produce it. Money existed already as a particular commodity before it became the universal commodity making possible the exchange of all others. What made it money was the fact that the characteristics of this particular commodity (typically precious metals), made it the most suitable to measure the value (SNLT) of other commodities, thus making it possible to express their value in prices (in a quantity of money). But as soon as the market arose, there was a need for a middleman in the exchange of commodities. For complex exchanges to take place, it had to be possible to sell without buying and to buy without selling, to exchange commodities for a general medium of exchange, representing exchange value in general.

While this second function of money is made possible by the first, it also stands in contradiction to it. As a measure of value (as a particular commodity) it didn't matter how much of it was present (money didn't need to be there for the values of other commodities to be expressed in it, they only had to be, as Marx put it, "ideally transformed" into money to be compared), but the value of its material substance of course mattered very much. As a medium of exchange (as the general commodity), the material substance of money didn't matter: inasmuch as it is only a symbol of exchange value in general, any symbol accepted as such will do. But since it represents exchange value as against all commodities, its quantity now matters very much and must grow (or decline) in proportion to the quantity of commodities the circulation of which it makes possible. As a medium of exchange, at first sight it doesn't really alter the process of barter, but only makes it more complex: instead of the direct exchange of commodities (C-C), we now have a barter of a particular commodity for the universal commodity money (C-M) and another one of money for another particular commodity (M-C). But the process is altered fundamentally because now: "the acts of purchase and sale ... appear as two mutually indifferent acts, separated in time and space.... Their indifference can develop into the fortification and apparent independence of one against the other. But in so far as they are both essential moments of a single whole,

there must come a moment when the independent form is violently broken and when the inner unity is established externally through a violent explosion. Thus already ... in the splitting of exchange into two acts, there lies the germs of crises, or at least their possibility."¹

This split of exchange into two acts also is what allowed money to acquire a third function, essential to capitalism. It presupposes the first two functions and unifies them.

Once money is a particular commodity that measures exchange value and a general commodity that mediates and thereby splits exchange, it becomes the universal material representative of wealth, a commodity in which exchange value can be stored and thus accumulated. Thus, the accumulation of money became the alpha and omega of society's reproduction. "Money makes the world go round," as the song says: it is advanced to buy constant capital and labor power (C+V), whose productive consumption creates more value (C+V+S) and thus more money. And so on, ad infinitum. Profit guides the way. Since the desire for more money is endless, capitalism's capacity to expand seems endless too.

It seems almost a perfect system, except for one thing: value isn't stable. It isn't permanent. That is clear enough for most commodities: if they remain unsold, they lose their value. But money seems different. Other commodities are "perishable money" as Marx wrote, they must be transformed into money or lose their value. But money, "the imperishable commodity," can store its value and need not be transformed.

But it only looks that way. Money is the universal representative of wealth only because it is exchangeable. That means that its capacity to store value remains real only in so far as its exchangeability remains real, in so far as "real exchange value constantly steps into the place of its representative, constantly changes places with it, constantly exchanges itself for it."² This doesn't mean that the value of money equals the value of the goods it circulates. Accumulation requires saving; value must be able to leave the reproductive cycle and return to it. There must be a "hoard" of money capital which functions as

¹ Marx, *Grundrisse* (Penguin edition), p.197-198.

² Idem, p.212

latent productive capital, that flows into the sphere of production when accumulation requires it, that, while not functioning as a means of circulation, remains a potential means of payment. But the degree to which this hoard, this money capital, represents real value and not just fictitious capital, is not simply determined by the value it represented when it was withdrawn from the reproductive cycle. All money is by definition a claim on future value and can therefore only expand to the degree the creation of value expands. Money capital is merely an affirmation of possession of a share of the total value. If that total value shrinks, or expands at a slower rate than money capital, the latter represents less value and thus must be devalorized.

The instability of value also explains why accumulation is a necessity in capitalism. Only by setting in motion productive forces and thereby producing surplus value, and thus expanding value (or stealing from those who do), can existing capitals prevent their own devalorization.



The dual nature of the commodity

Before the products of human labor were commodities, made for a market, they had of course a value too. The value of bread for instance, was that it was nutritious and tasted good. People wanted it. It had a use-value.

In order to have exchange-value, a commodity needs to have a use-value. This doesn't mean that it has to be objectively useful, only that it has to take a concrete form that makes it desirable for someone with the money to buy it. This is the element that prevents the accumulation of value from becoming completely autonomous from the actual needs of society. This accumulation needs to take the form of an expansion of use-values, even if this is only a means to expand abstract exchange value, which is the real goal and

function of the capitalist.

So the expansion of use-values and exchange-value must develop in tandem, as a unified process. Yet they are quite different. As a use-value, a commodity has specific characteristics that define it. But its exchange-value is not an inherent quality of the thing. Rather, it is the value of the capital advanced for its production plus surplus value. It is a social relation, capital-labor. While conquering the world and eliminating or marginalizing all other modes of production, capitalist commodity production reproduces and spreads this social relation continuously.

The dual nature of the commodity, exchange-value and use-value, explains its success in doing so. The hunt for surplus value yielded an ever-growing surplus product, and this superior productivity was “the heavy artillery with which it batters down all Chinese walls” (*The Communist Manifesto*). If we see history as an incessant struggle to overcome the conditions of scarcity humankind was born into, and thus as a progression of labor productivity, capitalism appears as a necessary and unavoidable phase. That it is also a transitory phase is again due to the dual nature of the commodity.

The crisis is in the commodity itself, in its dual nature. Today it is quite obvious that use-value and exchange-value are unhinged. Never has productivity, and thus the capacity to expand use-values, been as great. At the same time, never has the growing incapacity to expand exchange value manifested itself as clearly as in today's world, drowning in overcapacity, while more and more human needs remain unmet. The expansion of use-values and of exchange-value no longer work in tandem. Profit determines whether, where, and when, labor power is allocated. Two billion people are unemployed because capital can't use them to expand exchange-value. The expansion of exchange-value is in trouble and it is the expansion of the capacity to produce use-values that dug the hole from which it can't get out without causing massive destruction. Exchange-value has become a ridiculous measuring rod for a society whose real wealth is no longer based on labor time.

As Marx put it: “The creation of real wealth comes to depend less on labor time and on the amount of labor employed, than on the power of the agencies set in motion during labor time, whose powerful

effectiveness' is itself in turn out of all proportion to the direct labor time spent on their production, but depends rather on the general state of science and on the progress of technology The human being comes to relate more as watchman and regulator to the production process itself.... He steps to the side of the production process instead of being its chief actor. In this transformation, it is neither the direct labour time he himself performs, nor the time during which he works, but rather the appropriation of his own general productive power, his understanding of nature and his mastery over it by virtue of his presence as a social body -- it is, in a word, the development of the social individual which appears as the great foundation-stone of production and of wealth.”³

But for most of the ascendant period of capitalism, this conflict between real wealth and capitalist wealth did not yet arise. Use-values and exchange-value expanded in tandem. Gradually, capitalism took over all forms of commodity production, and expanded commodity production to domains where it had never before existed. This reorganization of production meant a socialization of the labor process. Bringing workers together in a collective workplace, giving them specialized tasks, making their labor interchangeable, all brought huge cost savings and productivity growth. This rising productivity meant that the difference between the SNLT workers performed and the SNLT needed to produce their necessities grew, even if the latter expanded too as a result of workers struggle and societal changes. The more proletarians were hired, the longer they were made to work and the lower the value of their reproduction, the more unpaid labor time was pooled and the more surplus value was created. Employment, productivity, and profit, grew hand in hand. The more proletarians were created by the development of the productive forces, the more productivity and value creation increased. They therefore seemed synonymous. The more material wealth, the more profit. There was a balance between the growth of exchange-value and of use-values. The wellspring of both was the same: surplus-labor. The law of value was in harmony with the productive forces of that period.

³ Idem, p.704-705.



Charlie Chaplin's classic *Modern Times*

The transition to the real domination of capital

There are two ways to produce surplus value. For centuries, capitalism's focus was on the most obvious one: lengthening the working day. Capitalism did not yet develop a new, intrinsically capitalist method of production. The weaver made cloth as he did before, but now he did it in a manufactory for a wage. Obviously, the longer he worked for that wage, the more surplus-value the owner of the product of his labor obtained.

There is another way to produce surplus value. Instead of increasing the *absolute* length of the working day (which has its natural limits), increasing the *relative* part of the working day during which the worker performs cost-free for the capitalist, by decreasing the other part, the SNLT that is the equivalent of what he buys with his wage. In other words, the more the value of the worker's wage falls, relative to the value of what he produces, the more surplus-value he creates.

But the value of his workers' wage is something the capitalist has no direct control over, other than by trying to intensify the labor process above the social norm. Of course he always tries to push the wage under the value of the labor power and often succeeds, thanks to an oversupply of workers or the successful use of violence and ideology against them, still, under normal conditions, the law of value regulates the labor market like any other, which means that at least tendentially,

labor power is bought at its value. Generally, the decline of the relative value of the wages is not the result of what any particular capitalist does, but of the rise of the general productiveness of society, which makes the commodities which the worker needs ever cheaper.

What the worker needs is a limited quantity of use-values, that enable him to stay healthy, to raise a family, to have a home and enough food for body and mind...use-values that expand with the changes of society but that remain a reflection of what, in a given society, is considered necessary for the reproduction of labor power. The more productive that society is, the less SNLT is required to produce these use-values and consequently the higher the relative surplus-value for the capitalist.

Marx saw capitalism's main source of profit shifting from absolute to relative surplus-value. But by increasing the productivity of labor, a capitalist does not directly obtain more value. "A working day of a given length creates the same amount of exchange-value, no matter how productivity may vary."⁴ The increase in productivity means only that this "given value is spread over a greater mass of products." His greater productivity does not reduce the value of his workers' wages, not unless he sells commodities destined for them. So what's his motivation to invest in it?

His incentive comes not so much from the opportunity to create more value than from the opportunity to grab more value created elsewhere. From the possibility of a surplus-profit. It arises "as soon as the *individual* value of his product falls *below* its social value and can be sold accordingly *above* its individual value."⁵ The social value is the quantity of SNLT which in a given economy is required for the production of a given commodity and thus tends to be defined by the average, preponderant methods of production. So those who need more SNLT to produce that commodity make a less than average profit and those who need less, obtain a surplus-profit. It's important to note that this surplus-profit, resulting from an increase of labor-productivity, is not necessarily an extra-profit for capital as a whole. The total value, and thus the total

purchasing power, does not swell with it. Assuming that the length of the working day, the value of labor power and the intensity of the labor process stay the same, the rate of surplus value production stays the same too. In Marx's view, assuming a closed capitalist system, all SV=unpaid SNLT and the total profit=total SV. So if the capitalist with the higher labor productivity produces no more SV but gets a higher profit, what is the source of his surplus-profit? For Marx, by definition, no value is created outside the production process.⁶ No SV originates in the phase of circulation, in which the commodities resulting from production are bought and sold, to be unproductively consumed or employed as new productive forces. But while in this circulation no SV is created, it is redistributed. The market rewards the capitalist who pushes the value of a commodity under the social norm. But it rewards it with value that comes from elsewhere, be it from competitors who are forced to accept less than the SNLT that went into their own production, or from buyers who obtain less value in exchange.

That reward was so rich that the hunt for surplus-profit became the dominant driving force of capitalist accumulation. As a result, capitalism became the most fertile soil ever for the development of science and technology. Every capitalist not only has a strong incentive for technological innovations (surplus profit), he is also forced to adopt them. Those who fail to do so, produce commodities with a value-content that is higher than the socially average market value at which they're sold. They thus make a less than average profit and, when the difference grows, go belly-up. The surplus-profit disappears when the productivity-raising technological innovation spreads and becomes itself the social norm. But the hunt for it continues. Capitalists, as well as entire sectors and countries, who succeed in continuously maintaining a higher than average rate of productivity-growth, continuously obtain surplus-profits, which originate as surplus-value produced elsewhere.

The focus on surplus-profit through technological innovation, and its by-product, the resulting decline of

⁴ Marx, *Capital* vol.1, (Penguin edition) p.656

⁵ Marx, "Results of the immediate production," addendum in *Capital*, vol.1, p.1024

⁶ Marx saw the labor power needed to bring the commodity into the reach of the consumer as an extension of production into the phase of circulation, and thus adding value to the commodity and creating SV for capital.

the value of labor power and thus rise of relative surplus-value, changed society to its core. A new, specifically capitalist process of production began to take shape. Marx called this 'the transition to the real subsumption of labor' (or 'real domination of capital') because technology allowed the law of value to penetrate deep into the labor process. Capitalism now not just dominated the production processes inherited from the past but reshaped them entirely. Science and technology made that possible but their own development in turn became more and more shaped by the law of value, by the purpose of reducing SNLT, to obtain surplus-profit.

Gradually, the production process became entirely different. The worker used to be at its center, his tools were appendages of his limbs. But now the relation was reversed: the worker became an appendage to the machine, which dictated his work pace and all of his actions, which made every gesture measurable as a quantity of SNLT.

At first sight, this evolution has only benefits for capitalism. It unleashes giant advances in productivity, in the capacity to create real wealth. This in turn makes it possible to reduce the part of the working day spent on necessary labor (for the reproduction of labor-power) and thereby increases the part that is surplus-labor that yields surplus-value. It furthermore gives capitalism the power to extend its realm, both inward and outward; to transform the entire world into its image.

While the transition to real domination is a long historical process that continues to our day, its theoretical endpoint, a world in which the law of value penetrates all parts of the planet, all aspects of civil society, transforms every object, every activity into a commodity, absorbs every emanation of social, political and cultural life into the fabric of the market, comes creepily close to what we are living.

Beneficial as this transition was for the reach of the law of value, it also shattered the harmony within value itself.

“On the one side, it calls into life all the powers of science and of nature ... in order to make the creation of wealth (relatively) independent of the labor time employed on it. On the other side [the law of value dictates] to use labor time as the measuring rod for the giant forces thereby created, and to confine them

within the limits required to maintain the already created value as value.”⁷

Use value and exchange value, the two sides of the commodity, become unhinged. Use-values grow exponentially through technification, a process in which living labor is subtracted, replaced by technology. But the growth of exchange-value requires that living labor-power is added. The exponential growth-rate of use-values also clashed with the narrow basis on which the conditions of consumption in capitalism rest. Capitalism is born out of conditions of scarcity and presupposes them. Abundance makes it sick, because abundance in capitalism can only mean overproduction. Without scarcity, it cannot “maintain the already created value as value”.

The inevitable fall of the rate of profit



⁷ Marx, *Grundrisse*, p.706

The seeds for the periodic self-destruction of capital are already contained in the value-form itself but sprouted as a result of the transition to the real domination of capital. Productiveness now becomes determined, not by the amount of labor time spent in production but by the application of science and technology, set in motion and steered by the collective worker. The productivity-growth creates a pull in opposite directions. On the one hand, it increases the unpaid part of the working day (relative surplus-value), on the other, it decreases living labor in production, from which the surplus-value can never be more than a part. So while at certain times the first pull is stronger and the rate of profit rises, over the long run, the tendential fall of the rate of profit dominates, because there is no immanent limit to the degree in which the value of a commodity can fall, in which the production process can be run on past labor with ever less living labor; while for relative surplus-value, “its barrier always remains the relation between the fractional part of the day which expresses necessary labor and the entire working day. It can only move within those boundaries.”⁸

Hence in the long run, the rise in the rate of surplus-value cannot stop the tendential fall of the rate of profit. What to the capitalist appears to be the cure, makes capitalism sicker. Confronted with a falling rate of profit, the incentive for the capitalist to lower the individual value of his product below the social value, becomes even greater. In doing so, he further reduces living labor in production, of which SV is but a part.

The decline of living labor in production means ever less of it sets in motion ever more past labor. The commodity contains ever less value, and the part of that value that represents the consumption of past labor continuously tends to grow in relation to new, living labor. That also means that more and more past labor is required to add living labor, the source of surplus-value. Ever more capital is needed to set productive forces in motion; the threshold for capital-formation is continuously raised. Where that threshold is not met, productive forces that might be employed when the threshold was lower remain paralyzed.

But while technification (or the rise in the ‘organic composition of capital’ –OCC-, the ratio past

⁸ Idem, p.340

labor/living labor) in production slows down the creation of exchange value, it also cheapens the commodities needed for the next round of production like all others. So this next round will require relatively less value than the previous one. We have already seen that the cheapening of consumer goods decreases the relative value of the wages (even when they buy more use-values) and so increases relative surplus-value. The cheapening of producer goods (or constant capital) does not directly create more value for capital but by reducing the need for value also counter-acts the impact of the rising OCC on the profit-rate. Still, exchange value must grow, even if production costs fall. Capitalism is production for profit and profit “expresses the increase of value which the total capital receives at the end of the processes of production and circulation over and above the value it possessed before this process of production, when it entered into it.”⁹ The value of the capital advanced must increase, that is the goal of the whole undertaking. The devaluation of constant capital is a cost-saver for the capitalists who must buy it, but for those who sell it, since it expresses the fact that their production required less living labor, it means that the source of their profit has shrunk. The capital advanced for their production incurs a loss, its rate of profit falls and, by the logic of the market, the tendential equalisation of the rate of profit spreads its loss over the entire economy.¹⁰

⁹ Marx: *Economic Manuscripts of 1861-63*, Third Chapter. Capital and Profit, pt.6

¹⁰ Or, on other words, surplus-profit. More on the process of the equalization of the rate of profit in: http://www.internationalist-perspective.org/IP/ip-archive/ip_32-33_cap-crisis-3.html The tendential fall of the rate of profit is one of the most contested analyses of Marx. It seems counter-intuitive: Increasing productivity through technological innovation means more profit for the capitalist, so why shouldn't it also mean that for capitalism? The answer is that the interests of individual capitalists and those of the total capital, the value-system, often conflict. The irrationality of capitalism is the sum of countless rational decisions by capitalists. The “proof” that the tendential fall of the rate of profit a mere red herring was supposedly delivered by the Okishio-theorem, which came to the opposite conclusion from Marx's. I know little of mathematics but I know that any such scheme can only be as good as its assumptions. Okishio assumed that the same commodities have the same **price** before and after production. He took it as a given that their value is stable while Marx's point was precisely that it falls. So Okishio's conclusion and starting point were the same. More on this in:

Real domination means productivity-growth based on the reduction of the SNLT in production, on a relative reduction of the creation of new value. The same process explains why, to set in motion additional labor power, more past labor is required; why the threshold of capital is continuously raised. In today's capitalism, these 'instep costs' not only involve production costs – indeed, the latter tendentially decline relative to other costs. For cars they have shrunk to less than 60% of the total cost of the product (compared to 85% in 1925), for semi-conductors to 14%. Huge marketing expenditures are necessary to compete in today's world. A company like Nike pays considerably more to the celebrities who appear in its commercials than to the workers who actually make their shoes. These unproductive instep costs also include –via taxation- a share of the many faux frais which capitalism must incur to maintain its grip over society. The rising threshold thus implies a tendency to growing concentration of capital.

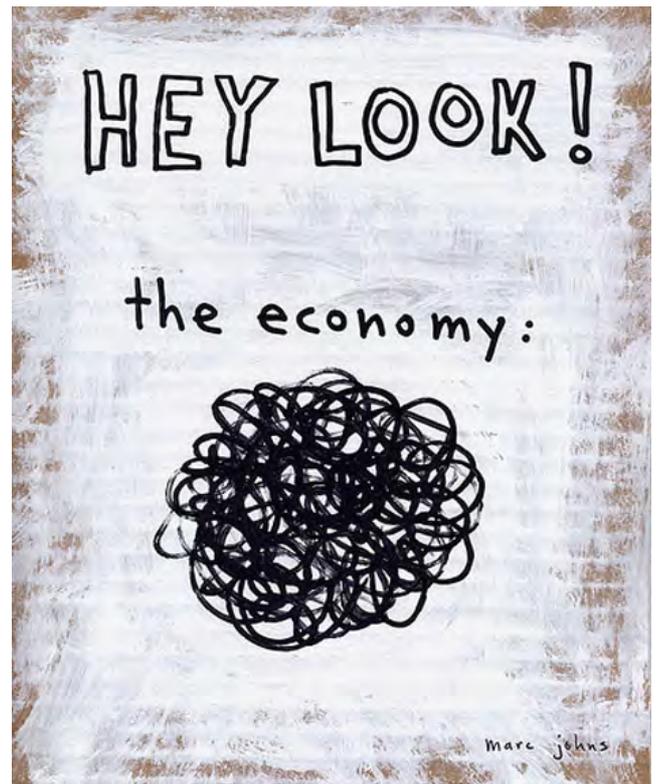
The fall of the rate of profit on the one hand and the rising threshold for capital formation on the other, make crises a necessity for the continuation of capitalist accumulation. Crises make existing capitals lose their value and while this is disastrous for them, this devalorization also mean that the value of the productive forces, especially constant capital, falls in relation the value created by their productive consumption. Crises therefore restore the rate of profit and thus the conditions for a new round of accumulation.

That is why the tendential fall of the rate of profit takes a cyclical form rather than being a linear progression that takes capitalism to a critical point x at which accumulation becomes impossible. It therefore doesn't explain why a crisis must at some point become a global breakdown of the capitalist economy, the more so since it does not affect all capitals equally. Competition on the market affects a redistribution of surplus value, which rewards the stronger competitors, those with a higher than average capacity to bring the individual value of their product under the market value, with surplus profits. Crises therefore affect the weaker competitors first and their collapse strengthens

Kliman: *Reclaiming Marx's Capital*, chapter 7, Lexington Books 2007

the stronger ones which can gobble them up at a bargain price and take over their market-share.

But the tendential decline of surplus-value creation in production is not the only way in which the conflict within the value-form between exchange-value and use-value creates obstacles to the accumulation of capital.



How the contradiction affects the realization of value

The accumulation of capital is a process of self-expansion in which surplus-value is produced and then realized in such a way that it produces more surplus-value. Marx analyzed, mainly in the second volume of *Capital*, how this cycle of self-expansion works. Not surprisingly, it is the only part of his theory which received praise from bourgeois economists¹¹ who saw

¹¹ According to Paul Samuelson, "economists of all schools can agree that Karl Marx did make one stellar contribution"

in it a demonstration that a well-managed capitalism can grow forever. But not all Marxists agreed with him. Rosa Luxemburg claimed that capitalism could only expand if it realized the surplus-value destined for expansion outside capitalism, on an extra-capitalist market. Her basic confusion was that she transposed the realization-problem of the individual capitalist to capital as a whole. In order to use his surplus-value to expand his production, the individual capitalist cannot consume it all himself; he must sell it in order to transform it into money to buy new producer goods and new labor power. He needs an outside-buyer. That would not be the case however, if he would have produced himself all the producer and consumer goods he needed for his expanded reproduction. That is the case for the total capital. Its surplus-value contains all the elements it needs to expand. It possesses them already and therefore does not need an outside-buyer per se; what it needs is their smooth circulation within capitalism. It needs money to grow at a pace that keeps it in balance with the growth of the value it circulates.

However, Marx analysis of expanded reproduction, rather than proving that capitalism can grow ad infinitum, leads to the conclusion that this expansion is dependent on the establishment of several balances, proportionalities in production and circulation, whose disruption impedes accumulation. These balances are achieved through the operation of the law of value, through the mutual determination of production and the market.¹² Their disruption is a constant possibility yet the tendency to equilibrium is constant too, as long as capitalist development and the law of value are in harmony, as long as exchange-value and use-values work in tandem. The more real domination develops, the less that is the case. The exponential growth of use-values makes the realization of the exchange-value they contain, increasingly problematic. “The self-realization of capital becomes more difficult to the extent that it has already been realized”.¹³

I will briefly examine the three balances that are crucial to the accumulation of capital:

- Between sectors of production

(with his analysis of expanded reproduction). (Samuelson, *Economics* (McGraw Hill, 10th edition), p.865.

¹² See Marx, *Capital*, vol. 3, (New World Paperbacks), chapter 10, p191

¹³ Marx, *Grundrisse*, p.340

- Between productive and unproductive consumption
- Between money and all other commodities.

1: *between sectors of production.*

There is a balance needed between any sector of production and the rest of the economy but the symbiotic development can be examined the clearest when we divide capitalist production in a Department I (the production of producer goods) and Department II (the production of consumer goods). For the total capital to grow, a balance between them is necessary, not only in exchange value but also in use-values: “The transformation of one portion of the product's value back into capital, the entry of another part into the individual consumption of the capitalist and working classes, forms a movement within the value of the product in which the total capital has resulted; and this movement is not only a replacement of values, but a replacement of materials, and is therefore conditioned not just by the mutual relations of the value components of the social product but equally by their use-values, their material shape.”¹⁴

If Dep. I produces more constant capital than it and Dep. II need for their expanded reproduction, it is stuck with an unsaleable residue. The value that went into its production is wasted, for the capitalist as well as for the total capital. Likewise the expansion of Dep. II is bound by the demand from Dep. I. This doesn't mean that they must grow at the same rate. Given the technification (the growth of the OCC), in real domination, Dep. I must grow faster than Dep. II, and the relative part of its surplus value that is realized within that same department thus grows likewise. The market realizes this dynamic balance, by punishing overproduction with devalorization, and rewarding investment in undercapitalized markets. By moving capital around, by allocating labor power.

But under real domination, with the hunt for surplus-profit through technification in the driver's seat, a distortion takes place. Capitalists begin to expand as if there was no limit to their market. It is true that the tendency to do so existed already under formal domination. “It makes its appearance as soon as the

¹⁴ Marx, *Capital*, vol.2 (Penguin) p.470

immediate purpose of production is to produce *as much surplus-value as possible*, as soon as the exchange-value of the product becomes the deciding factor. But this *inherent* tendency of capitalist production does not become *adequately realized* – it does not become *indispensable*, and that also means *technologically* indispensable- until the *specific mode of capitalist production* and hence the *real subsumption of labour under capital* has become a reality.” Now, “instead of the scale of production being controlled by existing needs, the quantity of products made is determined by the constantly increasing scale of production dictated by the mode of production itself.”¹⁵

The more it develops, the more wasteful capitalism becomes. How and why do capitalists ignore what the market tells them? They can do so only within limits of course, which are proscribed by the size of their surplus profits. Capitalists raise their OCC and with it, their productive capacity, for the surplus-profit they obtain when they lower the individual value of their product under the market-value. They can absorb some overproduction and still stay ahead. And their competitors are forced to do the same for mere self-preservation.

How does that affect the balance between the departments? Surplus-profits are obtained through technification. Its greater inherent capacity for technological change gives Dep. I an advantage. Innovations tend to flow from Dep. I to Dep. II. This edge already is a source of surplus-profit and thereby a cause of over-accumulation in Dep. I. But the main reason that Dep. I is driven to over-accumulation under real domination is that competition forces capitalists to buy new technology that raises productivity, even if the machines they are using are far from used up. These machines have transferred only a part of their value into new commodities yet lose all their remaining value. Marx called this ‘moral depreciation’. For capital as a whole, it is not really different from overproduction. The more the transition to real domination progressed, the more this moral depreciation became a massive phenomenon, accelerating in times of fast-paced technological change. For instance, in recent decades, the power of computer chips has quadrupled roughly every 3 years, which means that companies, in order to stay

competitive, have to replace their computer-systems regularly, long before they are worn out. The balance between the departments of production established by the market increasingly violates the balance required by their sound, symbiotic development.

2. *between productive and unproductive consumption.* Productive demand is finite. It does not automatically grow because productive capacity grows. If, for instance, the productive capacity of a knife producer increases, while everyone else’s remains the same, the knife producer either overproduces, or gets new customers at the expense of other producers, or finds new markets, but neither of the latter two options “depends on his good will; nor on the mere existence of an increased quantity of knives”. And if all other capitals accumulate at the same rate as the knife-producer, “it would not follow from this that they would need even one percent more knives, because their demand for knives isn’t connected at all with the expansion of their own product, nor with their increased capacity to buy knives.”¹⁶

Productive demand is the demand for producer goods (constant capital) and for the consumer goods workers need to maintain their labor power. The finality of the latter is the clearest. The continuous decline of the value of the commodities that define the value of labor power made it possible to increase the mass of these commodities, and the way real domination changed society and thus needs, made that also necessary. But they still remain a limited quantity, not so much defined by the productive capacity then by what still are the basic human needs: shelter, food, health care etc. There is no reason for the capitalist to pay the worker more than that, not if he can find another worker willing to work for no more than the value of labor power. The capitalists making consumer goods would like the demand of all workers to rise above the value of their labor power, but none of them is willing to set the good example at the expense of his own profit. Quite the contrary. His impulse is to drive the wage under the value of labor power. His impulse is to raise his productivity, make more with less living labor, thereby constraining the growth of the productive demand for consumer goods.

¹⁵ Marx, Results... op.cit. p.1037

¹⁶ Marx, *Theories of Surplus-Value*, vol.3, (Progress ed) p.118

At the same time, that increases the growth of demand for constant capital. This implies also a growing trade within Dep. I, making it less dependent on the demand of Dep. II for the realization of its surplus-value. Still, this does not mean that there are no limits to the growth of demand for constant capital. Exchange value remains tied to use-value, and thus to the final consumer, no matter by how many steps it is separated from him in the increasingly complex production system. "Constant capital is never produced for its own sake but solely because more of it is needed in spheres of production whose products go into individual consumption."¹⁷ So, despite moral depreciation, use-values' exponential growth becomes an obstacle to the realization of the exchange-value produced in Dep. I as well. "The more productivity develops, the more it [capitalism] finds itself at variance with the narrow basis on which the conditions of consumption rest."¹⁸

But the potential demand for commodities that are unproductively consumed is infinite. Only imagination imposes a limit on the commodification of desires and there's always a desire for more arms and more luxury, for more status-symbols. Furthermore, the more capitalist society develops, the more it develops a need for all sorts of unproductive labor and thereby a growing market for unproductive consumption. But nobody would deny that the capital advanced to produce the goods to meet the needs of bureaucrats, policemen and the poor who stand no change at ever being employed but still demand to survive, comes out of the taxation of the rest of the economy. Out of the total surplus-value. It thus can hardly be seen as contributing to the accumulation of the total capital. For the determination of the exchange value of a commodity, the questions, what its specific use-value is and by whom it is consumed for what purpose, are irrelevant. But when looking at the accumulation of the total capital, they become crucial. "If accumulation is to take place, part of the surplus product must be transformed into capital. But short of a miracle, only those things can be transformed into capital which are utilisable in the labour process (i.e. the means of production), and in addition such articles which are suitable for the maintenance of the worker (i.e. the means of subsistence). (...) In a word, surplus-value is only convertible into capital because the surplus

product whose value it is, already contains the material constituents of new capital."¹⁹

Still, unproductive consumption is "absolutely necessary for a mode of production which creates wealth for the non-producer and which therefore must provide that wealth in forms which permit the acquisition only by those who enjoy."²⁰ Not all value can be reinvested, given the finality of productive demand. Accumulation requires that a portion of the value created takes the form of use-values specifically designed for the enjoyment of the rich. With productivity rising continuously, the surplus product grows continuously, and the part of that surplus product that is unproductively consumed, can grow too. And it must, so that the surplus-value created in its production is realized and can re-enter, as money that may be productively invested, the bloodstream of capital. But once again, a balance is required, both in exchange value and in use-values. The growth of unproductive consumption is bound by the growth of surplus-value production and thereby by the growth of productive consumption. Therefore it cannot compensate for a decline of the latter. Less productive consumption means less surplus-value production and thus less surplus-value available for unproductive consumption.

There is, in theory, an ideal balance possible between productive and unproductive consumption, as there is between Dep. I and Dep. II. Market forces tendentially establish them but in both cases, real domination lead to a tendentially growing imbalance. We have seen earlier how the hunt for surplus-profit created a structural over-accumulation of producer goods, a growing waste of value. Today, the industrial corpses all around us show us the reality of moral depreciation, of the instability of value.

The over-expansion of unproductive consumption is also a hallmark of real domination. Since the transition towards it began, we have seen a constant expansion of the 'public sector' (not only in absolute size but also as part of the national economy) which is, not entirely but largely, unproductive. It consumes an ever larger part of the total value but, for the most part, does not create any. What we also see is that capitalists must spend an ever larger part of their budget on expenses (marketing,

¹⁷ Marx, *Capital*, vol.3, p. 245

¹⁸ Marx, *Capital*, vol.3, p.305

¹⁹ Marx, *Capital*, vol.1, p.726-727

²⁰ Marx, *Results...*, p 1046

insurance etc) which do not add value to the commodity but must be calculated in their price. Real domination requires ever more unproductive costs, to manage the obstacles it itself creates.

The transition to real domination is not only an expansion, extending the realm of value and absorbing the whole world into it; it is also a process of expulsion of living labor from production. As it integrates, it throws out. Today it has thrown out more than two billion potential workers from the labor market. The unproductive cost that comes with managing this excess population, preventing social explosions, pandemics etc, constantly grows. And that's but a small part of the total unproductive cost that capitalism must spend on controlling, punishing, isolating, lullebying, deceiving, guarding, shooting, destroying and so on. The more the contradiction between exchange-value and use-value exacerbates, the more the tendential fall of the profit-rate and finality of productive consumption come to the fore, the more capitalism must spend unproductively, to maintain its grip on society.



3. *Between money and all other commodities.*

“A commodity conceals the contradiction of use-value and exchange-value. The contradiction develops

further (...) and manifests itself in the duplication of the commodity into commodity and money.”²¹

This duplication began when money became the middleman in the circulation of goods, when the exchange of commodities C-C became C-M-C. The total value of production now took the form of commodities and money, the general, universal commodity representing exchange value against all others commodities. This duplication does not mean a duplication of value. Money is not a source of value but its representation. The value of money in circulation is identical to the value of the commodities in circulation, as is shown by the fact that, when its quantity increases faster than the latter, money devaluates and inflation results.

Society reproduces itself through a cycle of C-M-C, which is also, when we take a different starting point, a cycle of M-C-M. That is what accumulation is all about: money is transformed in productive commodities in order to become (more) money again. In C-M-C money serves only as an agent of exchange and remains constantly enclosed in the circulation of commodities, while commodities are being withdrawn from it and consumed. But in M-C-M money is no longer the means but an end in itself. It becomes clear that it is something more than an instrument of circulation, that it can step outside of it and acquire a seemingly independent existence as a store of value. That it is not only a general commodity that mediates exchange but also a particular commodity that can be withdrawn from circulation like any other.

But why doesn't it lose its value when it is uncoupled from its circulation, since, as mere paper, or today not even that, it does not have any value of its own? The answer is that the total value of a capitalist economy consists not only of the value in circulation but also of financial capital that is, in essence, latent productive capital that at some later point transforms back into productive commodities. Because, seen over a longer period, it is formative of new value, it continues to represent real value even though it has momentary turned its back to the circulation of value. That latent productive capital is absolutely necessary for the expanded reproduction –imagine a capitalism without savings or credit! - and its size must become ever

²¹ Marx, *Theories...*, vol. 3, p.88

larger under real domination, given the increase of the OCC, of the scale of production and of the threshold of capital formation.

There is, again in theory, an ideal balance possible between money on the one hand, and the value in circulation plus the value of latent productive capital on the other. In practice, it has rarely been achieved. Its original form, precious metal, constrained money's unbalanced growth yet made its quantity dependent on the output of the gold- and silver mines instead of the needs of value-circulation. Fiat-money, with a 'value' set by the state, removed this externally imposed discipline on money-creation but made it also quasi-inevitable that it would grow unbalanced, that the state would try to solve its problems by throwing money at them. But the market punishes that by devaloring money. The potential of inflation to wreck an economy has by now been experienced so many times that it hardly needs to be explained in detail.

But the imbalance is not only created by excessive growth of money in circulation. The money in the hoard can also grow far beyond the real value of the latent productive capacity of the economy. That is what happens when the fall of the rate of profit, the structural overproduction of technology, the exhaustion of productive demand and the growing weight of unproductive consumption, set up the conditions for 'a perfect storm'.

The first phase of the storm is a massive creation of fictitious capital. In the cycle of capital, the phase C-M, the transformation of commodities into money, must always go on. The owner of the commodities, be it technology or consumer goods or labor power, cannot choose not to sell this year. But in that same cycle, the phase M-C, the transformation of money into commodities, must not go on. Money can stay money. Park its value in the hoard. It appears "the imperishable commodity", and the more other commodities show how perishable their value it is, the more desirable it becomes.

As a particular commodity, competing with all others for the total demand, money has the inherent advantage, because it "satisfies every need, in so far as it can be exchanged for the desired object of every need, regardless of any particularity. The commodity possesses this property only through the mediation of money. Money possesses it directly in relation to all

commodities, hence in relation to the whole world of wealth, to wealth as such."²²

The more a fall of the general rate of profit combines with an exhaustion of productive demand, the fewer the chances to transform money into commodities and become more money as a result. So the incentive to accomplish M-C falls. More M stays M. The incentive to convert commodities into pure exchange value is stronger than the incentive to reconvert exchange value into use values, and thereby depresses the productive demand further. The growing demand for financial assets pushes their prices up, which seems to confirm not only that money is an imperishable commodity but also that its value can grow on its own, which further increases demand for them.

The first to be hurt by this are the weakest competitors, therefore money flows away from them, towards the center of the economic system. The latter's increasing global nature accelerates the trend. Stephen Roach, the chief-economist at Morgan Stanley estimated in 2004 that 80% of the net-savings of the world flowed to the US.²³ Where it was more than welcome. The way in which the American and British financial sector in particular invented new financial 'commodities' and inflated their prices, thereby accommodating the demand for refuge of global capital, has been sufficiently documented elsewhere.²⁴ This has been very profitable for them. But you didn't have to be a Marxist to see that the vertiginous growth of the 'value' of financial capital, at a pace far above the expansion of the real economy, was due for a reality-check.

Thus begins the second phase of the storm, the implosion of the bubble. The value in the hoard appears not to be so imperishable after all. The lack of production and realization of new value exposes its disfunctionality as latent productive capital. The more the contradiction develops, the more it must devalue. The existing value 'parked' in the hoard, cannot maintain itself as value. The capitalist class today is having the same kind of discussions as in the 1930's. 'We must swim against the deflationary tide and prop

²² Marx, *Grundrisse*, p. 218.

²³ Stephen Roach: Economic armageddon predicted. *Boston Herald*. November 23, 2004.

²⁴ Amongst others, by: Peter Gowan, 'Crisis in the Heartland', in *New Left Review* 55.

up demand so that growth of the real economy restores confidence in the hoard! But we can do this only by creating debts that will crush us!’ There’s truth to both sides of that argument. And there’s no solution to it. Because the incentive to accomplish M-C cannot be forced. Government-spending cannot raise the rate of profit, it cannot invent productive demand. The incentive to seek refuge from productive investment into the hoard cannot be stopped. Any reflation, to the extent it is successful, reflatates the bubble.

That leads to the third phase of the storm.

The metabolism between developed capitalism and its environment

Capitalism did not grow in a lab. No clear picture can be drawn of its development and present state without taking into account the metabolism of capitalism with the non-capitalist world in which it was born, as well as the metabolism between developed capitalism and the underdeveloped parts of the world.

The initial relation can be boiled down to one word: expropriation. In order to produce surplus-value, capital needed resources. To have free access to them, they needed to be commodified, they had to become constant and variable capital. The feudal womb, from which capitalism came, had to be destroyed. This process was a very brutal one. Raw materials were plundered. Independent producers were robbed of their means of production to force them to become proletarians. The history of this process, Marx noted, “Is written in the annals of mankind in letters of blood and fire.”²⁵ He called it “primitive accumulation” because, logically, and roughly also historically, it precedes real capitalist accumulation, based on the production of surplus value, and makes the latter possible. He saw it as a crutch capitalism needed to get on its feet, after which it could do without.

However, primitive accumulation, in the sense of obtaining value from other sources than surplus-value, never ended. Plunder did not go out of fashion because of capitalism’s self-expansion, since it’s an excellent tonic against the tendential fall of the profit-rate. Capitalism’s morals haven’t changed. It has been estimated that the plunder of rubber and human resources in Congo, organized by the Belgian king

Leopold II in the late 19th century, cost the lives of 10 million people. Today, no more rubber is extracted in Congo, but there are still important mineral resources, whose plunder, and the wars it engenders, again costs the lives of millions.

Capitalism interacted with the non-capitalist world not through expropriation alone but also through exchange. Because of its superior productivity, the exchange was always to its advantage. This is also true for the exchange between developed capitalism and its underdeveloped parts, between capital with a high OCC and high productivity-growth, and capital with a low OCC and low productivity-growth. The exchange yields a surplus-profit to the former because “there is competition with commodities produced in countries with inferior production facilities, so that the more advanced country sells its goods above their value (...) Just as a manufacturer who employs a new invention before it becomes generally used, undersells his competitors and yet sells his commodity above its individual value (...). He thus secures a surplus-profit.”²⁶

But real domination, and the technification of society that comes with it, ineluctably creates a tendency towards increasing intra-trade between developed capitals. The more technified society becomes, the more the use-values it needs are themselves technified, products of a complex production process; and consequently the less the products, first of non-capitalist producers, and later also of capitalist production with a low OCC, fit into its market. So under real domination the metabolism between developed capitalism and non-capitalist/low OCC-capitalist production tendentially falls and thus becomes less effective in counter-acting the fall of the rate of profit, while also losing significance as a source of demand.

But real domination causes another ineluctable tendency that has the opposite effect. It implies an ever widening extension of the scale of production which brings with it an ever greater reach of the law of value. The reach went inward, commodifying everything, finding in all sorts of social practices a source of value-production, and it went outward, to the farthest corners of the earth. This movement of extension in itself counteracts capitalism’s contradictions, because the

²⁵ *Capital*, vol.1, p. 875

²⁶ *Capital*, vol.3, p. 238

exertion engages developed capitalism with its surroundings, increasing the metabolism.

But while ineluctable as a tendency, the extension of capitalism's scale ran into several obstacles. First, logically, and historically, was the lack of development of capitalist production itself and in particular of its means of transportation and communication (MTC). The development of the latter (from railways to the internet) has always been a decisive factor in phases of accelerated scale-extension and thus of increased metabolism. Second, there is the intervention of state power, obstructing the law of value. As long as the scale-extension was such that the vast majority of production was destined for the domestic market, protectionism made a lot of sense for those countries where the conditions for an industrial take-off were present. It certainly helps to understand how the US and Germany could become the leading industrial countries by the end of the 19th century. But once the scale-enhancement has reached the point that the domestic market is insufficient for the national capital, that companies become so large and productive that they need a broad international market to realize their surplus-value, protectionism becomes counter-productive (still, after all its negative experience with it, capitalism is not immunized against its creeping return. When it does, it will signal a flight forward, a step towards war). Third, scale-extension requires money to expand with it, able to function on an international scale: an international currency. At several points in capitalism's history, the narrow basis of money (precious metals) or its arbitrary growth and thus instability (fiat-money) prevented the technological potential of scale-extension from being realized. Fourth, there are the physical limits of the planet. These limits are not completely rigid: technological progress allows for the more efficient use of existing finite resources. But the more they are expanded, the more difficult it becomes to expand them further, the more marginal their expansion is in relation to the system's needs. When the whole world operates on the base of the law of value, no virgin territory can be invented for capital to plunder and for the law of value to penetrate and establish the metabolism that counteracts capitalism's contradictions.

There is, in the end, nothing capitalism can do against that fourth obstacle, though at several points in its history it was able to make considerable progress in overcoming the first three. That was most notably the

case in the period following the Second World War. With the dollar as an expansive yet stable international currency, with the sharp reduction of protectionism in the vast dollar-economy, and with the costs of the MTC falling steeply when new technological applications, held back by the war, flowed through the economy, an extension of scale was accomplished which activated the factors counter-acting capitalism's contradictions and thereby produced, for more than a quarter of a century, the strongest growth-figures capitalism had ever known.

What has been called "globalization" was another such confluence of political and technological factors which widened the terrain for developed capital and thereby softened its contradictions. The collapse of the Russian bloc and the removal of other obstacles to free trade on the one hand, and the spread of information-technology and the fall of MTC-costs which it helped to bring about, on the other, rekindled the metabolism. It did so mainly by creating an unprecedented potential for combining the technology and production methods of developed capitalism with labor power whose value is determined by the living conditions in underdeveloped countries. This raised the rate of surplus-value both directly, and indirectly for other capitals, by lowering the value of the commodities their workers need and thus raising relative SV, and thereby counter-acted the tendential fall of the rate of profit. Thus a large part of Fordist production (assembly-line work) moved to previously underdeveloped parts of the world. The industry that remained in the developed countries moved towards "post-Fordism" (with automation, rather than mechanical technology, at the nexus of production). Given the chronic overcapacity of the world economy since the end of the post-WWII boom, and its drag on the profit-rate, the hunt for surplus-profit directed capital away from Fordism's focus on increasing the volume of production, towards seeking a new relative scarcity by producing new commodities (producer and consumer goods), that give it a monopolistic or semi-monopolistic market-position and thus a surplus-profit. Developed capital became increasingly dependent on this way of obtaining surplus-value. Even though such market-positions are temporary, a brisk pace of technological innovation, or of market-campaigns that transform a shoe into an "Air Jordan," assure the continuity of the competitive advantage.

There have been earlier moments in which the same focus on conquering semi-monopolistic market-positions has been striking, most notably around the turn of the 20th century and in the 1920's, two periods in which the contradictions of capital were also maturing. As in the past decade, it was made possible by a fast pace of technological innovation and of concentration of capital, and made necessary by the threat of overcapacity and of a falling rate of profit.

These were also times in which technological change provided the impetus for an extension of scale. Every such period goes through two phases: a first one, in which the spread of new production methods rekindles the metabolism and creates ample opportunities for surplus-profits whose origin lies in the growth of surplus-value production the metabolism makes possible; and a second one, in which the use of the new production methods is homogenized and the metabolism is consequently reduced. It was the homogenization of the Fordist production process in developed capitalism, for instance, which brought the post-WWII boom to a halt and made overcapacity and a falling rate of profit reemerge.



Unsold cars in New Jersey

The same technological change that created the opportunities for surplus-profit in the era of “globalization,” exacerbated capitalism’s

contradictions. In the automated factory, living labor, the source of surplus value, is greatly reduced. The fast pace of innovation accelerates moral depreciation, the hidden overproduction of constant capital. Nowhere are these trends more striking than in the most emblematic sector of post-Fordist production: digital commodities. There is no doubt that software and other information goods play a crucial and ever growing role in the creation of use-values today. But, although they may yield high profits for the capitals that produce them, they create very little exchange-value for the total capital. What Marx wrote about machines: “however young and full of life the machine may be, its value is no longer determined by the necessary labour-time actually objectified in it, but by the labour-time necessary to reproduce either it or a better machine”²⁷ is also true for them. Since the SNLT required to reproduce them (to copy them) is close to nothing, they tend to devalorize rapidly and thus contain very little surplus-value. The profits made with their sale are surplus-profits, resulting from monopoly positions, protected by patents and copyrights, which have been greatly expanded in recent decades (Microsoft takes out about 3000 patents a year) and which are imposed on the market by the power of the state.

Software therefore clearly expresses the absurdity of the perpetuation of the value-form. On the one hand, it potentially raises productivity and the versatility of production and thus real wealth to hitherto undreamed of heights, on the other, it makes exchange-value, capitalist wealth, decline. On the one hand, it is a means to obtain surplus-profits, enforced by the state rather than the market, and on the other, because of its social nature and its almost valueless reproducibility, it resists commodification and invites sharing; diffusion no longer based on the value-form.

In recent years, we have seen a generalization of the myriad applications of information technology throughout the globalized chain of production. So in this period of extension too, possibly the last important one in the history of capitalism, the phase of homogenization has begun, facing capitalism once again with its insoluble contradictions.

Crisis, war and revolution

²⁷ *Capital*, vol. 1, p. 528

No capitalist wants to see his capital lose its value. But in trying to avoid that fate by lowering the individual value of his product beneath its social value, he brings it closer. We have seen that the total capital can only maintain its value by valorizing. It cannot stop accumulating. It needs to reproduce itself and grow in the process ... or devalorize. Inevitably, the upward curve of the growth of existing capital meets the downward curve of the growth of creation and productive realization of new value. Then crisis becomes necessary to restore the conditions for accumulation. The larger the size of existing capital relative to new value creation, the more devalorization is required and thus the deeper the crisis must be. Real domination inevitably leads to the point where the size of existing capital is so great that crisis alone cannot accomplish the necessary devalorization.

Theoretically it always can, since, in theory, there is no floor beneath which the value of constant and variable capital cannot sink, as long as it's above zero. So it must be able to sink to a point where expanded reproduction becomes profitable again. But in the real world, it can't. The minimal needs of the working class to remain viable as variable capital, the minimal needs of society to remain viable, are a floor that resists further devalorization. The deeper the crisis, the more capitalists suffer, the more the working class suffers, the more social tensions rise. The instability of value translates itself into the instability of society. The urge to stop the bleeding, to break the spiral and to start a reverse dynamic going becomes irresistible. To the extent that it still can, the capitalist state tends to act against the deflationary trend by pumping money into the economy so as to stimulate demand and shore up profit-rates.

To the extent that it is successful, it is sabotaging the crisis mechanism that the accumulation process needs to heal itself. Or rather, it stretches it out; it shoves it into the future. Fictitious capital is used to stem devalorization, but all that new fictitious capital in its turn lays claim to future profits. If the economy can't provide them, the inclination grows to use industrial power for military goals, to forcefully take elsewhere the surplus-value it cannot create, in order to meet the claims of its capital and prevent its collapse. This fits very well with the need to control the turbulence in society with nationalism and the fixation of social anger on a common enemy.

So the development of real domination at some point quite "naturally" leads to war, if capitalism is in a position to impose it on society. This war is in the first place waged for plunder but at the same time becomes functionally necessary for the continuation of the value based economy. It must finish off what the crisis started. So it becomes an integral part of the accumulation cycle. That doesn't mean that war is a mechanical response to the need for devalorization, that the latter alone determines when and where war breaks out, how long it lasts or how devastating it is. History is not a clockwork mechanism. Wars are not mono-causal, but the present article is not the place to examine their complexity. Nevertheless, the theoretical conclusion that the development of real domination leads to a point where the crisis alone cannot restore the conditions for accumulation, corresponds to the reality of the world wars of the 20th century.



Wars, of course, were nothing new. Capitalism waged revolutionary wars and wars of conquest, sometimes both at the same time. But never had they been such orgies of self-destruction. Never had capitalism cannibalized itself, globally and with industrial efficacy. Never was there so much value destroyed. Regardless of the intentions and pathologies of the warmongers, that was the function wars rendered for the accumulation process. Hundreds of millions died, so that value could live.

World War One can therefore be seen as the manifestation of a new historical framework for the reproduction of society. One in which, at irregular intervals, a combination of crisis and war is needed to cleanse the system. This new period has been termed “decadence.”²⁸ For the working class it means that choosing for capitalism (trusting it, allying with it, integrating into it) in the end means choosing suicide. With the onset of decadence, the gap between the positive and the negative critique of capitalism becomes unbridgeable.

By definition, wars are an enormous loss of value for the total capital. But that’s what they need to be for the accumulation process. This does not mean that any war necessarily restores the conditions for accumulation. It does so only to the extent that it has the same effect as crisis, only more so. War devalorizes capital by destroying it, thereby eliminating its claims on future profits, restoring a balance between the claims of existing capital and actual value creation. In that regard, World War II was much more effective than World War I, which was one of the reasons why the post-WWII boom lasted so long. That its end did not immediately trigger a global economic breakdown cannot be explained by state-capitalist intervention and the massive creation of fictitious capital alone, although these helped to postpone the hour of reckoning. But the main reason why it could be postponed was “globalization” and its beneficial impact on the rate of profit and the growth of productive demand. This was not enough however to restore the global growth rate, which plummeted in the early 1970’s and has never recovered.²⁹ Meanwhile, the growth of fictitious capital has accelerated ever

²⁸ This is not a perfect term, since it is usually associated with amorality and in Marxist politics with the position that capitalism reaches a point at which it can no longer develop its productive forces. We, by contrast think that they have developed considerably during capitalism’s decadence, since what makes them develop, the hunt for surplus-profit, has only intensified. To name the new framework, some prefer the term “era of retrogression,” others “permanent crisis.” The latter term is in my view not a good choice, since, by its very nature, no crisis is permanent. But more important than the choice of a word is the recognition that a new phase, with stark choices for the world, and for the working class in particular, had opened

²⁹ The average per capita worldwide growth rate was 2.9% in 1951-1973 and 1.6% in 1974-2003.(Angus Maddison’s annual data)

since. In this decade, the imbalance between money as a general commodity, circulating other commodities, and money as a particular commodity, hoarded for its claim on future value, has grown to grotesque proportions. It has been estimated that the former represents only 2% of money transactions on any given day.³⁰ All the rest is money traded for its own sake, that is, for its expected capacity to grow in value by claiming its share of surplus value yet to be produced. So the few trillions of dollars, euros and other currencies that evaporated since the collapse of the American housing bubble triggered the return of the crisis, represent only a small fraction of the capitalist wealth that still must disappear for the restoration of the conditions for accumulation.

So once again, capitalism is on a path towards collapse and/or war. But the future will not re-enact the past. I am not predicting World War III. What I do predict is that devalorization will continue and worsen. How the capitalist class, and more importantly, how the working class will react to that, is not a given. But the capitalist class really doesn’t have much choice, except in the ways and means it employs to try to keep its grip on society. The working class does have a choice. It can do nothing and cling to the irrational hope that in the end things will somehow work themselves out. Or it can take its future into its own hands and finally end the rule of the value-form over society.

The time to think of revolution is now.

SANDER

June 2009.

³⁰ See: Bernard Lietaer, *The Future of Money*, Random House 2002.

Class Struggle in Korea

On August 5, 2009 workers at the Ssangyong Motor Company in Pyeongtaek, South Korea were defeated in their struggle. For 77 days, workers at the plant fought their employer and eventually the police to preserve their jobs.

Ssangyong was founded in 1954 as Hadonghwan Motor Company, originally making jeeps for the U.S. army. Several ownership changes occurred before the Shanghai Automotive Industry Corporation bought a controlling share in 2004. At the time of the sale, the plant had 8,700 employees. At the beginning of the strike, only 7,000 remained. In February, 2009 the company filed for bankruptcy. Following the announcement, strikes and job actions appeared at the plant, which erupted into a full scale strike on May 22 with over 1,700 workers occupying the plant. The workers had three demands: No layoffs; no casualizations; no outsourcing.

The occupation held, but by mid-June the company had plans to break the strike. A mass scab rally was organized for June 16, but workers from other plants came to the strikers' aid. In late June, the company tried a second time, and on July 1, they cut off water in the plant.

The main union federation in Korea, the Korean Confederation of Trade Unions (KCTU) held nationwide rallies in July, but these were poorly organized and attended. On July 20, over 2,000 riot police attacked the plant, which finally led the KCTU to call a 2-day general strike; it should be noted, the KCTU regularly calls general strikes, but as a ritualistic exercise, empty of content

On August 5 the strike ended with the union accepting the company's "terms." Over half of the occupiers were laid off, while the rest were essentially suspended with the possibility of being rehired depending on *economic conditions*. In addition, criminal charges and lawsuits of close to \$45 million hang over the heads of the workers.

The lessons this struggle provides to the Korean workers, as they lick their wounds and prepare for the

next time around, and for others looking from afar, are twofold:

-the trade unions seem the best tool to organize working class solidarity but in fact they prevent it. They organize just enough scattered actions to create the illusion that such solidarity is indeed being strengthened, so that workers don't do it themselves. - combativity and determination are not enough. No matter how courageous and inventive workers are, if they cannot spread their struggle, make it into a communal fight for more than just one factory, capital and its state will always be stronger in the end. That is why plant occupations are rarely the most effective form of struggle. Indeed, the beleaguered strikers were literally cut off, isolated. The moments of strength, on the other hand, occurred when strikers rallied outside the plant and were joined by workers from other factories. These are the moments we want to remember the most from this struggle and see remerge in future conflicts.



Workers from local plants help defend the occupation

Venezuela and the “Bolivarian Revolution”

This is the first part of an analysis of the socio-economic and political bases of the rise to power of Hugo Chavez in Venezuela, and of the trajectory of the “Bolivarian” regime. The second part, and an after word, will appear in the next issue of Internationalist Perspective. Its author, “Sergio Lopez,” writes from firsthand knowledge of conditions in Venezuela, and this article appeared first in Kosmoprolet, Heft 1, the publication of the “Freundinnen und Freunde der Klassenlosen Gesellschaft (Friends of the Classless Society).

“President Chavez is a tool of God”

A highlight of every child’s birthday party in Venezuela is a piñata, a brightly-coloured paper container filled with candy or toys dangling from a rope. Taking turns the children try to break the piñata with a stick. When it eventually breaks releasing its precious contents all the children jump at it and try to grab as much of it as possible. It goes without saying that the weaker children are intimidated and squeezed out by the stronger ones. Their share depends upon the size of the piñata, the number of children and, ultimately their capability of standing up to the other children. If there were no interference by the parents, several children would go away empty-handed.

How is this related to the Bolivarian process? How does the game continue? And who are the players?

Stuck in the oil slick

In a materialist understanding, the key to the 'Bolivarian revolution' cannot be the man Hugo Chavez with his real or alleged staff of advisers. Rather, the historical structures, the concrete economic interests and the social tensions within Venezuela are key to understanding Chavez's rise to power, his political actions and his particular rhetoric.

Since the 1920s oil has been Venezuela's most important export good. Ever since, it has been central to all economic, political and social life in Venezuela. Unlike agricultural produce, natural resources were at that time already the property of the state which, hence, as a direct trading partner of the foreign oil companies, had a source of capital at its disposal which is to this day largely independent from the rest of the country's economic activity. It was only in the 1920s that the

state exerted its authority against the local chieftains, the 'caudillos', and set an end to the recurring flare-up of bloody civil wars that had shaken the country since its independence in 1821.

Proprietors of natural resources can regulate the access to it, deny it altogether or sell it at a high price. This is the source of the 'absolute rent' Marx analyzed. By founding OPEC, the oil exporting countries could raise this absolute rent and snatch it away from the world market. Moreover, oil has an advantage over its main competitor on the energy market, coal, because the extraction of oil is cheaper than that of coal. Therefore, the oil industry gains a so-called differential rent. Particularly in the years after 1958 the Venezuelan state was in a struggle with the oil companies over a share in this differential rent until it eventually nationalized oil production in 1975, in a way though which still involved the oil companies. For almost a century this state has been trying to strengthen its bargaining power against the transnational oil companies without endangering the whole process of extracting and distributing the oil.

This is at the heart of Venezuela's perpetual anti-imperialism. The character of the negotiations, and which oil concessions are granted, is pivotal for the country's foreign policy. The struggle for political power, the discussion about the attitude towards the oil companies and the appropriation of the oil rent, dominate the political sphere. Also, socio-economic structures have developed in direct dependence on the almighty state and its seemingly inexhaustible sources of capital. This has led to an historically early process of urbanization in the administrative centres and in the areas where the oil is extracted. Today less than 15 percent of Venezuelans live in the countryside (compared to 25 percent of the French and 10 percent of the Germans).

In the capitalist metropolises, the state is financed mainly from the income of its citizens and the surplus value siphoned off from the wage-dependent workers. As the general capitalist it regulates the national economic process as a whole. In Venezuela, however, where one percent of the population is employed in the oil sector, this very sector is responsible for 85 percent of exports, 60 percent of the state's earnings, and 25 percent of the gross domestic product. Hence, the income of the majority as well as the profits of the entrepreneurs are largely dependent on the distribution of the oil rent which is a share of the globally produced surplus value.

Against this background it is hardly surprising that the state is the main focus of attention in Venezuela. The better part of economic life consists of holding one's ground in the scrap for governmental funding. And the state does distribute its wealth through a vast landscape of bureaucratic institutions by placing orders and granting credits and subsidies of various kinds and sometimes even for social spending. When there is a dramatic increase in the price of oil such as in the years between 1973 to 1975 and 2003 to 2006 the whole society lapses into a sort of trance. The rich see a chance to gain even further wealth, while the middle classes sense that their time has come to climb up the social ladder, and the majority hopes that the state will redeem them from their daily misery. Through a variety of infrastructure investments and different forms of social spending the state generates channels for distributing wealth which at the same time alleviate poverty and create a new rank of nouveau riche. For instance, industrial developments are not aimed at creating profitable capitalist enterprises. Rather, they serve as a means of providing the entrepreneurs further governmental incentives while at the same time securing jobs for the majority. When oil prices stagnate or drop, the increased appetite of the nouveau riche is still there. They can satisfy it because they have gained the upper hand and are able to boost state expenditure and import numbers while the majority goes away empty-handed. As a consequence, national debt rises and the masses remain marginalized.

Corruption is an integral part of this process of distribution. A wide-spread net which includes anyone from civil servants who look after number one, over intermediaries, subcontractors, protractors, tradespeople, to union representatives, envelopes the society

as a whole. A further manifestation of corruption is the existence of petty crime that accounts for a share of the distribution of wealth, in particular in the poorer areas, and causes the death of more than 20 people on an average day. When profits are gained mainly by drawing on governmental funds the ordinary preconditions of capitalist exploitation such as investments, production or the structure of the work itself become an issue of minor interest. As long as the state keeps the oil tap open, cashes in and distributes, there are profit margins to gain which German capital, for example, can only dream of. Thus, maintenance tasks are largely unimportant, in the public as well as in the private sector. Large-scale development projects are followed through, if at all, only in a dilettantish manner. More often than not machines, infrastructures and buildings are left to decay. No wonder that two thirds of the country's food supplies have to be imported and the proportion is increasing

Rebellion of the Marginalized – The 'Caracazo,' 1989

Let us recap our introductory parable: The piñata is continually refilled so that the game never stops and everyone tries to give it a go. When state expenditure, despite the stagnation of the international price of oil, was on the rise again at the end of the '70's, Venezuela went into a debt trap. In the 80s half of the population was excluded from the game and degraded to being mere spectators. Those who had the best state connections on the other hand tried to make as much use of them as possible because they were aware that the game might not run smoothly for much longer. But in 1989 the exploited having lost all trust in state and politicians had enough: for three days the underdogs cashed in and looted the stores and warehouses threatening to smash everything to pieces. Some people tried to break into the houses of the wealthier people. As a consequence police and military searched the poorer quarters and put a bloody end to the rebellion: Official sources reported about 300 dead, but independent estimates amount to ten times that number. For the time being the rebellion of the marginalized had been stopped, but the losers had gained a new sense of power through the experience. Still, both opponents were paralyzed with fear. The ruling classes hesitatingly continued with their political and economical enterprises and tried to reassure the masses with vague promises of social reforms. The

impoverished masses mistrusted these announcements, but refrained from taking action and getting to the root of the trouble and challenging the dominance of state and private enterprises over production and distribution.

There have always been left nationalist tendencies among students, intellectuals and the armed forces in Venezuela. They felt that too much money was wasted on a parasitic bourgeoisie and that the oil business would be more profitable if Venezuela aligned with the self-proclaimed socialist block which still existed at that time in order to stand up more firmly against the interests of the United States. Even if they were determined opponents of a bourgeoisie that was dependant on the favours of the Venezuelan state but still claimed power, they certainly did not aim at abolishing state and wage slavery. As long as the oil rent, although unevenly distributed, trickled into the most remote corners of society, the left nationalists were not able to get the support of the majority they would have needed to take power.

The 'Caracazo' showed that things had dramatically changed in that respect. The marginalized, those who had no regular income, who muddled through from day to day, who were ignored or treated as potential criminals by the state and its institutions – these marginalized strata were susceptible to a discourse which promised to break away from the abhorred rich, as well as from the bureaucracy, to consider the needs of the majority and reintegrate the poor into society, i.e. to involve them in the distributive system. It is telling that one of the parties which belonged to the electoral alliance Hugo Chavez was involved in had the name "Fatherland for everyone"

Among the population trust in the political system and -- after Chavez won the 1998 elections – the institutions of the state was on the rise. Those who hoped that it was now their turn to make the big money gathered around Chavez. They were joined by social technocrats, who had a sincere interest in improving, at least in part, the horrendous living conditions of the population. At first, the new government was supported only by a fraction the armed forces. Hence, it had to rely on the masses in order to hold its ground against the old political and economic establishment. Not without reason a new constitution was passed which demarcated the break from the previous Fourth Republic.

The new constitution and the battle for the oil rent

A feature of this new constitution is the use of the female grammatical form, the emphasis on the "participatory and protagonist" democracy in contrast to representative democracy, and the concession of specific rights to the indigenous population. The first years were spent dispossessing the traditional beneficiaries of their immediate access to the public revenue. In this context members of the former elites attempted a coup d'état when several crucial public positions were refilled. Moreover there was a bitter struggle over the control of the state-owned oil company, PDVSA. These confrontations between old and new power elites were presented as a battle of the poor against the rich. The marginalized regarded the enemy of their well-known enemy as a friend and saviour and cheered at every rhetorical or real blow the former ruling clique had to take.

The idea that the government was indeed a government of the poor was substantiated by spectacular confiscations of fallow land and the absence of any kind of repression by the military, which was instead employed for public services such as street cleaning and painting schools. This impression was lasting even if the land reform was mainly a propaganda manoeuvre – of the total of 35 million hectares of arable land only 1.5 million hectares are to be redistributed and all big agricultural holdings were spared. The identification of the poor with their head of state, their willingness to go out in the streets for what they felt was their government was key to the failure of the former elites' attempt to overthrow the regime in 2002. After these events the PDVSA remained a stronghold of the old elites, a state within the state. When the government tried to change the management of PDVSA, that management called a strike within the oil sector which was supported by the old union confederation CTV. Soon, this employer's strike expanded to the private sector, in particular to trading and transport companies and banks. It was no comprehensive lock-out however: Ironically, the wealthier areas were affected most because in other areas only a few businesses got involved.

The strike caused a nationwide shortage of fuel and hit oil exports. Some of the oil workers kept up production and transport, which provided them with a sense of

power. The clampdown of the government to maintain the supply, the indecisiveness of the bosses and the unbowed support of the majority for Chavez eventually sealed the failure of the employer's strike and the old management of PDVSA. In the end, the management as well as more than 18,000 workers were sacked. Some members of the middle management felt it would be unwise to resume production after they had fallen out with the government because of the strike. Even more so, because they had forfeited their own workers' sympathies when they announced that the shop floor wouldn't receive any payment for the strike days. As a result workers and employees demanded guarantees for the preservation of their jobs, and the government responded by introducing the concept of co-management, which will be discussed in greater detail later on in this article.



Friends and neighbours...

'21st-Century Socialism'

The right-wing opposition had been defeated politically, but this didn't mean that the accumulated riches of the old elite had been seriously called into question. But they could no longer help themselves to state funds at will. Large-scale private capital started to look for a compromise. But the social base of the opposition, which started to yearn for the ancien régime, consisted (and still consists) primarily of medium-and small-scale employers, the self-employed and the broad middle class. This opposition sees its living standards and the continuity of its enterprises threatened by the government which excludes them

decision-making. Up until now it is principally this social class that has persisted in a rejection of the new government that is as acerbic as it is helpless. Then came the moment when the government consolidated its power and had to satisfy the hunger of the new social climbers, particularly the military. It was also necessary to fulfill the expectations of the excluded, who wanted to reap the rewards of their active participation in the collapse of the abortive putsch. At the same time, the workers wanted their contribution to the failure of the employers' strike to be recognized. At the same time, the existing managers had shown that they were no longer necessary for the continuation of production. Neither excluded nor worker were prepared any longer to show patience because of the pressing struggle with the bourgeois opposition. Attention was drawn to the measures that were supposed to improve material living conditions and represent the power of the people. In 2003 the year of 'misiones' was heralded, presented under the motto '21st-century socialism'. It is often ignored, or presented just as a transitional phenomenon, that these measures, always implemented from above, mostly personally by the president himself, served in the first instance to exclude from the state apparatus the bureaucrats associated with the old elite, to create opportunities for new more or less corrupt businesses, and socially and politically to control the socially excluded by integrating them into a new network of state organizations. It is a characteristic of this new 'socialism' that traditional wage earners are treated in a step-motherly manner. They are seen as a privileged class whose needs are already looked after. In both the private and the public sector, most existing pay settlements have expired, which affects about three million workers. Negotiations between unions and the health ministry and are now four years overdue. Since 1998, the purchasing power of those employed in the private sector has fallen by about 25%. The fact that the state and its enterprises are not keeping their promises, particularly to former employees, regularly leads to protests. The minimum wage is directly determined by the president – he usually announces it in his speech on May 1, which is broadcast live on TV – and affects principally those employed by micro-enterprises (including co-operatives) in or at the edge of the casual sector, where there are no pay-negotiations. The minimum wage also serves as a means of determining the pensions in the private sector as well as wages and stipends in the 'misiones'.

These social measures are aimed in the first instance at the margins of the population, still 50% of the entire population, who live in self-built slums and attempt to survive on completely irregular incomes. This necessitates considerable ingenuity, as evidenced for example by the fact that mobile telephones can be hired for a single conversation at almost every street-corner within the inner city. It is significant that most of the best-known measures run under the auspices of the concept of the 'missions'. A mission can be understood both in the sense of a military assignment, with a clear chain of command that separates those who give the orders and those who receive them, and in the Christian sense, with a separation between active missionaries who already know the way, and passive recipients of the gospel, to whom the benefits of the mission are promised, if they follow the prescribed way. At the ideological level, capitalism is condemned for using profit for selfish ends, whereas 'socialism' is characterized by the use of profit for the interests of the people. Poverty is supposed to be fought through the transfer of money, without seriously calling private property into question. These could only be overthrown, if at all, by the proletarianised masses and not by the state. The discussion, taking place more and more in Venezuela in the last few years, as to whether Jesus was the first socialist, stems from the unhistorical and moral dimension of the whole talk of 'socialism', in which the poor expect to be saved by Jesus and his miraculous feeding of the five thousand.

'Participatory democracy' is indeed being implemented – but the population must first be made ready for it. Until then, the disciples and prophets of Jesus, Bolivar and Castro rule, who spread their lessons for several hours a day and several days a week over public radio and TV broadcasts, even if the best known educational broadcast 'Aló Presidente', in which Chávez for several hours every Sunday showed how close he was to the people and announced important decisions, was recently effectively put on ice by order from on-high. An alternative is provided by the private broadcasters, inspired by the neo-liberals and Walt Disney, who spew out their own rubbish. Why the license of one of them, the TV-channel RCTV, wasn't renewed at the end of May, remains a secret ... Some suggest that it was a matter of state favouritism of another private media concern, which as a multinational concern employs 35,000 people in the USA, by shutting out an inconvenient competitor from competition for advertising revenue.



Protests in Venezuela

The missions

There are countless missions nowadays which cover a large variety of social services such as health, education, food supply, housing, energy etc. What they all have in common is that they were set up without consulting the respective governmental departments. A new way to bypass red tape has developed alongside the old one, so that the traditional connections between governmental bureaucracy and economic oligarchy have gradually been severed. In this way the missions also serve as a tool to control the functionaries left over from the old days and dash their connections. Moreover, the funding of the missions is not passed by the parliament, but is financed from hidden sources within PDVSA, which in the meantime has been brought to heel.

As there are no accountability measures for these sources or the missions themselves, doors are wide open for new forms of connivance, corruption and nepotism. There is also a high degree of work turnover within governmental institutions, which might be due to a fear of a new accumulation of power beyond Chavez' control. As a result, old resolutions are constantly ignored or replaced by new ones so that this system of governance might be called a form of systematic improvisation. In this respect, the constantly rising proportion of former members of the armed forces in the administration could be explained as an

attempt to gain at least a certain degree of control over this situation.

One of the most successful missions is 'Barrio Adentro', which is active in the health care sector. It provides a network of preventive healthcare across the whole country and medical care for those who in former times had to leave their quarters and bring material and medicine along in order to receive treatment from public institutions after waiting for days.

The logistics are mostly provided by Cuba which has sent 20,000 doctors and health personnel as well as medical supplies to Venezuela. In return, Cuba receives Venezuelan oil. The so-called *módulos* in which the doctors live and have their practices are located in the living quarters of their patients. These facilities have considerably improved the standard of health care, in particular in the countryside and remote areas. The ubiquitous posters that celebrate the Cuban revolution in the *módulos* show however, that the Cuban doctors do not only provide health care but also ideological reinforcement. In the light of the notoriously well-organized network of police and police spies in Cuba there may be a grain of truth to the suspicion that some of the doctors also perform 'special services'. Some see the house calls as a way of screening public opinion, so that the expansion of the system of health care goes hand in hand with a certain degree of intimidation.

Only half of the 5,000 *módulos* that had been scheduled have been built so far. The pressing construction contracts were usually given to building companies in which higher ranks of the armed forces had a hand and which merely subcontracted to other firms. The estimated cost of 250.000 Euros per *módulo* was about five times as much as the sum for other buildings of this size and not every *módulo* that has been built was put to use. Due to a lack of maintenance more and more *módulos* have to be closed. After four years, euphoria is dwindling.

The new system also clashes with the procedures of the official health sector: The Cuban pharmaceuticals which are often used to treat a whole variety of different ailments are not subject to any kind of control by the Health Department. If patients are referred from a mission to a hospital for further treatment -- and alongside private clinics, hospitals are still the main

branch of health care in Venezuela – there is usually an abrupt change in medical strategy that rarely has positive consequences for the patients. Thus, a whole branch of Cuban medicine has been established, which includes diagnostic centres, special clinics and even further treatments in Cuba. As a result there are two parallel self-contained systems of health care. But still, the general state of health in the country is in critical condition: while there is hype about plastic surgery among the women of the old and new upper classes, the number of cases of measles, malaria and dengue fever infections has risen by 30 percent. This is not least due to the disastrous state of waste management: Cooperatives equipped only with brush and scoop compete with private sector firms which are incapable of getting the problem under control, but are favoured by the mayors and pocket considerable amounts for their services. The best health care system is doomed to fail when the mountains of waste in the poorer quarters are home to rats, roaches and other vermin.

Another important tool of social integration is education. The first measures in this sector were aimed at public schools. The about 30 000 schools which had existed up to then were converted into 5 000 so-called 'Bolivarian' schools. This implied an extension of the school days from 5 to 8 hours, which included lunch as well as an enlarged variety of cultural activities. Also, the 'Bolivarian' system of schooling aims at adapting the curricula to local circumstances and emphasizing the values of 'national identity'. In this way, material improvements are mixed up with ideological indoctrination. What also contributed to the overall popularity of the programme was the fact that the extension of school days also brought about a pay rise for teachers and other employees in the schools. Cooperatives comprised of parents compete with private sector firms over the provision of school lunches. But no matter who is awarded the contract – continuous and punctual delivery is not guaranteed so that students sometimes are sent home without a meal at short notice.



Workers blocking a road in protest of the murders of striking workers and of union leaders that are unresponsive of Chavez. These assassinations, which to no one's surprise, are never solved, increased markedly in the last year

Even more spectacular are the “misiones” for adults without education. They range from literacy programs – even though illiteracy is very rare amongst adults, affecting mostly elder people – through high school programs to vocational training. A Bolivarian university for those who could not find a place at one of the public universities or were expelled completes this parallel education system. People’s hopes to increase their income by getting a professional qualification initially caused a massive rush into these programs. Grants for some of the participants – amounting to roughly half of the minimum wage – further contributed to this boom. Of course, some participants – especially those who don’t get a grant – drop out. But what is more significant, being also absorbed by their everyday lives, those who do participate hardly find the time to go through the subjects at home, let alone to actually deepen their knowledge. Thus, a certificate testifies not so much to a real qualification, but rather to loyalty to the government. In Venezuela, this can certainly be beneficial.

The educational concept is quite problematic: all of the instructional material is from Cuba and classes consist mainly of watching videos. The teaching staff is mostly made up of assistants who get the minimum wage and

whose knowledge rarely exceeds the content of the videos. Instead of engaging in a dialogue, participants are expected to behave as passive consumers, staring at a screen that undeniably knows what’s right and what’s important. Far from initiating self-empowerment, this kind of education merely reinforces obedience. Prior to the elections in December 2006 participants of some classes were even given forms to fill in the names, addresses, phone and ID numbers as well as the presumable electoral behavior of ten of their neighbors. This was sold as a contribution to better relations amongst neighbors and no one raised any objections.

Almost all participants in the mission for vocational training receive a grant, though this is being questioned at the moment. For this reason it is extremely popular: many want to enroll, but not everyone is admitted; the attitude towards the government sometimes plays a role in the selection procedure. In any case, more than 500 000 people could obtain a certificate so far. Graduates are expected to form cooperatives, being promised credit, state contracts and sometimes land. Initially, this worked out quite well and the government set itself the goal to create almost 100,000 cooperatives. By now, however, the market is already overcrowded with cooperatives; since the government cannot award contracts to all of them, just 5, 000 still have a real existence.

Food supply constitutes another field of action for the state; a new ministry headed by a general was created solely for this purpose. The task of “Misión Mercal” is to procure food and distribute it at subsidized prices 30 percent below market prices. The distribution chain consists of more than 10, 000 sales outlets, complemented in urban areas by occasional central markets. About half of the population makes use of this network. While in theory the mission should distribute goods from small producers and agricultural cooperatives, what can be found on the shelves is rather reminiscent of the food stores in the old German Democratic Republic: storable food like rice, noodles, flour, canned food and bottles of oil or beverages. Fresh food like fruit, vegetables or meat can only be obtained at the occasional central markets, so that people still have to buy essential groceries at regular stores or from street vendors – and after all, in statistical terms “Misión Mercal” provides merely 150 g of food per person and day. Contrary to the official discourse on “food sovereignty,” Venezuela has to import 50 percent of its food, mostly from Colombia

and Brazil. Apart from that, this mission provides also “mental food” – cartoons on the packaging help to spread the ideology of Bolivarianism. The military is in charge of logistics and the whole chain of procurement, storage, distribution and selling opens up new opportunities for corruption.

Thus, also in this sector the initial enthusiasm is dwindling. While the provision of free meals for the absolute have-nots and the homeless has somewhat improved the lot of the poorest part of the population, food supply remains a precarious issue. People have to be on the go all day long just to get the necessary groceries. About 10 percent of the population live in extreme poverty, another 30 percent of the families do not have sufficient income to cover basic needs like food, housing, clothing and transport. According to official statistics, families do not have more money to spend than in 1998.

The demand for proper housing with road and water connections is as huge as Venezuela’s slums: it is estimated at 1.8 million units. In addition, 60 percent

of existing habitations are in need of restoration, while thousands of people lose their homes every year, or need to be relocated, due to landslides. So another mission was set up to improve housing. The issue is ubiquitous and the expectations of people are high. Depending on the social situation of the applicants, housing is sometimes provided for free. However, the normal case is that people get a cheap credit and have to buy their own places.

How building contracts are awarded by the state is again a not very transparent matter, and many of the hurriedly built houses are not really habitable. Even official statistics document that this mission is the least successful of the major ones. Of the 120,000 units planned per year, not more than 70,000 are actually built. Thus, it is not surprising that the allocation of apartments is also to a considerable degree ruled by bureaucratic arbitrariness and political considerations.

End of Part 1

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Internationalist Perspective

Internationalist Perspective is a publication defending Marxism as a living theory, one that can go back to its sources, criticize them, and develop hand in hand with the historical social trajectory. As such, if *Internationalist Perspective* bases itself on the theoretical accomplishments of the Communist Left, *IP* believes that its principal task is to go beyond the weaknesses and the insufficiencies of the Communist Left through an effort of incessant theoretical development. *IP* does not believe that that is its task alone, but rather that it can only be accomplished through debate and discussion with all revolutionaries. That vision conditions the clarity of its contribution to the struggle and to the development of the class consciousness of the proletariat. *IP* does not aim to bring to the class a finished political program, but rather to participate in the general process of clarification that unfolds within the working class.

Capitalism is a transient product of history, not its end. It came into being in response to conditions that no longer exist: inevitable scarcity, labor power being the only source of social wealth. Capitalism turned labor power into a commodity to appropriate the difference between its value and the value it creates. For centuries, this hunt for surplus value allowed for a relative harmony between the development of society and capitalist accumulation. Then it gave birth to a new production process, the real domination of capital, in which no longer labor power but the machine stands at the center of production. Science and technology, set in motion and regulated by the collective worker, became the primary source of the creation of social wealth. The giant productivity this unleashed, allowed capitalism to grow both inwards and outwards. It spread over the entire planet and absorbed all spheres of society – including the trade unions and mass parties that arose from the struggle of the working class.

Scarcity was now no longer inevitable, but instead of freeing humanity from want, it condemned capitalism to overproduction. Wealth-creation was no longer dependent on the exploitation of labor power but this plunged capitalism, imprisoned by the law of value, into a crisis of profit. These obstacles to accumulation force capitalism to increase the exploitation of labor and to create room for new expansion through self-destruction, through massive devalorization in depression and war. Capitalism entered its decadent phase when such cannibalistic destruction became part of its accumulation cycle. It is decadent, not because it doesn't grow – it has developed tremendously and profoundly modified the composition of social classes and the conditions in which they struggle in the process - - but because this growth, in its rapacious hunt for profit, became itself destructive. It is decadent, because it is forced to hurl billions into unemployment and poverty because it cannot squeeze profit from them; by the very productivity that could meet all needs. It is decadent, because its need for devalorization impels it to war and unceasing violence. Capitalism cannot be reformed; it cannot be humanized. Fighting within the system is illusory: capitalism must be destroyed.

Capitalism is also decadent because it has generated the conditions for its own replacement by a new society. Science and technology, yoked to the operation of the law of value, and its quantification of the whole of life, are not liberating in themselves. But the working class who sets it in motion, is by its very condition within capitalism impelled to free itself from the alienation that capitalism, as a social relation, subjects it to, and is, therefore, the bearer of the project of a society freed from the law of value, money, and the division of society into classes.

Such a project has never before existed in history. If the Russian revolution was a proletarian one, it did not result in the emergence of a communist society. The so-called “communism” of the former Eastern bloc, like that of China or Cuba, was nothing other than a manifestation of state capitalism. Indeed, the emergence on an historical scale of a new society can only be realized by the total negation of capitalism, and by the abolition of the laws that regulate the movement of capital. Such a new society entails a profound transformation in the relation of humans to themselves and to each other, of the individual to production, to consumption, and to nature; it entails a *human community* at the service of the expansion and satisfaction of all human needs.