

INTERNATIONALIST PERSPECTIVE

Boycott them all !

Order reigns in Grozny ?

Globalisation and the historic course

Promises and pitfalls in the 'Battle of Seattle'

The Law of Value on the World Market

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Contents

Boycott them all !	1
Order reigns in Grozny ?	3
Globalisation and the historic course	5
Promises and pitfalls of 'The Battle of Seattle'	10
The roots of the capitalist crisis : The law of value on the world market	17
Contents of Recent Issues	32

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Contact Addresses

Write only as shown below :

Destryker
BP 1181
Centre Monnaie
1000 Bruxelles
Belgium

AM
PO Box 40231
Staten Island
NY 10304
USA

BM Box 8154
London WC1N 3XX
UK

Responsible Editor :
F. Destryker
5 drève des Lilas
B-1310 La Hulpe
Dépôt Bruxelles X

Boycott them all !

Few things are as repulsively anti-human as racism, xenophobia or in general the rejection of, and discrimination against, other human beings because they are born somewhere else or with a different skin-color, with a different ethnic or cultural background or sexuality. So it is quite understandable that many people in Europe and beyond were outraged and worried when the Austrian 'Freedom Party', which based its electoral campaign on calls for the deportation of non-European foreigners and which is led by Jorg Haider, a man known for downplaying the crimes of the Nazis, joined the government in the country where Hitler was born. The electoral success of the Freedom Party and others like it, such as the Front National in France and the Vlaams Blok in Belgium and many others around the world, is indeed a menacing trend for what it expresses: the more the contradictions of capital develop, the more its immanent tendency towards violent, destructive "solutions" of its problems, becomes openly articulated.

But for the mainstream parties of the bourgeois political spectrum, and especially for the left, men like Haider are not just electoral competition but also a political boon. They allow them to define themselves in contrast to these bogeymen and to wrap themselves in the cloak of tolerance and multicultural respect, masking the fact that they themselves are at the same time deporting foreigners on a daily basis and imposing the economic conditions that force millions around the world to flee poverty and war in the first place. Boycott Austria! Now there is at least a concrete action every well-meaning citizen can understand and join in. The choice seems stark and clear. On one side there are the noble defenders of democracy, on the other the Haiders and Pinochets and other dark forces of xenophobia and hate. Which side are you on?

The seductiveness of this narrative framework, not unlike that of the extreme right itself, is its simplicity, its ability to put names and faces on the intangible, amorphous forces that threaten humanity. But its very starting point is a lie. There is no intrinsic contradiction between bourgeois democracy and the policies of racism, xenophobia and hate. Reality unfortunately offers abundant proof of that. Indeed, many of the policies against foreigners advocated by the extreme right, have in recent years been quietly put into practice by liberals, socialists and other democratic parties. In Europe, especially since the Schengen-agreement which eliminated most internal border controls and established stepped up policing of the external borders of 'Fortress Europe', deportations have steeply increased. The main

difference between the democratic parties and the extreme right is not in deeds but in rhetoric.

There are of course real differences between the extreme right and the mainstream democratic parties, which are primarily related to the diverging interests of their respective political bases. Parties like the FPO and the FN express in essence the interests of those segments of their national capitals which are threatened by globalization, by intensified competition from abroad, and whose programs and rhetoric are grounded in the desire to return to the past. The mainstream democratic parties on the other hand are tied to the dominant, larger capitals (and of course to the state whose institutions they man); their interests are served by globalization that favors the strongest capitals and rewards them with an ever larger share of the world's revenue. So it's no great surprise that their political representatives defend, all in the name of democracy and prosperity of course, the free circulation of capital and commodities, including, to some extent, the commodity labor power.

Millions of migrant workers have been imported in recent years to Europe and the USA to assure that on the labor market, supply continues to outrun demand so that the price of labor power can be kept down. The quantity of imported labor power is carefully managed to meet that goal. That's why the INS (the American immigration police) has effectively stopped deporting 'illegal aliens', except those who have committed a crime¹. This leniency helps explain, so the New York Times notes, why wage levels have barely risen in the US, despite the strong economic growth and corresponding decline of unemployment of recent years. Indeed, the average real wage is now lower than in 1977 for the majority of workers in the US, according to figures of the Congress Budget Office, while the GDP per capita has risen by more than 50%, which means that the rate of exploitation of the workers has risen accordingly, in no small way thanks to America's "generous" migration policy.

It goes without saying that this does not mean that the strongest capitals and their political representatives favor open borders. For one thing, it is to capital's advantage that a sizable chunk of the working class is brandished 'illegal'. Not only because 'illegal' workers can be easily intimidated into accepting low wages, long hours and miserable conditions, but also because the distinction between 'legal'

¹ *New York Times*, 9 March, 2000

and 'illegal' workers divides the working class and thus makes it weaker.

But even more importantly, those 'tolerant' democrats could not open their borders to everyone, even if they'd want to. As they say in their defense, the current flood of people fleeing the desperate conditions prevailing in most of the world, would become a tidal wave. They are probably right but who is responsible for this state of affairs? Who profits from it? Globalization has meant accelerated expansion of the reach of developed capital, of its capacity to destroy weaker competitors and exploit cheaper labor power in every part of the world. As a result, it has grown fatter while leaving economic destruction in its wake. According to the latest statistics, the richest fifth of mankind now obtains 86% of the world's income, while the poorest fifth gets 1%. Across the world, from Latin America to Africa, from Eastern Europe to Asia, conditions are worsening, life expectancy drops dramatically, war and disease is spreading. As the article on "The Law of Value on the World Market" in this issue of IP shows, the game is fixed, there's a structural impossibility to reverse this trend. Just as capital from all over the world is massively seeking refuge in the financial markets of the developed capitals, making them richer in the process, because it has rationally concluded that it can't maintain its value at home where the economy is doomed to sink deeper, so too are people from all over the world desperately trying to reach the upper decks of the Titanic.

An inevitable by-product of this phase of masked decay with its steeply growing inequality in income and expectations is the burgeoning trade in humans, a business now conservatively estimated at 3 billion dollar a year. More than 70 million people are now migrating in search of survival. Hundreds of thousands, possibly millions, of women from poor countries are sold as slaves in the sex

trade. Masses of workers are transported in conditions worse than that of cattle, like Jews deported to the Nazi camps. Unlike for the Jews, their destination is not death but many die anyway. Just last June, 58 Chinese migrants were found dead, asphyxiated in a container-truck in the English port of Dover. That brought the total of those who died trying to get into fortress Europe to 2063 since 1993. At least an equal number died in the Arizona desert or the Florida sea trying to reach America.

Their blood is on the hands of those civilized democrats who wash these hands in innocence, claiming that they cannot help it if the upper decks are full and the lower ones are sinking. They just try to look out for their own country, their own capital, and in the meantime they want to maintain a human face. We want to rip off that face because it's a mask and nothing more. It's time to see the real face underneath the mask in all its horror.

Protecting that mask, that is the real goal of the democratic mobilizations against Haider and the like: hiding the communality between the Haiders and the democrats, hiding the real cause of the dislocations and the spreading misery. So don't ask us to join ranks with "all democratic forces" against the extreme right. Don't ask us to boycott Austria. We say boycott them all. Boycott the real culprit: global capitalism, which cannot survive for one day unless we, workers of the world, make it run. We have the collective power to stop the madness, to put an end to the profit-system that makes us all commodities on an increasingly saturated market. Producing together rationally to meet human needs as best as possible is now a more realistic perspective than ever and will free us all, while the alternative, the continued rule of capitalism, democratic or not, has never looked bleaker.

June 2000

Order reigns in Grozny ?

The first Chechen war, in 1994-1996, ended in a Russian defeat, and the de facto withdrawal of Russian troops from Chechnya. The second Chechen war, unleashed by Moscow, has now brought the Chechen capital, Grozny, under the tentative control of the Russian army. Throughout the siege of Grozny perhaps thirty thousand civilians huddled in basements, while the Russian army pounded the city into rubble. With the decision of the "boeviki," as the Russians term the Chechen forces, to abandon the city in April, Grozny's surviving inhabitants, now swelled by the arrival of twenty to thirty thousand refugees fleeing the depredations of the Russian army as it destroys Chechen villages in the mountains to the south of the capital, now face the risks of disease and starvation, as well as death or torture at the hands of the occupying forces.

Despite the extravagant claims by the Putin regime that the war is over, it is likely that the boeviki will mount a furious resistance in the mountains of Chechnya, that they will infiltrate the shattered city of Grozny, waging guerilla war against the Russians, and that they will even carry the war into Russia itself with daring attacks against civilians. Meanwhile, even if the terror unleashed by Russian tanks, artillery, and aircraft, against the villages of Chechnya is successful, and order reigns in Grozny, it is quite likely that any Russian military victory will be accompanied by a vicious ethnic cleansing, reminiscent of the decision of Stalin to deport the Chechens **en masse** in 1944. There are already voices in military circles in Moscow (from which thousands of Chechens, and other members of ethnic groups from the Caucasus, have been deported since late October 1999, in a veritable orgy of xenophobia) to the effect that it would be dangerous to ever rebuild Grozny, or turn over local authority to Chechens, whether it be the de facto Chechen president, Maskhadov (whose authority was flouted by the boeviki), or even leaders handpicked by Moscow, such as the Chechen Mufti Akhmed Kadourev. Moreover, tensions between the Russian military in Grozny and the local pro-Russian Chechen militia have already led to confrontations. While "liberals" in Moscow favor negotiations with Maskhadov, and some kind of local autonomy, the nationalists (and this may include Putin himself) have concluded that any compromise will weaken the authority of the Russian state, raise the spectre of demands for de facto or even de jure independence from other ethnic minorities, and reduce the chances that Russia can regain control of the now economically vital region of the Transcaucasus, through which the oil pipelines from the Caspian Sea will pass. Thus, the reduction of Grozny to a pile of rubble, beneath which the corpses of thousands lie buried, may only be the prelude to a campaign of ethnic cleansing and genocide.

The village of Komsomolskoe, to the south of Grozny, in the foothills of the Caucasus mountains, to which the boeviki fled from Grozny, bears witness to that gruesome prospect. For almost a week in April, the village was systematically bombarded by Russian tanks, artillery, and aircraft, until every last building was razed. In the aftermath of the slaughter, six hundred and forty two bodies have been discovered, with countless others probably in the forests surrounding the village. According to the Associated Press, Russians on the scene have acknowledged that more than a hundred of the corpses had been decapitated, mutilated, or been executed with a bullet to the head -- this latter the technique by which hundreds of thousands of Jews were murdered in the forests of Poland and Byelorussia by the Nazi *Einsatzgruppen*, or the thousands of Poles executed at Katyn by the NKVD, the very organization which transmogrified into the KGB, and now, in democratic Russia, into the FSB, which was on the scene in Komsomolskoe.

The scenes from Grozny and Komsomolskoe may at first glance remind one of the campaigns waged by Tsarist Russia in the same region in the nineteenth century, in particular the brutal war waged against the Chechens and their leader Shamil, the most skillful of the Caucasian leaders to resist the Russian advance. Yet while Russian troops are again burning and looting Chechen villages, and the boeviki fight in the name of Shamil, the present war is as different from its nineteenth century counterpart as ascendant capitalism is from decadent capitalism. The war waged by Tsarist Russia against Shamil in the 1840's and 1850's was structurally the same as the wars against the Indians in North America (or Argentina and Chile) in the same period. Shamil, like the Sioux leader Sitting Bull, led a struggle of a pre-capitalist, tribal, community, against the advance of a rapacious capitalist state seeking to open up a vast area for settlement and capitalist development. The war waged by Tsarist Russia in the Caucasus in the nineteenth century, like its North American counterpart on the Great Plains, was integrally linked to the primitive accumulation of capital. The present war in the Caucasus, is linked to the danger of the disaggregation of a mature Russian capitalist state, and its effort to confront the challenge of the globalization of capital. Because of the economic and political weakness of Russian capital, the ruling classes of entities like Chechnya, which had been loyal to Moscow throughout the existence of the Soviet Union can now mobilize their own population, which is no longer pre-capitalist, but like the inhabitants of rural communities throughout the capitalist world depends on the remittances of proletarians employed in distant industrial centers, in a bid for independence. The existence of natural resources, or the strategic control of vital areas (in the case of Chechnya, the

locus of oil and gas pipelines) permits these local ruling classes to advance their own interests by seeking the support of other imperialist states or enterprises on the cutting edge of global capital. Given the inability of Russia to compete economically or financially with its rivals, this leaves military power as its only recourse. If Russia is not to lose control of the Caucasus, and Transcaucasus, to give up any hope of controlling the oil and gas wealth of the region, upon which the hopes for its own economic rejuvenation depend, it must assert its military power, and prevent the further disaggregation of its territorial space. Lacking the power to control the financial circuits of capital, Russia can only respond to the economic power of its rivals (and in the first place, the US) by the control of land, of territory. Again, given the extreme weakness of Russian capital, the exercise of that control can neither be economic nor indirect (as is the case for the US), but rather military and brutal. Hence the recourse to the horrors of modern warfare, and ethnic cleansing.

What adds to the pressure on Moscow to unleash ethnic cleansing and even genocide in the Caucasus, is that the xenophobia which fuels it is -- in the absence of a growing economy -- the only means to win popular support for the Russian state. The designation of the racial "Other," in the

form of the Chechen or the Muslim, as a danger to holy mother Russia; the identification of the Chechens with terrorism, which provided Moscow with the pretext for unleashing the second Chechen war, and the hunt for Caucasians [*la chasse aux Caucasiens*] orchestrated by the Kremlin, which led to the ejection of thousands of people from Russia's cities and industrial centers, have created an atmosphere of fear and hatred among masses of Russians, which not only helped assure the election of Putin as president, and widespread approval for the Chechen war, but provide a basis for popular acceptance of the ethnic cleansing upon which the Russian military has now embarked.

To the nationalism with which segments of the Chechen ruling class seeks to inflame its population against Russia and Russians, must be added the xenophobia with which the Russian ruling class seeks to mobilize its population. Whether Chechnya becomes another Afghanistan for Russia, or a mass grave for the people of Chechnya, we are witness to the inexorable tendency of decadent capitalism to turn the earth into a slaughterhouse.

Mac Intosh

Globalisation and the historic course

For the past several years, Internationalist Perspective has attempted to grasp the profound changes that have occurred in the functioning, and in the economic and political operation, of world capital. This has resulted in the rejection of a vision of a world divided into two imperialist blocs; by a recognition of the significance of the passage from the formal to the real domination of capital, with all its consequences for the recomposition of social classes; by a better understanding of the meaning of the decadence of the capitalist system; and by a renewed emphasis on the very bases of the functioning of the economic system, and to the roots of its crisis.

As a contribution to this ongoing effort, we present this text, which focuses on three fundamental aspects of the present period :

- First, globalization as an overall context and element basic to the redefinition of classes. How are we to understand this phenomenon? Is it synonymous with a harmoniously functioning capitalism, which has succeeded in overcoming its internal contradictions and competition?
- Second, the notion of an historic course, specifically the schema "crisis - war - reconstruction". Is this concept still valid in the present situation, or must we confront the present period with a different perspective? Does the very concept of an historic course have to be questioned?
- Third, the understanding of the class struggle today, and the criteria utilized to grasp it.

1. Globalisation

Extension is a tendency inherent in the capitalist system, one necessary to its development. The centralization of capital, the constitution of trusts and cartels, was a phenomenon that existed at the end of the 19th century. However, it is necessary to distinguish that tendency from the process of globalization. The latter, is a function of the way in which the capitalist class creates the economic and political structures that permit it to surmount the limits of the world market and to attenuate, though only temporarily, the effect of the internal contradictions of the system. To focus on the concept of globalization, then, makes it possible to grasp the modifications that this

phenomenon has imposed on the form and content of the world market.

We have shown on many occasions how the capitalist system is afflicted by its internal contradictions and by the deepening of the world economic crisis. At the same time, the ruling class seeks by every means possible to attenuate the effects of this crisis and these contradictions. It is important to emphasize that we are far from a perspective in which the capitalist system is resigned to its demise, without resources, acknowledging the "brake" on the development of its productive forces, in its death throes, thereby opening the way to the "years of truth", a moribond capitalism that the proletariat need only pluck like some over ripe fruit. In our view, that mistaken perspective must give way to one in which the ruling class desperately fights and utilizes its formidable weapons to assure its own survival -- weapons that can relieve the impact of the contradictions that ravage its economy.

The phenomenon of globalization is the way in which the international bourgeoisie attempts to (re)organize itself, and constitutes the general framework in which competition, imperialist tensions, and the opposition between social classes, now play themselves out.

In the face of the recession of the 1990's, the dominant economies, with the US in the lead, intensified the restructuring of their capital -- begun in the 1980's -- so as to make it more competitive, and to attempt to surmount the limits of the world market. That entailed, among other things, the introduction of new technologies in production (such as the spread of computers and information technology), the creation of ever larger industrial entities through vast mergers, the liquidation of outmoded sectors, all resulting in a dynamic of integration of industrial sectors and capital, as well as an unprecedented interdependence. That movement of globalization has only accelerated, and scarcely a day goes by without the announcement of the merger of industrial giants combining their forces to become titanic entities that now operate on a global scale, or the establishment of control by a capital entity over sectors sometimes far removed from their own sphere of production. That qualitative leap in the process of globalization means that industrial production is now spread out across the world, delocalized so as to take advantage of the low wages in one country, or the tax breaks in another, or the central geographical location of a

third. That also implies the creation of structures of supranational administration, suitable to the functioning of a globalized economy. That whole economic and political reorganization has changed the very face of world capital and production.

One of the effects of globalization is immediately positive for capital: it increases the general rate of profit, and enlarges the world market, thereby provoking an increase of profits and purchasing power in the strongest countries, as well as in the countries that benefit from the fallout from these positive effects on the strongest economies. Superficially, that can make it seem as if capitalism has succeeded in overcoming its contradictions and can develop without limits. Superficially, this can also make it seem as if we inhabit a unified world, without interimperialist tensions, the image of a "super-imperialism" à la Kautsky, a situation that can only strengthen the hegemonic position of the United States.

Yet, it is nothing of the kind, and globalization must be understood as an attempt by the strongest economies to strengthen their competitive position, to attenuate and contain the contradictions that ravage the system, and that, moreover, manifest themselves in the breakdown of national economies, such as that of Russia, or the Asiatic countries, in the exclusion or marginalization of whole populations, or in the development of famine in those zones now abandoned -- after their pillage in the colonial epoch -- as is the case with sub-Saharan Africa. Globalization provides no solution to the fundamental problems of capital, it can only work on its symptoms, and besides, even in that sense, the positive effects of globalization can only last for a limited time, inasmuch as they end up exacerbating the historic contradictions of the capitalist system. So, if certain economies, like that of the US, now benefit from this process, it is not the same for all national economies. That's why there is so much resistance to the processes of globalization in countries like China or Russia. Nonetheless, it is necessary to recognize that the present period is marked by a growing integration of the diverse national economies, by a growing interdependence of different capitals, and, that as a result, the immediate perspective is not one of world war as a "solution" to the economic crisis. We must emphasize this contradictory movement between a dynamic of integration and unification on the one hand, and the deepening of the contradictions and the exacerbation of violence -- imperialist among others -- on the other hand.

This contradiction expresses itself on other levels too, notably in the image that the working class can have of itself. One fundamental element is that of the consequences of the passage from the formal to the real domination of capital. That has had the effect of eliminating the barriers between the different spheres of production, circulation, and consumption to the benefit of a single process of reproduction, valorization, and accumulation, at the national level. It's a matter, therefore, of a global process of the valorization of capital that renders null and void the

definition of social classes that prevailed in earlier stages of capitalism, where there were clearly defined lines between blue collar workers and capitalists, large and small. To cite our comrade Lazare:

"The capitalist class is no longer defined as an ensemble of individual owners of the means of production, but as a social entity, collectively directing the process of the valorization of the national capital, and which includes both the individual owners of the means of production, as well as bureaucrats who are owners of the means of production only indirectly, as representatives of the state. Similarly, the working class is no longer defined as an ensemble of individuals providing productive labor, but as a social entity whose collective labor valorizes capital."¹

A second element is surely the context of globalization, which further accentuates the global collective character of this process. And here, too, we face a contradictory movement, that, on the one hand, leads to the integration and development of production on an international scale, distributed over a proletariat situated in a multitude of complementary sectors and different countries, and, on the other hand, provokes an exacerbation of competition between those same workers, because of the constant threat of delocalization permitted by the current mobility of production, as well as the difficulty in perceiving the links that unite workers, beyond sectors or countries.

2. The historic course

Today, when we attempt to understand the activity of our class, to evaluate its struggles, we are irremediably caught in the vise of the either/or: "course towards war" or "course towards class confrontations." In that logic, if one does not see a development of class struggle, then the perspective of the defeat of the proletariat, and of world war, immediately looms. Still, embroiled in this same schema, if you want to continue to affirm the historic role of the proletariat, you must have an understanding of the balance of forces between the classes in favor of the proletariat, which constantly marches forward, enlarging its struggles and its class consciousness. Or, if you hesitate, if you have the impression that no clear perspective in favor of either fundamental class has clearly emerged, then you fall into the idea of "parallel courses," impossible to defend in the face of a theory that demands that the "course" must necessarily go in one direction or the other, or that society be "frozen," immobilized, rotting from the head down. Now, what do we really see in social reality itself? Local wars throughout the world, which bear witness to the exacerbation of imperialist tensions, but which do not

¹ M. Lazare, "The Recomposition of Classes under State Capitalism," *IP* # 15.

indicate the imminence of a third world war; an unprecedented economic crisis, which instead of impelling the capitalist system to generalized war, is contained by an equally unprecedented concentration of industry and capital; finally, a proletariat that is not defeated, but which has enormous difficulties in formulating its own perspective, which is not mobilized under the bourgeois flag, but which also does not assume an active role as a "brake on war," such as we understood it in the past.

Confronted by this situation, we have been led to question the very notion of the historic course. How can the historic course be configured? In what period is the term meaningful? And is this concept still valid today?

There is a link between the either/or of a course towards war -course towards class confrontations, and the trio "crisis - war - reconstruction". Essentially, these schemas have made it possible to understand the period around the second world war: faced by the impasse of its economic crisis, and in particular, the shock of 1929, capitalism was led along the path of world war. This latter would culminate in the division of the world into two great imperialist blocs, redivide markets and zones of influence, and bring about a significant destruction of infrastructures which would then have to be reconstructed. At the same time, it delivered a devastating blow to the proletariat and made it march in lock step. Faced with the perspective of war, the proletariat had only two choices: either actively oppose it, or be destroyed. The various elements in play at that time lent credence to the concept of an historic course such as the ICC defined it, with its image of a tightrope from which one of the two protagonists must fall. In today's situation, we can only say that this perspective is too mechanistic and does not take account of the complexity and the globality of the balance of forces between the two classes, nor of the way in which the antagonism between the two classes, linked in a social relation in which one, the proletariat, is subjected in a permanent fashion to the ideological domination of the other, expresses itself. This concept of the historic course does not allow us to develop a clear understanding of the period in which we now find ourselves, nor to work out a global appreciation of the balance of forces that takes into account the contradictory movements that characterize it.

The period of reconstruction ended long ago, and the world economic crisis is of an unprecedented amplitude; so, what's happened? One extremely important factor to emphasize is the capacity of the bourgeoisie to draw the lessons of the crisis of 1929. The way in which it has attempted to attenuate and contain the effects of the crisis are very different, and globalizations is one of these mechanisms. Therefore, we are not at the moment of the massive destruction of values and a redivision of markets through world war, but rather at a time of modernizing economies so as to make them as competitive as possible and to permit them to counteract -- to a certain extent -- the fall in the rate of profit and the saturation of markets. One sign of that was apparent in the implosion of the Russian

bloc. The Russian bloc was not defeated by its imperialist rival or by its proletariat, but rather by the world economic crisis, and its own incapacity to adapt its economic system to its imperatives.

A second important factor to be aware of is the fact that if imperialist tensions and violence continue under capitalism, and even constitutes one of its hallmarks, we can see that these tensions can be temporarily attenuated to the benefit of the movement towards integration produced by globalization. The pseudo-unanimity of Europe at the time of the Gulf war or Kosovo bears witness to this. Even if we have had a tendency to see in certain conflicts, like the war in Afghanistan or the Gulf war, the harbingers of a third world war, we must insist that that is not the immediate perspective, and that we must extricate ourselves from this schema of crisis - war, by grasping the fact that -- for the present moment at least -- capitalism disposes of other means than war to deal with its crisis.

The perspective that a third world war is imminent has also induced a feeling of urgency amongst many revolutionaries: it is imperative for the proletariat to deploy its class perspective under pain of seeing itself definitively mobilized behind the national flag. Confronted by the difficulty that our class is having in fighting under its own flag, many have drawn the conclusion that the moment of revolution has passed, and that there is no alternative to a frank recognition that the present period is one of triumphant counter-revolution.

But, here too, we must take into account the complexity of the present situation of the proletariat, and not see it through the lens of the past. If capitalism has restructured itself, then this restructuring has also had a profound impact on our class. To appreciate today's struggles no longer means (even assuming that it once did) simply measuring the degree of autonomy belonging to the class, or its capacity to launch struggles. It is also necessary to consider things as a whole, by extricating ourselves from ready-made schemas. The concept of the historic course does not seem to us to be valid for an understanding of the present situation, whether with respect to an appreciation of the class struggle or the immediate perspective of a third world war.

3. The evaluation of the class struggle today

We already focused, in an article in *Internationalist Perspective* # 34, on the criteria for evaluating the class struggle and what it means to set up such criteria. These criteria don't allow us to paint a picture that reflects the principal and contradictory elements which are present in the activity of our class and thus to make a general evaluation.

If one wants to understand the general movement of our class, there is one important question to answer: does the proletariat have enough distance from the dominant ideology to remain able, if only potentially, to see itself as a class and thus to perceive the antagonistic relation between its interests and those which it is serving? Whatever the weaknesses of the struggles, the faults one might find in them, if the answer to this question is positive, it means that the proletariat remains capable of asserting itself as revolutionary subject and agent of social change. This is absolutely fundamental!

We have already talked a lot about globalization and its repercussions on the recomposition of the classes. But we haven't sufficiently measured the impact that these consequences have on the proletariat's capacity to see itself as a distinct social class. If we make a little digression into the individual psyche, we see that what makes it possible for an individual to form a personal identity, to become conscious of it and use it in his social and relational daily life, are the linkages. The link with those who surround him will make it possible for the individual to see himself as distinct and similar at the same time. If we use this process to understand the situation of the proletariat, we can see that this link is what it strongly lacks, precisely because of the very way in which capitalism has organized things. The link with his class brothers, to whom he'd be close enough to recognize himself as a member of the same social class, and thus sufficiently distinct from the other social class to see the antagonism between them.

Capitalism has dispossessed man from his labor, making him a stranger to himself and a stranger to others. But it has also destroyed the possibility to easily see what unites workers and all those victimized by the exclusion from work. The great workers' bastions, carriers of a tradition of struggle and solidarity, are increasingly being dismantled, either because they have become obsolete or because delocalization has dispersed production throughout the world. There is no longer a "workers' culture" and the changes that have occurred in the working class impede the transmission of past class' experience. Whereas the bourgeoisie is pleased to see the disappearance of the proletariat and prefers to call workers "agents of production" now, we must see a working class whose outline has been redrawn by the restructurations of capital and which does not easily perceive its own class identity and interest. All the more so because of the increased mobility of labor, which dismantles work teams and makes it ever more difficult for workers to feel part of a collectivity at work. Everything is seen as provisional, subject to sudden change.

The profound impact of the recomposition of the classes on the consciousness of the proletariat, and on its capacity to see the bond that unites, it is a fundamental element if we want to understand why it's so difficult for the class to react globally and to draw its own perspectives for the future. In order to find your "class terrain", you have to define it first and know which class is meant. We wonder, for instance,

what image young workers have of the proletariat and whether the current transformations still allow them to recognize themselves in it, or whether the current period is one in which the proletariat must first reappropriate its own, modified identity.

We could also hypothesize that this difficulty in seeing the links that unite the community of the exploited, tends to foster a search for substitute bonds, which today's society, with all its ideological power, is only too eager to provide. And so the only identifiable criterion today is one of inclusion: either you have work and therefore have a place and social recognition, or you're nothing. The link is no longer defined in terms of belonging to the same class, you're either part of the included or you're out. This helps to understand why workers sometimes cling so desperately to their machines. To lose your job not only spells economic misery, but can also mean a fall into nothingness. And this also helps to explain the rise of the extreme right in areas of economic distress.

In light of the proletariat's profound difficulty in recognizing itself as a class, with interests opposed to those of the bourgeoisie, I want to point out some characteristics of recent movements, in particular those which rocked Europe in 1995-1997, as well as the more recent protests against globalization.

But first, let's make clear that our concern is not to sacralize a struggle nor to gloss over its weaknesses in order to pretend that everything is going well. And even less do we want to use the importance of the questions raised in 1995-1997 to prove a linear progress of the class struggle, in the way the ICC claimed that there are consecutive waves of struggles, each one starting at the level of consciousness that the previous one had reached. Still, these struggles contain elements that are relevant in regard to what we said earlier on the difficulty of the class in seeing its common interests.

In regard to the movements which have shaken France and Belgium between 1995 and 1997, the strikes, the demonstrations, the struggles of the unemployed, the 'Marches for Work', the 'White Marches'² and, on another level, the recent protest movements against the effects of globalization, we can discern the following characteristics:

- A mobilization that goes beyond the framework of a sector, a country and a specific demand, which brings together workers and non-workers, students, French, Belgians, Germans ..., with the idea that "we're all in this together". This carries the potential recognition of the bond that links all the exploited in a community of interests.

² Translator's note: the 'White Marches' were massive but vague protests against the state in Belgium, following political and police corruption scandals in a case involving the kidnapping and murder of young girls.

- An understanding that the perspectives advanced by society are opposed to the needs of the people that are mobilized. Slogans such as “We want a Europe for the people, not for money” and the refusal of globalization and its effects illustrate this. This shows the potential to perceive the global functioning of the system and the logic which drives it, despite all that’s done to prevent this understanding.
- The beginning of an understanding that it’s the whole political structure in its very way of functioning which is rotten, so that nothing good can be expected from it, even if the international bourgeoisie shrewdly recuperates this movement and derails it towards restructurations, human rights campaigns, political excuses or ideological comedies and the like.

This leads us to the conclusion that, despite the enormous weaknesses of these movements and protests, despite the reformist recuperations to which they easily fell prey, they contain a potential which we haven’t seen before and which can lead in time to the perception of the bond which unites members of the same class and of the antagonism between the perspectives imposed by the dominant class and those of the exploited class.

We can hypothesize that the easy recuperation of these movements by the dominant ideology was made possible by the proletariat’s incapacity, at this stage of development of its consciousness, to know what it should do with the elements that it brought forward, in other words, how to push these protests further by drawing its own perspectives.

Generally speaking, despite the silence of our class, despite its relative indifference to certain wars (but we had the occasion to nuance this in regard to the Kosovo war), despite the current incapacity to free the struggles from union and reformist straitjackets, despite the isolation, despite the racist reactions, and all that can be deplored when we look at the activity of the proletariat, despite all this, the movements of recent years contain a new potential which comes as a response to the biggest current problem for the working class: its need to perceive itself as a class with its own interests and perspectives. This also shows that the proletariat maintains the capacity to continue the development of class consciousness, despite the ubiquitous presence of the dominant ideology. Therefore we don’t think that we are in a period of counter-revolution, but in one of profound restructuration which demands that the working class redefine itself in its turn, through its class activity.

Conclusion ..

The goal of this text is to contribute to the reflection on the profound modifications that we see in the current capitalist system, in order to grasp their implications. The concept of globalization, while its background is the movement of extension inherent in capitalism, must be seen as the way in which the international bourgeoisie, especially the strongest countries, reorganizes its economic and political structures on an unprecedented worldwide scale. This shows the bourgeoisie’s capacity to adapt and also underlines the difference between the current and past periods. One of its implications is the contradictory situation of a deepening crisis and worsening inter-imperialist tensions and, at the same time, a movement of integration and interpenetration which can temporarily attenuate these problems. Many questions remain to be explored in order to grasp the current changes. Such as whether the national states remain adequate at a time when everything tends to an international scale, and the depth of the positive effects of globalization on the world economy. The counter-tendencies and the potential resistance to this process also must be analyzed more.

Since the perspective of a third world war has, at least in the short term, receded, we have had to reexamine what had been, up to now, a theoretical tool: the concept of the historic course. In our view, this concept does not acknowledge the complexity of the balance of forces between the two classes in a context in which the dominant class keeps its grip permanently on the working class. The concept of the historic course seems to reflect a mechanistic view in which the two protagonists are on an equal level in the fundamental antagonism between them – though their relation is not like that in reality.

One of the fundamental stakes for the working class today is to redefine itself as a social class, digesting all the modifications which capitalism has imposed on its functioning and composition. As long as it keeps the capacity to respond subjectively to the questions raised by the current period, it maintains its role as an active agent and motor of historic change.

Rose
March 2000

Debate

Promises and pitfalls of 'The Battle of Seattle'

The text which follows was written by a comrade who intervened with a leaflet in the protests against the meeting of the World Trade Organization that shutdown the city of Seattle last November. By and large, revolutionaries have reacted to the events in Seattle in one of two ways: for some, the Seattle protests, with their violent confrontations with the police, was a turning point in the class struggle against capital, in which the "social peace" that has largely prevailed since the 1980's was finally shattered; for others, the Seattle protests were under the control of the leftists and unions, and unfolded on the political terrain of capital itself. For us, the events in Seattle cannot be reduced to either of the above scenarios. Whether Seattle represented a breach in the fortress of capital will only be determined post festum, through the subsequent unfolding of events. That is because, on the one hand, what brought thousands onto the streets of Seattle was a determination to resist the juggernaut of capitalist globalization, an incipient recognition that globalization had rendered sectoral and even national frontiers superfluous, while on the other hand, the political organizations that dominated the protests sought to confront the disastrous effects of globalization with reactionary calls for protectionism, Third World nationalism, and even America First. It is quite possible that the forces of capital will recuperate this incipient movement against globalization, but the outcome is not determined in advance. It is also possible that the anger and frustration that exploded on the streets of Seattle, and that was focused on the WTO, will overflow the protective dikes established by capital; that those who protested will recognize that there can be no alliance with factions of capital, and that class struggle must have its base at the point of production, even if that point of production is no longer the Fordist factory that dominated the capitalist landscape for most of the twentieth century. And here too, Seattle may mark a breakthrough for the working class: not just because it took the forces of order by surprise, but because it may represent a shift away from the struggles of the past, based on the Fordist factory, to a struggle based on circuits of production which are both decentralized and global in nature. Seattle was certainly a response to the effects of globalization, though a response that capital may well contain. But, it also might just become the harbinger of a class reaction within the new globalized point(s) of production, and both the material and immaterial labor upon which it is based.

Some have called it 'five days that shook the WTO'. There is no doubt that the various protests in Seattle during the week of November 30, 1999 (hereafter referred to as N30) against the inauguration of the 'millennium round' of meetings of the World Trade Organization sent shock waves around the world. What the shock waves reliably transmitted is the information that there is now a militant, growing, international mass movement in resistance to the push by international capital to economic globalization. But this "movement" - by now usually referred to as the "anti-globalization movement" - is extremely heterogeneous in its composition, consisting of both openly pro-capitalist "fair trade" protectionists and the "direct action" radicals who claim to be not just against globalization, but against capitalism itself. In fact, the "fair trade" faction itself is highly heterogeneous, consisting of most of the unions of the AFL-CIO (as well as their Canadian counterparts), the major mainstream environmentalist organizations such as Greenpeace, the Sierra Club, and the Green Party, various social-activist religious groups, more or less moderate third-worldist

groups such as Global Exchange and the International Forum on Globalization, some feminist groups, as well as some left-liberals and social democrats, various landless peasant organizations from various "developing" countries, and even arch-conservative "fortress America" forces such as Pat Buchanan and his followers.

What "shook the world" was that, as Loren Goldner wrote, "there was, in the patent lack of official preparedness for what happened, an unrepeatable singularity ... an opening to exactly that element of the unknown and unexpected that characterizes a situation momentarily beyond all manipulative control, whether by the state or the unions or the 'left', when power lies for a moment 'in the streets'. In 24 hours, Seattle ripped away the 'one note' unanimity of the tolerated 'public discussion' of international economic issues of the past 20 years or more." ¹ Furthermore, the

¹ Loren Goldner, "Seattle: the first U.S. riot against 'Globalization'?", in *The Bad Days Will End* #1, and in *Discussion Bulletin*, #100.

"Seattle events gave a concrete target to opponents of the seemingly abstract forces that have made action on the appropriate level so difficult for so long. ... there was a genuine whiff of the spontaneous awakening, in the heat of confrontation, to the power of capital and the state that has not been seen in the U.S. since the sixties ..." (ibid.). Thus what took place in Seattle constituted a major breakthrough, in that it demolished the prevailing consensus of "public opinion" that within (at least) North American society capitalist globalization was seen as inevitable and its opponents were, if not non-existent, at best marginal, poorly organized, economically ignorant or else unwilling to face the present and future - in a word, inconsequential. Public consciousness was, in the matter of a couple of days, shattered with regard to a whole host of key social issues: about whether the "neo-liberal agenda" (i.e., the agenda of globalization, freeing up all restrictions on the movement and functioning of capital worldwide) is inevitable, since every big corporation and all of their lobbies and other mouthpieces, every major newspaper and other organs of the mass media, every powerful state, and every multi-state international organization controlled by the most powerful states (e.g., the G7, OECD, EU, NAFTA, and of course, the WTO itself, the IMF and the World Bank) are all pushing this agenda; about the role of the police and other repressive organs of the state vis a vis peaceful protest, the expression of dissent, and "the right to free speech", whether these forces are politically "neutral" (as bourgeois democracy claims they are) or whether they in fact serve the interests of the rich and powerful before all else; about what if any alternatives there are to the "neo-liberal" agenda; about whether there is a "new movement" militantly opposed to the "neo-liberal" agenda and its assortment of attacks on the rights and conditions of life and work of the poor, the working class, small farmers, indigenous people and poor peasants from "developing" countries; and about what sort of strategy and tactics such a movement would need to be able to decisively confront the whole of the (forces behind) the "neo-liberal" agenda. No wonder the world was shaken!

An embrace of a global perspective

For internationalist revolutionaries, discussions and debates about the "Battle of Seattle" have largely concerned what significance the protests have in relation to the class struggle and what if any effects they might have on the development of class consciousness within the recomposing global proletariat in this new century. For me, the anti-WTO/anti-globalization movement is significant because it brings to the surface changes in class consciousness reflecting more or less the following line of thought: do we continue to submit as atomized individuals to the increasingly merciless exploitation and destruction (of both people and the natural environment) imposed on us by capital and the state, thereby contributing our own labour

and wages to the increasing power of this state/capital machine; or do we instead stand up and join together on an international scale in mass collective resistance to this ever more destructive force? To me, this is a real step forward in consciousness. While a group such as the ICC will look at Seattle N30 and see only leftist organizations, trade unions, and (presumably 'petty bourgeois') students, it can't be denied that of the 50,000+ protesters, a significant number - a majority without doubt -- were proletarians, whether or not they took part under the auspices of a union or leftist organization. If one wanted to, one could argue that such proletarians were simply duped by their 'leaders', that all the efforts and costs they went to to participate in the Seattle N30 action were entirely under the false consciousness of leftist or trade unionist ideology; or, one could instead recognize that a real 'grassroots' upsurge has burst on the scene and it possesses a very real potential to move beyond the limits that the leftists and the unions want to impose on 'the movement'. Workplace struggles are isolated, local (to begin with at least, and almost always in the end as well), and the real forces at work (society wide, if not global forces) are usually obscure at best. The understanding such struggles manifest is typically sectoralist and fragmented, rarely if ever globalized. (And of course the trade unions play an absolutely crucial role in this process of limitation and retardation of consciousness.) On the other hand, the consciousness on display in Seattle showed a real maturation, including on a political level; determinedly away from the local, isolated, separate existence people are normally subjected to, here was an embrace of a global perspective and the opening up of the opportunity for an actual global practice. (A popular leftist slogan goes: 'Think globally, act locally', clearly an attempt to confine 'activism' to the localist ghetto; I think it will become increasingly clear to capital resisters, especially proletarians, that what we really need to begin doing is acting globally as one united international force.) Their globally oriented action and consciousness reflect a real maturation within the class, a forward movement of class consciousness. Our aim must be to foster and accelerate this maturation through our interventionary activities.

I discussed these matters with the CWO (Communist Workers Organisation) and with IP. In a largely excellent "Declaration on the Seattle/WTO Summit", written before N30, the CWO/IBRP argued that globalization is inherent to capitalism, that it began long before the creation of the WTO, that its frenzied push results from the permanent crisis of capital, that street protests won't prevent it; as well, they characterized and denounced some of the dominant groups protesting and their demands and aims as essentially leftist reformists. They implied, however, that there were no elements of the working class at the protests not under the control or influence of such reformist organizations. Thus, in response to their claim that "protesters include Friends of the Earth and Christian Aid, trades unions, anarchists and left wingers, as well as small farmers and traders from some of the world's poorest countries. Their demands vary from a change in the WTO rules so that there will be 'fair trade for the benefit of all' to getting rid of the

WTO all together so that the monstrous gap between rich and poor that capitalism has created over the last twenty years can be reversed", I wrote to them that "In your statement on the confrontations over the WTO Ministerial, you neglected to mention that there were many ordinary proletarians in Seattle who were not there to demonstrate under union banners or leftist group banners. And that they were demonstrating against the WTO as an organization symbolizing globalizing capital. These proletarians have few if any illusions that abolishing the WTO is the same thing as abolishing capitalism. However, many of them do see the movement to destroy the WTO as an important part -- a first step? -- of the broader, longer-term struggle to resist capital and the state. Many of them believe that if this movement can succeed in abolishing the WTO, that it will represent a positive effort towards resisting global capital's increasing domination and destruction of all life on this planet, as it will both help to foster a much greater awareness amongst the proletariat of the stakes involved at this turn of the century and millennium and that it will help to 'empower' the proletarian masses by showing them that we -- ordinary working, or unemployed, people -- are capable of standing up to capital and the state and stopping in their tracks their programs of ever-greater exploitation and destruction." Since the IBRP statement on Seattle was written before the protests took place, it made no mention of the fact that American longshoremen all along the West Coast shut down every port in solidarity with the protests on N30. Neither did it mention rank and file workers' resistance to the tame AFL-CIO led protest. Thus, I pointed out to them that "several thousand union members in the union parade saw what was really going on and actively broke through the union 'security' goon line to join up in active solidarity with the 'radicals'. If this is true, this event in itself represents a significant step forward in workers' class consciousness in North America." ²

Party-fetishism

Finally, concerning the question of future resistance to capitalist globalization, I gave the following response to the IBRP: "You write: 'Once the people who produce capitalism's wealth begin to wake up to the fact that there is an alternative to capitalism and that it lies within their grasp....then protests like today will fade into insignificance.' But it is the beginning of this waking up that Seattle N30 represents; but not yet so much that there is an alternative to capitalism, but rather that there is a massive and rapidly growing opposition to capital's

increasingly destructive domination of all life on earth and that this opposition is not just confined to this or that sector of the class but is instead generalized throughout the whole class. It is the beginning of a waking up to the fact that we don't have to individualistically submit to capitalist totalitarianism, a waking up to the fact that there is a growing resistance movement emerging which can foster solidarity, awareness, and community in struggle. It is true there are still many confusions in this movement, particularly those concerning bourgeois democracy. And it is also true that at this point in time we are not talking about a class movement, but rather an inter-class one. However, to not see the turning around from a state of apathy and resignation amongst (atleast a segment of) the proletarian youth of North America to one of resistance, solidarity, increasing awareness of the reality of globalizing capitalist domination, and renewed hope for our future -- that we poor proles can have an impact if we act collectively and militantly -- is to miss the significance of what happened in Seattle. It will be the role communists to help demonstrate to increasing numbers of proletarians what is the real alternative to capitalist barbarization."

The CWO's response to me (see *Revolutionary Perspectives* #16) claimed that: "As we don't think the unions, the ecologists or the Christians have a minimally anti-capitalist agenda, we plead 'not guilty' to the charge of ignoring the possibility that there would be proletarians there!" I must admit that the logic of this argument escapes me. On the question of future resistance, the CWO argued that: "For us, Seattle, and events like it, are not where the real class battles will be won and lost. ... If there were waves of strikes demonstrations like Seattle would turn into something more - confrontations which lead to threat to the state. This would indeed be a new beginning for the working class.... For us the overthrow of capitalism will be a conscious act of the working class. For this the working class need to be organised politically into a class party."

But the working class is not going to begin - at least not at this point in history - with waves of strikes linked with protests like the ones in Seattle. Such waves of strikes can't come out of thin air, they must originate from real material conditions, both objective and subjective. Insofar as the CWO ignores this reality, they abandon historical materialism in favour of idealism. While on the question of our class needing to be "organised politically into a class party", I replied that "I strongly reject this Leninist conception. For me, for the working class to consciously overthrow capitalism, the class must rather be organised generally into workers' councils. However, I am not a councilist. My position on the role of the revolutionary political organization -- of which there may well be more than one in the revolution -- is in the tradition of the German-Dutch communist left: its function is to provide a global coherence and historical perspective within the councils which permit as much of the class as possible to understand their position within the historical movement towards communism. More generally, the political organization acts as a catalyst or accelerator of the

² On this point, Goldner in his text is dead wrong when he writes that "throughout, the trade union bureaucracy remained firmly in control of the worker contingents (determined, and successful, in their plan to have nothing but a peaceful, disciplined, unthreatening march independent of, if not indifferent to, the 'crazies' of the direct action groups), and few if any workers seriously challenged that control."

development of the class consciousness of the proletariat. The party only encompasses a small minority of the class, that fraction which elaborates and defends a revolutionary marxist programme. It does not organize the class as a whole. The class as a whole, rather, organizes itself. This is the real meaning of the phrase that "The emancipation of the working class is the task of the working class itself." It is the only way for communism to come about. A minority fraction of the class cannot do it in place of the vast majority. The party represents a compass for the class, and it does so by collectively arguing within the unitary organs of the class (strike committees, councils, etc.) for the class to take a course in its most profound actions which accord with the party's programme. The party's key contribution is the clarity of its programme and theories, and its ability to relate that programme to the various moments of the revolutionary process. Its theories analyze and reveal the existing social conditions the revolutionary movement finds itself in -- conditions constantly changing -- while its programme points out the general course to take. It is up to the vast majority of the class to collectively decide, at every moment in its struggle, what it will collectively do, and then to do it."

Our voice must be heard in this movement

My debate with IP was more fruitful. It was sparked primarily by a leaflet I wrote (under the pseudonym "Wage Slave X") and distributed at an open meeting in Vancouver organized by "veterans of the Battle of Seattle" (mostly from the direct action faction) to recount and present their experiences of the protests and to openly discuss what was achieved and what wasn't. The leaflet, entitled "On the Anti-WTO Movement", carelessly characterized the "movement" as a "Popular Front". I went on to claim that "at this early stage this is not at all a 'bad thing'; it is, in fact, given the balance of social forces, necessarily unavoidable." Then, assuming, without argument, that this new movement will develop into something "beyond what it is presently", to become more radical and far-reaching, I predicted that this "front" - between "radicals" and "moderates", between "anti-capitalists" and "pro-capitalists" - will collapse as the radicalization process would increasingly lead to the moderates discrediting themselves before the radicals. With these characterizations and predictions as a basis, I went on to propose that " ... all genuine anti-capitalist tendencies that have been re-energized by what happened in Seattle ought to make their positions, their critiques, their radical proposals for real social change known as widely as possible, and not just 'within the movement'. Until Seattle N30, the very idea of anti-capitalist revolution was widely considered moribund, a dream that was dead. Now, many, many people who had nothing to do with N30 are opening their minds to anti-capitalist ideas. They want to hear about serious alternatives to the increasingly bleak future capital has to offer us. Do we not, as revolutionaries with relatively

developed anti-capitalist theories and positions, have -- dare I say it -- a 'duty' to make them as publicly known as possible? And further, shouldn't we, within the movement, try to organize some sort of radical anti-capitalist tendency? Not so as to engage in the typical bourgeois political manoeuvring and intrigue, but rather, so that we can learn as early as possible who our real allies are, and thereby prepare for the future situation alluded to above, when the movement either moves beyond the WTO or else disintegrates."

In response to this text, IP (in the person of Mac Intosh) offered a number of criticisms: "First, the term 'popular front' which you introduce is a dangerous one, freighted with the legacy of Stalinism in the 1930's, and entailing an alliance with 'progressive' (sic) factions of the bourgeoisie. The fact that factions and political organizations of capital were present in Seattle N30 is not the issue; what is, is a term -- popular front -- which entails alliances with certain factions of capital, a strategy that must be repudiated, and which is a class line. In that sense, a popular front would indeed be a 'bad thing', though it seems clear to us that that is not what you intend."

" Second, saying that it makes 'perfect sense' for the movement at an early stage to comprise the trade unions and environmentalists (and the leftists too) is fine if it is clear that what is meant is that organizations hostile to the WTO (or to its present composition) will try to limit and divert the movement from becoming anti-capitalist. But that presupposes that a clear line is drawn between those organizations and their objectives and those of the communist movement. The drawing of such a line is not the inevitable outcome of the development of the movement, but rather, at the minimum, requires clarity on the part of revolutionaries at each stage of their intervention. After all, powerful forces which are committed to the system of value production were active in Seattle N30: the unions, which oppose the WTO only because they want a seat at the table, because their vision of order is based on tripartite bodies, which include the state, employers, and the unions, to administer the capitalist system; representatives of capital who oppose globalization, and remain committed to the nation-state as its organizing principle, and who thereby fear and oppose the loss of national sovereignty (the far right in the US, protectionists, etc.) or who resent American domination of global capital (the far right in Europe, for example); and leftists, who remain committed to a different -- neo-Stalinist -- model for the organization of capital. While these latter two are not the dominant factions of capital in any country, they may gain popular support and power in the face of an open economic crisis. In addition, some libertarians, anarchists, those in Europe designated as 'autonomes,' for whom destruction of private property and the symbols of capitalism, are the goal, for whom confrontation for confrontation's sake is the objective, for whom that kind of action is the sole meaning of a 'carnival of resistance,' while they express a rage against capital, have no perspective for its abolition, and can even play a

role in diverting the movement from the task of posing an alternative to its reign."

Mac Intosh went on to argue: "Indeed, it is possible to conceive of several outcomes for the anti-WTO movement besides the process of radicalization that you point to. One would be a modification of the organization of the WTO, such that the unions and environmentalists would participate in its governing body. That seems to be the clear objective of the AFL-CIO, and the Sierra Club, for example, and even has the covert support of the Clinton administration and the Democratic Party. Another, would be the dismantling of the WTO, or withdrawal from it, which is the goal of the far right and protectionist factions of capital in the industrialized countries. A third outcome is the radicalization to which you point, in which the movement goes beyond an anti-WTO movement to become a mass struggle against capitalism. That outcome will not result from a popular front with the capitalist factions of the anti-WTO movement. Indeed, such an outcome seems to depend on clearly drawing the class line in all our interventions, and also politically separating ourselves from the anarchists, whose actions lack any perspective for the abolition of value production."

I responded that "I do indeed realize that the term 'popular front' is a dangerous one. I agree that anti-frontism is a class line for revolutionaries and the proletariat.

"My usage of the term was casual and regrettably careless, perhaps contributing more confusion than clarity to the discussions occurring inside of the anti-WTO movement. What I meant was simply to indicate the extraordinary diversity of the groups that make up this 'movement', with the added suggestion that this 'front' is composed of both 'moderates' and 'radicals', 'reformists' and 'revolutionaries'. This 'front' is of interest because the mobilization in Seattle brought together 'radical anti-capitalists' and 'moderates' (e.g., the AFL-CIO, the Sierra Club, etc.) in their shared opposition to the WTO. Yet the fact is these two different currents really had virtually nothing to do with each other either before or at Seattle N30. (They were not part of one big 'coalition', which is the least that a 'popular front' would entail.) Both currents -- which, separately, could each be described as a very loose 'coalition', one 'moderate', the other 'radical' -- simply mobilized their forces to be there and to protest in their own different ways. In fact, there were really two different protests in Seattle on N30: the peaceful, orderly, legal march and rally led by the AFL-CIO, and containing all the 'moderate' environmentalist, religious, etc. groups; and the other one by the militant radicals, via the Direct Action Network (a loose, temporary coalition), which actually shut down the WTO on N30 (and was obviously illegal), and thus provoked the state's repressive response. (The actions of the few dozen 'anarchist trashers' provoked no such response; rather, they provided the excuse, the legitimation or rationalization, post hoc, of the state's response, by the organs of the mass media, for all those 'citizens' who weren't there and don't know any better.) While the two protests were spatially contiguous, they each began and ended several hours apart,

and the forces of state repression repressed only the 'radical' one. Although many new alliances were developed amongst many different organizations, there was/is no single alliance or coalition comprising both 'radical' groups and 'moderate' ones."

I felt it necessary to point out that "I am fully aware that '... a mass struggle against capitalism ... will not result from a popular front with capitalist factions of the anti-WTO movement.' I had hoped it was clear that I was trying to orient 'radical anti-capitalists' within the movement away from alliances with capitalist factions and towards alliance (or at least co-operation and discussion) with other anti-capitalist or revolutionary elements." In my view, the political perspective to which I adhere 'belongs' in some way or some sense within the radical current of the 'movement'. I believe my perspective's voice should be heard within the movement. I believe this because I feel strongly that, if not yet then eventually, this voice will be seriously considered and respected within the radical current as, in some sense, 'belonging' there. At the same time, I realize that eventually, down the road, an internationalist communist perspective will find itself opposed to pretty much all other tendencies, within (even) the radical current."

In response to Mac Intosh's suggestion that I was minimizing the danger and threat of the pro-capitalist factions within the "movement", while overemphasizing the tendencies towards radicalization, I wrote: "Of course, all of the 'moderate', 'reformist' leftists are going to be there at the head of this 'new movement'. How could it be otherwise? And of course they are attempting to totally dominate the movement and to ensure that it stays within the bounds of bourgeois order and respect for authority. I do not believe I underestimate their abilities to recuperate the movement, to make it safe for capital and the state. However, in my view, there is a very strong tendency within the movement (especially amongst the the younger participants) to move beyond the bounds the leftist recuperators aim to impose on it. For example, as far as I am aware, there are few illusions among the radicals that it will be possible to 'radicalize' the unions. In my view, as the movement develops, regardless of what is 'accomplished' (in terms of changing society, i.e., forcing the state/capital complex to scale back or discard its most ambitious projects), the leftist recuperators will be increasingly seen by 'movement participants' as reactionaries devoted to state capitalist order and therefore against any really significant social change. (Of course, intervention by revolutionaries will greatly facilitate this tendency.) To a certain extent, this has already begun to occur: the most reactionary of the leftists have already exposed themselves as such by publicly denouncing the 'anarchist criminals'. (New 'enemies' have been made as a result, complementing the many new 'allies'.")

Is there class struggle outside the workplace ?

Some of the most important parts of this debate concerned the forms and terrain of the class struggle in this new era of restructuring capital and a recomposing working class. "Mac Intosh wrote: '... the radicalization of the movement to which we are dedicated cannot occur within the anti-WTO movement itself, even with a clear political perspective, but will be dependent on the development of the class struggle at the workplace(s).' But does the class struggle only exist within the workplace(s) or must it always originate from there? What about the unemployed and other sections of the proletariat which have no connection to any workplace(s)? There must be a social space outside of the workplace(s) where a mass class struggle between the proletariat and the ruling class can take place. There must be a means whereby the proletariat can come together regardless of workplace or any other form of division and separation to fight as one unified class against the state/capital complex."

"We internationalist (left) communists speak of -- and have spoken of for 90 years with Luxemburg and Pannekoek -- the need for MASS ACTION against capital and the state. Well, here, in Seattle on N30, we had a case of mass action, a large part of it -- the key part -- self-organized (by proletarians and students) which effectively accomplished something; which is something we haven't seen in North America for I don't know how many years. Of course, the political mass (or general) strike is for us the class' ultimate weapon, its ultimate form of struggle against the state/capital complex. But aren't there other, 'lesser' forms of mass action against the s/c complex which fall short of the general strike? Forms such as just what we saw in Seattle? Of course, a key problem is that anyone, proletarian, lumpen, peasant, petty bourgeois, or even ruling class member, can take part in such actions -- and without any doubt, members of all of these classes and strata did participate in the protests in Seattle. At this early stage, the struggle is still on 'the terrain of capital'. Yet, how could it be otherwise? The question is: which direction does the struggle (or 'movement') take? ... further onto the terrain of capital or ... increasingly off that terrain and onto the terrain of the world proletariat? And here the question arises: what form/content of collective action beyond workplace based job action is on the proletariat's terrain?"

"For us revolutionary marxists, the class struggle emanates from the workplace(s), from the point of production and exploitation, but the workplaces are separate and divided. At the same time, for us, the class struggle, to reach a successful conclusion, must generalize across all divisions and separations, including national boundaries, to unify in one global struggle against global capital and all of the ruling capitalist classes and states. Workplace struggles typically arise out of the conditions specific to those workplaces, thus making generalization very difficult,

especially in this period when the state has developed sophisticated techniques for dividing the proletariat and sequestering and sterilizing those workplace struggles which do break out. On the other hand, the anti-WTO/anti-globalization movement is already a generalized global movement (implicitly or potentially) confronting global capital. Granted, it is not at this time a proletarian movement; it is a movement that is presently operating on the terrain of capital. But there are many globally aware proletarians within the 'movement' who see what the ruling class is up to with the WTO, who recognize the agenda, and do not want to wait, isolated in their own (individual or group) specificity, for the harsh attacks on us all they see coming. They possess a militant will to fight the agenda and project of the 'globalizers' NOW with as many other 'globalization-resisters' as possible on as broad a (geographical/global) scale as possible, as one united force; to begin the struggle of mass collective resistance before it's too late. We know that in the course of this struggle they are going to find themselves in the company of a number of reactionary forces, groups from other classes, and of course the trade union and leftist organizations, all of which will try to attain ideological hegemony within the 'movement'. We must try to grasp what potential (if any) for the development of proletarian class consciousness is contained in this movement."

A later contribution by Mac Intosh made some important points about transformations in the very nature of the "point of production" and their consequences for struggles based there. "struggle at the point of production will erupt onto the streets and public space; that is a condition for revolution. However, without its base at the point of production, the battle in the streets has no real perspective, no class basis. What was lacking in Seattle was precisely that element. That raises another point: in capitalism at the beginning of the 21st century, the very meaning of the term "point of production" has undergone a profound change. The age of Fordism, with its concentrations of blue collar workers in vast factories as the cutting edge of capitalist production is over. In a certain sense, 1968, and the struggles of the 1970's were its last gasp. Both to avoid the danger of such proletarian concentrations, and because of fundamental changes in technology and the organic composition of capital, with their requirement that surplus value now be extracted from a 'collective laborer,' capital has transformed the point of production. This latter is not confined to a discrete geographical space (the factory, mill, or mine) so much as to a global network and a cyberspace. This has also resulted in a recomposition of the working class. All those changes have themselves transformed the conditions, though not the necessity, for the development of class consciousness."

A perspective for radicalisation

In a later contribution to the debate, I tried to flesh out what potential for such development of class consciousness I then saw in the anti-globalization movement. "What I see are tendencies and potentialities, possibilities. What I do not see is the anti-globalization movement as a whole transforming itself into the revolutionary proletarian movement. What I see is a fraction of the existing movement radicalizing itself increasingly, especially in the face of the increasing timidity of the 'moderate' (i.e., openly pro-capitalist) factions. If such a tendency is able to develop the rudiments of a revolutionary coherence (and by this I do not mean anything resembling a full-fledged revolutionary coherence, but rather, a tendency towards coherence), and, if it is able to develop any kind of momentum, then ... what? I must admit, I'm not sure. I never did entertain any fantasy about such a movement being of anywhere near the importance of a mass strike movement. At best, it would be some kind of auxiliary to, or agitation-propaganda platform for, a mass political strike movement. It would confront and contest the operation of the major international institutions representing -- and, as institutions, merely symbolizing -- global capital, pushing for a generalized, global, proletarian assault on all of the organizations of capital. In this way, it could, perhaps, play a significant and positive role in the development of revolutionary consciousness; but only if it is able to link itself to an international generalizing workplace-based struggle/movement. Perhaps such a scenario is not possible in this period. Perhaps any such movement is bound to disintegrate or decompose in the face of the state-capitalist monolith. Perhaps the most that such a tendency could give rise to -- as a result of the impossibility of permanent proletarian struggle under the real domination of capital -- is new elements forming new discussion groups, and some of them, consequently, entering the international revolutionary milieu of political organizations. I'm not sure. Perhaps such a tendency could do no more than reflect the deepening and extension of revolutionary consciousness in the proletariat, especially its tendency towards global unity. (For me, this would still be a significant and positive development, insofar as this 'subterranean maturation' would otherwise not be reflected in anything on the surface of social reality.) However, I am presently inclined to believe that it could do more than this, that it could have a positive influence on the development of revolutionary class consciousness, even if it also contained a few less than revolutionary aspects (i.e., aspects infected by capitalist ideology). Perhaps acting as a magnet, attracting proletarian elements discontented with the state-capitalist order, regrouping them (though not necessarily, and in fact, most likely not, in a single organization) in a militant movement

confronting the dominant institutional forms of global capital, <against capitalism> and <for an alternative society>, it seems to me at least possible that it could foster a deepening and an extension of class consciousness. At the same time, I have no illusions that such a state of affairs could last indefinitely. Most likely it would end up recuperated by radical leftism, but before that it could have a positive effect on the class and its struggle, it could point the way -- roughly and not without confusions, but nonetheless a signpost -- towards total global confrontation by the world proletariat with/against global capital and all its ruling classes. The leftist recuperation would thus be a major step backwards, but, if it is accompanied by a loud and relatively coherent split, refusing to be co-opted by leftism, real lessons could be learned and a corresponding development of consciousness (atleast for this minority fraction of the class, but probably also for many others not directly involved) could take place. All of this is of course very much a matter of looking into the mists of the future. And looked at soberly, it doesn't seem very likely. Perhaps other scenarios are more likely. But I refuse to reject the possibility that something coming out of this movement -- regardless of how small a fraction of the movement it represents -- could act as a spark, a sort of wake up call, to the class in general, to start confronting the really big questions facing us all."

Of course, the real problem with this scenario becoming an actuality is that since the struggle -- insofar as it is isolated from struggle at the point of production -- does not take place unequivocally on the terrain of the proletariat, the ideological forces of the real domination of decadent capital ensure that any factors or elements conducive to the development of working class consciousness are effectively suppressed. Thus the question comes down to whether or not a fraction of the "movement" is able to separate itself from all pro-capitalist factions, to develop a tendency towards a proletarian praxis, and, most importantly, to unite with an international, generalizing workplace-based struggle. On this, I think, there is agreement between IP and myself. One question that remains open, however, is whether or not IP's insistence that a revolutionary, anti-capitalist praxis can only emerge from the collective worker at the point of production neglects or (inaccurately) denies the potential for the development of proletarian consciousness by the unemployed and other segments of the class apart from the workplaces. Hopefully, further contributions to the debate within the milieu will address this question.

E.R./Wage Slave X
Vancouver, Canada
June 2000

The roots of the capitalist crisis

Fifth part

The law of value on the world market

Crisis? What crisis? The present state of the economy in the west may seem to mock everything we've written before in this series about the inevitability of the collapse of the capitalist world economy. Capitalism, at least in the most developed countries, does not seem to be doing so badly. Huge profits are being made and some sectors are growing so fast that they can't find enough workers. Driven by information technology, a "new economy" appears to be booming. Globalization opens new markets which have, according to the business press, a very promising growth potential. As they say: if every Chinese buys but one can of coke a year, Coca Cola will be very happy. And if every Chinese buys a car, that may spell a global ecological catastrophe, but also big profits for the auto-industry.

We think that the analysis that we developed in this series, is not only not disproven by the present economic growth in the West, but also shows why the overall deepening of the crisis of the capitalist economy, goes, at this time, hand in hand with increased prosperity in its most developed part, which rises momentarily higher above the water, while the rest of the ship is sinking.

This series of texts has attempted to show the dramatic changes in the operation of the capitalist law of value globally, as well as how these changes have affected the actual operation of the global capitalist economy. So it has moved from the high level of abstraction, necessary to grasp the immanent tendencies of value production, to the way in which these tendencies actually manifest themselves in a specific economic conjuncture and unleash crises. In analyzing the operation of the law of value, it is important to remember that one cannot simply transpose an analysis of the immanent tendencies of value production on the global level to a prognosis for the time and place of the outbreak of a conjunctural crisis, which would ignore the role of contingency in history and the complex ways in which political and cultural factors intervene in, and can modify, the way in which the tendencies of value production actually unfold, especially since the law of value has invaded every sphere of social life, thereby exploding the very categories of base and superstructure. Like Marx's old mole, the tendencies that we have analyzed shape and reshape the landscape of social life, even as bourgeois economists proclaim their new economic paradigms.

However, there was a weakness in our analysis: its assumption that the law of value, and the laws of motion of capital, operate on the world market in the same way as on a national market. That is not the case and it's important to see the difference in order to understand the present state of affairs. The following text attempts to do that. The analysis it develops, provides answers to two essential questions on the world economy and its future. The first is about the source of profits. Huge profits are being made in the "new economy" which attracts capital from all over the world. Marx's analysis shows that all profits are surplus value, unpaid labor time, in origin. Is this surplus value extracted in the 'new economy' itself or does the latter obtain most of it on the market? In other words, is technology-induced productivity-growth the direct source of this increase in surplus value or does the profit come from the globalization of the market, and the advantageous market-position of the new economy, which allows it to sell its commodities above their value and buy others below their value? The answer to that question has great implications. If the first hypothesis is correct, then capitalism's future lies in the hands of the goddess of technology. If the second is true, if the increased profitability of western capital is the result of an increased transfer of surplus value, then the health of developed capital depends on the participation of less developed capitals in global trade.

That brings us to the second question. Can globalization create a horizontal development of capitalism and so expand the global market? Industrialized capitalism did follow a pattern of horizontal development until the early 20th century, spreading from England to the European continent, North America, Japan... But since then, very few countries have joined the ranks of the developed ones. Despite the obvious advantage horizontal development would have for the market-expansion of developed capital, it hasn't happened. We must understand why, in order to know whether it is possible today. So far, Marxists haven't adequately answered these questions. We hope this text does.

“...from no source do so many errors and so much differences in opinion in that science proceed, as from the vague ideas which are attached to the word value.”
(David Ricardo)

A mistaken assumption

In my presentation for the discussion on the economic foundations of capitalist decadence at the IP-conference in May 1999, I emphasized the role of surplus profits as a motor of capitalist accumulation, shaping the specific dynamic of capitalism's history. In capitalism's ascendant period, industrial capitals obtained enormous surplus profits within the sectors in which they grew, by producing commodities whose individual value was much lower than the market value at which they could be sold and pocketing the difference; and by unequal exchange with sectors not yet or barely touched by industrialization, exchanging less value for more, thanks to their great advantage in productivity-growth. It was the heterogeneity of the conditions of production that made the surplus profits of industry possible, but as industrialization proceeded, these conditions became more homogenous. I pointed out that, in the second half of the 19th century, this led to a (tendential) equalization of the rate of profit in the developed capitalist countries, which spread the (tendential) fall of the rate of profit that resulted from the steady rise of the organic composition of capital (the relative decrease of living labor in the production process), horizontally within the national economies. In the same period, the scale-enhancement of the means of production, entering the era of mass-production, made the prospect of a structural imbalance between the productive forces of developed capitalism and the market which it could generate within the restrictions of its relations of production, inevitable. So in this period (the end of the 19th and the beginning of the 20th century), developed capitalism greatly expanded its foreign trade, in search of surplus profits which were disappearing on their domestic markets. This led to increased international competition and uniform world prices. With this, so I claimed, the same tendency as the one which had created a general rate of profit on a national scale, began to operate internationally, so that internationally also, this had to lead to a tendential disappearance of surplus profits. This then exacerbated for the total capital the decline of the rate of profit and the market-contradiction which appeared earlier on a national scale. This seemed crucial to me to understand the qualitative change in the overall context of capitalism, and explained why it entered a period of convulsions in which the growth of its destruction would be as impressive as its productive development, in other words, why it became decadent.

However, the latter part of this reasoning was misleading, in that it made it seem that the equalization of the rate of profit could proceed internationally as it had done on a national scale. Manifestly, it didn't. If it had, not only would we not see the enormous difference between the

profit-rate in advanced and backward countries which we see today, but we also would see a (tendential) equalization of real wages, of the rate of exploitation, of the organic composition of capitals, of prices, in short, a homogenization of the conditions of production. What we have seen in this century is the opposite, a widening of the gap. The history of capitalism can't be understood if one ignores the obstacles to an international equalization of the rate of profit. In my text on “The roots of the crisis...”, there are several formulations that betray that mistake. In *Revue Internationale du Mouvement Communiste* #14, Communisme ou Civilisation (CouC) criticizes us (and others) on this.¹ I must concede that on this point CouC is right and I was wrong. In this text, I want to examine this issue -how does the law of value operate in the world market- and its implications for our understanding of capitalism and its crisis.

The passage from our crisis-series which CouC specifically criticizes, is in the first part, in which I wrote:

“During capitalism's ascendant period, other nations could catch up with England's formidable lead in productivity, precisely because the relative separation of national markets created differences in the national average of profits, so that capitals with a lower organic composition could use their higher profit-rates to fuel their own industrialization process. In decadent capitalism, this has become impossible, not only because of the ever higher threshold for capital-formation but also because of the global equalization of the general rate of profit (...) Today, the separation between rates of profit is disappearing. Furthermore, the more technology-intensive the world becomes, the less can production processes with backward methods fit into the global production-chain. All that these countries have left to offer is their extreme rate of exploitation.”²

On this, CouC writes that no worse example could have been chosen than England, because its productivity-advantage was not only overcome by other nations at the end of the 19th and beginning of the 20th century, but, during the course of what we call ‘decadence’ (a concept which CouC considers “history-fiction”), many other countries bypassed England in productivity. (This, in my view, does not answer the argument. It is not because there was a further relative decline of English capital over the course of the 20th century, that it is false that the crucial reason why England's productivity-lead was overcome by others at the end of the ascendant period, was the relative separation of national markets, reinforced by walls of tariffs, specific to that period). CouC further takes us to task

¹ June 1998. Since then, CouC no longer exists as such. Its political heirs can be contacted at: Robin Goodfellow, BP 48, 92163 Antony Cedex, France; or by e-mail: RobinGoodfellow@eudoramail.com. Website: www.mygale.org/00/rgood

² *Internationalist Perspective* 30-31, p.22.

for the last sentence of that quote, which, it says “turns its back to revolutionary theory” because “it is not in the backward countries, but in the most advanced ones, that the highest rate of exploitation prevails.”

We will come back to this point later on. The main bone of contention is the claim of a “global equalization of the general rate of profit”. CouC attacks this position, focusing on a quote from Grossmann who was commenting on an example Marx gives in *Capital*, vol 3, which showed that the value of the product of an Asian country contains a higher rate of profit than the value of the product of a European country, despite the fact that the rate of exploitation is higher in the latter. This is because the lower organic composition (C/V) of the Asian capital implies that more living labor, and therefore also more unpaid labor power has been used in its production, so that the Asian product contains more surplus value, even though a greater fraction of the labor power that went into the manufacturing of the European product is unpaid. Grossmann’s comment to that is (I paraphrase): yes, but commodities are not exchanged value for equal value. As on the domestic market, there is a tendential equalization of the rate of profit in international trade. Through the constant movement of capitals (expanding the most profitable production to the point of overaccumulation and starving less profitable sectors until underaccumulation raises their prices), values are transformed into prices of production which (tendentially) contain the same rate of profit. This average rate will be in between the rates of profit contained in the values of the Asian and the European products and be lower than the first and higher than the second. Thus, international trade causes a transfer of surplus value from the first to the second.

The implications of this position, says CouC, is that, the more the advanced countries (the “imperialist countries”, since they benefit from the transfer of surplus value) develop, the greater the gap between the rate of profit contained in their high C/V-production and the rate of profit of the low C/V “non-imperialist countries”, and thus the higher the rate of transfer of surplus value. On the other hand, the more they develop, the more of the world’s production is based on their high C/V production process, the more also the average rate of profit will be determined by, and thus be closer to, their original rate of profit, and thus the less surplus value is transferred. So “the relative importance (of the surplus value-transfer) diminishes when its absolute importance increases”. “That’s the magnificent result Grossmann’s theory leads to”, CouC sneers.

Marx, on the other hand wrote (in ‘Theories of Surplus Value’) that, “the equalization of values through labor time, and even less of production prices through a general rate of profit, does not exist in this immediate form between different countries.” According to CouC, there is no such transfer of surplus value in international trade, although it recognizes the role of transfers of capitals in the repartition of capital (seeking a higher profit) and it also recognizes that for interest rates, there is a tendency towards

international equalization. The reason for that is that financial capital is much more mobile than constant and variable capital. For the latter two, there are formidable obstacles, which prevent the movement of capitals from accomplishing internationally what occurred on a national scale: the establishment, through constant fluctuations of capital, of a general, average rate of profit and the homogenization of the conditions of production in the process.

The conditions of exchange on the world market

Commodities are not exchanged internationally on the basis of prices of production, CouC says. On what basis then are they exchanged? I must admit I find the explanations of CouC at times hard to follow, which may be due either to my limited grasp of the language of Voltaire or to CouC’s writing style or both. The best is, of course, to read the article yourself, but I shall do my best to summarize its analysis fairly while commenting upon it. The conditions of exchange on the world market, CouC says, “suppose the formation of an international value in a different way from the formation of production prices. The establishment of an international value, while taking in account the particularities of the world market, rather follows the constitutive logic of the market value within a sector”.³ If the formation of international values, upon which the uniform world market prices are based, follow the logic of the formation of national market values (which, historically and logically, preceded the formation of prices of production), they must be an average value, somewhere in between the (low) value of the most productive country and the (high) value of the least productive country, and closer to one or the other, depending on their respective weight in the market.

CouC stresses the following quote from *Capital*, Volume 1 (chapter 22, where Marx is explaining national differences in wages):

“It is otherwise on the world market, whose integral parts are the individual countries. The average intensity of labour changes from country to country; here it is greater, there less. These national averages form a scale whose unit of measurement is the average unit of universal labour. The more intense national labour, therefore, is compared with the less intense, produces in the same time more value, which expresses itself in more money. But the law of value is yet more modified in its international application by the fact that, on the world market, national labour which is more

³ *Revue Internationale du Mouvement Communiste* n° 14, p. 59.

productive also counts as more intensive, as long as the more productive nation is not compelled by competition to lower the selling price of its commodities to the level of their value. In proportion as capitalist production is developed in a country, so, in the same proportion, do the national intensity and productivity of labour there rise above the international level. The different quantities of commodities of the same kind, produced in different countries in the same working time, have, therefore, unequal international values, which are expressed in different prices, i.e. in sums of money varying according to international values. The relative value of money will therefore be less in the nation with a more developed capitalist mode of production than in the nation with a less developed capitalism. It follows then that nominal wages, the equivalent of labour-power expressed in money, will also be higher in the first nation than in the second; but this by no means proves that the same can be said of real wages, i.e. the means of subsistence placed at the disposal of the worker.”⁴

More on that last part later. The key phrase is “on the world market, national labour which is more productive, also counts as more intensive”. More intensive labor creates more value. If for Marx more productive labor counts as more intensive on the world market, does that mean that, in his view, productivity directly creates more value, a view which he explicitly rejected when he was analyzing capitalism in general, explaining that an increase in productivity, all other factors remaining equal, only means that the same value is spread over a greater quantity of commodities, so that their individual value drops accordingly.⁵ Is it possible that he would have held such a different and fundamentally contradictory position on the law of value in its national and international application?

CouC confesses that it thought so initially, that the above quote meant “that the value created by a worker of a country where productivity is higher, really is higher”.⁶ But later it concluded that “this is not necessarily the case, if it is a social phenomenon which translates into the establishment of what Marx calls “a false social value” (without further explaining this). To some extent, the value created by the worker in the more productive country is higher because the higher intensity of labor process, but that alone can’t explain why the international value created by the worker of the developed country is that much greater. Productivity counts, but not because it is, like intensity, directly responsible for the creation of more value in production but because of competition in the sphere of circulation. I assume CouC would agree with that, since it writes that the phenomenon is “de nature comptable” and is situated “on the level of the relative value of currencies.”

⁴ Marx, *Capital* vol.1, Penguin edition, p.702

⁵ *Capital*, vol. 1, p 656 and many other places

⁶ *Revue Internationale du Mouvement Communiste* n° 14, p. 53.

Indeed, the establishment of exchange-rates must be understood to grasp it. If the process of the formation of international values (and thus prices) is following the logic of the process of formation of market values in a national economy, there are nevertheless differences. Both processes result from competition, but a key-difference is that in the first case, this competition is mediated by the same currency and in the second, different currencies are involved. Within nations, competition has already led, first to the formation of market values and prices and later to their transformation into prices of production which are specific to the conditions of production (the degree of development) of each country. Then, competition intervenes a third time, to establish international values, uniform prices on the world market. These international values result from comparing different sets of production prices, each one as a sum equal to the commodity-value of a country (within which capital has moved around and established more or less homogeneous production conditions, including organic composition and productivity, rates of surplus value and of profit). The price of a commodity on the world market is thus a value-measure of something that has very different values, depending on where it is made.

That would be impossible if that price had the same meaning in all countries. Therefore the same price must express different values, different quantities of labor-time, depending on the level of productivity and of labor-intensity of each country. It can only do so if the differences in the levels of productivity and labor-intensity of the different countries are reflected in the exchange-rates, which ‘translate’ international values into the currency of each country. So the relative value of a currency “is in reverse correlation with the level of development of its productivity and labor-intensity”, CouC writes. Obviously, there are many other factors influencing exchange-rates, in particular all those that shape the supply of and demand for a particular currency: financial policies (restricting or expanding the money-supply) trade-imbalances, differences in profit-rates etc. But the relative level of productivity and labor-intensity is the base-line upon which these other factors act.

This has many implications. One, mentioned by Marx in the passage quoted above, is that the general level of prices is normally higher in a country with above average-productivity and labor-intensity. If a commodity has a world market price of \$50 and contains 1 hour of labor in country A and 2 in B, that \$50 expresses less value in A than in B: so value will be expressed in a greater quantity of money in A than in B. This also means that nominal wages are higher in A than in B. From this in itself it does not follow that real wages are also higher in A, Marx points out. But he then observes that “it will frequently be found” that the real wage is higher in the more developed country, while “the relative price of labour, i.e. the price of labour as compared both with surplus-value and with the value of the product”, is lower. The real wage is higher because in the more productive country the total value of a day’s work is

spread over much more commodities. So even if a greater part of that working day is unpaid, the paid part still buys a greater quantity of commodities than in the less developed country. A greater part of the working day is unpaid in the first, for two reasons: with the growth of productivity, an ever smaller quantity of value is needed to produce the necessities of the worker (even though the social definition of these necessities expands as society develops and becomes more complex), and the intensity of labor tends to increase together with the development of the production process, while the resulting increase in the value of labor power is rarely accompanied by a proportionate wage-increase. So, the rate of surplus value tends to be higher in the more developed countries; the workers there are more exploited than in the underdeveloped countries, even though the living and working conditions of the latter are usually far worse. Or so it seems. We shall see further that it is a bit more complicated.

If the formation of international values according to the logic of market values makes the exchange-rate between currencies a function of their differences in productivity and labor-intensity then this also implies a tendency towards parity of the purchasing power of these currencies. As CouC explains it, if one hour of labor corresponds to one dollar in A and 1 franc in B, the exchange-rate would be 1 dollar for 1 franc, if value would be exchanged for equal value on the world market. But in A, one hour of labor results in 50 % more production. The same production will fetch the same price on the world market if the exchange-rate of the dollar takes into account A's 50 % productivity-advantage and becomes, instead of 1 franc, 1,5 francs. One dollar exchanged for 1,5 francs would then buy the same quantity of commodities in B as in A.

The mystery of unequal purchasing power

However, in reality, there is no equalization of purchasing power. More often than not, the exchange-rate is such that the currency of the developed country A buys a substantially greater quantity of commodities in B. "How is that possible on the base of the law of value?" CouC asks. Its answer: "To the effect of productivity, we must add the effect of labor-intensity which also increases with the development of the productive forces of labor."⁷ That's all. But it's not very convincing. When you consider the effect of productivity, the effect of labor-intensity is already included. Increasing the intensity of labor is one way to increase productivity, to create more commodities with less labor-time. The reasons to distinguish it from productivity-growth in general, is that it creates more surplus-value, while the productivity-increase which results from technological change does not; it does not add value to the

commodities produced, but lowers their individual value. However on the market, competition establishes one price for commodities of the same kind, regardless of their differing conditions of production and thus their diverging values, so that a commodity produced with greater productivity than average (with less value) is counted as having the same value as a commodity produced with average productivity, as if productivity in itself would create surplus value. This is true on the national market as well. But on a national market, the surplus profit resulting from greater productivity is highly unstable, because of the mobility of capital in all its forms. Methods of production homogenize and a new average market value coalesces at a lower level, while between sectors, the movement of capital tends to equalize the rate of profit. This does not happen on the international market, or at least much less, in the first place because of the huge obstacles to the mobility of capital which prevent a homogenization of the conditions of production.

The reason why Marx did not explain all this in the chapter from which CouC takes this quote, is that his purpose there was limited to explaining national wage differences. A thorough exposition of the question would have involved explaining the formation of market-values, of the tendential equalization of the rate of profit; matters that belong to the third volume of *Capital*, where he analyses the laws of movement of capital. In volume one, which is the source of this quotation, he analyses capitalist production in general, ignores competition and assumes (for methodological purposes) that commodities are sold at their value. So to stick to his approach and to avoid having to enter a whole other aspect of his theory prematurely, he simply writes, productivity is counted as intensity, and since he already has explained that intensity adds value, he can continue under his theoretical assumption that commodities are sold at their value.

For the creation of surplus value, productivity and intensity are not the same, neither nationally nor internationally. But on the surface, on the market, there is no difference. When competition enforces one price, the owner of the commodity made with greater productivity gets the same price as the owner of a commodity made with less productivity, so the first one makes a higher profit, regardless of whether his productivity-advantage is due to a higher intensity of labor or to labor-saving technology. So the difference of intensity is already accounted for, when you measure the difference in productivity. You can't count it again. You can't explain a phenomenon (exchange-rates which establish a parity of purchasing power) and the deviation from it by the same cause. So CouC's explanation of this deviation really isn't one. What's its mistake?

The whole difficulty arises from the fact that we have two sets of values (in fact many more but we follow CouC's simplification into two categories, the developed A-countries and the backward B-countries), one determined by what constitutes socially necessary labor-time in A, the other by what this means in B. How do these two sets of

⁷ *Revue Internationale du Mouvement Communiste* n° 14, p. 67.

value determine international market values? What constitutes socially necessary labor for global capital? On CouC's assumption, the formation of exchange-rates solves the whole problem. The two sets of values are compared, and since productivity counts as intensity, the values of A are counted to the same degree higher as its productivity is higher. That would imply purchasing power parity and, as we've seen, CouC can't really explain why that isn't the case. In reality, it is not the values of the two countries in general that are compared, but the prices of the commodities that are offered for sale on the world market. Exchange-rates do not serve to make abstract comparisons but to permit the exchange of commodities on the world market. The world market establishes the same price for the same commodity, therefore, for internationally traded commodities, there is at least tendential purchasing power parity. Steel of a given quality, for instance, will tend to be sold for the same price, whether in dollars or yen or rubles. That does not mean that the exchange-rates between the dollar and yen and ruble simply reflect the general productivity-differences between the American, Japanese and Russian economies.

In CouC's reasoning, both A and B offer their commodities at their national values (or more precisely, prices of production) on the world market. There is therefore unequal exchange (B exchanges more labor hours for less labor hours), but no transfer of surplus value, as Grossmann thought. A gets on the international market the same price for its value as it would have had it sold these commodities on its domestic market. It gets more value from B, but that value represents the same amount of commodities at the same price as if the commodities bought from B would have been produced in A. So while there is an unequal exchange of value, there is not much benefit for A in the transaction, although CouC claims that there is, without specifying how. One implication of its assumption -that both A and B sell their commodities at their national values on the world market- is that production for the world market would yield a higher rate of profit in B than in A, since B's organic composition is so much lower than A's, so the same amount of capital invested would yield more surplus value, no matter how large the difference in intensity would be (surplus value is always but a part of the working day). If that were the case, a huge stream of capital would flow to the B-countries to take advantage of that higher rate of profit. There would still be obstacles that would limit the stream, but it would undoubtedly be much greater than has been the case. Indeed, the opposite has occurred: we've seen a steady flight of capital from B to A to take advantage of the higher rate of profit in A. This clearly shows that commodities are not exchanged at their national value on the world market.

A giant sucking sound

CouC assumes that both A and B realize the full (national) value of their commodities on the world market, yet if

international values are formed according to the same mechanism as national market values, as CouC recognizes, then the international values are averages, so that, as Marx explained, the most productive capital sells its commodities above their individual value and obtains a surplus profit, and the least productive capital must sell its commodities under their value and therefore cannot realize all the value they contain. On the national market, the consequence of this is that the least productive capital either upgrades its technology or goes bankrupt, but it doesn't happen that way internationally, at least not in such an immediate way, because of the obstacles to an international equalization of the rate of profit. The least productive capital must therefore sell its commodities more or less permanently under their value on the world market, while the most productive capital tends to sell them above it.

The average is of course weighted. Since the A-countries constitute a much larger part of the world market (as buyers as well as sellers) than the B-countries, whose part in world trade has more or less steadily declined in the 20th century, A sells less above value than B sells under it. If an international value is entirely formed through competition between A-countries, then it will be equal to the production-price of A, and in that case, A's greater productivity no longer counts as extra-value.

Such commodities are of course not cheaper in the B-countries. A computer costs as much in Bangladesh as in the US, even though its price represents in the first the equivalent of 8 years of an average wage and of just one month's wage in the second. Because computers are more or less made only in A-countries, competition between them tends to lower their price to the production price of the A-countries. That is what Marx had in mind when he wrote that "more productive labour counts as more intensive, as long as the more productive nation is not compelled by competition to lower the selling price of its commodities to the level of their value". This qualification, which CouC doesn't understand (see p.68) clearly shows that in Marx's view, the formation of international values usually allows A to sell its commodities above their value, as he explicitly stated elsewhere: "...there is competition with commodities produced in other countries with inferior production facilities, so that the more advanced country sells its goods above their value."⁸

The growth of the technological gap between the A- and B-countries has reduced the capacity of the latter to produce commodities that still have use value in the highly technified world of the former, while A's commodities have continued their conquest of B's markets. Thus, more and more international values are determined only by the conditions of production of A. Much rarer is the case in which an international value is determined by the least favorable conditions of production, those of B. That would require that global demand continuously outstrips supply,

⁸ *Capital*, volume 3, p 238.

which was not unusual for most of the ascendant period but cannot last in the era of mass-production.

If a certain commodity is produced in B-countries only, it would seem that its international value would be determined only by the conditions of production of B. But that is not necessarily so, because more often than not, this is the result of an unfavorable division of labor, a forced specialization created by colonial history⁹ and by the weak competitive position of the B-countries which leaves them few options. A country engaged in monocultural production for export is likely to have a rate of productivity below the international average. Even if this country were the only one where a particular commodity is produced, global capital could always start up the production of that commodity elsewhere, should the need arise. Therefore, the international value of that commodity will not be determined by the conditions of production of that country (by the amount of labor power used in production in that country) but by an hypothetical average (by the amount of labor power that would be required for its production on the basis of an international average productivity).

So, many international values are averages that are above the national values in the A-countries and under the national values of the B-countries and international trade creates a transfer of surplus value from B to A, and thus a surplus profit for A, just as market-values in a national economy imply a transfer of surplus value from those capitals producing at below average productivity to those whose productivity is above average. There are some who think that market-values, in contrast to production prices, do not imply a transfer of surplus value. That view is in contradiction with the logic of Marx's value-theory. Where Marx writes "If the ordinary demand is satisfied by the supply of commodities of average value, hence a value midway between the two extremes, then the commodities whose individual value is below the market-value realise an extra surplus-value, of surplus-profit, while those, whose individual value exceeds the market-value, are unable to realise a portion of the surplus-value contained in them,"¹⁰ they conclude that the portion of the value which exceeds the market-value is not transferred, but simply wasted. It is, for the capitalist who has extracted it but can't realize it, but not for capital. Otherwise, how can the origin of the surplus profit of the capitalist whose commodities contain less value than the market-value be explained? Marx's value-theory shows that all value is created in production. The surplus value that becomes surplus profit is redistributed in the circulation process but does not originate in it. Since the individual value of the commodities of the most productive

capital is smaller than the market-value, the difference, the value it realizes above it, must necessarily come from its less efficient competitors.

But what about the possibility that the less efficient capitalist cannot realize a portion of this surplus-value because the labor-time in which it was extracted, exceeded the socially necessary labor-time, so that part of that labor created no exchange value, and, therefore, neither any value that could be transferred? After all, value is by definition social value, determined by the quantum of labor-time recognized by society (by the market) as necessary; it doesn't recognize wasted time as value. But the fact that a part of the labor power that is expended to meet social demand is less productive than average, does not necessarily mean that a portion of it is socially unnecessary and did not create any exchange-value. Let's suppose a sector whose production meets social demand precisely and in such a way that 50% of the demand is met by products of average productivity, 25 % by producers of less than average productivity and 25 % by producers with above average productivity. Despite the difference in productivity, all of the labor power expended in this sector is socially necessary, since the absence of any part of it would mean that part of the social demand would not be met. If we further assume that the average organic composition of that sector is the same as that of the economy in general and the rate of surplus value too, then there is no transfer of surplus value between this sector and the rest of the economy (as would otherwise occur because of the tendential equalization of the rate of profit). Then the total mass of surplus value extracted in that sector would be identical to its total mass of profit. It would then be quite impossible, at least without leaving the terrain of Marx's value theory, to explain the surplus profit of the companies with a higher than average productivity in any other way than as a result of a transfer, on the market, of surplus value from the companies whose productivity is below average.

It is clear that the meaning of "socially necessary labor" changes with society itself. The continuous growth in productivity constantly tends to push the labor-time required for the production of most commodities to a lower level (despite the -also continuous- development of new, more complex commodities). The limits imposed by capitalism's relations of production on social demand also determine how much labor is socially necessary. Not the general needs of society but those of the market as it emanates from the capitalist relations of production define what is "socially necessary". When the output of the productive forces grows beyond what the market can absorb, the least productive labor becomes socially unnecessary. This obviously has an impact on the market value: since the least productive labor is no longer socially necessary, it is no longer taken into account in the formation of the market value and there is no transfer of surplus value from it to other capitals. As Marx explained¹¹, under conditions of overproduction, the

⁹ "By ruining handicraft production of finished articles in other countries, machinery forcibly converts them into fields for the production of its raw material(..) A new and international division of labour springs up, one suited to the requirements of the main industrial countries.." Marx, *Capital*, vol 1, p.579-580.

¹⁰ Marx, *Capital*, vol, 3, International Publishers edition, p 178.

¹¹ *Capital*, vol. 3, op.cit., p. 179.

market-value tends to be regulated by the value of commodities produced under the most favorable conditions (with the highest productivity). Only they can be sold at their individual value (or approximately) while all other commodities in that saturated sector must be sold below value, if they can be sold at all, so a greater or lesser portion of labor time used in their production is socially unnecessary (and does not yield any surplus value that can be realized or transferred).

Those capitals producing with less productivity, which are unable to upgrade their production, must sacrifice most of their profit and drive wages under the value of labor power; but even that may not be enough to survive, if the market value falls below their cost price. The capitals with the lowest productivity can realize the full value of their output, and avoid a loss of surplus value on the market, only in the opposite situation: when, in their sector, demand outstrips supply in a sustained way. Then, even the least productive labor is socially necessary and the least favorable conditions regulate the market-value. There is no transfer of surplus value within that sector, since even the least productive capital realizes the full value of its product, but there is between it and the rest of the economy, fueling a surplus profit for the producers with above average productivity of that sector. When the bulk of the demand is met by production in the most favorable conditions, they regulate the market-value, so the market-value does not imply any transfer of surplus value from less productive capital in the same sector. There may however be a transfer of surplus value from the rest of the economy to that sector, if this sector has a higher rate of productivity-growth (and product development) than average.

To summarize this part:

- a (national or international) market-value that is regulated by the least favorable conditions of production (so that there is no transfer of surplus value of the least productive capitals to the most productive ones) has become practically non-existent, because mass production eliminates the scarcity which is its condition and new scarcity is almost exclusively created in those sectors where the most favorable (high tech) conditions prevail.
- international values that are regulated by the most favorable conditions of production on the other hand, become more common, the more the productive forces develop and the world market is unified. They imply no transfer of surplus value within the sector but may imply a transfer of surplus value from the rest of the economy to those sectors.
- many international values of commodities that are produced only or mainly in the less developed B-countries, are regulated by an hypothetical international average of conditions of production. Because this average usually implies a higher rate of productivity and thus a lower value than prevails in the countries where these commodities are produced, this

means a transfer of surplus value from these countries to their trading 'partners'.

- for other commodities traded on the world market, the bulk of the global demand is neither met by the output of the most productive A-countries alone, nor by the output of just the least productive B-countries. In that case, both the labor power used in their production in the A-countries and the B-countries is socially necessary and the international value of these commodities is regulated by an average between their conditions of production, which implies a transfer of surplus value within the sector, mediated by the market, from the B-countries to the A-countries.

An example

Let's take steel as a stand-in for all commodities subject to trade on the world market. We assume that the production of steel in country A requires 60 hours, and that these 60 hours consist of 30 hours (constant capital) + 10 hours (variable capital) + 20 hours (surplus value). In country B, 1 ton of steel requires 120 hours (15 in constant capital + 65 in variable capital + 50 surplus value). The international average C is 1 ton of steel = 80 hours (25 hours constant capital + 25 hours variable capital + 30 hours surplus value). These figures are arbitrary, except that they must reflect the higher organic composition (C/V) of A, a higher rate of surplus value (S/V) in A, a higher rate of profit (S/C + V) in B and an average that is in all these aspects in between A and B but closer to (the more dominant) A. On the world market, 1 ton of steel = 1 ton of steel. Does this mean that A can sell its steel as if it had the same value as that of the average producer C, 80 instead of 60, and pocket a surplus profit of 20? And that B must sell at 80 instead of 120 and see its profit shrink from 50 to 10? No, because that would assume that the value of labor power would be the same everywhere. It isn't it. Everywhere, the value of labor power is determined by the value of the commodities that are seen as necessary for its reproduction and maintenance. On the one hand, the necessities of life are produced with less labor power, and therefore have less value, in A. But on the other hand, A is the more developed and technified society, which implies more complex and extensive needs. "... the number and extent of (a worker's) necessary requirements, as also the manner in which they are satisfied, are themselves product of history, and depend therefore to a great extent on the level of civilisation attained by a country; in particular they depend on the conditions in which, and consequently on the habits and expectations with which, the class of free workers has been formed. In contrast, therefore, with the case of other commodities, the determination of the value of labour-power contains a historical and moral element." ¹²

This quote also implies that the historical differences in strength of the working class in various countries have an

¹² Marx, *Capital*, Vol 1, op.cit., p 275.

impact on the value (not just the price) of labor-power. The weight of the working class in the economy, its tradition (or lack of it) of combativity, all affect its "habits and expectations" and therefore also the value of its labor-power. For these reasons, despite the lower value-content of consumer goods in A, the value of labor power is considerably higher in the (highly developed) A-countries than in the backward B-countries.

Therefore, to compare the values of the commodities of different countries as they are traded on the world market, we must take into account that the value of labor-power is higher in A than in average C and lower in B than in C. Let's assume it is 1/4 higher in A than in C and 1/3 lower in B than in C. Expressed in the (average) labor quanta of C, the value of A is then: $37,5 + 12,5 + 25 = 75$; while the value of 1 ton steel of B becomes $15 + 41,5 + 31,5 = 88$ (we haven't changed the value of B's constant capital since we can't assume that is produced locally, so we assume that it is produced with internationally average labor-power, which is 'generous' in not assuming that B must buy it at A-value). The international value of 1 ton of steel is 80 C-hours. A produces 1 ton steel in 75 C-hours and B in 88. In the value of A, the price at which A can sell 1 ton of steel is 60 (its A-value) plus a surplus profit, which, in this case, is 80 (the international value) minus 75 (the value of A's ton of steel in C-value) or 5 C-hours, whose value is 1/4 less than A-hours, so the surplus profit is 3,75. (This is, of course, rather small but the proportions are irrelevant since our figures are arbitrary). A's profit is 20 (the surplus value it extracted) + 3,75 (its surplus profit) and it sells at 63,75. For B, the same goes in the other direction: it sells at 120 B-hours minus what it loses on the market: $88 - 80 = 8 + 1/3$ of this = 10,5. Its profit is the surplus value it extracted minus what it can't realize itself, because the value of its product is higher than the international value. That part of 'its' surplus value is (indirectly) realized by A. As a result of the transfer, the rate of profit, which would otherwise be higher in B, becomes higher in A.

If the exchange-rate between the currencies of A and B would only compare their productivity (incl. intensity), then 60 hours A would be 120 hours B and 1 (A) dollar would be 2 (B) francs. But the exchange-rate compares commodities that are sold above their value with commodities that are sold under their value. To obtain the equivalent of its 60 hours, A needs to pay only 110,5 B-hours, instead of 120. And to obtain the equivalent of its 120 hours, B needs to pay 63,75 A-hours, instead of 60. The transfer thus pushes the exchange-rate of A's currency up and that of B's currency down. This explains why the exchange-rates do not merely reflect the difference in productivity between A and B but also the fact that the market transfers purchasing power from B to A and therefore gives greater purchasing power to A's currency, making everything in B cheaper for its possessor.

Assuming that the conditions of production and the rate of productivity-growth of the steel sector as a whole are average, not higher or lower than for the rest of total

capital, then there is no transfer of surplus value to the steel sector from the rest of the economy. Its customers pay the same price as if all steel would be produced in the (average) country C and this price implies a surplus profit for the steel producers of A and a lower than average profit for the steel producers of B.

The sharing of loot and losses

However, the steel producers of A are not allowed to keep their surplus profit and those of B do not have to shoulder their loss alone. Because of the process of the equalization of the rate of profit within national economies, they share their wins and losses with the other capitals in their country. Because of the transfer, the exporting industries (symbolized by "steel" in our example) enjoy in A an initially higher rate of profit than the industries which produce only for the domestic market (for which we take "bread" as a stand-in). Its surplus profit attracts capital, so that accumulation increases in the steel sector until it becomes overaccumulation, and supply outstrips demand. We have emphasized before that market-limits are not static and they differ greatly from one sector/commodity to another. The more elastic a commodity's market limits are, the longer their producers can hold on to their surplus profits.¹³

It goes without saying that sectors with a greater than average market-elasticity (in the first place, those that affect the production methods of others) attract more capital, invite most technological innovation and thus are occupied by the A-countries. But sooner or later, there's only one way to expand the market-limit for a capital whose higher than average productivity yields a surplus profit, like steel-production in A in our example: It "makes room for itself forcibly by paring its price down to its individual value."¹⁴ The surplus profit, which originated as surplus value in B, does not disappear but is transferred again, because A's steel capitalist "realize(s) a part of the surplus labour not for himself, but for those who buy from him."¹⁵ In A, the price of steel falls until it yields the average rate of profit (and A-steel's value has become its price of production). Actually, not quite, because since A-steel attracts more capital it undergoes more rapid technological change, so its higher rate of productivity- growth and the time-lag in the market's reaction to it, enables it "vis-a-vis the total capital ... to

¹³ In part 3 (IP 34) we have seen how this affects the accumulation rates and therefore the proportions of sectors and thereby condemns capital to structural overaccumulation and underaccumulation, which in turn affect the general rate of profit.

¹⁴ *Capital*, vol. 3, op.cit. p.184.

¹⁵ Marx, *Grundrisse*, Penguin edition, p.435.

make an extra-profit."¹⁶ This allows 'steel' to keep more of its surplus profit, but overall, the equalization of the rate of profit forces the price of 'steel' down and of 'bread' up in A, and has the opposite effect in B. 1 ton of steel remains 1 ton steel but is now exchanged for less bread in A and more bread in B. This shows why the higher the rate of transfer of surplus value from B to A, the more currency-exchange rates deviate from purchasing power parity.

The sharing of the loss of surplus value in the B-countries is not quite a parallel process to the sharing of the gains in the A-countries. Otherwise, capital would move away from the exporting sector in the B-economies. Generally, the opposite is true: most capital investment in the B-countries goes to the exporting sectors. It must be noted that the equalization of the rate of profit is more limited in the B-countries, because "this equilibration runs into greater obstacles, whenever numerous and large spheres of production not operated on a capitalist basis (such as soil cultivation by small farmers), filter in between the capitalist enterprises and become linked with them."¹⁷ In the A-countries, this extra-capitalist production has been largely eliminated by the penetration of capital in its spheres. In the B-countries, that has not been the case, for the same reason as why capitalist production for the domestic market remained permanently starved for capital: the potential effective demand is too limited to justify mass-production and without mass production, investment in high C/V production methods cannot be profitable. We shall see further, when we return to the question of decadence, why this circle cannot be squared so that the B-countries depend on outside demand to find a market of a scale that allows them to enhance the scale of their production and thus their productivity. As a result of this, the organic composition of capital (C/V) and productivity-growth is much higher in the exporting sector than in the rest of the economy of the B-countries. The difference is not just marginal as in the A-countries where it results from the tendency of the exporting sectors to accumulate faster, but a huge and growing gap, which causes a continuous transfer of surplus value from the rest of the B-economies to their exporting sector. This is reinforced by the dependency of any capital from the B-countries on foreign currency to upgrade its production methods by importing constant capital. Only the exporting sector is paid in foreign currency; the rest of B's economy obtains it indirectly, in essence through trade with the exporting sector. Therefore, the fact that A's currency has more purchasing power, also benefits B's exporting sector in its trade with B's domestic sector. So despite the limitations to the process of equalization of the rate of profit in the B-countries, its exporting sector can pass on what it lost on the global market to the rest of the B-economy, and sometimes more. And in doing so, it lowers the price of 'bread' (relative to 'steel'), further accentuating the deviation from purchasing power parity between A in B's currencies.

¹⁶ *Capital*, vol.3,op.cit. p.198.

¹⁷ *Capital*, vol. 3, op.cit. p196.

The tendential equalization of the rates of profit within national economies in its turn changes international market values. As the surplus value transferred from B is spread from A's steel to the entire A-economy, steel is accounted for less value in A and is sold closer to, or at, its individual value; that is, under the international value of steel. Since the supply of A's steel at the same time expands because of its higher than average accumulation-rate, A's steel obtains a larger share of the world market. Therefore, since its weight in the average increases, the international value of steel declines, approaching closer to the individual value of A's steel. Since the international value is now more determined by the production by capital of a higher organic composition, and thus contains less $V + S$, the rate of profit falls, both in A and in B. A tries to escape from this through technical innovation to raise productivity or develop higher quality products, thereby obtaining a market-advantage and surplus profit, but also raising the average organic composition, cutting the growth of surplus value at its source.

For the B-countries, the decline of the international value of steel means that the price at which it used to sell steel is now too high and must be brought down. If it does not succeed in pushing the price of its exports deep enough under its value, it is forced to swallow the same "medicine" through devaluation and a general deflation of its assets, devalorizing everything, including its steel. Sometimes it might devalue prematurely, to obtain a competitive advantage. But such tactics are usually signs of desperation, because a capital that devalues, increases its debts and decreases its purchasing power. When a currency is devalued, it is usually forced to do so by the outflow of financial capital.

Condemned to devalorization

The more technological innovation occurs in A, the more pressure there is on B to lower the prices of its export commodities under their value. This is obvious when A and B compete in the same sector but is also true when they do not compete directly. We have seen before that when a B-country is forced to unfavorable specialization, the international value of its export products is determined by international average productivity. When average international productivity rises, the international value of its products declines too, even if productivity has not increased in that sector.

The B-countries can push the prices of their export commodities deep under their value because they can push wages deep under the value of labor power and they can do that because of their underdevelopment. It's their underdevelopment which makes supply on the labor market so much larger than demand, which dictates that many workers are half proletarians who still have some direct

source of food from the land and can thus be paid less than the cost of subsistence, and which implies that pre-capitalist farm production is still a great source of unpaid value.

The B-countries have no choice but to compete with ever lower wages against the ever more technologically advanced A-countries. Curiously, CouC thinks that the level of wages has no bearing on the relative competitiveness of nations. If wages go down, profit increases, but the value of the commodity remains the same, hence there's no competitive advantage, so it reasons.¹⁸ As if the capitalist could not decide to forgo his profit-increase and to lower his price instead, to increase his market-share! Actually, it's not that curious that CouC takes that position, although it flies in the face of reality, since it is consistent with its mistaken view that commodities are traded internationally at their (national) values; that there is no transfer of surplus value involved.

Nevertheless, it is true that pushing wages down has its natural limits, while technological innovation does not, or at least not so rigidly. Therefore, it is an inevitable tendency that the world market is more and more occupied by the A-countries, which also means that the source of the transfer of surplus value from the B-countries dries up. But there is also a counter-tendency, which strengthens capitalism each time it can, for political or technological reasons, extend its playing field, widen its reach, increase its mobility. We analyzed this earlier in greater detail, in the chapter on globalization¹⁹ in which we showed the obvious advantage for capital in combining the low wages of the B-countries with high-tech capital from A. The intensification of labor made possible by advanced technology, together with wage-levels far below the value of labor power, maximize the gap between the value of the product and the cost of production, i.e. profit. There is no question therefore that "the most extreme rate of exploitation" is indeed to be found in the B-countries, despite CouC's a-historical assertion that this observation "turns its back on revolutionary theory"²⁰

If such a combination is so advantageous to capital, why is it not happening more? It is happening more and there has already been a huge shift of manufacturing from A to B, much more than can be derived from trade figures, because these figures already contain the transfer of value from B to A. It is still limited by all the factors that limit the mobility of capital, including those that make fixed capital and highly trained variable capital relatively static, and most of

all the persistence of many trade barriers, despite all the hype about free trade.

So the overall trend remains towards a greater divide between A and B, an ever more lopsided development, even though it would seem to the obvious advantage of capital to grow in a more horizontal way in order to expand its global market. The more technology develops, the more the B-countries are forced, again and again, to devalorization, reducing all hopes that they will become one day a huge expanding market for the A-countries to mere pipe dreams.

Furthermore, since the transfer of surplus value increases the rate of profit in A and diminishes it in B, and since a higher rate of profit attracts capital, and a lower one repulses it, the greater the difference in productivity becomes, the greater the rate of transfer and the more B's currency loses purchasing power relative to A's. As a result, it becomes increasingly difficult for B's currency to function as a store of value and it suffers more and more a flight of capital, while the global demand for financial assets of A as a store of value is boosted to the same degree. This high demand for A's currency and low demand for B's, raises the price of the first and lowers the price of the second, accentuating the disparity of purchasing power.

However, between the most developed countries, there is a real tendential equalization of purchasing power. If, for instance, the exchange-rate of the US-dollar rises in such a way that its purchasing power falls substantially under the euro's, capital will rush to the euro to take advantage of the bargain (let's say that 1 dollar = 1 euro and buys, in each country, 10 y. If the dollar rises to 1,20 E, by exchanging dollars into euro, one can buy 20 % more y) so that the euro's relative value will rise until there is, more or less, a parity (again, we ignore other factors, such as disparity of interest rates, profit-rates and a currency's image as a store of value).

This occurs, because of intense competition, made possible by a great mobility of capital. Not only purchasing power tends towards a rough equalization between these countries. So do price-levels, wages, the organic composition of capital, surplus value-rates, in short, the conditions of production, and thus also profit-rates. They are not equal (but neither are they on the national scale, where they are only tendentially pulled to an equal level, the general rate of profit, from which every capital constantly tries to escape), but tend in that direction. The obstacles that prevent international market values from becoming production prices across national borders are neither absolute nor static. As Marx described them²¹, freedom of trade, development of credit, the absence of non-capitalist production, a dense population, subjugation of the worker to capitalism, including his readiness to move from one sector, one place to another- they all concern the mobility of capital, because it is through moving money, means of production and commodities around that capitalism, in its

¹⁸ *Revue Internationale du Mouvement Communiste* n° 14, p. 56.

¹⁹ *Internationalist Perspective* n° 34.

²⁰ I admit that there are other passages in the "Crisis" text, particularly IP 30-31, p27, that create the impression that the degree of exploitation is now higher in the B-countries in general, not just in its mostly foreign-owned, export-oriented modern plants, which isn't the case as we saw earlier.

²¹ *Capital*. vol 3, op.cit. p 196.

hunt for extra-profit, stimulates accumulation here and starves it there, expands a market here, and contracts it there, exhausts the potential for higher profit here and discovers it there, so that a general rate of profit is established. Obviously, the obstacles are much higher internationally than nationally. But it's also obvious that they have evolved over time and that some of them have sharply diminished, that they are not of equal weight between all countries. Between the most developed countries (roughly, those which industrialized in the 19th century), many trade barriers have fallen away; there is an intense interpenetration of each other's markets, non-capitalist production has become marginal, there is merging of capitals and even some international mobility of labor. While there are still obstacles that limit the tendential equalization of profit-rates between them, that the tendency exists is undeniable and this implies also a tendency for the international values of commodities, which are determined by the conditions of production of those countries, to become production prices.

The situation is of course much different with respect to international values that are determined by the conditions of production of countries of greatly diverging levels of development, or of countries with low productivity. Here, the obstacles are still great, although some have diminished (transportation and communication costs have fallen steeply, tariffs have gone down, etc). There are fewer limits than ever to the global mobility of financial capital and this has an impact on where and what is produced, which in turn impacts international values.

Let's recapitulate. We agreed with CouC that we were wrong to assume that the tendency towards equalization of the rate of profit could proceed internationally as it had on the national level. When looking at the world market, we made the same mistake for which Marx reproached Ricardo in "Theories of Surplus Value"²²: "Ricardo confuses the process of formation of the market value with that of the price of production". To understand how the value that is created in production is rerouted in the sphere of circulation, you need two laws, which express "a contradictory effect of competition. According to the first, the products of the same sphere sell at one and the same market-value; competition therefore enforces different rates of profit, i.e. deviations from the general rate of profit. According to the second, the rate of profit must be the same for each capital investment; that is competition brings about a general rate of profit." Both cause a transfer of surplus value, a difference between the surplus value that the capitalist has extracted in the production process and the surplus value that he realizes on the market. The first causes a transfer of surplus value within a sector, from the less productive to the more productive capitals; the second from one sector to others.²³ A third intervention of

competition, leading to the formation of international values, creates a third deviation, a third transfer. Like in the formation of market-values, it enforces again rates of profit that are different, this time between nations. No wonder that it's quite impossible, contrary to what CouC suggests, to recognize values in prices (even more so because there are further distortions created by fluctuations of supply and demand and by state-intervention in the distribution of S). Competition turns everything on its head, as Marx wrote, it hides value and yet it is value that in the last instance determines prices. Only Marx's value theory demystifies their formation process and shows the social relations on which they are based. Only by focusing on the changing conditions of the creation and distribution of value can we understand why capitalism has developed the way it has and why it has arrived at an impasse.

Ascendancy, decadence and the world market

We know from our previous investigation that there was harmony between the law of value and capitalist development under capital's formal domination, when the growth of exchange-value was primarily pursued through the inclusion in the production process of more labor power and the extension of the quantity of unpaid labor-time. We know that with real domination, industrial mass production, this harmony was shattered, because the creation of use value and of exchange value began to follow increasingly diverging paths. The massive introduction of technology which replaces human labor and raises productivity (creating an exponential growth of use values but also a relative decline of the growth of exchange value) rewarded the capitalist with a higher rate of profit and a larger market but punished capitalism with a lower general rate of profit and a global market shrinking in relation to global

given quantum of capital ($C+V$) invested in this sector yields more S than an equal quantum of capital invested in other sectors. If capital can move freely in that economy, it invades that sector to obtain its higher than average rate of profit. The capital-influx expands the output of that sector so that its market must expand correspondingly. But soon the sector produces more than can be sold at market-value. To widen its market sufficiently, the sector must then sell below market-value, so that part of its surplus value is realized for its customers. When that part becomes equal to the part of its surplus value that is above the average yield of S in that economy, the rate of profit is equalized and capital no longer has a special incentive to move to that sector. (Of course, capital continues to look for sectors which offer an escape from the general rate of profit and finds them where new products, and thus a new scarcity, are created or where the rate of productivity-growth is higher than average, because of the time-lag in which market-prices follow declining market-values. Both these cases also imply a transfer of surplus value on the market).

²² Part II, Progress edition, Moscow 1963, p.206.

²³ This transfer of S occurs like in the example of the steel-industry given above. To explain this a little more: if, in a given country, a sector has a lower C/V than average, a

production capacity. This growing, insoluble contradiction between the interests of individual capitalists and those of capital as a whole, portended a fundamental, structural change in the conditions of accumulation. But this contradiction was softened, and the structural change postponed, as long as capitalists had the incentive to spread industrialization horizontally across borders, conquering markets and raking in surplus profits. Our analysis of the transfers of surplus value provides us with a better understanding of this process and its limits. Rather than debunking the concepts of capitalist ascendancy and decadence as 'history-fiction', as CouC would have it, it clarifies their validity, as we will explain here briefly (this will be treated more in depth in the next part of this text).

The difference between capitalism's ascendant period and its decadent period is not one between growth and non-growth, development of the productive forces and stagnation. Capitalism is synonymous with the extraction of surplus value, the creation of new value, and therefore is always growing, except for temporary episodes of open crisis. Moreover, capitalism's structural crisis only heightens the incentive for individual capitalists to escape from the falling rate of profit through productivity-raising technological innovation. Hence, the continuing development of the productive forces can in no way be construed as a proof of the absence of decadence.

We know that the development of capitalism's fundamental contradictions must be understood in a dynamic, dialectical way. There is no "point X" at which capitalism's market becomes irrevocably saturated, as Luxemburg thought, or at which the decline of the rate of profit makes accumulation impossible, as Grossmann claimed. Both the 19th century (the peak of ascendant capitalism) and the 20th were periods of rapid growth compared to earlier centuries. But in the 19th century, this growth was steady, following an almost straight line despite numerous, relatively small crises, while the growth rate of the 20th shows much higher peaks and much deeper valleys. The main limitation to growth in the 19th century was still technological, the insufficient development of the productive forces, while in the 20th century, it was the conflict between the productive forces and the straightjacket of capitalist relations of production. So rather than in a contrast between growth and stagnation, the difference between ascendancy and decadence reveals itself in how capitalism grows. Relatively harmonious steady growth on the one hand and on the other fast growth leading to crisis, forcing capital to massive devalorization, causing immense destruction in the process. Growth that tends to spread and homogenize the industrial mode of production on the one hand, growth that is increasingly unbalanced and heterogeneous on the other.

Capital grows when and where it has an incentive to grow, which means, where it can at least obtain the general rate of profit, and if possible rise above it, since the continuous rise of capital's organic composition condemns the general rate of profit historically to a downward trend. That's why capital is constantly seeking a surplus profit on the market,

a transfer of surplus value, above the surplus value contained in its own commodities.

That's why the specifically capitalist form of production, machine-based industry, the real subsumption of labor to capital, tended to develop vertically, at first almost exclusively in the production of textiles. The reasons for this include of course the limited stage of development of the productive forces and of accumulation, preventing simultaneous development everywhere, and the specific historical reasons why the market for this sector could expand so fast, but also a rate of profit fattened by surplus profits, resulting from a double transfer of surplus value. One within the sector, because of the ability of industrial capital to produce below the market-value. "This first period, during which machinery conquers its field of operations, is of decisive importance, owing to the extraordinary profits it helps to produce. These profits not only form a source of accelerated accumulation, they also attract into the favored sphere of production a large part of the additional social capital that is constantly being created, and is always seeking out new areas of investment".²⁴ A second one, from other sectors of the economy to the industrializing one, because of the unequal exchange of value between sectors that is caused by the delay in the market's reaction to the productivity-growth and the resulting decline in the value of industrially produced commodities. (This surplus profit diminishes to the degree that the increasing mobility of capital diminishes the time-lag, but it never disappears, which is why a sector which reduces the value of its production faster than average, is always rewarded with a surplus profit). When overproduction imposed a provisional limit to expansion in one sector, industrialization spread to others. But long before this could lead to industrialization and creation of homogeneous conditions of production on a national scale, capital began to spread industrialization internationally, across borders.

The reason for this must be sought in the process of equalization of the rate of profit on a national scale. This is a process, not a static situation, not only continuously but also historically. CouC confounds the results of its genesis with its conditions when it writes that this equalization "supposes a similar productivity and intensity of labor between the branches and components of capital".²⁵ First there is a unified capital market, then the growing mobility of capital leads to unified prices, including the price of labor power, then to a leveling of the rate of profit. But this neither supposes, nor immediately leads, to a homogenization of the conditions of production (quite apart from the fact that there will always be differences due to the inherent characteristics of different sectors). Because the equalization occurred before a homogenization on a national scale had taken place, it initially prevented it. Sectors that had a lower than average organic composition and therefore

²⁴ *Capital*, vol. 1, op.cit. p. 578.

²⁵ *Revue Internationale du Mouvement Communiste* n° 14, p. 59.

a higher than average 'natural' rate of profit now had part of its surplus value transferred to the rest of the economy through the equalization of the rate of profit. Capital therefore had less incentive to develop those sectors than it did to invest in industrialization abroad.

That's why the most developed capital, especially in Britain, decreased its relative investment in domestic industrialization (from 1873 to 1913, the rate of productivity growth in Britain was zero²⁶) and invested more and more abroad. Because of the lower organic composition of capitalist production abroad and the absence of a process of equalization of profit-rates internationally, foreign investment yielded a higher than average rate of profit. This strong incentive to spread industrialization across borders, led to an international homogenization in capitalist development in countries where the basic conditions for such development were present, and it was made possible by conditions specific to capitalist ascendance:

1) Limited global competition: because of the limited overall development of the productive forces, because of international specialization and a lack of mobility of capital (except financial capital), competition on the world market remained so limited that uniform world market prices for the same commodities only became the rule at the turn of the century (and even then, there were many exceptions). Of course there were more or less uniform world market prices much earlier for some commodities that were made in several countries for export. To the degree that there was real competition between them, the international value of these commodities was already established on the base of the weighted international average of the value that went into their production. But most commodities were made only for the domestic market. Accumulation in their production yielded a rate of profit that was determined only by local conditions of production and that was not brought down by a transfer of surplus value to more developed foreign competitors. The same was true for many exported commodities, as the absence of uniform world prices indicates. How were prices in international trade determined if they were not an average? Often, the more developed capital had a monopoly position or quasi-monopoly position, as buyer as well as seller, which yielded a monopoly-profit (a transfer of surplus value). When industrialized capital exported textiles or other goods to lesser developed countries, it could sell at a price determined by the value-structure of the importing country, i.e. for the equivalent of the value that the commodity would have contained if it were made locally, or widen its market by selling under that value. That made exports very profitable and they were consequently growing faster than production in the 19th century, but they were limited by various obstacles, in the first place transportation-costs. This limitation did not exist for financial capital, therefore its export was even more profitable and growing even

faster, mobilizing productive forces elsewhere and thereby fostering international capitalist development. But with the increase of capital's mobility and scale of production, international competition led to the formation of world market values based on international averages (and thus to uniform prices on the world market) which in turn impacted national market values and production prices. As we saw before, this means that the lower organic composition of the less developed country, instead of yielding a higher than average rate of profit, now yields a lower one, because of the transfer of surplus value. As a result, the incentive for the most developed capital to invest in the industrialization of others sharply declined.

2) A low threshold of capital formation: The smaller gap between industrialized and industrializing nations and the relatively low organic composition of early industry (the relative cheapness of the required constant capital), meant that the industrial take-off was within reach of many. The most important conditions were the availability of workers and a flow of profit from production under formal domination of capital (whose low organic composition and high rate of absolute surplus value yielded a high 'natural' rate of profit) and from primitive accumulation to the expanding industry.

3) The domestic market sufficed for most capitals: A capitalist country is always a mix of exporting and non-exporting capitals, but only with the development of industrialization and thus of mass production, do the number of sectors whose scale of production is such that their value cannot be realized on the national market alone, reach critical mass. Yet at the time that this happened, the natural protection resulting from high transportation costs had broken down and most industrializing nations had erected walls of tariffs to defend their developing industries against foreign competition. Some of these policies were clearly counter-productive for all involved (such as the French-Italian tariff war) but others enabled countries such as Germany and the US to develop the strongest industries in the world, (an accumulation fed by the profitability of the lower than average organic composition of their economies and the influx of foreign capital) whereas without protection, their growth would have been stymied by British and other exports.

The essential factor causing the shift from ascendance to decadence is the collision between the growth of the productive forces and the limits imposed by the relations of production, or, the structural conflict caused by the gap between the exponential growth of use values, and the relative decline of the creation of exchange value, and thus of profit- and market-expansion. This conflict was felt in ascendancy as well, in a cyclical, short, uneven way and it had spurred on the horizontal spread of industrial capitalism, of capital's real domination. Our analysis of the transfer of surplus value from what we called the B-countries to the A-countries, and of its effect on the rate of profit in the former and the resulting elimination (or at least sharp decrease) of the incentive for accumulation there,

²⁶ Cameron, *Economic History of the World*, Oxford University Press 1993, p226.

helps to understand the limits of capitalism's horizontal spread in decadence. The fundamental conflict between production forces and relations of production made a qualitative leap and destroyed the escape-valve, driving global capital towards massive devalorization. Propelled by its inherent logic, capitalism now would be forced to destroy what it had created.

The most developed capital, Britain, was the first to be confronted with this conflict in a chronic rather than cyclical way. It compensated for the stagnation of its market-expansion and profit-rate by investing in the industrialization of others. Other capitals followed in turn, industrialized and became capital-exporters. But opportunities for accumulation abroad dwindled, because the transfer of surplus value resulting from international competition depressed the rate of profit in the lesser developed countries and because the threshold for capital formation was rising quickly. Colonialism still offered (decreasing) opportunities to plunder, but this was no sufficient compensation, and the conditions for industrialization in the colonies were far from optimal anyway. And while the growing insufficiency of domestic markets spurred export-growth (and dumping-practices), tariffs were a big obstacle. It would have seemed to the advantage of the strongest capitals to return to free trade but they had good reason to be reluctant to give up protectionism, since it prevented international competition from driving their profit-rates down. But their decline became inevitable anyway, as a growing number of countries possessed too many large industries that had outgrown their domestic markets. To protect their profits, many sought refuge in the formation of cartels, agreements between big companies to fix prices, limit output and divide markets. In Germany, the number of cartels grew from 4 in 1875 to almost 1000 by 1914.²⁷ These were attempts by the most developed capitals to make the entire national economy pay for their growing difficulties, to organize a transfer of surplus value to the large industries, but they were in essence a play for time, an indication of the inevitability of the coming massive devalorization of capital.

The onset of decadence brought war followed by crisis, rather than crisis followed by war as would have been more 'logical'. History is not a mechanical clockwork but a complex process in which contingent factors play a role. For epochal events such as this worldwide cataclysm to happen, there must be a more or less urgent underlying necessity, as described above, but also a possibility, shaped by a confluence of historic circumstances. The possibility of world war must in the first place be seen in light of illusions of capitals that they could, through an accumulation in military production as spectacular as they had achieved in their industrialization, be richly rewarded with the conquest of the markets they needed, and the dreams of the military to use industrial mass production and its mobilizing capacity to wage war as it had never before.

The economic significance of war in capitalist decadence will be discussed in the next (and hopefully last) chapter of this text. While war and other forms of destruction are the hallmark of decadence - it's no coincidence that more than three quarters of the war fatalities of the last 500 years occurred in the 20th century²⁸ - its history cannot simply be boiled down to repeated cycles of crisis/war/reconstruction. We have argued before that the extension of capitalism's terrain of action is not a passive factor in its history. When the right political, economic and technological factors came together, the growth of capital's playing field and mobility has been a powerful counterforce to its basic contradictions and spurred growth more spectacular than even the 19th century ever witnessed.

We are in such a period right now. We see at the moment this counterforce, the integration and growth it fosters. But we see at the same time the continuing underlying deepening of capitalism's basic contradictions, its growing demobilization and destruction of productive forces. I hope this text will help us to understand how these trends will play out in the years to come.

Sander
March 2000

²⁷ Cameron, op.cit. p.248.

²⁸ Ruth Sivard (ed), *World Military and Social Expenditures*, Washington 1996.

Contents of Recent Issues

Internationalist Perspective No 19

- Welcome to the new world order: the pax americana in the Gulf, prelude to other conflicts
- The world economy after the Gulf war: from war euphoria to crisis reality
- The revolutionary milieu and the Gulf war
- A new turn of the screw in the capitalist crisis in Russia
- Discussion with *l'Aube Internationaliste*
- What MC brought to the revolutionary movement

Internationalist Perspective No 20

- Editorial: Let the statues fall
- Putsch and counter-putsch in Russia
- Fourth conference of *IP*
- Inter-imperialist antagonisms: an orientation for the '90s
- Class struggle and revolutionary perspective: where is the proletariat?
- The revolutionary milieu: for a living practice of marxist theory

Internationalist Perspective No 21

- Against false communities of nation, race, religion: class solidarity
- The future of imperialism
- The evolution of capitalism and the recomposition of the proletariat
- Correspondence: perspectives of the class struggle in the '90s
- The 'anti-sectarian' sectarianism of the ICC
- Public meeting in Leeds: premisses of debate in the revolutionary milieu
- Debate on the period of transition: beyond wage labour, distribution in post-capitalist society

Internationalist Perspective No 22

- Collapse of the Eastern bloc and the new world order: balance sheet and perspectives
- The decadence of capitalism, social decomposition and revolution
- Reply to the CBG: development of revolutionary theory and regroupment
- The revolutionary project: open letter to the comrades of the FECCI
- The necessary recomposition of the proletariat (1)

Internationalist Perspective No 23

- Towards a new revolutionary platform
- Nationalism and racism, expressions of the capitalist crisis
- Riots in Los Angeles: dissociating social revolt from racial hatred
- Strikes in Germany: class solidarity against national reunification
- Correspondence: who is the proletariat?
- Contribution to the conference of *Kamunist Kranti*: the tasks of marxist revolutionaries today
- The Dutch left: critique of a book by the ICC

Internationalist Perspective No 24

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

Internationalist Perspective No 25

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

Internationalist Perspective No 26

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

Internationalist Perspective No 27

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

Internationalist Perspective No 28

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

Internationalist Perspective No 29

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

Internationalist Perspective No 30-31

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

Internationalist Perspective No 32-33

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

Internationalist Perspective No 34

- ♦ Towards an evaluation of the class struggle today
- ♦ The roots of capitalist crisis: Why the collapse of the world economy is inevitable (Part Four : Globalization's impasse)
- ♦ Towards a new theory of the decadence of capitalism
- ♦ Responding to the ICC

Internationalist Perspective No 35

- Refuse Capitalism's War Logic!
- Deeper into Deadend Street
- The Decadence of Capital and the Development of the productive Forces
- Ideological Obstacles to the Development of the Class Struggle
- Farewell to our Friend and Comrade: Jean Malaquais
- The Chenier Affair: Debate or Intimidation inside the Revolutionary Milieu

Internationalist Perspective No 36

- Profit Kills
- The War in Kosovo
- Refuse Capitalism's War Logic!
- Capitalism and Genocide