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**ecology** Although Marx and Engels regard the enormous expansionist tendency of the capitalist mode of production as a necessary condition for the transition to socialism, they nonetheless stress the destructive violence of this mode of production. As Marxist theory developed, however, the first point of view was increasingly emphasized in a one-sided manner, until finally Stalin saw the superiority of socialism over capitalism only in the ability of the former to provide the optimal conditions for the growth of the productive forces.

In *The Condition of the Working Class* Engels already mentions the devastating effects of the expansion of industry on the natural environment, while Marx observes that 'the capitalist transformation of the production process is at the same time the martyrdom of the producers' and 'every advance in capitalist agriculture is an advance in the art, not only of robbing the worker, but also of robbing the soil'; such progress therefore leads in the long run to the 'ruin of the permanent sources of this fertility [of the soil]' (*Capital I*, ch. 13). 'Capitalist production, therefore, only develops the techniques and organization of the social process of production by simultaneously undermining the sources of all wealth: land and the worker' (*ibid.*). In *Capital III* (ch. 46) Marx expressly refers to the obligation of human beings to preserve the ecological preconditions of human life for future generations: 'From the standpoint of a higher socio-economic formation [i.e. socialism] individual private ownership of the earth will appear just as much in bad taste as the ownership of one human being by another. Even a whole society, a nation, or all contemporary societies taken together, are not the absolute owners of

the earth. They are only its occupants, its beneficiaries, and like a good paterfamilias have to leave it in improved condition to following generations.' IF

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**economic crises** In discussing crisis theories, we must distinguish *general crises*, which involve a widespread collapse in the economic and political relations of reproduction, from the partial crises and business cycles which are a regular feature of capitalist history. In capitalist production the individual desire for profit periodically collides with the objective necessity of a social division of labour. Partial crises and business cycles are merely the system's intrinsic method of reintegrating the two. When the system is healthy, it recovers rapidly from its built-in convulsions. But the unhealthier it is, the longer become its convalescences, the more anaemic its recoveries, and the greater the likelihood of its entering a long phase of depression. In the United States, for example, though there have been thirty-five economic cycles and crises in the 150 years from 1834 to the present, only two – the Great Depressions of 1873–93 and 1929–41 qualify as general crises. The question which now confronts the capitalist world is whether or not the Great Depression of the 1980s will some day be added to this list. (Mandel 1972; Burns 1969).

In analysing the capitalist system, Marx constantly refers to its 'laws of motion'. For instance, he speaks of the *tendency* of the rate of profit to fall as a general law, while at the same time presenting various *counteracting tendencies* 'which cross and annul the effects of the general law'. So the question naturally arises: How does a 'law' emerge from tendency and counter-tendency? There are two basic ways to answer this. One possibility is to conceptualize the various tendencies as operating on an equal footing. Capitalism gives rise to a set of *conflicting tendencies*, and the balance of forces existing at a particular historical 'conjuncture' then determines the system's final direction. In this perspective, structural reform and state intervention appear to have great potential, because under the right circumstances they can tip the balance and hence actually regulate the outcome. This general perspective, as will be seen, underlies most modern Marxist crisis theories and has important political implications.

Marx, on the other hand, had a rather different approach to the subject. For him, it was crucial to distinguish between the *dominant* tendency and various subordinate countervailing ones, because the latter operate within the limits provided by the former. Because the dominant tendencies arise out of the very nature of the system itself and endow it with a very powerful momentum, the subordinate tendencies effectively operate within moving limits and are *channelled*, so to speak, in a definite direction. (Within these limits the subordinate tendencies may well function as merely conflicting tendencies on an equal footing.) From this vantage point, those structural reforms, state intervention, and even class struggles which leave the basic nature of the system unchanged have limited potential, precisely because they end by being subordinated to the intrinsic dynamic of the system.

We can now identify two main types of crisis theories, corresponding to the two different methodological approaches to capitalist history: *possibility theories*, based on the notion of law as the resultant of conflicting tendencies, in which general crises occur if and when there is a certain conjunction of

historically determined factors; and *necessity theories*, based on the notion of law as the expression of an intrinsic dominant tendency that subordinates countervailing ones, in which the periodic occurrence of general crises is inevitable (though, of course, the specific form and timing is determined, *within limits*, by historical and institutional factors). We shall see how modern Marxist theories of crisis exemplify these two approaches.

#### *Possibility Theories*

Here we can identify two main groups: underconsumption/stagnation theories, and wage squeeze theories.

##### A. Underconsumption/Stagnation Theories

In capitalist society the money value of its net product is equal to the sum of the wages paid to workers *plus* the profits accruing to capitalists. Since workers get paid less than the total value of the net product, their consumption is never sufficient to buy it back: workers' consumption generates a 'demand gap', and the greater the share of profits to wages in value added, the greater this demand gap. Of course capitalists do consume a portion of their profits, and this helps to fill some of the gap. Nonetheless, the bulk of their income is saved, not consumed, and in Keynesian fashion these savings are viewed as a 'leakage' from demand whose ultimate basis remains the restricted income and consumption of the masses. If this portion of the demand gap corresponding to capitalists' savings were not filled, part of the product would not be sold, or at least not at normal prices, so that the whole system would contract until profits were so low that capitalists would be forced to consume all their income – in which case, there would be no (net) investment and hence no growth. The internal economic logic of a capitalist economy is thus said to predispose it towards stagnation.

Of course the demand gap can be filled not only by consumption but also by investment demand (the demand for plant and equipment). The greater this demand, the higher the level of production and employment in the system at any moment of time, the faster it grows. In the end, therefore,

the final motion of the system depends on the interplay between the tendency towards stagnation created by the savings plans of the capitalists, and the countervailing tendency towards expansion created by their investment plans. Capitalists save because as individual capitalists, they must try to grow in order to survive. But they can invest only when the objective possibilities exist, and these in turn depend on two factors. Specifically, the *foundation* for large scale commerce and trade is provided when the hegemony of a particular capitalist nation (Britain in the nineteenth century and the USA in the twentieth) allows it to orchestrate and enforce international political and economic stability. And the *fuel* for large scale investment is provided when a critical mass of new products, new markets, and new technologies all happen to coincide. When foundation and fuel coexist expansionary factors will be ascendant. On the other hand as the fuel runs out and the inter-capitalist rivalries increasingly undermine the foundation, at some point the contractionary factors reassert themselves and stagnation becomes the order of the day – until, of course, a new hegemonic order (perhaps forged through a world war) and a new burst of discoveries initiate yet another epoch of growth.

None of this is fundamentally altered by the question of monopoly power. In modern capitalism, a few powerful firms are said to dominate each industry, and by restricting output and raising prices they are able to redistribute income in their favour at the expense of workers and of smaller capitalist firms. Since larger capitalists save a higher proportion of income, total savings rise; on the other hand, in order to keep up prices and profits the bigger firms restrict investment in their own industries, thus curtailing the available investment outlets. By increasing the demand gap and simultaneously weakening investment opportunities, monopolies theoretically make stagnation virtually unavoidable. Of course, *in practice*, post-war 'monopoly capitalism' has until recently 'enjoyed a secular boom . . . in many respects exceeding anything in its earlier history'. (Sweezy) And so, once again, the absence of actual

stagnation is explained by the presence of unusually strong countervailing factors: post-war US hegemony, new products and technologies, and military expenditures.

Within such a framework, it is obvious that any economic intervention which strengthens and directs the expansionary factors can in principle overcome the threat of stagnation. Keynesian economics, for instance, claims that the state, either through its own spending or through its stimulation of private spending, can achieve socially desired levels of output and employment and thus *determine, in the final instance, the laws of motion of the capitalist economy* (see KEYNES AND MARX). *The underconsumptionists do not deny this possibility.* They merely claim that it is not currently practical, because modern capitalism is characterized by monopoly, not competition: monopoly increases capitalism's tendency towards stagnation; when this stagnation sets in the state counters it by stimulating aggregate demand; but then monopolists respond by raising prices rather than expanding output and employment (as would competitive firms). The resulting stalemate between state power and monopoly power thereby produces stagnation-with-inflation: 'stagflation'. (Sweezy; Harman; Shaikh 1978). If the state retreats from this struggle and retrenches, we then get a recession or possibly a depression. From this point of view the appearance of a crisis is an essentially political event, due to the unwillingness of the state to tackle the monopolies. Keynesian theory claims that the state has the economic capability to manage the capitalist system, *and once this premise is accepted*, both the existence of a crisis and the recovery from it are questions of the *political ends* toward which this capability is applied. Thus one is led to conclude that a political programme of curtailing monopolies through price controls, regulation, and forceful economic planning will break the back of inflation, while increased social welfare expenditures and even higher wages will benefit *not only the working class but also the capitalist system as a whole* (by reducing the demand gap). The economic contradictions of the system can be therefore displaced onto and resolved within the political sphere, provided

sufficient pressure can be brought to bear on the state.

Sweezy himself studiously avoids drawing the political conclusions inherent in his argument, though he does warn that capitalists themselves may discover new ways to manage the system (1979, *Monthly Review* 31.3 pp. 12–13). But others are much less reticent. (See, for instance, Harrington 1972 ch. XII and 1979 p. 29; various issues of *Dollars and Sense*, particularly October 1979 and July–August 1981; and Gordon *et al.* 1982 pp. 589–91).

### B. Wage Squeeze Theories

Wage squeeze theories attempt to link general crises to a sustained fall in the rate of profit (see FALLING RATE OF PROFIT). The starting point is the recognition that when real wages rise and/or the length and intensity of the working day diminishes, the potential rate of profit falls – other things being equal. In Marxist terms a fall in the rate of surplus value produces a fall in the general rate of profit, *ceteris paribus*. However, this is simply to say that a rise in real wages (adjusted for the length and intensity of work) lowers the rate of profit *relative to its trend*. If the rate of profit tends to fall independently of this, then the rise in (adjusted) real wages merely exacerbates the pre-existing fall in the rate of profit. This, as we shall see in the next section, is what Marx argues. But if the rate of profit otherwise tends to rise, then only a sufficiently rapid rise in real wages can account for an actual fall in the rate of profit. This is typically the claim made by the wage squeeze theorists, who assume that in the absence of changes in the real wage, technical change tends to raise the rate of profit and the ratio of profits to wages.

In one version of the theory, this rising profit rate then directly fuels an investment boom; in the other version, which is really an extension of underconsumption/stagnation theory, the rising profit-wage ratio and increasing monopoly power exacerbate the demand gap and hence the system's tendency towards stagnation, but the state is able to offset this and thereby sustain the boom. In either case, *if* the boom lasts long enough for the market for labour to get so tight and

workers to get so militant that their wage demands produce a sustained fall in the actual rate of profit, then a crisis eventually breaks out. Typically, the wage squeeze theory looks for real wages rising faster than productivity as evidence that it is labour which stands behind the crisis.

For instance, the conventional mathematical treatment of the so-called choice of technique implies a rising profit rate unless real wage increases reverse its course (Shaikh 1978, pp. 242–7). This is cited by most modern proponents of the wage squeeze, such as Roemer (1979), Bowles (1981), and Armstrong and Glyn (1980). Others, such as Hodgson (1975, pp. 75–6), simply cite the empirical stability of the organic composition as a feature of modern capitalism. Finally Kalecki (1971) is usually cited as the source of the argument that state intervention turns an underconsumption tendency into a wage squeeze. It should be noted that even within the conventional choice of technique literature a real wage rising relative to *productivity* is neither necessary nor sufficient to generate a falling rate of profit. This is easily shown from the diagrams in Shaikh (1978a, p. 236) in which the maximum wage rate (the vertical intercept) is the net product per worker.

What is important to note here is that because the crisis occurs only when workers' wage increases become 'excessive', there is plenty of room in this theory for a vision of capitalism which can deliver both rising real wages to workers *and* a rising rate of profit to capitalists. From this point of view, the state can in principle engineer a recovery if both workers and capitalists make sufficient concessions, and it can prevent future crises if both sides display some moderation. It is characteristic of possibility theories in general that because they end by endowing the state with the power to determine the basic laws of motion of capitalism, both the expectations and the promises of their proponents come to depend heavily on the notion that even under capitalism, politics *can* command the system. *If this premise is false, then, at the very least, the tactics and strategy surrounding it are open to serious question.* This, as we shall see next, is exactly what necessity theories of crisis imply.

*Necessity Theories*

The principal modern necessity theory is Marx's theory of the falling rate of profit. In the past, even some versions of underconsumption theory (such as Luxemburg's) were necessity theories, but it is generally conceded that this was primarily due to a mistaken understanding of the logic of their own argument. The law of the falling rate of profit attempts to explain why capitalism goes through long periods of accelerated growth which are necessarily followed by corresponding periods of decelerated growth and eventual crises. What underconsumption theories explain through apparently external factors such as bursts of discoveries, Marx explains through internal factors based on the movements of the potential rate of profit.

The driving force of all capitalist activity is profit, and surplus value is its hidden basis. In order to extract as much surplus value as possible, capitalists must increase the length and/or intensity of the working day, and above all increase the productivity of labour. And in order to compete effectively against other capitalists, they must simultaneously achieve lower unit production costs. *The increase of fixed capital is the solution to both problems.* In brief, the growth of fixed capital relative to labour (the mechanization of production) is the principal means of raising the productivity of labour, and the growth of fixed capital relative to output (the capitalization of production) is the principal means of reducing unit production costs. It can be shown, however, that the growth of fixed capital also tends to lower the rate of profit on the more advanced methods of production (see references cited in FALLING RATE OF PROFIT). For the individual capitalists who first adopt these larger, more capital-intensive methods, their lower unit costs enable them to reduce prices and expand at the expense of their competitors, thus offsetting the smaller rate of profit by means of a larger share of the market. But for the system as a whole, this causes the average rate of profit to drift downwards. Though various factors can temporarily counteract this trend, they operate within strict limits, so that the

secular fall in the rate of profit emerges as the *dominant tendency*.

Over a long period of time, the effects of this downward trend in the rate of profit on investment produce a 'long-wave' in the mass of total potential profit, which first accelerates, then decelerates and stagnates. In the latter phase investment demand falls off and excess capacity becomes widespread, while the lack of new investment slows down productivity growth so that real wages may for a time rise *relative* to productivity. In other words, both underconsumption and wage squeeze like phenomena appear as *effects* of the crisis of profitability. But they do not *cause* general crises, because there are built-in mechanisms within capitalist accumulation which adjust capacity to effective demand, and which keep wage increases within the limits of productivity increases (*Capital I*, ch. 25, sect. 1; Garegnani 1978).

Each general crisis precipitates wholesale destruction of weaker capitals and intensified attacks on labour, which help restore accumulation by increasing centralization and concentration and by raising overall profitability. These are the system's 'natural' recovery mechanisms. But due to the secular fall in the rate of profit, each succeeding long upswing is characterized by generally lower long-term rates of profit and growth, *so that in the capitalist dominated world the problems of stagnation and world-wide unemployment worsen over time.* Because these problems arise from capitalist accumulation itself and not from either insufficient competition or excessive wages, they cannot be simply 'managed' away by state intervention *no matter how progressive its intent.* Politics cannot and will not command the system unless it is willing to recognize that the capitalist solution to a crisis *requires* an attack on the working class, and that the socialist solution in turn requires an attack on the system itself. As Yaffe (1976) notes, the characteristic reliance of possibility theories on the power of the state may be a dangerous illusion. (See also CRISIS IN CAPITALIST SOCIETIES.) AS

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**economics.** See political economy.

**economism** A concept developed by Lenin in several articles of 1899 ('Retrograde Trend in Russian Social-Democracy', 'Apropos of the *Profession de foi*', etc. in *Collected Works*, vol. 4), which criticized some groups in the Russian social democratic movement for separating political from economic struggles and concentrating their efforts on the latter; an attitude which Lenin associated with 'Bernsteinian ideas' (see BERNSTEIN). 'If the economic struggle is taken as something complete in itself,' he wrote 'there will be nothing socialist in it.' In a later article (1901) Lenin defined 'economism' as a *separate trend* in the social democratic movement, with the following characteristic features: a vulgarization of Marxism which downgraded the conscious element in social life; a striving to restrict political agitation and struggle; a failure to understand the need 'to establish a strong and centralized organisation of

revolutionaries'. His pamphlet of 1902 *What is to be Done?* was directed primarily against economism, made a distinction between trade unionist politics and social democratic politics, and denounced 'bowing to spontaneity' (i.e. the notion of a spontaneous movement towards socialism as an outcome of economic development).

Lenin used the term, therefore, mainly in the context of practical politics, and it took its place in the broader framework of his ideas about the need for a centralized and disciplined party which would bring a developed class consciousness to the working class from outside (see LENINISM). But economism also has a theoretical significance, as a form of Marxism which emphasizes (and in the view of its critics over-emphasizes) the determination of social life as a whole by the economic base (see BASE AND SUPERSTRUCTURE), and in general insists upon the determinism of Marx's theory. Gramsci (1971, part II, sect. I) begins his discussion of economism by considering its political manifestations – identifying economism with syndicalism, *laissez-faire* liberalism, and various other forms of 'electoral abstentionism', which all express some degree of opposition to political action and the political party. He goes on, however, to relate it to a particular theoretical orientation in the social sciences, namely 'the iron conviction that there exist objective laws of historical development similar in kind to natural laws, together with a belief in a predetermined teleology like that of a religion'.

In recent debates, economism has been most strongly, though very inadequately, criticized by the structuralist Marxists (see STRUCTURALISM) in the course of their rejection of the base/superstructure model and of teleology. Poulantzas, in his study of the Communist International's policy towards fascism (1974), argues that the policy was based upon a particular kind of economism which reduced imperialism to a purely economic phenomenon (a process of linear economic evolution), explained fascism in Italy by the economic backwardness of the country, and did not expect fascism in Germany, which had a highly industrialized,