

# Some Comments on Mandel's Marxist Economic Theory

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Marxist Economic Theory, by Ernest Mandel.  
2 volumes. Pp. 797. 4 gns.

This is an ambitious book attempting, as it does, to elucidate Marxist economic theory within a framework that reaches from pre-historic times to the anticipated socialist society. Mandel deems this comprehensive procedure necessary because of the dialectical proposition that the lost social collectivity of primitive society will make its reappearance in the socialist future, albeit in a 'higher form'. Socialist attitudes presuppose socialism; according to Mandel, 'individuals must have acquired experiences that society has ceased to treat them as Cinderellas and become a generous and understanding mother, automatically satisfying all the basic needs of her children. This experience must have penetrated into the unconsciousness of individuals, there to encounter the echoes from the primitive-communist past which have never been completely buried by the effects of 7,000 years of exploitation of man by man.' (656)\* Although these 'echoes of the past' are a mere assertion, it is quite clear that men will transform themselves by changing their relations to other men and, therefore, the conditions of their existence. There is no need to evoke a 'collective-unconscious' to support the possibility of a socialist consciousness. In any case, this has nothing to do with Marxist economic theory, which restricts itself to a critique of political, or bourgeois, economy and which, in Mandel's view, too, is bound to disappear with the disappearance of capitalist society.

Historical materialism is more and something other than economic theory. Whereas historical materialism elucidates social development as such, economic theory deals with the specific historical form this development assumes in capitalism. The difference is clouded in Mandel's exposition, which roams all over the world, and through all history, in an attempt to bring Marx's economic analysis up to date. Mandel does so, however, without 'quoting the sacred texts'. Against that, he says, 'we quote abundantly from the chief economists, economic historians, ethnologists, anthropologists, sociologists and psychologists of our time, in so far as they express opinions on phenomena relating to the economic activity, past, present and future, of human societies. What we seek to show is that it is possible, on the basis of the scientific data of contemporary science, to reconstitute the whole economic system of Karl Marx.' (17) In this way, Mandel wants to demonstrate that Marx's economic teaching allows for a 'synthesis of the totality of human knowledge' (17). He realizes, of course, that this is quite a task and claims no more than to have merely produced a draft 'which calls for many corrections and an invitation to the younger generation of Marxists, in Tokyo and Lima, in London and Bombay, and (why not?) in Moscow, New York, Peking and Paris, to catch the ball in flight and carry to completion by team work what an individual's effort can obviously no longer accomplish.' (20)

What Mandel was able to accomplish, however, was to read many books and a lot of more-or-less relevant statistics and thus to find the material which in one fashion or another validates his own interpretation of Marxist theory. Although this theory finds illustrations in more recent data it remains essentially

its familiar self. There is the division of labor into necessary- and surplus-labor, the evolution of the market economy, the use- and exchange-value relations, the theory of value and surplus-value, the transformation of surplus-value into capital, the accumulation process, both primitive and advanced, the rising organic composition of capital, and the various contradictions of capitalism which find their expression in its susceptibility to crises and in the tendential fall of the rate of profit. Special chapters deal with trade, credit, money, and agriculture. From there Mandel proceeds to monopoly capital, imperialism, and to the present epoch considered as one of capitalist decline. The rest of the book is devoted to the problems of the Soviet economy, the transition from capitalism to socialism, and to socialism itself.

Unless one wants to harp on unessentials, the larger part of Mandel's more descriptive than theoretical book does not call for critical appraisal. In fact, most of the material presented is of a non-controversial nature and so well done as to benefit anyone interested in social history and the economic problems of today. At any rate, what is of special interest to socialists are not so much the various mechanisms of the capitalist market economy, such as the money and credit functions, the role of competition, and so forth, but the system's historical boundaries which are the result of its internal contradictions. The latter are reducible to the exploitative capital-labor relations and therewith to the contradictions that beset capitalism down to the falling rate of profit as just another expression of the accumulation of capital. Disregarding all points of agreement, we will catch Mandel's 'ball in flight' only where we disagree with his interpretations of Marxism and of present-day reality.

Marx intended to discover the laws of capitalist development. Just as capitalism emerged out of another social system, so it is bound to make room for a different one. It cannot persist, in Marx's view, because its transformation is already indicated by the opposing social forces operating within it, and because of its own dynamic, which will lead this opposition to the point of social revolution. The general historical development has to work through the specific capitalist production relations with respect to both their real nature and their fetishistic appearances in the capitalist market and money economy. Marx's analysis yielded the conviction that capitalist development, as the accumulation of capital, has definite limits beyond which it ceases being a progressive social system. Attempts to maintain it nonetheless would find their reflections in political struggles which would finally bring capitalism to its end.

In economic terms, capitalist production is the production of surplus-value, that is, of unpaid labor power. Capital formation is the accumulation of surplus-value. It implies an increasing productivity of labor. In the process of accumulation, less and less labor will be employed relative to the growing mass of capital. This is characterized by Marx as the rising 'organic composition of capital', i.e., more capital is invested in means of production, or constant capital, than in labor power, or variable capital. Because only variable capital yields surplus-value, while the rate of profit is measured in total capital - variable and constant capital combined - the rate of profit must fall unless this fall is compensated for by a rising rate of exploitation, or surplus-value. Actually, so long as capital accumulates, the rising organic composition of capital implies a growing rate of surplus-value so that the decline of the rate of profit exists only in latent form.

However, for Marx as well as Mandel, 'an equivalent increase of the rate of surplus value and of the organic composition of capital is in the long run impossible to achieve.' (167) But Mandel's reasons for this capitalist impasse dif-

ier from those of Marx. Whereas Marx derives them from the strict application of the labor theory of value to the accumulation process, Mandel thinks that 'with the increase in the productivity of labor there often comes an extension of workers' needs and a corresponding increase in the value of labor power, which in turn encourages the development of the labor movement, thus restricting the growth in the rate of surplus-value.' (167) Mandel mistakes the growth in real wages for 'growth' in the value of labor power. But real wages can rise even with a 'decline' in the value of labor power, and, in fact, generally do rise in this manner, which is to say that a growth in real wages presupposes a still faster increase in the rate of surplus-value. For Marx, 'the diminution of unpaid labor can never reach a point at which it would threaten the system itself... Accumulation is the independent, not the dependent, variable; the rate of wages, the dependent, not the independent variable.' (Capital, Vol. I, p. 679) Marx may be wrong, of course, and Mandel right, but this would have to be proven empirically. There is no such evidence. The very fact of capital accumulation despite increasing wages indicates an increase in the rate of surplus value, even though this increase may not suffice to guarantee a rate of accumulation that assures conditions of prosperity.

Because real wages have risen, Mandel holds that Marx's theory of accumulation is not a 'theory of impoverishment' and that to assert the contrary would discredit Marxism. By being based on the labor theory of value, on the assumption, that is, that labor always receives the value of its labor power, i.e., its reproduction costs, there is indeed no increasing impoverishment as regards the laboring population. But this does not alter the fact, as Mandel himself points out, that the decreasing number of workers relative to the growing capital implies a growing number of unemployables and therewith an increasing pauperization -- not to speak of the increasing misery in periods of depression and the enormities of capitalist warfare. As a world-market system, moreover, capitalism shares in the responsibility for the world's increasing impoverishment. At a time when even the bourgeoisie has to recognize these facts, it is rather strange that Marxists should find it necessary to deny that capital accumulation is also the accumulation of misery.

To be sure, Mandel is not inclined to minimize the contradictions of capitalism. He seems convinced, however, that proletarian impoverishment has been successfully forestalled by way of wage-struggles at the expense of profits. 'At the peak of the boom,' he writes, 'if full employment is actually achieved, the demand for labor greatly exceeds the supply, and the workers can bring pressure to bear to push wages up, the reduction in the rate of profit which results being one of the causes of the outbreak of crisis.' (144) Actually, however, at periods of high prosperity prices rise faster than wages, so that the declining profitability cannot find a cause in the supply-and-demand relations of the labor market. At this point, Mandel sacrifices Marxist theory to bourgeois theory, which naturally will put the blame for crisis on high wages. Marxism does not derive its crisis theory from supply-and-demand relations but from underlying changes in the organic composition of capital and the changing productivity of labor.

Mandel's whole concern with Marx's law of the falling rate of profit was clearly wasted as far as he himself is concerned, for he is not able to connect it in any meaningful way with the crisis-cycle of capitalist development. His extensive reading in current economic theory, particularly the Keynesian brand, has led him astray, for in order to utilize this material he has often to violate Marx's own theories. The capitalist crisis, according to Mandel, 'is due to inadequacy not of production or physical capacity to consumer, but of mone-

tarily effective demand. A relative abundance of commodities finds no equivalent on the market, cannot realize its exchange value, remains unsaleable, and drags its owners down to ruin.' (343) Although Mandel holds that the increase in the organic composition of capital and the downward tendency of the average rate of profit are the general laws of development of the capitalist mode of production, he also says that 'they create the theoretical possibility of general crisis of overproduction, if an interval between the production and sale of commodities is assumed.' (346) According to Marx, however, the crisis results from the general laws of capitalist development even if there were no interval between the production and sale of commodities. It is not the difficulty of realizing surplus-value, but the recurrent difficulty of producing it in sufficient measure which brings about crisis.

This is not to say that there is no realization problem, for actually the production and realization of surplus-value have to go hand-in-hand. Rather, the final source of all capitalist difficulties must be looked for in the sphere of production and not in that of the market, even though the problems of profit production do appear as market problems. With a sufficient profitability, capital accumulates rapidly and creates its own market in which surplus value can be realized; with an insufficient profitability, the rate of accumulation slackens, or disappears altogether, and contracts the market, thus making the realization of surplus-value difficult. The 'interval' between production and sale is based on the difference between the actual rate of profit and that rate of profit which would be required for an accelerated capital accumulation.

In Marx's theory, the crisis-cycle finds its explanation in a discrepancy between the organic composition of capital and the rate of profit associated with it, as soon as the latter precludes an accelerated rate of accumulation. The dilemma is resolved by an increase in the productivity of labor sufficient to allow for a further accumulation of capital despite its higher organic composition. Since the crisis finds its source in the sphere of production, it is in this sphere, too, that it is overcome. All the crisis elements appearing in the market must be traced back to this basic crisis situation in the sphere of production.

The more deeply that Mandel involves himself with the phenomena of crisis, the more obscure his exposition becomes. While he is correct in insisting that 'capitalist production is production for profit' and that 'the variations in the average rate of profit are the decisive criteria of the actual conditions of capitalist economy' (346), and while to him 'the cyclical movement of capital is nothing but the mechanism through which the tendency of the average rate of profit to fall is realized' (349), the crisis remains for him nevertheless a crisis of production, due mainly to disproportionalities between the two great sectors of production, i.e., the production of capital goods and of consumption goods. 'The periodical occurrence of crisis,' Mandel writes, 'is to be explained only by the periodical break in the proportionality (of the two sectors of production) or, in other words, by an uneven development of these two sectors.' (349) Although Mandel knows all about the competitive equalization of profit rates, he links 'the periodical disproportion between the development of the capital goods sector and that of the consumer goods sector with the periodical difference between the rates of profit in the two sectors.' (350) In a great effort to make Marx's abstract crisis theory concrete, Mandel finally accepts in some measure elements of almost all existing crisis theories, Marxist or other, and even spurious concepts such as 'the multiplier' and the 'acceleration principle', while at the same time berating their authors for their failure to consider the factor of the 'uneven development of different sectors, branches and countries drawn

in the capitalist market'(371), which, to his mind, is not only 'a universal law of human history'(91), but also the key to the proper understanding of the capitalist crisis mechanism. Instead of leading, however, to a synthesis of all the partial knowledge hitherto evolved with respect to the crisis-cycle, Mandel's endeavor leads only to an amalgam of contradictory ideas which are, at times, hardly comprehensible.

In contrast to Mandel's interpretation of Marx's theories, his chapters on monopoly capital, imperialism, and the decline of capitalism are clear and concise, and if they are disappointing it is only because they deserve more of a theoretical background. The facts presented speak for themselves, of course, yet they would be even more eloquent if they were brought in closer contact with Marxist theory, which makes it clear that monopoly and imperialism are not capitalist aberrations but the inevitable consequences of capital production. The material here tells the familiar story of capitalist concentration and centralization on a national and international scale and related state interventions in the economy. What appears to some as a further expansion and extension of capitalism, and as the consolidation of the system through a direct merger of business and government, seems to Mandel sufficient proof that capitalism finds itself in a state of decline, because 'the increasing practice of intervention in the economy by the state is an involuntary homage rendered to socialism by capitalism.'(541)

Mandel points out, of course, that state interventions operate within the framework of capitalism in order to consolidate capitalist profit; yet, they have at the same time, the long-run effect of undermining the foundations of the regime. Because it is less and less possible to make profitable use of all capital, Mandel writes, 'the bourgeois state becomes the essential guarantor of monopoly profits'(502), which involves the 'transfer to private trusts of public property'(503), and the 'growing importance of armaments and a war economy'(521) as a substitute 'market'; a process which, if 'carried to its logical conclusion necessarily implies a process of contracted reproduction'(524). If not carried that far, however, 'state contracts stimulate production and expansion of productive capacity not only in the directly "militarized" sectors, but also in the raw material sectors, and even, through the increase in general demand thus created, in the consumer goods sectors. So long as there are unused resources in society, this "stimulant" will tend to ensure full employment of them, while in the long run undermining the stability of the currency.'(534)

This is undoubtedly true, regardless of whether or not there are unused resources. The 'unused resources' in capitalism, that is, constant and variable capital, are capitalist property and will be set in motion only when profits are promised and capital is augmented. 'Public consumption', i.e., public works, armaments, and war, subtract from the available surplus-value destined to be turned into additional, surplus-value-producing capital. A progressively increasing non-profitable production implies a declining rate of accumulation and eventually its demise, thus destroying the rationale of capitalist production. In so far as it is not extracted from the mass of the population by way of inflation, the expense of 'public consumption' piles up in the national debt for which there is no profit-counterpart. Just as the enlarged 'market' is a pseudo-market, so the prosperity released by it is a pseudo-prosperity, which can postpone, but not prevent, the return of crisis conditions. The policy's applicability is limited, so that even under conditions of government-induced production, unused resources are bound to grow.

An enlarged production is no aid to capitalism. What it needs is a larger production of profits to counteract the tendency of the rate of profit to fall. In dealing with the mixed economy, Mandel forgets his Marxist learning altogether, and his exposition becomes self-contradictory. While pointing out that state interventions are necessary to ensure the profitability of the monopolies, he asserts, at the same time, that 'trusts no longer suffer from a shortage of capital but rather from an excess of it' (512), and that this 'overcapitalization' is due to 'monopoly super-profits' (517), which find no outlet in new investments. But if there are such 'super-profits', why should the monopolies require government support to enable them to produce profitably? Obviously, if they are having difficulties finding profitable investment opportunities, these difficulties cannot be alleviated through non-profitable government-induced production. It is precisely because of the fact of insufficient profitability, relative to the existing capital, that investments taper off and thus require government-induced production to forestall economic crisis.

However, Mandel mistakes the lack of private investments, due to a deficient profitability, for an 'abundance' of capital relative to the 'effective demand', and holds with the Keynesians that government-induced 'effective demand' acts as a 'stabilizer' of the economy. 'Frequently,' he writes, 'expanded reproduction may even continue in all sectors, on condition that the rate of expansion is stable or declining, that is, that the armaments sector absorbs the bulk or the whole of the additional resources available in the economy.' (525) Stability is assured, in his mind, through a limitation of capital accumulation and not through its resumption and acceleration. In this way, he says, 'the capitalist economy tends to ensure greater stability both of consumption and of investments than in the era of free competition, or than during the first phase of monopoly capitalism; it tends toward a reduction in cyclical fluctuations, resulting above all from the increasing intervention of the state in economic life.' (529)

To describe this state of bliss by way of government interventions and arms production as an 'epoch of capitalist decline', is understandable only on the basis of Mandel's assumption that the enlargement of the government-induced sector of the economy is a step towards socialism -- seen as a state-controlled economy. In this respect, of course, government ownership would be even better than government control and Mandel does not fail to point out 'that nationalization of sectors of industry... can constitute a veritable school of collective economy, provided that the compensation payments to capital are reduced or cancelled, that it is not limited to sectors run at a deficit, that the representatives of private capital are removed from the management, that workers' participation in the management is ensured, or that this management is subject to democratic workers' control, and that the nationalized sectors are used by a workers' government for the purpose of all-round planning, especially to achieve certain objectives of high priority, either social or economic.' (503) In view of the relative stability achieved by state interventions, Mandel foresees a change of objectives for the proletarian class struggle. 'Socially and politically,' he writes, 'the period of capitalist decline educates the working class to interest itself in the management of enterprises and the regulation of the economy as a whole, just as "free competition" capitalism educated the working class to interest itself in the division of social income between profits and wages.' (536)

Workers' control of production presupposes a social revolution. It cannot gradually be achieved under the auspices of a workers' government which 'nationalizes sectors of the economy' -- not to speak of the impossibility of 'all-round planning' in a partly nationalized and partly private-enterprise economy. To

be sure, Mandel is not opposed to social revolution; yet, already before its occurrence, he envisions its result as a managed economy with 'workers' participation', not as an economy managed by the producers themselves. This brings us to the last parts of the book, dealing with socialism and the Soviet economy.

According to Mandel, all the contradictions of the capitalist mode of production' can be summed up in one general and fundamental contradiction, that between the effective socialization of production and the private, capitalist form of appropriation.'(170) The latter is a consequence of the private ownership of the means of production. Capitalism evolved as a system of private ownership of the means of production in a market economy which finds a kind of blind 'regulation' through value relations which dominate the exchange process. Recent history has shown that capitalist relations of production can exist without private ownership of the means of production and that, with regard to the working classes, a centrally-determined appropriation of surplus-labor by government will not lead to a 'socialist appropriation' of the products of labor. In both systems, of course, there is 'effective socialization of production' due to the division of labor. But socialization of production in the Marxian sense implies that the means of production are no longer separated from the producers, so that the latter may themselves determine how to employ their labor and how to dispose of their products. If they continue to be separated from the means of production, that is, if the control of the latter remains the privilege of a separate social group organized as the state, the social relations of production continue to be capitalist relations of production, even though individual capitalists no longer exist.

On this point, Mandel misses a chance to bring Marxism 'up-to-date'. He still insists that capitalism can mean nothing other than private-enterprise capitalism, and where it no longer prevails, there will not be as yet socialism but a transition to socialism. He is not always consistent, however; frequently he refers to 'socialist countries' as if they were already a reality, while at other times, and particularly with respect to Russia, he sees socialism as only in progress and still tarnished by remnants of the capitalist past. Still, for him, 'the Soviet economy does not display any of the fundamental aspects of capitalist economy'(560), it is merely marked 'by the contradictory combination of a non-capitalist mode of production and a still basically bourgeois mode of distribution'(565).

According to Marx, the relations of production determine those of the distribution of both labor and its products. A bourgeois mode of distribution could not exist without a similar mode of production. There are, of course, differences between private-enterprise capitalism and state-capitalism, but they relate to the ruling class, not to the ruled, which finds itself in an identical social position in both systems. To a capitalist, state-capitalism may indeed appear as 'socialism', for it does deprive him of his customary privileges, but to the workers this 'socialism' merely signifies a different set of exploiters. To the new rulers, the system is of course different from capitalism simply by the fact of their own existence and the economic and institutional changes wrought to consolidate their new position. State-capitalism seems the most appropriate designation for this system, and if Mandel objects to it, he must be reminded that Lenin and the old Bolsheviks referred to Russia in these terms. In their views, state-capitalism was superior to capitalist monopoly-capital and for that reason closer to a socialist future. Only later was this wrongly-presumed 'transition to socialism' falsified as socialism itself.

It should be clear on theoretical grounds, as well as by fifty years of Bolshevism, that state-capitalism is not a road to socialism. It may be considered as such only on the false, non-Marxist assumption that its new ruling class (or caste, according to Mandel) will of its own accord, and by a series of 'revolutions from above', eliminate its own privileges and therewith the 'basically bourgeois mode of distribution' in favor of a form of appropriation more akin to its 'non-capitalist mode of production'. Because the Bolshevik rulers failed to do so, Mandel maintains that they have 'betrayed' socialism and the working class, have ceased being real communists, and should be replaced by more consistent revolutionaries. There must also be a more efficient system of 'workers' control' to prevent the excessive growth of the bureaucracy and to limit its powers. In Russia, Mandel explains, 'management was increasingly carried on by a bureaucratic apparatus, at first through a sort of delegation of power, later more and more by usurpation. The Bolshevik Party did not understand in good time the seriousness of this problem, despite the many warnings sounded by Lenin and by the Left Opposition.' (572)

When Mandel speaks of Russia's bureaucratic distortions and the state's brutal, arbitrary, and terroristic methods of rule and exploitation, he blames them not on Bolshevism and its concept of authoritarian party-rule, but on Stalinism and the Russian working class itself, 'which began to show less and less interest in direct management of the state and the economy' (572). He tries to make believe that he is unaware of the fact that it was the Bolshevik Party under Lenin and Trotsky which deprived the working class of both control and management of production, and replaced the rule of the soviets by that of the party and the state. All the terroristic innovations associated with the Stalinist regime, including forced-labor and concentration camps, had been initiated under Lenin's leadership. In his wide reading, Mandel cannot have failed to note the Bolshevik Revolution's early history down to Lenin's death, and he must thus be aware of the dictatorial and terroristic methods employed at that time against both the bourgeoisie and the working class. To restrict Russia's dilemma to its Stalinist period can only be regarded as a falsification of history.

What is of greater significance, however, is that Mandel even now regards the Bolshevik Revolution as an example of a working-class revolution which could have been prevented from going astray by a better leadership than that which followed in Lenin's wake. He cannot conceive of future socialist revolutions except in terms of the Bolshevik Revolution. And he assumes that the problems of socialism will everywhere be similar to those encountered in Russia. 'The contradiction between the non-capitalist mode of production and the bourgeois norms of distribution,' he writes, 'is the fundamental contradiction of every society transitional between capitalism and socialism.' (572) And this is so, because 'a shortage of use-value prolongs the life of exchange-value' (567), for which reason commodity production cannot be abolished but can only 'wither away' through the growing mastery of 'scarcity'. Therefore, the economic categories of capitalist economy, value, price, profit, wages, money, etc., will have to be retained to be utilized in a 'planned economy' which 'must make full use of the market, without yielding passively to it. It must, if it can, guide the market by means of incentives; it must, if need be, coerce the market by means of injunctions, every time this is required for the realization of its primary aims, as freely decided by the working-people.' (636) The evolution of the workers' decision-making power will be characterized by a change from 'workers' control', i.e., supervision of the management by the workers, to 'workers' participation' in management, and, finally, to 'workers' self-management' (644) in the completed socialist society.