The Subversion of Money-as-Command in the Current Crisis*

Over a period of two decades money has emerged as a central axis of class conflict in much of the world. Beginning in the early 1970s with the shift from fixed to flexible exchange rates, developing through the rise of monetarism and "tight money" policies to the "debt crisis" of the 1980s, money has been used by capital against the insurgent power of the working classes. During this period, it has become impossible to continue to treat money technically as "standard of price, "means of circulation", "means of payment" or "store of value". It has become a weapon of command in new and unusually brutal ways. Yet, at the same time, as we will see, in comparison to the earlier Keynesian use of money, monetarist money has proven to be, at best, a blunt and crude instrument. It has been useful for hammering down real wages and standards of living, for creating massive unemployment and widespread suffering. But its ability to transform itself into truly productive capital has been limited. It has been, so far, unable to organize a new cycle of accumulation. This inability, we will see, has been due to two processes of subversion: one from within capital, where money has been used for the redistribution rather than generation of surplus value and one from the working class, where money has been subverted into non-capitalist uses in ways which undermine the foundations of accumulation.

In what follows, I shall sketch four arguments: first, that in Marxist theory money under capitalism is the embodiment of class power, second, that in the era of the Keynesian state money played a fundamental role in the capitalist management of class relations at both the national and international levels, third that the cycle of working class struggle that brought that era to an end involved, in part, an undermining of the Keynesian uses of money, and fourth, that in the recent period of capitalist counterattack the new ways of using money as a weapon have failed to achieve their most important ends.

The Marxist Theory of Money-as-Command

Marx's point of departure in his analysis of money was the roles it plays in capitalist society; his point of arrival was an understanding of the various roles of money in the dynamics of class struggle. The subordination of money-as-mediator of exchange (C-M-C) to money-as-end (M-C-M') is a crucial differentia of the capitalist economy and society. But what does money-as-end mean? To stop with the mere quantitative augmentation of money (profit) is to fall prey to fetishism. Marx shows us rather that the essential social role played by money in capitalism is the command of people's lives as labor. The "capitalists" are not just the rich who consume luxuriously - the pre-capitalist landed gentry did that. They are not just merchants who buy and sell for profit - those have been around since the Sumerians. They are a new breed who use their money to put people to work where the production of use values is merely the necessary means to the end of organizing society around endless work. Yes, that work produces more value and surplus value (profit in money terms) but that surplus money (qua capital) is merely the means to put people, often more people, to work once again. Capital, Marx often insisted, is a social relation - an antagonistic relation of the imposition of work and the resistance to it. Thus historically the capitalists rose against the leisure and consumption of both the landed aristocracy and the working classes raising instead the banner of frugality, investment and work.

This is the secret of primitive accumulation: the creation of a new class structure in which one class (the capitalists) uses money to put others to work (the "working" class). The story is one of the expropriation of the majority from tools and land and of their concentration in the hands of a new master class which uses them to subordinate the lives of that majority to work. As Marx and others since have shown, this was no easy subordination because of the stiff and unending resistance of most people to being forced into this new position of working for others under difficult conditions of exploitation. That widespread resistance took on a diversity of forms, as diverse as the circumstances

* This paper was written for and prsented to the Conference on Money and the State at FLACSO, Mexico City, Mexico, July 14-17, 1992. The Conference was organized by John Holloway and brought together a number of people from Mexico, the United States and Europe to discuss theoretico-political issues of money in the crisis. Several of the papers presented to that conference (including this one) were subsequently published as Werner Bonefeld and John Holloway (eds) *Global Capital, National State and the Politics of Money*, London: St. Martin's Press, 1995. This contribution, with the same title, appears on pp. 141-177 of that book.

of the imposition of work. Overcoming that resistance required capitalist control over two interlinked institutions: money and the state.

The centrality of money in the new class relations was precisely the centrality of command. The creation of the working class was first and foremost, the imposition of the mediation of (capitalist controlled) money between people and the means of subsistence. The expropriation of land and tools made it impossible for people to live independently. But the imposition of the money wage and of money prices was necessary to force people to work for capital. This imposition required, above all, new powers of a new capitalist state: the control over the creation and regulation of money and the police power to inflict money as a universal measure and mediator on society. Thus the "bloody legislation" against the expropriated - implemented by whip, the branding iron and the gallows - was the above all the imposition of monetary relations: making money the only means to subsistence and access to money dependent on the sale of one's life as labor power. All of the multiple and widespread attempts at independence - from the retaking of land (e.g., the Diggers) through the direct appropriation of wealth (e.g., begging, "theft") to outright rebellion (e.g., the rising of the Scottish Highlands in 1745) - had to be suppressed viciously and thoroughly in order to impose the new monetary rules of the capitalist game.[1] The rule of capital was a rule of money and it required, as Peter Linebaugh has recently shown, a new "thanatocracy" to impose it.[2] "If money," as Marx wrote, came "into the world with a congenital blood-stain on one cheek, capital [the capitalist use of money] comes dripping from head to toe, from every pore, with blood and dirt."[3]

At the same time, the imposition of money - like all the other mechanisms of domination - involved a constant risk: namely that the working class might make use of it for its own purposes. By this I do not mean simply the expenditure of money for the means of subsistence, that purpose, *per se*, is fully consistent with the needs of capital as long as it merely involves the reproduction of labor power. However, we need to recognize that there is only a limited automaticity in this role of money. The working class must spend its wage to reproduce itself and as long as capital is able to continue to impose work, consumption will inevitably reproduce labor power, at least to some degree. At the same time, workers have also proven quite capable of using money for purposes antithetical to such reproduction. Obvious cases are those where money has been used by workers to finance their struggles against capital, from strike funds and weapons to the periodical avoidance of work made possible by sufficiently high money income.[4] Beyond such negative subversion of money is the use of money by workers to finance their own creative forms of self-activity in which they pursue ways of being alternative to capital - from innovations in traditional cultural activities to the development of new forms of communist social patterns.[5] In both cases, of course, there is a dynamic dimension that has to be taken into account in evaluating the degree to which money has really been subverted, in as much as the harnessing of class struggle itself provides the motor of capitalist development. Nevertheless, the ability of capital to limit and reinternalize forms of working class struggle is never given *a priori* and, as we know, it has often failed to do so, resorting instead to the straightforward repression of working class self-activity. The point is that from the beginning right through to the present, the imposition of money as universal mediator carried with it such potential for working class subversion as I have described.

Beyond the original imposition of money and its role as the vehicle of capitalist command, lay the maintenance and adaptation of these relations in the course of accumulation. Despite the supposedly subtle role of "market" pressures in controlling the working class - as opposed to the naked relations of force supposedly dominant in earlier societies - working class resistance has been such that capital has never been able to dispense with the powers of the state, both direct and indirect. Always, need has been found for police controls over working class behavior: from the

[1] On the role of money in the "civilizing" of the Scottish Highlands after the rising of 1745 and David Hume's contribution to it, see George Caffentzis, "Hume, Money and Civilization, or, Why was Hume a Metallist?" (typescript) 1992?

[2] Peter Linebaugh, *The London Hanged*, Cambridge University Press, 1992.

[3] Karl Marx, *Capital*, Volume I, Chapter 31, New York: Vintage, 1977.

[4] Such avoidance of work may take the form of regular weekly absenteeism from waged work, such as that which was rampant in the late 1960s, or it may take the form of only periodical waged employment when enough money can be earned to support a subsequent period free of the labor market. Within the traditional family, where some (usually men) work for a wage and others (usually women and children) do not, those doing the unwaged work of reproduction in the home may be able to channel enough of the wage into labor saving uses (from washing machines to eating out) as to free themselves at least partially from such work. Similar phenomena exist with other forms of income besides the wage including the market income of peasants and unemployment insurance - both of which may be sufficient to allow considerable periods away from work for capital.

[5] Such projects of self-valorization, by their very otherness to capital, also involve its negation. The point here is to differentiate those projects of struggle which simple resist or attack capitalist domination from those which seek to establish new bases for social development beyond it.

suppression of sabotage, strikes and "riots" of industrial waged workers through the policing of the unruly, unwaged lumpenproletariat in the industrial cities to the military quelling of insurgent peasants and plantation workers in the colonies. Again and again, repeated threats to the role of money has required state action: from the direct regulation of the mediator itself to the management of its flows.

Thus, the role of the state has had to be maintained and even expanded in the creation and management of money, from the minting of metallic coin to the printing of paper to the regulation of banking reserves and the management of fiscal affairs (taxation and expenditures). The development of such state policies and the philosophical and political economic debates about them have constituted a long history of trying to find the best means to realize the role of money as an essential moment of capitalist class relations. Within the framework of capitalism there have been two great obstacles to such realization: first, among the capitalists themselves, a money fetishism which has obscured more fundamental social relationships, and second, originating in the antagonism of the working class, the power to separate money from capitalist command and utilize it for autonomous purposes.

In the classical political economy of the 18th Century, the struggle against the first of these obstacles, money fetishism, took the form of an attack on the various strands of mercantilist thought and policy which saw money, in its gold and silver forms, as the essential form of wealth - to be sought primarily through trade. Despite the survival of a certain fetishism in the form of variations on Hume and Locke's quantity theory, the classical economists broke the back of money fetishism by re-identifying the source of wealth as labor, especially industrial labor producing commodities for the market. Their labor theory of value thus gave expression to the most basic characteristic of capitalism (the centrality of the subordination of life to work) and articulated labor value as the measure of all wealth. In a progression through Steuart and Smith to Ricardo, they would thus be able to situate money as an endogenous element in these social relationships rather than as a power in its own right. It remained for Marx to elaborate a theory of those relationships which brought out their exploitative character of class domination and struggle. These intellectual efforts against the "monetary system", not only served to support a wide variety of policies conducive to industrial investment and development (e.g., the abolition of the Corn Laws) but they also served to ground new policies for the state with respect to the direct management of money, especially with respect to the growth and regulation of bank money: notes and credit. Ricardo's work on money, for example, would be used to justify Sir Robert Peel's Bank Acts of 1844 and 1845 and the efficacy of the not so invisible hand of the Gold Standard.[6]

The struggles in the 17th and 18th Centuries against the second major obstacle to the capitalist use of money - the working class - apart from the kinds of measures taken to impose increasingly universal monetary relations which I have already mentioned, included the imposition of a unique monetary standard and its defense against debasement. While the creation of such a standard could be handled physically by the state through coinage and later through the printing of paper money, its social employment and maintenance was a more difficult matter. First, because early on "money" circulated in a wide variety of forms - both official and private - and had to be displaced and replaced by the unique state-sanctioned standard. This was even true after the advent of paper money when, in places like 18th Century Scotland local authorities could issue notes in response to whatever pressures they were subjected to, from the need for wage money to the avoidance of highway robbery.[7] Second, because ever present forms of resistance represented by clipping, counterfeiting, and smuggling had to be repressed. One such period of conflict between the state and the widespread and largely invisible "debasers" of the currency was the 1790s when John Locke mobilized both his monetary theory and the persecutory powers of the Mint to defend the currency. He utilized a combination of hanging and recoinage to restore the power of money and defend the power of the state.[8]

A second employment of both money and economic theory to overcome working class resistance concerned the unemployed and their relation to the waged. Whether money was spent (on poor rates and the work house) or money was withheld (the abolition of the poor laws, the limitation of wages) the object was the same: the maintenance of sufficient economic coercion to force workers into the labor market and into work on the job.

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[6] Marx's analysis of these developments can be found in various articles on the English financial problems published in the period 1857 to 1858 and in Chapter 2, Part C of his *Contribution to the Critique of Political Economy* published in 1859.

[7] Linebaugh, *The London Hanged*, op.cit., pp. 210-213. Hume's solution to such problems, as Caffentzis (op.cit.) shows, was the imposition of a unique and metallic monetary standard - not out of any gold fetishism but as a means to enforce monetary discipline.

[8] This history is reexamined and reinterpreted in class terms by George Caffentzis in *Clipped Coins, Abused Words and Civil Government: John Locke's Philosophy of Money*, New York: Autonomedia, 1989.

Through such infamous arguments as those of Malthus, political economists called for the limitation of wages to mere subsistence and for the goad of poverty and suffering to guarantee work. Money had to be ceded to workers for them to reproduce themselves, but too much money would lead only to self-indulgence, less work and, in the end, more workers whose competition for jobs would force wages back down to subsistence. Almost explicit in this argument is the fear of the working class subversion of the power of money to their own ends.[9]

Marx's own work on money took two forms: a thorough critique of earlier writers and policy makers and an ongoing study of the class dynamics of money in the 19th Century. Thus he moved from the reading and critique of Hume, Locke, Steuart, Smith and Ricardo to contemporary conflicts around issues of money and finance. Not only did he provide a theoretical analysis of the general roles of money-as-command within capitalism but he also closely examined a number of specific monetary phenomena.

One of his first (and most interesting in the light of the current debt crisis), analyses revealed how the Revolutionary French government in 1848 had wielded its debt against the Parisian working class. He showed how its honoring of the pre-revolutionary state debt to the French bankers became a vehicle for pitting peasants against workers by raising taxes on the former while blaming the latter - a strategy which enabled it to crush the workers within months.[10]

Marx also recognized and examined some of the same kinds of obstacles to the successful use of money in accumulation, as preoccupied the apologists of capital. For example, he studied closely the development of capitalist finance - the rise of the banking system and of the stock exchange - and the problems faced by the state in its efforts to regulate it. Although his view of the role of banks and public debt in primitive accumulation, i.e., their role in centralizing the money necessary for capitalist investment through interest bearing loans to the state repaid out of taxes, seemed unproblematical, Marx's studies of the experience of the Crédit Mobilier showed that this was by no means the case.[11] On the contrary, in that case of the first French "investment" bank as well as his work on the stock exchange, Marx showed how the temporal and spatial separation of monetary transactions from real investment in building factories and putting people to work, led to a new kind of fetishism: speculation on fictitious capital with the sole aim of monetary enrichment. While the Crédit Mobilier claimed to be playing the role of financial intermediary, centralizing money to be made available for others' large scale investments (e.g., railroads), its creators and managers were actually playing speculative financial games to raise the value of their shares and enrich themselves. The same kind of fetishistic pursuit of money for the sake of money was rampant in all 19th Century financial markets and Marx's analysis of the dynamics associated with such speculation showed how it contributed to the destabilization and crisis of capitalism more generally.

Parallel to this work on the sphere of "private" finance was Marx's study of official state monetary and financial policies. Besides his relatively limited study of flows of money involved in public debt, taxation and state expenditures, we should note his more extensive work on the abortive attempts by the English state to intervene constructively in the monetary cycle associated with the Gold Standard. As mentioned above, Ricardo's work on money undergird Peel's Bank Acts which were aimed at imposing the discipline of the species flow mechanism on English domestic finance. The Bank Acts were aimed at tying the amount of currency to the amount of bullion and to make the former fluctuate with the latter. Marx pointed out the theoretical flaws at the heart of this doctrine (e.g., that the amount of money in circulation is a function of the value of commodities and not of bank reserves) and the practical impossibility that proved itself during each crisis when the Bank Acts had to be suspended to meet urgent demands for money and avoid the bankruptcy of the Bank of England. Moreover, Marx's work on the history and theory of crisis more generally, led him to argue that such financial booms and busts were excrudescences on the more fundamental industrial basis whose instability was rooted primarily in class conflicts rather than monetary exchanges. Marx thus showed the limits to the power of the English state to regulate directly a financial system which only seemed to have detached itself from its class basis.

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[9] "There's nothing more frequent," Defoe worried, "than for an Englishman to work until he has got his pocket full of money, and then go and be idle." Cited by Linebaugh, op.cit., p. 54.

[10] Marx's account appears in his work *Class Struggles in France* and it has been analyzed at length in Joseph Ricciardi, *Essays on the Role of Money and Finance in Economic Development*, Ph.D.Dissertation, University of Texas, 1985, Chapter 4.

[11] Marx's comments on the role of banks in primitive accumulation appear in *Capital*, Volume I, Chapter 31 on "The Genesis of the Industrial Capitalist". His writings on the Crédit Moblier consist primarily of a series of newspaper articles written in late 1857, most of which appear in Volume 15 of Karl Marx and Frederick Engels, *Collected Works*. Their importance to Marx's analysis of capitalist finance has been highlighted in Ricciardi, Ibid., chapter 5.

With regard to the obstacles created by the working class to the capitalist use of money, Marx not only provided a theory of the working class as an autonomous and increasingly revolutionary subject, but also the elements of a theory of the wage as an expression not of exploitation but of working class power. In his own political work, this thrust was implicit in his endorsement of wage struggles against Weston.[12] Workers had to fight for higher wages and resist wage decreases, he argued, to develop their ultimate power to overthrow the system. Moreover, there was in his formulation of the circuit of the working class acquisition and expenditure of money (LP-M-C) a view that, from the point of view of the workers (as opposed to that of capital) the purpose of money was life through consumption (as opposed to the reproduction of life as labor power).[13] However, it was also clear in his work that he saw real short term limits to wage struggles (e.g., in the ability of capital to respond to reductions in profits by a strike on investments).[14] Indeed, his other well known argument with fellow leftists over the politics of money also emphasized the limits to the ability of the working class to use money in its own interest. That second debate was with Proudhon and his followers over the idea of a People's Bank. They thought that if the working class could take over and control increasing amounts of money it could undercut capitalist power while building its own alternative social order. Marx blasted this scheme as illusory arguing that no manipulation of money could do away with the social relations of capitalism (e.g., the imposition of class domination through work) and that they had to be overthrown directly.[15] Beyond these moments of argumentation, however, there was much in his theory yet to be developed and it would take a generation of struggle to reveal and develop those elements which could articulate other aspects of the working class use of money against capital.[16]

For the moment, I want to employ these elements of Marx's analysis of the class character of money in an analysis of a later period, the one immediately preceding the current crisis, a period many of us call the Keynesian era and others call that of Fordism.

Money in the Keynesian Era

If Marx's theoretical critique and careful historical examination could leave no doubt about the crudity of the Bank of England's attempts to manage the amount of money in circulation, and through it the rhythm of development, that critique can provide only a starting point to grasp the much more sophisticated efforts of the Keynesian state, first in its American incarnation and then in its world wide embodiments. For although the Keynesian state arose on the ashes of the Great Crash of 1929 - brought on in part by precisely those speculative monetary fevers which Marx had identified in the 1850s and in part by other sources of crisis which he had also located in the class dynamics of capitalist development - it had much more powerful tools for the management of monetary flows. While we can easily imagine Marx's satisfaction at the spectacles of the Crash, of the counterproductive monetary policies which followed it and at the explosions of working class struggles which ensued, it is certain that he would have had to seriously evaluate the new kinds of monetary manipulation which Keynes suggested and which came to be practiced in the wake of his *General Theory of Employment, Interest and Money*.

What Marx's analysis of money has shown is that at the heart of all the roles played by money, both actual and possible, are the power relations of class in any given period. In the period at hand, that of the Great Depression following the Crash, those power relations were shifting in epochal ways. On the material foundations reorganized a decade earlier by Frederick Taylor and Henry Ford (the development of mass production) and the IWW (with its

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[12] The reference is to Marx's 1865 speech to working men which was crafted as a response to the arguments of the Owenite John Weston against wage struggles. See Karl Marx, "Value, Price and Profit," in Karl Marx and Frederick Engels, *Collected Works*, Volume 20, pp. 101-149.

[13] Karl Marx, *Capital*, Volume II, Chapter 1.

[14] Besides his comments in "Value, Price and Profit", there is also his discussion in Chapter 25 of Volume I of *Capital*, where he discusses wages in the context of the business cycle.

[15] See Marx's discussion in the Chapter on Money of the *Grundrisse*(1857). In the light of the character of Marx's argument against Weston, he might have been more generous in his treatment of Proudhon - and if he hadn't been so involved in a political struggle against him. While increased working class access to credit would no more bring down capitalism than increased wages, Marx might well have recognized how more credit, like more wages, and how the struggle for credit, like the struggle for wages, might play a useful role in the development of the power of the working class if pursued in non-utopian fashion.

[16] That generation was the one of the 1960s and 1970s in Italy that developed within the struggles of mass workers and then spread beyond them to unwaged and partially waged students, housewives and peasants. Theoretically speaking the Marxist articulation of the theory of the wage grew from a preoccupation with the political autonomy of working class demands to a recognition of the projects of practical self-valorization "financed" with money increasingly separated from capitalist work.

broad organization of unskilled workers) arose a wholly new structure of working class power: that of the factory mass workers to impose collective bargaining and a new kind of unionism at the industrial level coupled with the social power to impose full employment, rising wages, social security, unemployment compensation and other pillars of a new "welfare" state. The mandate was for a truly "new deal" and it was one to which only state institutions at the federal level had the power to respond. At the heart of Keynes' theory, and subsequently of capitalist state policy, was an understanding of the need to respond positively and creatively to that mandate.[17] The vehicle of response was money.

Despite the usual division of Keynesian policy into "monetary" and "fiscal" realms, we must not overlook how both involve a highly sophisticated manipulation of the class content of monetary flows. In both cases the basic Keynesian response to the stagnation of the Great Depression was the same: permit and stimulate an expansion of the flow of money in such ways as to stimulate not only expenditure but also investment, employment and output.

On the monetary side, Keynesian policy could build on the institutional structures established in reaction to the kinds of destabilizing speculation that Marx had analyzed. In response to recurrent waves of financial speculation, bank panics and collapse (and to populist demands for banking regulation) in the 19th Century, the Federal Reserve System had been created in 1913 to stabilize banking practices through the regulation of reserves and more flexible issue of bank notes. In response to the speculative stock market boom which began in the mid-1920s and Crashed in 1929 (financed in large part by bank credit) and resultant failures of thousands of banks, and to the powerlessness of the Federal Reserve to counteract the collapse, new financial legislation was passed to further dampen speculation and prevent financial instability. The Federal Reserve System was given the power to raise and lower reserve requirements (and thus control the amount of bank credit). The stock market was regulated by the Fed and a new Securities and Exchange Commission. The Federal Deposit Insurance Corporation was created to insure demand deposits - long since the largest component of the money supply - and implement rigorous new policies of bank examination. Commercial banks were barred from the securities markets. These measures, together with a variety of new federal lending facilities such as the Federal Housing Administration, expanded the availability of money to the banking system and lowered interest rates in ways that increased the availability of money for real rather than speculative investment. Before long the rise in working class income would lead to a further adaptation of capitalist finance: the emergence of widespread consumer credit, from lines of retail and bank credit to omnipresent credit card usage.

So important were these new powers and constraints on the fetishistic pursuit of monetary profit without regard to real investment, that the kind of speculative financial instabilities of the sort that had characterized the whole of the 19th and the first decades of the 20th Century virtually disappeared. The period of the Keynesian state was one that saw "monetary" policy (i.e., those activities of the Fed aimed at regulating banks and financial flows) preoccupied not with avoiding speculation or panics but rather with encouraging the financing of accumulation through low interest rates, the achievement of full employment and the management of the price level. Its success was partially manifested in high corporate profits which made possible a new era of self-financed investment with historically low recourse to outside financial capital.[18]

On the fiscal side, Keynesian policy was employed, in the aggregate, to encourage accumulation through the expansion of federal government expenditures, the limitation of taxation and deficit financing when necessary.[19] In more detailed terms, the Keynesian budget was structured to support consumption (from social security and welfare through the National Labor Relations Board to progressive income taxation) while also expanding expenditures which supported investment and raised productivity (from well established funding of R&D in agriculture through

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[17] The seminal work in this interpretation is Antonio Negri, "John M. Keynes e la teoria capitalistica dello stato nel '29," *Contropiano*, No. 1, 1968. Reprinted in S. Bologna, et. al., *Operai e stato: Lotte operaie e riforma dello stato capitalistico tra rivoluzione d'Ottobre e New Deal*, Feltrinelli, Milano, 1972. Available in English as "John M. Keynes and the Capitalist Theory of the State in 1929," in Toni Negri, *Revolution Retrieved: Selected Writings on Marx, Keynes, Capitalist Crisis and New Social Subjects, 1967-83*, Red Notes, London, 1988, pp. 9-42.

[18] This shift was heralded by socialist economists Paul Baran and Paul Sweezy as the coming of age of corporate "monopoly capital" and ending the earlier era of "finance capital". See their book *Monopoly Capital*, New York: Monthly Review Press, 1964 which spelled out an analysis more based on neoclassical firm theory and Keynesian macroeconomics than Marxist theory.

[19] The concentration of money in capitalist hands via public debt and taxation which Marx had observed in the period of primitive accumulation had long since become an integral part of ongoing patterns of accumulation. The newly created Fed had facilitated this process during the First World War and continued to do so in the Keynesian era.

the direct support for new Cold War industries and the development of whole new technologies to investment in "human capital").

Keynesian control over money required "fine tuning" in a class sense: at the heart of the expansion of aggregate demand was the working class struggle to raise wages and benefits. Keynes had accepted that henceforth wages would ratchet upwards and policy makers from Roosevelt onward had supported changes that would virtually institutionalize this dynamic. But those increases had to be kept in line with the growth of productive capacity. Linking the growth of wages to the growth of productivity would harness the wage struggle to the development of the capitalist system as a whole - an institutionalization of relative surplus value. At the margin, monetary and fiscal policy in the aggregate could increase the flow of money to generate a little inflation to keep real wages in line with productivity growth, or reduce the flow to raise unemployment and slow the growth of nominal wages to the same purpose.

At the micro level, this meant formal "productivity deals" in union collectively bargained contracts[20] and at the molecular level it meant that rising wages (increased money flows to workers) must be turned into kinds of consumption that led to more work. Thus, higher wages and consumer credit had to be channeled into the reproduction of life as labor power, more money bought automobiles to drive to work, more education as job training, and mass media with its purveyance of norms and values consistent with the dynamics of accumulation.[21] Similarly, money for the unemployed was not aimed at supporting autonomous lives of leisure or struggle but was tied to job search and the functioning of the labor market. Welfare and education money were not merely "entitlements" but came to be conceptualized as investments in the creation of "human capital" and higher levels of productivity.[22] In these ways, the Keynesian state control over money flows sought to permeate and direct virtually every sphere of society through the relative sizes of the flows and the conditions and constraints laid down on them. This complex system of manipulation has not always been visible because of the division of labor - macro economists deal only with aggregate flows, public finance economists deal with fiscal balances, and specialists, of many different stripes, manage the particular monetary aspects of the elaborate social factory.[23]

The victory of the allies in World War II, the overthrow of colonialism and the pre-eminence of the United States imposed a new Pax Americana on the Western world. This meant that the Keynesian solution to class contradictions in the United States became the norm in the Western World, to be replicated or adapted in country after country. At the negotiations of Bretton Woods the American state was able to impose (against Keynes' own preference for an international currency and bank) fixed exchange rates, the hegemony of the dollar and the International Monetary Fund (IMF) as the key elements of a new international monetary order. That order depended on the ability of the Keynesian nation state to so manipulate internal money flows as to be able to achieve any required adjustments in international accounts. For example, an excess of imports over exports could be financed temporarily from reserves of foreign moneys or by borrowings from the IMF but eventually the state would have to impose contraction and deflation - i.e., hammer down the growth of local working class wages - in order to cut imports and boost exports. The international regulation of the system of nation states thus depended on the internal power to regulate the balance of class power in money terms. Any fundamental collapse in that internal ability would, in turn, threaten the system as a whole.

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[20] The critique of such collaboration between unions and capitalist development although sanctioned by powerful communist or labor parties, was carried on for years in the oppositional culture of the Marxist extraparliamentary Left. Some examples in the U.S. can be found in the writings of the Johnson-Forest Tendency in the 1950s (e.g., C.L.R. James {Johnson} and Raya Dunayevskaya {Forest}) and in Italy in those of the New Left in the 1960s (e.g., Raniero Panzieri, Mario Tronti).

[21] The recognition of the integrative function of such managed expenditure has been clear in most critical discourses on "consumerism" - even when these have lacked a class analysis. Note that the emphasis here is the reverse of the usual perspective on consumerism: instead of work being viewed as displaced by the organization of life around consumption, the argument is that "consumerism" meant the structuring of consumption in ways which led to more work. Being suckered into buying the latest model, meant being suckered into working more to earn the money necessary (or to payoff credit obligations). Indeed, as we'll see below, where workers actually did begin to separate the use of money from work, it meant a crisis for capital.

[22] For a Marxist reading of such "human capital" investments see George Caffentzis, "Throwing Away the Ladder: The Crisis in Higher Education," *Zerowork #1*, 1975.

[23] The concept of the "social factory" originates in the work of Mario Tronti in the early 1960s in Italy and was given an American articulation by the Cleveland group "Modern Times" in 1974 and by *Zerowork* in 1975. See Mario Tronti, "Social Capital" *Telos* #17, Fall 1973, and "The Social Factory" in *Falling Wall Review*, No. 5, 1976, pp. 1-7.

Over time, the dominance of the American economy coupled with the rapid growth of trade and investment that accompanied the reconstruction of Europe and Japan, (together with the much slower growth of the supply of monetary gold) meant not only the emergence of an effective dollar standard in the Western world economy but before long a vast Euro-dollar market as well. This evolution of international liquidity confirmed in the case of fiat money as well as in that of a metallic standard, and on a global scale, one of Marx's most dearly held contentions: namely that the amount of money in circulation is determined primarily by the expansion of commodity trade and financial transactions.[24] Handled in part by the growing numbers of multinational industrial corporations, and in part by increasingly multinational private commercial banks, this dollar liquidity (that had been pumped into the world through American imports and foreign investments) became generally available to finance most monetary exchanges of the global system. In relation to this rapid expansion of private international money, the role of the International Monetary Fund shrank although it continued to play a key backup role for countries unable to resolve their adjustment problems quickly enough to avoid crises.

The Crisis of Keynesian Monetary Control

The eventual failure of the Keynesian use of money, which had begun so powerfully in the 1930s and 1940s and been so successful on a global scale during the 1950s and early 1960s, was rooted in processes of political class recomposition by which workers, both waged and unwaged, launched new forms of struggle with which neither the existing monetary nor other state strategies were able to cope. By "political recomposition" I mean changes in the distribution of class power among workers, and thus between workers as a whole and capital.[25] With respect to the United States, still dominant in the late 1960s, the most fundamental of these processes of recomposition had begun with a new wave of struggles by the unwaged which grew from dispersed origins in the late 1950s to uncontrollable mass movements capable of setting waged workers into motion by the middle of the 1960s. One of the important starting points was the Civil Rights Movement in the U.S. which mutated into the Black Power Movement, continued with the welfare rights movements and the urban insurgencies that exploded in several American cities, and spurred the development of minority student movements on campuses across the nation. Another set of starting points were the peasant struggles of Southeast Asia which soon circulated to American campuses, spurring a white student movement already in motion in response to human capital strategies which had turned universities into factories. The result was the anti-war movement that spread throughout society and helped give birth to both the environmental and women's movements.

Many of these struggles of the unwaged, circulated in turn into the factories and offices of the American economy, both directly through the activities of militants and indirectly as a result of material changes they brought about. For example, black youths with experiences of struggles in the streets brought their militancy into factories already burgeoning with black workers who had come North in the 1940s and formed groups like the League of Revolutionary Black Workers which spearheaded rank and file struggles against the domination of union bureaucrats.[26] At the same time, the welfare rights struggles and urban insurgencies had provoked a vast expansion of "human capital" investments which raised the floor of money income underlying the whole wage hierarchy and strengthened the battles of factory workers for higher wages and better benefits.[27]

What is important to see in the context of this discussion of the crisis of the Keynesian strategic use of money, is how these various struggles ruptured so many of the particular monetary moments of what had been a carefully

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[24] And thus, indirectly, by the expansion of the imposition of work that produced commodities and which is being financed by investment. As we will see shortly the crisis of dollar liquidity which so came to preoccupy Western policy makers was a manifestation of the underlying crisis of class relations.

It is true that the basing of the post-WWII international monetary order on the dollar, made possible a growth of money in excess of that required for the growth of trade and capital transactions, and that this possibility would be increasingly realized from the late 1960s on. What is interesting, however, is how the "liquidity" issue was conceptualized and managed for so many years - such that the money supply grew with the needs of the international economy without generating either deflation or disruptive inflation.

[25] See the Introduction to *Zerowork* #1, 1975 and Yann Moulier, "L'Opéraisme Italien: Organisation-Representation-Idéologie, ou la Composition de Classe Revisitée," in Marie-Blanche Tahon et André Corten (eds) *L'Italie: Le Philosophe et Le Gendarme*, Montréal: Éditeur VLB, 1986.

[26] See: Paul Romano and Ria Stone, *The American Worker*, Detroit: Bewick, 1947, Facing Reality, *Negro Americans Take the Lead*, Detroit: Facing Reality, 1964, Dan Georgakas and Marvin Surkin, *Detroit: I Do Mind Dying, A Study in Urban Revolution*, New York: St. Martin's Press, 1975 and Dan Georgakis, "Young Detroit Radicals, 1955-1965," *Urgent Tasks*, #12, Summer 1981.

[27] See Paolo Carpignano, "U.S. Class Composition in the 1960s," *Zerowork* #1, 1975 and Frances Fox Piven and Richard A. Cloward, *Poor Peoples' Movements*, New York: Pantheon Books, 1977.

crafted social organism held together with monetary sinews. In the case of the unwaged, the development of the various movements subverted the growing amounts of money invested to improve "human capital" into resources for struggle. The "Great Society" welfare moneys being spent to pacify the cities and improve the production of labor power financed expanded struggles. Vast sums of money dispensed to education for the same purpose, were diverted into fighting the subordination of the universities to business and to financing the development of a whole anti-capitalist and anti-state counter-culture. The unyielding resistance of Southeast Asian peasants, soon supported by the American anti-war movement, forced capital to divert hundreds of billions of dollars from investment into police work on both sides of the Pacific.[28]

On the job, a new cycle of rank and file struggle for higher wages and better benefits, buttressed as we have just seen by the rising floor of unwaged income and street-wise militancy, undermined both the control of union bureaucrats and the all important Keynesian "productivity deals" it had been their duty to manage. Not only was this true in the private sector, but as the wave of struggle grew, it influenced public sector workers who launched their own new battles for self-organization and better compensation.[29] Moreover, the proliferation of access to consumer credit decreased the strength of the tie between consumption and work.[30] The manifestations were accelerating wage growth (and consumption which grew even faster thanks to credit) and declining productivity growth. Gains in wages were in turn plowed back into new struggles and participation in the emerging counter-culture. The results were declining profits, accelerating inflation, growing corporate debt and "fiscal crisis".[31] While corporate price rises and the accommodating monetary policies of the Fed which made them possible, were largely able to limit the increase in real wages, this was no marginal Keynesian fine tuning but rather a wage-price spiral increasingly out of control. Whether the economists' analyses spoke of "demand pull" or "cost-push" inflation, the meaning was the same: the Keynesian state had lost the ability to wield money in ways compatible with stable accumulation. At the heart of the growing economic and monetary crises was a loss of capitalist power - and as I have just explained, not only in the formal economy but in the larger social factory. Everywhere money which had heretofore acted as a tool of capital was serving instead to finance working class self-activity.

These ruptures in the Keynesian use of money at the domestic level had equally profound ramifications at the international level. The international monetary system, as we have seen, depended for its functioning on the Keynesian nation state being able to handle most problems of adjustment internally. The system had only limited capability for supranational remedies. National monetary crises not only had their manifestations at the international level but were rapidly destroying the ability of the institutions of the Bretton Woods system to solve those emerging problems.

One such problem, increasingly a direct spin-off of internal and external American crises, was that of a rapidly expanding international dollar liquidity. Whereas the earlier post-WWII period had been one of "dollar scarcity" when dependable American money had been sought after to finance the regeneration of Europe and Japan, accelerating inflation at home coupled with American expenditures abroad associated with the Vietnam War (which

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[28] Clearly much of the money paid to the military-industrial complex for war machinery financed investment and employment in war industries, and much has been made of this aspect of the "permanent arms economy" as a feature of Keynesian state capitalism. However, in retrospect, not only was much of the war money spent on wasteful use-values rather than investment, but the diversion of investment from civilian to war industries helped undermine the ability of American capitalists to respond to rising wage demands by raising productivity.

[29] On these struggles of public sector workers and their relationship to conflicts in the private sphere as well as in the streets, see Jim O'Connor, *The Fiscal Crisis of the State*, New York: St. Martin's Press, 1973, Donna Demac and Philip Mattera, "Developing and Underdeveloping New York: The 'Fiscal Crisis' and the Imposition of Austerity," *Zerowork #2*, 1977 and Eric Lichten, *Class, Power and Austerity: The New York City Fiscal Crisis*, South Hadley: Bergin & Garvey, 1986.

[30] For an interesting meditation on the implications of this weakening tie see: Pascal Nicolas-Le Strat, "La monétarisation des rapports sociaux," *Future Antérieur* #9, 1992/1, pp. 83-97.

[31] The growing need of non-financial corporations to borrow from outside financial institutions show just how little Baran and Sweezy's self-financing "monopoly capital" was based on monopoly *per se* and how much on the particular composition of class relations characteristic of Keynesianism. With the crisis of the latter came the crisis of the former. Not surprisingly the growth of corporate debt spurred a new interest in Hilferding's work among some Marxists and a new preoccupation with a supposed rennaissance of "finance capital". See the articles by Fitch and Oppenheimer in *Socialist Revolution* in 1970 and O'Connor and Sweezy's responses. This whole debate, by separating the analysis of the relations among sectors of capital from that of the crisis in class relations, provided little help in understanding the new roles of money in the crisis. Robert Fitch and Mary Oppenheimer, "Who Rules the Corporations? Part 1", *Socialist Revolution*, #4, Vol. 1, No. 4, July-August 1970, "Part 2", Socialist Revolution, #5, Vol. 1, No. 5, September-October 1970, "Part 3", Socialist Revolution, #6, Vol. 1, No. 6, November-December 1970, James O'Connor, "Question: Who Rules the Corporations? Answer: The Ruling Class," with Robert Fitch, "Reply", *Socialist Revolution*, #7, Vol. 2, No. 1, January-February 1971, Paul Sweezy, "The Resurgence of Financial Control: Fact or Fancy?" *Monthly Review*, Vol. 23, No. 6, November 1971, Robert Fitch, "Sweezy and Corporate Fetishism," *Socialist Revolution*, #12, Vol. 2, No. 6, November-December 1972.

contributed to a growing American balance of payments deficit), led foreign policy makers (whose banking systems it will be remembered were holding and using the growing quantity of "Eurodollars") to speak of a "dollar glut" and to blame the American state for exporting inflation and to complain about having their own monetary policies subordinated to the neutralization of American inflationary influence.

At the same time, the growth of the Eurodollar market, unregulated by any national or supranational institution, had recreated on a global scale some of the old dangers of financial speculation and instability that had been largely constrained locally. The existence of vast quantities of unregulated deposit money in commercial banks made possible a very high volitility in the Eurodollar market. Multinational corporations, as well as the banks themselves, could and did with growing ease shift funds from country to country, or from currency to currency in hedges or speculative betting on future changes in national policies or business conditions (which might well be the result of anticipated future changes in local balances of class power). So for example, if any given nation state was having particular difficulty in imposing a "cooling off" on its economy (i.e., rising unemployment and slower wage growth) due to working class resistance, massive movements of funds out of that country or out of its currency could provoke crisis or devaluation. In this way, such international movements of money were undermining the Keynesian framework created at Bretton Woods that left adjustment in the hands of local authorities. Changes in fixed rate parities became less frequent and more dramatic and the declining ability of national monetary authorities to cope with their own internal class problems led to increasingly widespread and deep dissatisfaction among them. The result was growing antagonism between nation states as many European countries, led by French President Degaulle, began to demand not only that America stop pumping dollars into the world economy but that the international monetary system be fundamentally changed.[32]

All of these crises, rooted as we have seen in a recomposition of class power, came to a head in 1971. The failure of a Keynesian engineered recession in 1970 in the U.S. to slow the growth of wages, coupled with the emergence of an American trade deficit and a run on the dollar in the Spring of 1971 forced the Nixon Adminstration to make fundamental changes. The action taken was the ending of the convertablity of the dollar into gold (and thus of the Bretton Woods system of fixed exchange rates), state intervention into domestic wage bargaining and price setting (a wage-price freeze) and a 15% import tax surcharge which, along with the forthcoming devaluation of the dollar, undercut real wages in the U.S. and shifted costs of adjustment to America's trading partners. In the background lay further, less immediately visible, but no less important changes in state management of money flows - including the beginning of American withdrawal from Vietnam and of the federal government from the war on poverty and the welfare state.

Counterattack: New Approaches to the Capitalist Use of Money

Grasped in terms of the class conflict over money, the present period really dates from either the late 1960s or from 1971 depending upon whether you want to put emphasis on the working class subversion of money or the capitalist counterattack against the crisis it caused. For the purposes of this paper I have chosen the latter approach and in this final section I deal with the period of the last 20 years, during which time the policy makers of the capitalist state - in both its national and supranational forms - have repeatedly sought, and have been repeatedly frustrated in their attempts to regain control over money and to create an effective role for it in managing the accumulation of capital.

The central, and so far the most successful, element of this capitalist effort has been the attempt to withdraw money from the control of workers, both directly and indirectly. During the first decade of the period under consideration the withdrawal of money took the form of direct attacks on income subsidies and the indirect inflationary undercutting of the real wage. In the second decade, while attempts to lower income subsidies persisted and intensified, the use of inflation was abandoned in favor of massive unemployment and attacks on nominal wages. In both periods, state policies (both monetary and fiscal) played an active role at all levels: local, national and international.

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[32] De Gaulle's Minister of Finance, Jacques Rueff was a major spokesman for the yearnings of a certain part of the capitalist class for a restoration of the centrality of gold as an international money in reaction to the inability of the U.S. government to limit the supply of the dollar to amounts compatible with stable prices. Partly this was a certain gold fetishism and partly the same kind of preoccupation with monetary discipline that motivated Hume in the 18th Century (see above) and would return again with the Reagan Gold Bugs in the 1980s in the wake of the inflation of the 1970s. There is an interesting parallel in the history of Marxist economics which has had its share of gold fetishists, totally convinced that the capitalist system is doomed because it has abandoned "real" money!

The other, and so far only partially successful, element of this capitalist effort has been the attempt to redirect money flows into a renewed imposition of work under conditions profitable enough to fuel a new cycle of accumulation. The mechanisms of this redirection have been both financial and otherwise, both national and international. They have been managed by banks, corporations, government agencies and international institutions. Let us examine some examples of both of these efforts and what has become of them.

First of all, in the 1970s, capitalist policy makers sought to turn two of their monetary problems into solutions to their underlying problem of eroded class power. One of these problems was accelerating inflation; the other was the breakdown of fixed exchange rates. The conversion of these two problems into solutions were pursued simultaneously during much of the decade. In both cases the international dimension was essential.

Efforts, which had begun in the late 1960s, to work out and formally agree upon a new international monetary system were abandoned under the pressure of crisis and disagreement. Between 1971 and 1973, the unilateral abrogation of Bretton Woods by the United States government was followed up by a halting and antagonistically negotiated transition to an ad hoc regime of flexible exchange rates - a solution that would eventually be legalized at the IMF meetings of 1976 at Jamaica.[33] Essentially, faced with a crisis of Keynesian control at the level of national class relations, the major Western governments opted for a monetary mechanism of international adjustment which would, in principle, occur automatically without their having to intervene overtly with domestic policy measures subject to working class attack. International difficulties, such as the American trade deficit whose emergence in early 1971 had helped precipitate the crisis of the old regime, would be solved by changes in exchange rates which would automatically float to the level required to bring about adjustment, e.g., a depreciation of the value of the dollar via-à-vis other currencies would make imports more expensive and exports less so and thus tend to correct the imbalance. At the same time, those same national governments accorded a greatly expanded power to the supranational IMF to exercise "surveillance" over exchange rate practices as well as increased resources which buttressed the role of the IMF in managing adjustment financing. In these ways, national governments sought to insulate themselves from domestic class conflicts over economic policy by shifting to international ajustment mechanisms virtually invisible to the average worker.

The increased resources for the IMF were also required to help manage the other monetary strategy of this period: the financing of a rapid acceleration in inflation that would go beyond limiting the growth of real wages to undercut them and transfer value from workers to capital. The vehicles for this acceleration were provided by changes in American domestic policies and by the acceptance of certain policy changes by other nation states. The former involved the quite conscious effort on the part of the Nixon Adminsitration to raise dramatically agricultural prices by cutting back on production and expanding export demand (mostly through the infamous Russian grain deal of 1972). The ostensible purpose of these efforts were to increase the value of American exports to help cope with the new trade deficit. The result was also to dramatically raise food prices - which would undercut real wages - both at home and abroad.[34] The acceptance of outside policy changes came with the passive American reaction to the OPEC engineered dramatic rise in oil prices in 1974. Despite public protestations to the contrary, the American government sanctioned the price increases and international capital sought to utilize them to achieve a gigantic transfer of value from oil consumers to business as OPEC surpluses were deposited in the commerical banking system. Oil, like food, was a basic good whose price increase tended to undercut the real wage as it was passed along through the economy into the prices of all consumption goods produced with its help - either directly as an input (gasoline, fertilizer, plastics) or indirectly (as an energy input in virtually all production).[35] Thus, while national governments demonized the "Arabs", blamed them for this inflationary assault on Western wages and used oil inflation as an excuse to impose recession via tight money, international capital quietly went to the bank to borrow OPEC petrodollars for new capital investment.[36]

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[33] A useful overview, from a capitalist point of view, of these developments is contained in: Tom de Vries, "Jamaica, or the Non-Reform of the International Monetary System," *Foreign Affairs*, April 1976. A Marxist analysis is contained in Christian Marazzi, "Money in the World Crisis: The New Basis of Capitalist Power," *Zerowork* #2, 1977, pp. 91-112.

[34] For a discussion of these policies in class terms see Harry Cleaver, "Food, Famine and International Crisis," *Zerowork* #2, 1977, pp. 35-40.35. This "Sraffian" strategy of value transfer via inflation in basic goods prices was analyzed in Midnight Notes, ***The Work/Energy Crisis and the Apocolypse***, 1981, now available in Midnight Notes, *Midnight Oil*, Boston: Autonomedia, 1992.

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[36] For a class analysis of an early example of the kind of anti-working class monetarist restrictionism which would later be imposed on the world by the United States, see Lapo Berti, "Inflazione e recessione. La politica della Banca d'Italia (1969-1974)", *Primo Maggio*, #5, primavera 1975, pp. 3-17.

Unfortunately for capital neither of these manipulations of money flows worked out as planned. Instead of bringing about international adjustment in ways that preserved national governments from popular reproach, not only did flexible exchange rates in the presence of the enormous quantity of highly liquid Euromonies turn out to be highly volitile and destablizing to the "international investment climate", but national states were repeatedly forced by popular pressure to intervene in foreign exchange markets, buying and selling their currency to insulate their working classes from the effects that would have resulted from free floats. Such repeated interventions resulted in the system being called one of "dirty floats" proved that there was no easy monetary escapte from confrontation with their domestic class problems. Dissatisfaction would also lead the monetary authorities of several European countries to move back towards fixed exchange rates, through the "snake" and the European Monetary System in 1979 to recent negotiations for the creation of a single European currency. As Robert Triffin would explain to U.S. policy makers, the European return to at least locally fixed exchange rates was an attempt to create a situation where local attacks on the working class (e.g., imposition of austerity) could be justified by the moral obligation to adhere to international commitments.[37]

In the case of food and oil driven inflation, the working classes of the oil-consuming world proved to be more powerful than anticipated and were able, despite recession and higher unemployment in 1974-75, to drive up money wages enough to prevent a fall in their real value. The result was an acceleration of inflation which did nothing to restore profits or business stability and burgeoning trade deficits as sustained demand kept oil imports high and recession limited exports. The need to finance those trade deficits, in turn, meant that vast quantities of the petrodollars that had been expected to be available for investment had to be recycled to balance of payments support - partly with the help of a new IMF Oil Facility. In short, neither strategy was able to bring about a dramatic reduction of the money wage toward the restoration of equality with productivity or of an earlier Keynesian era share of profits.

More successful in this period of the 1970s were the efforts of the state to cut the flow of money to the unwaged and to public workers through either piecemeal attacks on particular programs or more general austerity through the mechanism of "fiscal crisis". While some attacks failed, such as those on Food Stamps which began under Nixon and were renewed under Ford and Carter, others were more successful.[38] In retrospect, the 1974-75 fiscal crisis of New York City proved to be the forerunner of a much more generalized state strategy of using budgetary (as well as international) imbalances and public debt as levers to attack all forms of working class income. The "crisis" in the New York City budget derived from three phenomena: first, working class struggles which diverted city expenditures into social programs and higher public employee wages and benefits that had to be financed in part by increasing taxes, second, an eroding tax base as businesses and high income white collar workers fled the growing power of other workers in the city, and third, a growing recourse by the city to borrowing in order to finance its deficits. The development of these trends from the mid-1960s to the mid-1970s prepared the way for a bank and state monetary counterattack against the New York City working class. It came with the refusal of the banks to roll over the city's debt except on condition of the imposition of austerity, i.e., cuts in city worker wages and reductions in public services. At the same time, oversight of the management of city government was granted to a series of specially created oversight and control boards, further undercutting the ability of local workers to resist.[39]

The application by capital of the methods used in New York spread quickly to other parts of the world, e.g., Egypt and Poland in 1976 where other "fiscal crises" and the pressure of financial bodies (the IMF) were used to attack wages and standards of living, and was eventually generalized through the international debt crisis beginning in 1982. Because I have dealt with the debt crisis elsewhere,[40] here I only want to point out that as in New York City it often involved both the working class subversion of borrowed money and the use of monetary terrorism by the state (both national and supranational) to end that subversion by reducing both the flow of money to workers and its real

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37 Robert Triffin, "The International Role of the Dollar," *Foreign Affairs*, Winter 1978/79.

38 The successful resistance to those attacks on the Food Stamp Program are documented in Tim Reynolds, *The Food Stamp Explosion*, M.A.Thesis, University of Texas, 1980, Chapter 3.

39 Those boards included Municipal Assistance Corporation and the Emergency Finacial Control Board which made it possible to displace control over city finances to the state and federal level. For the story of the New York City fiscal crisis in class terms see: Demac and Mattera, op.cit., and Lichten, op.cit.

40 See Harry Cleaver, "Close the IMF, abolish debt and end development: a class analysis of the international debt crisis," *Capital & Class*, #36, Winter 1989.

value. Not only have all IMF "adjustment programs" which have been imposed as a condition of the roll over of debt called for the reduction of public expenditures that put money in the hands of workers (food subsidies, public employee wages, investment in higher education) but they have also imposed local currency devaluations, privatizations, drastic cutbacks in consumption imports, recession and high unemployment - all of which effectively undercut workers' ability to obtain and use money.

Historically, however, the generalization of the strategy of monetary austerity, originated not with particular private creditor institutions as it did in New York, but rather with the highest levels of capitalist policy making: the IMF and the executive branch of the U.S. government. Throughout the late 1970s, the IMF called repeatedly for the subordination of macroeconomic policy to a concerted attack on inflation - its euphemistic way of calling for an attack on the working class whose power it quite correctly perceived to be at the base of rising prices. Whereas the European ruling class had sought these ends thorugh a return to locally fixed exchange rates, Jimmy Carter and the Federal Reserve responded to this call when they adopted a militant anti-working class monetarism at the end of the 1978.[41]

Monetarism is understood here as both economic theory and economic policy. Throughout the Keynesian period, when money was being weilded with finesse to manage class conflicts within growth, the economic theory of "monetarism" existed only at the margins of theoretical and policy discussions, mainly within the walls of the University of Chicago where it was being crafted by Milton Friedman and colleagues. As long as inflation was a minor phenomena, indeed could be seen as useful in "greasing the gears of the economy" and in moderating real wage growth, the monetarist desire to limit the role of the Fed to the management of a slow and steady growth of the money supply received little attention from those responsible for "fine tuning" the class relations of accumulation. When, however, the productivity deal was ruptured and inflation began to grow in the late 1960s and accelerated in the mid-1970s with the incease of basic good prices and wages, the failures of Keynesian policies (and thus theories) opened space for a rapid increase in the influence of monetarist theories and policies. If Keynesianism had become hegemonic because of its ability to cope with the deflation of the Great Depression, monetarism replaced it by offering an analysis (too rapid growth of the supply of money) and a cure for inflation.[42]

The cure, of course, was monetary restriction and a shift in Fed policy from the accomodation of wage increases and the attempt to encourage investment by keeping interest rates low to the limitation of the growth of the money supply to make accelerating inflation impossible. This shift occurred in 1979 when Carter appointed Paul Volcker as head of the Fed. He immediately imposed a dramatic reduction of the money supply which drove interest rates to record highs and plunged the country and the world into depression. The economic theory of monetarism - which includes a modern variant of the quantity theory - was almost as full of money fetishism as the merchantilist thought fought by the classical political economists. But while this provided surviving Keynesians with endless material for critique by insisting that theory should explicitly grasp the real economic relations of which money is only a part, monetarist policy had a much more obvious class content: not only did depression and high unemployment attack working class wages directly by throwing millions out of work and indirectly through the dramatic growth of the reserve army, but part of the limitation of credit was aimed directly at reducing the availability of consumer credit, and thus retying consumption more directly to work.[43] Marx's old warnings about the ability of capital to limit wage increases through crisis and unemployment were suddenly relevant in a way they had not been since the 1930s.

This class content was made even more visible by the budgetary strategies of the "fiscal crisis" we discussed above. The monetary attack on the wage was complemented by supply-side budgetary measures to shift value/money from

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[41] As opposed to the earlier case of Italy, cited above, the adoption of this strategy by the American Fed imposed higher interest rates on the world as a whole as other monetary authorities were forced to follow suit to avoid massive outflows of capital towards higher rates in the U.S. Despite such efforts by other central banks, as we will see, the U.S. would be able to finance much its massive budgetary deficits with foreign money even in the depths of the subsequent Reagan Depression.

[42] It is beyond the scope of this paper to discuss them all, but we should note that "monetarism" narrowly defined was only one element of the "New Classical"[Neoliberal] attack on Keynesian theory and policies which has rationalized a whole series of "market-oriented" policy shifts in this period, from deregulation to free trade.

[43] For one account of the decision to attack consumer credit directly see: William Greider, *Secrets of the Temple: How the Federal Reserve Runs the Country*, New York: Simon & Schuster, 1987, pp. 181-187. According to Greider the impetus came from the President rather than Volcker. It was certainly consistent with Carter's then recent attacks on "self-indulgence and consumption" and his calls for self-denial and sacrifice. See the text of his famous July 15th speech in the *New York Times*, July 16, 1979.

the working class to capital. Although this process began under Carter, it accelerated and received a much clearer articulation under the new Reagan Adminstration in the 1980s. "Supply-side" economics, along with monetarism, became the new state economic doctrine, definitively displacing Keynesianism. Deregulation to cut business costs, tax cuts in favor of business, and a shift in the composition of government expenditures from those benefiting workers to those benefiting capital were, along with tight money, the explicit policies of the new regime.[44]

Although, once again, as in the 1970s there were successes in cutting social programs, especially in the first year of the first Reagan Adminstration, there were also failures. The defensive countermobilization of a wide variety of targeted groups, from those defending food stamps for the poor to those defending social security for the middle class, succeeded in preventing much of what had been slated for elimination under Reagan's supply-side program.[45] Given the successful resistance to such cuts, the Reagan program of reduced taxes but not-adequately-reduced expenditures produced a skyrocketing budget deficit which could only be funded by massive foreign borrowing from Europe and Japan. The result was that when business discontent over the depression and over federal crowding-out in money markets combined with the threat of Mexico to default in the debt crisis, Volcker was forced to ease up on monetary policy and lower interest rates in the Fall of 1982. When he did so, his explicit emphasis was on stimulating consumption, not investment. The long slow recovery that followed had something of a Keynesian flavor to it, much to the distaste of monetarists and supply-siders. The fact that the pattern of unemployment, income tax cuts and financial deregulation had had the effect of shifting money income from waged workers to salaried workers and managers - financing the yuppy generation - meant that this "consumption-led" recovery was based on a new class composition, but it was not the investment-led growth envisaged by the supply-side policy makers.

This history of class conflict over money at the level of the state was taking place in the midst of a much wider set of conflicts in the private sphere between workers and individual employers. Although initially in the background of Reagan policy, the administrations' hardline attack on the air controllers signaled the beginning of a widespread assault on the strongest sectors of the American working class - where strength is measured in money terms. Along with state sponsored high unemployment, and attacks on welfare designed to cut the floor out from under the wage hierarchy, deregulation - which had been sold with the rationale of "getting the government off our backs" - played a key role in private efforts to drive down wages and benefits. It not only directly reduced costs to business that had been driven up by workers struggles (e.g., for work place safety, for environmental improvements) but it made it possible for business to reorganize itself at both the corporate and industrial level. Chapter 11 was used to force concessionary cuts in wages and benefits and increased ease of entry into a variety of industries, such as the airlines, made it easier for capital to reorganize itself in new companies free of unions - and thus free of the old Keynesian formal collective bargaining. Where the unions had proved incapable of containing workers within limits compatible with profits, unions were avoided and the threat of unemployment weilded to hold down wages and benefits.

At the same time, many corporations took increasing advantage of falling wages in the Third World, also imposed by monetary terrorism (in these cases managed by the IMF), to pit lower waged workers against higher paid workers by threatening to move and by actually moving production operations abroad, e.g., American firms moving into Mexico, Northern European firms moving into the Mediterranean area, Japanese and South Korean firms moving into Southeast Asia. As factories were closed, and once highly paid workers thrown down from their place in the wage hierarchy, in Detroit, Liverpool, Lille, Hamburg, Kyoto and Seoul, new factories were opened in Mexico City, Spain, Bangkok and Singapore where considerably less money, or any other form of income, had to be conceeded to the working class in exchange for harder, more dangerous work for longer hours.

Efforts to facilitate such multinational decomposition of the global structure of class power involved efforts to reduce obstacles to trade (both merchandise and services) and money flows (both portfolio and direct investment). Necessary for the success of corporate geographical reorganization, these reductions were partially achieved through

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[44] For an analysis of the class content of "supply-side" economics see Harry Cleaver, "Supply-side economics: Splendori e miserie," *Metropoli* #7, Anno 3, Dicembre 1981, pp. 32-48. (An English language version is available.) So obviously was the working class the central enemy of the Reagan administration, despite all its anti-Soviet rhetoric, that Francis Fox Piven and Richard A. Cloward denounced its policies as *The New Class War: Reagan's Attack on the Welfare State and Its Consequences*, New York: Pantheon Books, 1982.

[45] See: Harry Cleaver, "Reaganisme et rapports de classe aux États-Unis," in Marie-Blanche Tahon et André Corten (eds) op. cit. and Karen Palazzini, "Supply Side Economics, A Successful Counterattack?" (typescript) April 1992 which focuses on the battles over food stamps and social security.

IMF pressure on national governments facing the need for debt rescheduling. Along with the budget cuts, devaluations, and privatizations mentioned earlier, they were also forced to abandon various protectionist measures which had been used to support domestic industries and constraints on capital movements designed to limit the repatriation of foreign investment profits. In short, freedom for capital to redeploy money in ways which would allow it to regain control over the working class required "free markets" of all kinds.[46] This freedom has also been sought through the Uruguay Round of GATT negotiations and the American push for a North American Free Trade Agreement as a first step toward a hemispheric common market.[47] In both cases the most important obstacle to be overcome - the one that lay behind the conflicting negotiating positions of the various nation states - was the opposition mounted by various groups of workers, from rice farmers in Japan and South Korea, through farmers in Europe and widespread resistance by industrial workers, environmentalists and even peasants[48] throughout North America who clearly understood the threat of workers being pitted against each others through international trade.[49]

At this point, I want to turn from the various efforts to withdraw money and income from the working class to the efforts of the capitalist class to redirect it into accumulation. Part of this story has been necessarily mentioned already: the efforts to covert higher oil prices into investment capital which largely failed, the cross-border geographical relocation of investment which has largely succeeded and the industrial reorganizations which have had mixed results. But beyond these particular efforts there is the broader question of the degree to which capital has been sucessful in using money in such a way as to found a broad based, new cycle of accumulation, comparable, though perhaps differently managed, to the one organized by the Keynesian state.

The answer to this question, I believe, must be largely negative. Not only was the long recovery (1983-1989) from Reagan's monetarist depression weak, not only did the Fed's single-minded pursuit of a repressive "zero-inflation" anti-wage policy produce a new depression on the eve of the Gulf War in 1990, but the whole attempt to found a new cycle of accumulation was undermined by two phenomena, one old, one new.

The old phenonema were the persistant struggles of the working class, both defensive and offensive, both within the United States and in other parts of the world. I have already discussed the stalward, and fairly successful, resistance formed against Reagan-Bush efforts to cut social programs which limited the reductions actually achieved, thus

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46 The obvious exception to this pursuit of international "free markets" has been the market in labor power. Whereas every effort has been taken to reduce constraints on the movement of commodity and money capital, workers have been subjected to the exact opposite: increasingly severe constraints on immigration and refugee mobility both through official policies (e.g., border controls) and through unofficial anti-immigrant racism. The presence of these controls is vivid testimony to the autonomy of working class mobility and the threat it has posed to capitalist power. If workers went, willy nilly, only where they were desired as labor power, no such controls would be needed. On constraints in Europe in reaction to immigrant autonomy see Yann Moulier-Butang and Pierre Ewenzyck, "Immigration: The Blockage of Mobility in the Mediterranean Basin," (English typescript) originally in French in *Critique de l'Economie Politique*, Nouvelle Serie, No. 3, September 4, 1978. On the constraints on undocumented worker mobility in North America see: Estevan Flores, *A Call to Action: An Analysis of Our Struggles and Alternatives to Carter's Immigration Program*, Pamphlet, October 28-30, 1977.

47 The parallels with 18th and 19th Century classical political economic arguments for free trade would seem to be obvious. Unfortunately those earlier arguments have usually been seen by Marxists as expressions of British imperialism rather than as responses to working class pressures. An exception is the work by Ricardo Salvatore on late 18th and early 19th Century trade between Argentina, England and the United States which he analyzes in terms of the dynamics of class struggle in each country and the way in which trade itself transmits and circulates class antagonisms. See: Ricardo Salvatore, *Class Struggle and International Trade: Rio de la Plata's Commerce and the Atlantic Proletariat, 1790-1850*, Ph.D. Dissertation, University of Texas at Austin, 1987.

48 The participation by peasants in the anti-NAFTA movement in North America took radical leap forward during the period in which this article was being edited for publication. On January 1, 1994, the day NAFTA was to go into effect in Mexico, the Indians of Chiapas launched surprise attacks on government control of four different cities and declared revolutionary war on the Mexican state. While their battle cries included age old demands, such as the return of their lands and the end of oppression, they also quite explicitedly linked their struggle to NAFTA. In a statement which was soon flashed around the world through both the mass media and oppositional cyberspace, one of the spokespersons of the Indian forces which invaded San Cristóbal de las Cases declared: "The free trade agreement is a death certificate for the Indian peoples of Mexico." The amazingly rapid and widespread mobilization of support for the Indian struggle, both in Mexico and around the world brought the Mexican goverment's counteroffensive to a halt. The ability of such a localized and small scale movement to trigger such a vast movement of opposition would seem to indicate a maturity of international working class resistance much greater than many have realized. The threat to capital's international strategies of class decomposition was understood immediately by the North American business press which warned the Mexican government that any substantial concession to the Indians would jeaprodize planned increases in capitalist investment. See, for example, *Business Week*, January 1994.

49 Opposition to these trade pacts has obviously also come from various groups of capitalists who stand to lose from the reduction of various kinds of protection. This mixture of class interests in the opposition movement has made it succeptible to various kinds of populist ideology. What has been interesting, however, has been the spontaneous and widespread growth of a very sophisticated grassroots opposition - increasingly knit together internationally through flows of information and discussion facilitated by the use of international computer communications systems.

keeping billions of dollars in the hands of the working class. But we must also recognize that besides trying to maintain a standard of living already gained in earlier years (and in real terms this was in fact been beaten down), the working class has also plowed considerable amounts of its money into the pursuit of its own ends. During the 1980s these included, notably, the achievement of black working class autonomy in South Africa, the spread and defense of revolution in Central America, the struggle for Palestinian liberation, the pursuit of an ecological agenda that requires (whether everyone participating sees it or not) the overthrow of capitalism, the expansion of women's power, the expansion of the rights of minorities and indigenous peoples, cultural innovation and so on. All of this represented a continuing, and in many directions expanding subversion of money away from capitalist purposes and into struggle. Throughout this period the repeated failures of capital to manage the debt crisis in such a way as to regain sufficient control for accumulation measured the strength of working class resistance. Where economic means failed, military intervention - especially the Gulf War in 1991 - provided a vehicle for both direct and indirect attacks on working class power: direct in the case of the oil-producing proletariat which saw their shop floor militarized and a vast process of decomposition inflicted through death, prisons and forced deportations, indirect as the "crisis" was used to rationalize renewed attacks on working class income (higher oil prices) and its qualitative gains (reduced environmental controls, renewed push for nuclear energy, increased racism in shaping harsher policies for controling immigrant workers).

The new phenomenon was the enormous diversion of money away from the contested terrain of production and onto the terrain of speculation, suddenly and vastly expanded as a result of financial deregulation that removed many of the constraints put in place during the Keynesian era. That deregulation, which began under Carter, accelerated under Reagan and has not been reversed under Bush or Clinton, made possible the rapid development of a wide array of new financial practices, many well adapted to speculative purposes (e.g., junk bonds). When combined with a new White House ethos (widely publicized by the media) of wealth and greed, the result was an explosion of speculative activity not seen since the 1920s. Instead of being plowed into investments that might resolve the long standing class antagonisms, vast resources of money, human talent and organizational effort were redirected into the quickest and most lucrative profit gimicks available. With rates of return to paper investments sky-high, in part because of the Fed's tight money policies supporting high rates of interest, and industrial rates of return as low as ever under the pressure of depression, the invitable occurred. Money "capital" flowed into paper and speculative investments fueling the long bull stockmarket and an ever deeper participation of banks and S&L's in an equally speculative booming real estate market. The results, as we now know, have included the stock market crash in 1987, the widespread collapse of Savings &Loan Associations and the current crisis in American banking. All those fantastic manias and panics which had fascinated Marx in the 1850s, but whose study had completely disappeared from both neoclassical and Marxist economics during the Keynesian era, were suddenly reborn in what *Businessweek* did not hesitate to label, with considerable dismay, a "casino economy".[50]

This re-emergence in the late 20th Century of the very fetishistic pursuit of money to the neglect of the management of class relations has undoubtedly hindered the resolution of the crisis of those relations which capital has sought for the last twenty years. By factilitating the diversion of massive amounts of resources away from more serious experiments with the restructuring of the class composition, Reaganomics undercut the very "supply-side" revolution it sought to bring about. The Reaganauts rejected the arguments of more Keynesian supply-siders, such as Lester Thurow, who wanted a federal "industrial policy" to accelerate restructuring, in favor "leaving investment decisions in the hands of the private sector". But while part of the private sector was deeply engaged in a debate about alternative managerial models of controling working class subjectivity (e.g., the debate over the "Japanese model"), a much larger part was content to accelerate the concentration of money in its own hands at the expense of workers. The seriousness of the way in which these policies subverted more constructive attempts to cope with the crisis can be measured only partly by looking at the amount of money diverted. More important is to recognize and study the substantive efforts on the part of capital to re-deploy its money in the direction of real accumulation.

Such efforts have included substantial investments in the development and utilization of new technologies that raise the organic composition of capital and allow a reorganization of production and the decomposition of working class power. Most widely recognized of such investments have been those transforming Fordist mass production, such as manufacturing mechanization in the form of computer controlled robotization which has allowed the replacement of

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[50] Few were those among either mainstream economics or Marxism who paid any attention to the issue of speculative booms and busts before the 1980s. A notable exception was Hyman Minsky. The few others were mostly interested in "financial fragility" as an historical issue, e.g., Charles Kindleberger, *Manias, Panics and Crashes: A History of Financial Crises*, New York: Basic Books, 1978.

assembly line production with flexible, just-in-time, small batch production managed by a new kind of worker.[51] Such new technologies are now being introduced not only in old, high-waged plants that are enabled to lay off redundant workers, but also in the new, displaced manufacturing plants in the Third World, where a much lower-waged labor force is proving itself quite able to manage such production processes. Less traditional but of growing importance, is the reorganization of information flows (including those involved in the genesis of science and technology itself) through increasingly decentralized but complex webs of computer linked communication.[52] Such "post-Fordist" approaches to the organization of work have included attempts to relink private industry and public education as a means to relaunch the growth of productivity (i.e., by harnessing the new abilities of working class subjectivity).[53] Both of these directions of capitalist investment come together in decentralized networks of largely self-managed, highly flexible production in which both the products and the technology of their production are being constantly modified by the workers themselves. Nowhere is this more obvious than in the software industry which has grown so dramatically in recent years.[54] Such new developments are creative responses to the emergence of the powerful and diverse working class subjectivity which threw the Keynesian form of capital into crisis. Their spread and development require considerable resources, many of which have and continue to be wasted by businesspeople who have forgotten that the business of business is not just profit but the organization of society through the imposition and management of work.

Conclusion

Within the context of the persistence of crisis, and the failures of past policy measures to achieve a solution, the most successful capitalist roles of money have been repressive rather than creative. The victories of monetary terrorism, in the central capitalist countries as in the Third World, have not been matched by a redirection of money into a restructuring of class relationships capable of restabilizing capitalist power and relaunching a new cycle of accumulation. The complex fabric of monetary relationships established within the context of the Keynesian social factory, and ruptured by the struggles of unwaged and waged workers, has not been repaired and no new, coherent tissue of such monetary relations has been woven anew.

While there are a variety of new approaches and experiments which attempt to harness the emerging new characteristics of working class subjectivity, they have neither been implemented on a broad enough scale, nor produced stable enough results to constitute a successful response to the crisis in class relations that began over 20 years ago. At the level of international monetary relations, the failure of dirty floats has been followed by the failures of the European Monetary System.[55] At the level of production, we have, perhaps, already witnessed the

[51] See: Benjamin Coriat, *L'atelier et le robot: essai sur le fordisme et la production de masse à l'âge de l'électronique,* Paris: Christian Bourgois, 1990. On the debate over these patterns of "post-fordist" capitalist restructuring see: Giuseppe Coco et Carlo Vercellone, "Les paradigmes sociaux du post-fordisme," *Futur Antérieur*, no 4, hiver 1990, Werner Bonefeld and John Holloway (eds) *Post-Fordism & Social Form: A Marxist Debate on the Post-Fordist State*, London: Macmillan, 1991.

[52] See: Maurizio Lazzarato and Toni Negri, "Travail immatériel et subjectivité," *Futur Antérieur*, no 6, été 1991 and Paolo Virno, "Quelques notes à propos du general intellect," *Futur Antérieur*, no 10, 1992/2.

[53] The degree of state involvement in such efforts to solve the "crisis of education" has varied enormously from country to country, from countries like Japan and Germany where the state plays a key role to those like the United States where, in the absence of a coherent federal policy, the role of the state has been mostly limited to local governments prostituting their school systems to the private sector in a competitive effort to attract an increased share of investment, jobs and taxes.

[54] Despite the existence of large scale corporate management of parts of the software industry, more striking has been the role of autonomous, decentralized programming as well as similarly unmanaged circulation, modification and utilization. The difficulties of capitalist control of this kind of productive activity, however, have been clear from the beginning as most members of this growing community of "workers" have insisted on their own independence - to the point of refusing to allow their "products" to be turned into commodities and adopting an ideology of free access to information.

[55] In September of 1992, a few months after this paper was written, these failures became dramatically obvious as England, then Italy and Ireland dropped out of the system and allowed their currencies to depreciate far below the System's pemitted fluctuations. The refusal of several European governments to accept the Bundesbank's dictation of higher interest rates (the bank pushed its discount rate to a record 8.75% during July) and higher unemployment (the EC was predicting an increase to 9.5% for 1992 and 9.7% in 1993) must be understood as a failure to impose these anti-wage, anti-working class measures on their own workers. The summer of 1992 saw a whole cycle of strikes (local and general) throughout Europe against the attacks on both private and social wages (reductions in unemployment benefits, etc) that culminated in the breakdown of the European Exchange Rate Mechanism and threw into question the ability of European capital to impose a European Monetary Union as scheduled for 1997.

first crisis of incipient "post-Fordism".[56] At the level of reproduction, women and students continue to resist the restructuring of their self-activity to be productive of labor power.[57]

The persistence of the crisis, including the crisis in the capitalist use of money, has been such as to allow us to raise a series of far reaching questions. Will the end result of the crisis be some kind of restablization of the social relations of capitalism or will we be able to act as subjects whose unchainable self-activities finally achieve the historical culmination of capitalist history and the crafting of new post-capitalist worlds. All around the world, from the streets of Los Angeles to those of Eastern Europe, from Brixton, in London to Tepito in Mexico City, the future of money is up in the air. Can it be converted into capital? We have seen the difficulties. Can it be used by the working class to accentuate the crisis and widen alternatives? We have seen some of the ways. And finally, can it be dispensed with along with all the other forms of capital and all the other forms of uni-dimensional measure in favor of a world where we judge ourselves and each other by a constantly reinvented set of values in a diversity of free cultural settings knit together by a new kind of democratic politics?

Austin, Texas
June 1992

[56] Toni Negri, "La première crise du postfordisme," Futur antérieur, no 16, 1993/2, pp. 11-15.

[57] Despite the 1980s and 1990s "backlash" against the women's movement, there has been neither a reversal of the gains made nor any clear-cut success in integrating new forms of the family within capital. Within education, the difficulties of transforming young people into maleable labor power continue. Despite the massive shift of resources from liberal arts to the professional schools in the 1970s and 1980s, the latest evidence suggests a "perverse" (from the point of view of capital) flow of university students back into less job oriented academic disciplines.