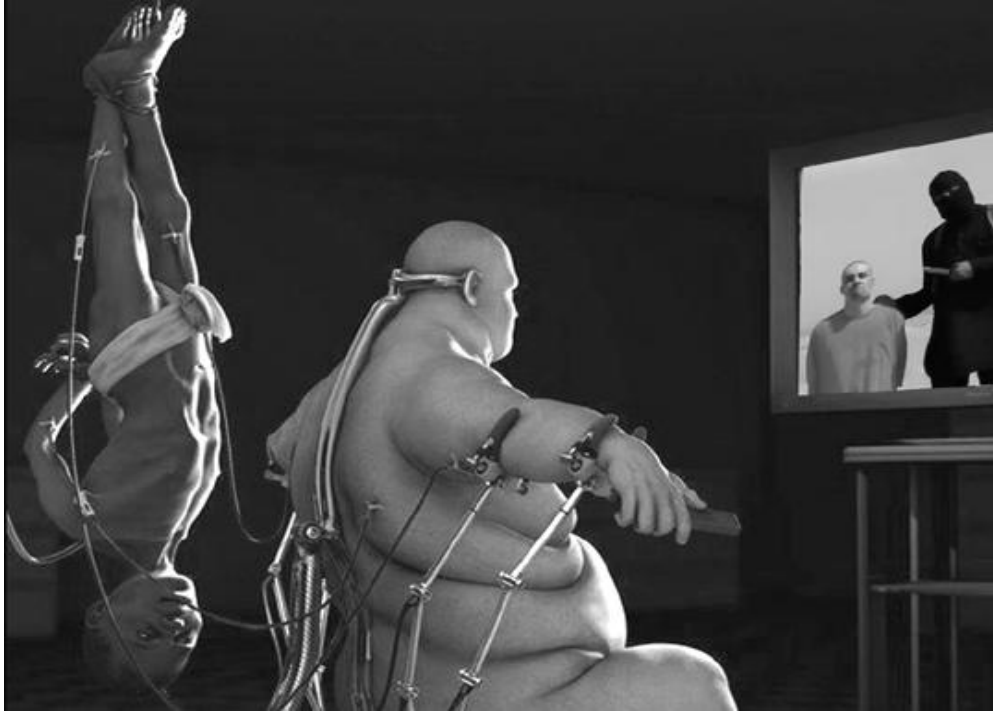


# ***INTERNATIONALIST PERSPECTIVE***



## **HEART OF DARKNESS**

**Modern Imperialism and Its Charnel Houses  
Ukraine, Isis, Ebola**

## **WHY WEALTH REDISTRIBUTION CANNOT SOLVE CAPITALISM'S CRISIS**

**Reviews: Michael Heinrich, Thomas Piketty  
Debate on Crisis Theory**

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### **To Our Readers**

A brief account of events and discussions *within* IP over the past year, so that our readers can have a sense of the issues that we are now confronting.

### **Heart of Darkness: Modern Imperialism and its Charnel Houses**

At this historical conjuncture, the very configuration of inter-imperialist antagonisms has dramatically changed. The old Cold War configuration of two rival blocs that ended with the implosion of the “Soviet” Union, and the promise of a new, peaceful, unipolar world based on globalization and a Pax Americana, has now come to its own bloody end, again reshaping the imperialist chess board, provoking wars and ethnic and sectarian cleansing on a scale not seen since World War Two and its immediate aftermath.

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The rapid spread of the Ebola virus throughout West Africa is no *natural* disaster, but one that the capitalist world will not provide the resources, financial and medical, to stop. At the same time, in a globalized economy, such an epidemic cannot be localized, but has the potential to rapidly spread far beyond its point of origin.

### **Why Wealth Redistribution Cannot Solve Capitalism’s Crisis**

For “progressives”, and the left of capital, a redistribution of the wealth (taxing the rich, increased wages, massive government spending) is necessary to put the economy back on its feet in the aftermath of the “great recession.” This article examines the reasons why such policies, even if implemented, *cannot* solve capitalism’s crisis, and it examines the past efforts to respond to the devastating crisis of the “great depression” of 1929, the failures of which prepared the way for capital’s only solution: imperialist war.

### **The Past Devours the Future**

A review of Thomas Piketty’s *Capital in the Twenty-First Century* in which he analyzes income inequality in the capitalist world over the past two centuries. For Piketty, the present level of income inequality constitutes a danger to the capitalist order today, which capital itself can and must address if it

is to save its socio-economic order. Piketty's recipe for reform is contrasted with the reality of capitalism's deepening crisis.

### **Selections from and Commentaries on Michael Heinrich's *An Introduction to the Three Volumes of Karl Marx's Capital***

Heinrich, one of the leading exponents of the *new* reading of Marx, based on the publications of all of Marx's manuscripts for his critique of political economy, examines the intricacies and subtleties of Marx's own exposition and unfolding of the *categorical* foundations of the value-form (the commodity, its value-objectivity, the necessary role of money, commodity fetishism and communism beyond the commodity form). The new reading of Marx closes gaps in Marxist theory that constitute formidable obstacles to a theoretical comprehension of the actual trajectory of capitalist society.

### **A Debate on Crisis Theory**

Starting from a debate between Michael Heinrich and Andrew Kliman as well as others in the pages of *Monthly Review*, this article investigates whether Marx's law of the tendential fall of the rate of profit is real or a mistake, and whether Marx had a mature theory of capitalist crisis that is valid today.

### **Public Meetings**

Internationalist Perspective holds public meetings as part of its work of stimulating a real debate and discussion around vital questions confronting revolutionaries and the working class. For information on the next meeting, contact IP at one of the addresses below

### **Correspondence**

We invite all readers to send comments on the positions in our publication. The development of a proletarian political milieu on the international level depends on the widest possible discussion and confrontation of ideas.

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## Internationalist Perspective 60 – Editorial



US demonstrators protest the police murder of Michael Brown

*Internationalist Perspective 60* appears at a moment of heightened social tensions, and widespread social movements from the US to Greece and Sweden, from China to Mexico, which have their roots in the grim reality of a crisis of capitalism that has not been ameliorated over the past seven years, and which beyond its manifestation as a massive financial crisis (with new upheavals to come), manifests itself as a *surplus* of humanity, whose very labor power can no longer be profitably exploited by capital. What links all movements that are now erupting globally is capital's recourse to police brutality directed at the very unrest provoked by the degrading conditions in which an ever-growing mass of the population is condemned to live, a brutality that includes police shootings of unarmed people on an ever-greater scale. Whether it is the use of lethal force against immigrant youth in Husby or Ragsved in Stockholm, or the anniversary of police killings of demonstrators in Athens; whether it is the brutality against demonstrators by the cops in Hong Kong, the cold-blooded murder of dozens of students in Mexico on their way to a

demonstration, or the killing of unarmed black men by police in Ferguson and Staten Island, the roots of these assaults by the forces of *order* lie in the effort to protect and to buttress the basic social relations of capitalism itself. The other side of this violence on the part of the police, are the efforts of the capitalist state to contain these social movements through a series of *reforms* on the part of "progressive" or left factions of the capitalist class to respond to the growing discontent of those excluded from even the possibility of the sale of their labor power. This is clearly evident in the response of the American president, and his justice department to contain the spread of these movements, in tandem with their proclamations that the right of people to peaceful protest is enshrined in the bourgeois concept of justice. But reforms cannot change the very trajectory of capitalist society in this historical moment, and nor can making the police force more reflective of the people that they "serve," as progressives contend. Nothing less than the overturning of the very system of wage-labor and capital accumulation can bring any change.

## To our Readers . . . .

In all small political groups, there are occasional episodes of dysfunction; Internationalist Perspective is not immune from this and, indeed at our annual conferences over some years, all of our members have voiced such concerns and we tried to get to the root of the problems. The dissatisfaction felt about the quality of our collective work is shared and, if we want to suggest a major cause, it is linked to the general difficulty in being able to carry out revolutionary work in the present phase of capitalism's development, and few opportunities to hold common meetings. We won't here go into that general matter, but we do want to describe some recent difficulties.

In *International Perspective* 57, dated Fall/Winter 2012, we published the first part of a text entitled 'International Perspective and the Tradition of the Communist Left' (IP&CL). It was presented as a draft text and the brief introduction to it declared an intention to adopt such a document at our next conference which was to be held mid-2013. In *Internationalist Perspective* 58/59, dated Winter 2013/2014, the introduction to parts 2 and 3 of this document stated that:

"In a series of three texts we developed our critique of the Communist Left and, at the same time, spelled out our own views on the questions they confronted and which still confront us today, ranging from theoretical to practical: how can we understand social reality, history, the periodization of capitalism, crisis and revolution.  
...

"At its conference last summer (i.e. summer 2013), IP collectively discussed, amended and approved the three texts. IP does not have a platform, but this series is the most comprehensive exposition of our positions since '*The world as we see it*' in IP#27 (1994) (readers

who compare the texts will notice our considerable evolution since then)."

However, towards the end of 2013 it became apparent that there were widely disparate views about the status and content of this work. For some, IP&CL was a landmark in the exposition of our positions but for others the document constituted only a discussion text. This situation is indicative of the dysfunction within IP, inasmuch as frank discussion had become difficult within the group.

How these two different perspectives coexisted at the 2013 conference is still a mystery to us all – and one we must solve. So, to avoid any doubt, we have to clearly recognize that the statement that this series is a "comprehensive expositions of our positions" is wrong and that IP&CL cannot be regarded as the view of IP as a whole. The disagreements are more focused on the first part of the IP & CL text. Indeed, some of our members question whether the basis for traditional Marxism's productivist, determinist, teleological view of human history was already present in the early writings of Marx and continued to be present in the Communist Left (Dutch, German as well as Italian), as is claimed in the first part of IP & CL. These comrades also do not understand why "contingency" is now given so much weight as a factor shaping history, as is the case in the text. Another critique is that while the text correctly gives a huge importance to the value-form critique, it does not devote enough attention to how the value-form shapes the revolutionary subject, and the development of revolutionary consciousness in the present period. In addition, one comrade objected to the use of the term "traditional Marxism" to designate the theory we reject, and he prefers the term "scientific socialism", which in his view did not affect Marx, or the Communist Left.

We all agree that the comrades who are critical of the text IP & CL should write and publish their views in IP. Unfortunately, no text was yet ready for this issue of IP. Readers are urged to follow the “news” on our website, where the texts will be published as soon as they are finished.

Meanwhile, we continue to discuss.

Sadly, one of our comrades, in the face of the dysfunction has resigned during the period when we were becoming aware of the differences within IP.

This difficult situation has had several repercussions. On the negative side we are no longer capable of producing Internationalist Perspective in two languages – so we shall no longer publish the French review. *Perspective Internationaliste* 58/59 was the last one. For now. We have, however, decided on some actions to move our work forward:

We have recognized the need to have a reference text to provide a coherent exposition of our shared views. Discussion has begun and we would hope to have it agreed at our next conference mid-2015.

The website will become the principal means of publishing our work. It is currently being rebuilt (long overdue) and we aim to have it live by the end of 2014.

We are trying to get to the bottom of the dysfunctions that have affected our work. Although not the underlying cause, our dispersion has created difficulties (we have four native languages and seven time zones between us) and we shall try to be very conscious of the state of our various discussions.

We believe Internationalist Perspective has made a worthwhile contribution to the development of Marxist theory and has endeavored to intervene in social struggles to the degree we could. All of us in Internationalist Perspective wish to continue with this activity.

Internationalist Perspective

## **Internationalist Perspective on-line**

- Internationalist Perspective is in the process of launching a new version of our web site. The new version will be more dynamic than the existing one and will allow readers to be more directly involved in our discussions.
- The IP web site is available in English and French, and contains all the articles from the print edition, as well as articles and discussions which do not appear in the regular edition of *IP*. We also publish a blog.
- To visit our web site, go to <http://internationalist-perspective.org>
- To visit our blog go to <http://internationalist-perspective.org/blog>

We do not see either of these sites as solely “our” property, but instead as places where discussions and exchanges of ideas can be held. We encourage readers to read, write and get involved.

# Heart of Darkness: Modern Imperialism and Its Charnel Houses



What is happening to the world? Russia is again threatening the eastern borders of Western Europe by land-grabbing chunks of Ukraine. China's relationships with neighbouring countries are tensing: military face-offs with Japan in the East and South China Seas; with Vietnam; with the Philippines. The Western powers are opening up new military activities in Syria and Iraq, launching air offensives against the Islamic State and in so doing re-aligning themselves with local powers – last year's foes have become this year's allies. Civilian populations are pulverised by air and ground attacks and more charnel houses – in Gaza, Syria and Iraq – are created not as collateral damage but deliberately, viciously, as results of the intensifying hostilities between Israel, Saudi Arabia and Iran.

Additionally, armies and militias extend their murderous reach down through Somalia into the East African littoral, central Africa (in Congo, in the Central African Republic), the Sahel (Mali), West Africa (NE Nigeria) and the newly-created states of North and South Sudan where they converted a civil war into cross-border conflict. Still, Kashmir remains a hotspot for frictions between Pakistan and India – and in Afghanistan it's business as usual.

In short, inter-imperialist rivalries are intensifying; and more and more of humanity is in a free-fire zone suffering from mass murder and displacement. What happened to the peace

the Western bourgeoisie promised in a unipolar world following the collapse of the USSR? What happened to the wealth produced by the massive expansion in the world economy in the last 25 years?

To make sense of world affairs today we have to stand back and look at the substantial changes that have taken place in global capitalism over recent decades. Within the limitations of a single article, we can do this only in a broad-brush way. However, this issue of *Internationalist Perspective* contains articles focussing on events in Ukraine and on the Islamic State.

## **Economic accelerations and their consequences**

The economic reforms pushed forward by Reagan and Thatcher in the 1980s took their theoretical stimulus from the monetarist policies promulgated by Milton Friedman and the Chicago School. Declaring Keynesianism dead, they embarked on a programme to accelerate the liberalisation of international financial markets and so opened up unprecedented opportunities for companies and states to raise money on the international capital markets and enabled huge investments to be made into the development of productive forces globally.<sup>1</sup> The increased

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<sup>1</sup> For a broader treatment, see the article 'Virtual Trillions' in *Internationalist Perspective* 56.

availability of investment finance coincided with, and further accelerated, the developments along a hugely important pathway: in computing and communications. Not yet on the radar in 1980, they have changed the entire functioning of the world economy and produced tectonic shifts in the structure of capitalism. The upshot has been an integration of the entire production process, its financing and the world market itself, to an unprecedented degree.

The old description of the world - West, USSR and the Third World - is long gone. The old idea of some orthodox Marxists – that capitalism could no longer develop the productive forces – has been disconfirmed in the most striking ways. Indeed the map of the world's commodity production line has been redrawn over the past three decades: China, India, Vietnam, Brazil, Mexico and others have become manufacturing powerhouses. While they owe some of their growth to the move of a great deal of industrial production from the West motivated by the search for cheap labour power, these countries are not sites for displaced factories based on old technologies. They use and create leading-edge technologies (such as in automation and robotics) and interface with enterprises all over the world in real-time.

The capabilities of air, sea and land transportation have greatly expanded over recent decades and, together with the revolutions in communications technology have furthered integration in the marketplace and in production itself. Different parts of the same end-product can be manufactured in different parts of the world for assembly elsewhere and this can apply not only to traditional assembly lines such as, say, cars but to the most complex products – such as commercial airliners, aircraft carriers, pharmaceuticals and electronics. The provision of power to drive these enterprises has become global too. Adding to the already vast coal and oil transportation channels (that now include those for tar sands and fracking products), natural gas pipelines transmit even more energy across distant parts of the world: from eastern Siberia to Eire, from Norway to Libya, the length and breadth of North America, the southern cone of South America, across south and east Asia, and across Australia; the

building of immense liquefied natural gas tankers have further enhanced the networks to create a global natural gas system.

Developments in advanced communications and control systems have surged over the past thirty years. Moving data round the world has gone from telegraph to telephone and radio bandwidths and on to fibre-optic cables and server farms that host the so-called cyber-space in the most physically joined-up way. A description of today's world manufacture would not have been recognisable thirty years ago. Technological developments enable production and distribution management, and commercial and financing management covering many geographical zones, from anywhere; this capability has been further augmented by satellite communications and global positioning systems. Distance and time are today only tiny fractions of what they once were. The consequences have been far-reaching, not the least of which has been the period of accelerated growth in the economies of what used to be called the Third World.

The integration of economic ties has been all the tighter because so many of the flood of bilateral deals have involved infrastructural projects which demand stability in relationships. But while integration ties together, it doesn't exist on its own; capitalism is always competitive and as the investments grow so does the competition sharpen. The hunt for profitability is incessant and nothing is allowed to stand in its way.

These conditions have generated stresses – not just on the economic terrain, between capitalist entities, but throughout the whole of society. Some examples illustrate the sources of intensified stress. Technological developments involving robotics and automation are removing millions of jobs – and with them the ability of workers to earn their living – from the workplace. Shifting swathes of industrial production from the West to Asia in the search for cheaper labour power created massive unemployment in the US and Europe. The accelerated proletarianisation of millions of people who had previously lived on the land in many (now-termed) emerging nations has stimulated a massive drive to the cities so that



more than half of humanity now lives in urban environments, with a substantial and growing proportion in continuously degraded conditions. The ejection of people from land required by the state or its entrepreneurial friends for new cities or factories or cash crops has dispossessed hundreds of millions. And relentlessly, globally, the gap between rich and poor continues to widen inexorably. The conditions of existence are being rent in all directions.

These circumstances have led to widespread class struggle and to considerable social discontent and civil turmoil against which the ruling class everywhere always prepares. The American investment into the militarisation of its police forces has been ongoing for decades and its approach to dealing with civil unrest was well exhibited in Ferguson, Missouri. With its aggressive and merciless attitude to economic growth, the Chinese government deals with tens of thousands of what they call mass incidents each year – and spends more on internal security than on its military.

Globally, the resulting strains expressed are many and various – from riots to madness - depending on the culture and the nature and strength of the institutions that structure social and political life.

And then there is the crisis. The speed at which the 2008 banking crisis spread across the world, disrupting not only the whole financial system but also the systems of production, testifies to the degree of integration highlighted earlier. The collapse of sources of finance in the West dried up the lifeblood of much industrial production; and the collapse of demand hit output in Asia. The effect on the Chinese working class was immediate: over 25 million Chinese migrant workers, home for the 2009 Chinese New Year, had no jobs to return to in the industrial cities.

These developments are the backcloth to an examination of the intensification of inter-imperialist antagonisms and the appalling effects they have on humanity, and particularly on its social struggles.

## **The reshaping of imperialism and its deadly embraces**

Imperialism operates at several levels: on the economic terrain in competition for markets and resources; on the political terrain for influence in support of economic interests; and, on the military terrain because of the need to support economic interests by ensuring access to raw materials, supply lines, etc. Furthermore, military hostilities go further and take up a dynamic of their own. All in all, inter-imperialist antagonisms come down to questions over distributions of power – global, regional and local.

After the dissolution of the Soviet Union, the Western bourgeoisie proclaimed a uni-polar world in which the US and Western Europe - with a total military expenditure that far outgunned the rest of the world – could use that military power with impunity. Western influence pushed eastwards and pulled some of the Warsaw Pact countries into NATO and some into the EU. The 2003 invasion of Iraq was the high point of its hubris.

However, the ending of the two-bloc confrontation opened up new evolutionary pathways in an environment that encouraged more free-market imperialisms. Second-level forces strengthened - China, India and Pakistan among them – and their hostilities have blossomed across disputed territories such as in Arunachal Pradesh and Kashmir. Israel, Saudi Arabia and Iran also opened up their rivalries to involvement in a wider range of conflicts over Gaza and in Afghanistan and Iraq. Lower-tier armies and militias also entered the fray, such as those of Somalia, Sudan and Congo.

In other words, economic growth, availability of armaments and financing in the context of the break-up of the two-bloc hegemony over international relations together enabled a wholesale reshaping of imperialist forces.

As we have emphasised, today's close integration of the global economic system at the levels of the production process and of markets was undreamt of a quarter of a century ago. Myriads of projects and bilateral deals tie the

interests of multi-national companies and nation states together in a web of relationships that can only be run with the globalised communications of information and materials. Yet, these same countries are also fundamentally hostile to one another as competition for markets, resources and political influence is ever-intensified. Let's consider just three examples; in Europe between Russia and the West; in the relationship between Israel and Russia; and between some powers in South and East Asia.

Today, oil imports from Russia stand at approximately 33% of Europe's total and gas imports are nearly 39%. This is a strong economic tie that can only be broken at enormous cost to both. And, during the last decade, there has been substantial cooperation over counter-terrorism and opium smuggling, particularly relating to Afghanistan. Trade has included arms sales, even French Mistral assault ships.<sup>2</sup> But, at the same time, the West pushed its military force further towards the Russian border and proposed projects such as missile defence systems to be sited in Poland and the Czech Republic. These moves threatened Russia's long-term geo-political interests and over recent years Putin has pushed back as opportunities presented themselves – such as in South Ossetia and Abkhazia in the 2008 war with Georgia. Most significantly, in 2014 following hostilities between pro-European and pro-Russian factions in Kiev (and substantial social disruption) Russia effectively gained control over Crimea and the eastern Donbass region of Ukraine while exposing deep inconsistencies in the economic and military interests of the Western countries that led to their inability to deal with Putin's manoeuvres.<sup>3</sup>

The second example concerns relations between Israel and Russia which highlight the ebb and flow of interests. Israel's survival in the Arab-Israeli war 1948 hinged on Czech arms provided at Russia's behest. However, the relationship between the two countries became hostile because of Russian support for Israel's enemies (the surrounding Arab regimes and the Palestinians) determined as part of Russia's

global posture in the intensifying Cold War in the 1950s and 1960s. A 20-year period of prohibition on Jewish emigration to Israel worsened relations. However, following the Glasnost period the trickle of Jewish emigration became a flood and today approximately 16% of the Israeli population are Russian-speaking - which has had the effect of strengthening certain social ties via this 'Russian bridge' as it is sometimes termed. And although Russia has continued to support Israel's contiguous enemies it has also embarked on large-scale projects with Israel - such as Gazprom's drilling of offshore gasfields in the Mediterranean and laying subsea pipelines to the shore. Such activities all build up the same contradictions as in Europe.

In East Asia, our third example, there are chain-links connecting all the powers. China and India have long had disputes along their more than 3000km border, particularly in Arunachal Pradesh. China's aid to Pakistan further exacerbates Indian government's concerns. Economically, both work together to exploit oil and gas reserves in Myanmar's blocks in the Bay of Bengal and to build a pipeline to take oil and gas to China. India is considering how best to use the Andaman Islands for a military base that would enable it to control the Malacca Straits through which passes much of China's (and other East Asian countries') trade with western economies. In September, India's Modi visited Japan's Abe and the outcome was a hike in Japanese investment in Indian infrastructure, a commitment to military cooperation including joint naval exercises, and Indian support for the Japanese claim over the Senkaku Islands. The East and South China Seas are loci of tension over ownership of islands and the consequent rights for exploitation and here China has disputes with Vietnam (the Paracel Islands) and the Philippines (the Spratly Islands) and Malaysia and Brunei over the Nine-Dash Line area.

The accumulation of bilateral agreements has no coherence and generates a mass of contradictions. Thus, chains of alliances and hostilities have generated chronic tensions throughout the entire capitalist system with the linkages involving all imperialisms.

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<sup>2</sup> The French government has put this sale on hold.

<sup>3</sup> See the article on events in Ukraine in this issue.

## **Social eruptions and the collision with imperialist interests**

The trigger for the wave of intensified social turbulence of recent years was the 2008 meltdown in the banking system; along with the havoc generated in the production process, the response of the Western bourgeoisie was to impose austerity on their populations. The collapse in global demand had repercussions for production in China, India and elsewhere: millions of workers were laid off.

Globally, millions of people showed their rage at the increased exploitation and repression imposed by the ruling classes. The Occupy movement that started in Wall Street reverberated around the world, in North and South America, East and South Asia, the Antipodes and all over Europe. More resistance and street demonstrations followed against the austerity policies of European governments – in Spain, Italy, France and Greece.

The social movements of the ‘Arab Spring’ exposed the lack of social safety valves and the brittleness of these dictatorships; and because of the proximity to the all-important oil centres the Western various military-imperialist groupings became more involved. At the beginning, in Tunisia and Yemen the rulers were encouraged to depart hurriedly; in Libya it took longer to shift Qaddafi as the major imperialisms were unclear what should replace his rule; Libya became an arena of indecision for the Western ruling class as they did want to support some of the oppositional groups. In Egypt, despite the strength of the social movement against the government, the West was reluctant to get rid of Mubarak who they used as a sentinel at the gateway to the Middle East and as a block on Islamists, most especially the Muslim Brotherhood. But when the application of their democracy produced a government that was a front for the Brotherhood, they machinated to depose Morsi. A military coup led to the installation of the Head of the Egyptian Armed Forces – Sisi – as president. Throughout these events the imperialist dimension grew substantially at the expense of the social movement.

But if Libya and Egypt showed the West’s indecisions about supporting oppositional groups, albeit for different reasons, the arena which came to overshadow all others as a killing field was Syria. At first the social demonstrations against Assad’s oppression looked to be part of the ongoing wave across the Maghreb and there was an expectation that the regime would likely capitulate. However, with the backing of Russia and China, the Assad family stood its ground and fought the social movement militarily, ruthlessly, unleashing a new level of ferocity against the population. To date nearly 200,000 people have been killed, the largest movement of refugees in the world has been created (including more than five million displaced) and the social movement opposed to the regime has been drowned in a conflict between capitalist forces.

## **Militant Islamism and some of its roles**

The replacement of the pro-Western Shah’s regime by that of Ayatollah Khomeini in 1979 Iran well illustrated what can happen when an overtly repressive state undermines or destroys social institutions that support and enable that capitalist society to function. As the Pahlavi regime came to rely more and more heavily on secret police and repressive forces to maintain itself and as legally-recognised means of opposition atrophied, the only major nationwide oppositional institution embedded into society and able to wield power was the Shia religious network run by the ayatollahs. After seizing and consolidating power, the new state apparatus could turn on other anti-Shah (or anti-American) forces and execute tens of thousands of people, a model indeed for the birth of new power structures in the region.

The growth of militant Islamism in modern times stems from the Russian invasion of Afghanistan in 1979. The fielding of Afghani mujahedin augmented by an increasing flow of foreign fighters from Islamic states in West Asia and the Middle East (and, as time went on, American military aid) drew the Russian forces deeper into an unwinnable war, which after ten years they had to abandon. With Russian withdrawal American interest evaporated and

into the resulting power vacuum came competing tribal groupings and militias from which the Taliban emerged dominant. When Iraq invaded Kuwait in 1991, Saudi Arabia felt threatened by the proximity of the massive hostile army on its borders. Osama bin Laden offered to participate in the defence of Saudi Arabia using his al-Qaeda forces; instead, he was expelled and the Saudi regime welcomed the American forces which marshalled on its facilities to launch the offensive against Saddam Hussein.

After the West re-invaded it, Afghanistan again became a destination of choice for foreign jihadists - especially from Saudi Arabia, the Gulf states and Yemen. Effectively, these dictatorships were able to export what had been an internal militancy problem, and pretend they had nothing to do with it. Instead, the militants became the problem of the US, the UK, Russia and India among others. And, by dismantling the secular Iraqi Ba'ath Party-state after the 2003 invasion the way was opened for new capitalist factions to present themselves through sectarian religious institutions in that fractured society. In what became a decade of murderous rivalries Iraq was the stage on which power struggles were fought out; and with the injection of finance and arms Shia and Sunni militias also became proxies for the other imperialisms, particularly Iran and Saudi Arabia.

Today, ten years further down the line, the availability of weaponry, coupled with years of experience in extortion, kidnapping, torture and murder means that the brakes are off. The Islamic State of Iraq and the Levant (ISIS), having been active for years in the post-2003 Iraqi mess, is now also involved in Syria. They are even more brutal than their predecessors because they can be. Their rise was helped by foraging for arms from the dumps that litter Iraq, but their longer-term success has been enabled by considerable financing from factions within Saudi Arabia and Qatar and other Gulf states who project their internal divisions onto the outside world. ISIS' proclamation of a caliphate and its morphing into Islamic State marks an escalation possibly leading up to an explicit carving-up of Iraq into new territorial formations. And the Islamic State's influence

has widened: in the east of Libya, around Tobruk, the local militia has declared the area to be an emirate loyal to Islamic State.

The phenomenon of modern militant Islamism in today's global capitalism has some important characteristics: it has been oppositional to entrenched dominations by family and republican dictatorships in several Arab and other countries; it has launched international crusades against invasions by major imperialisms, most emphatically against Russia and the US; in many countries it has fragmented state institutions along sectarian lines; and it has been a tool of the imperialisms, global and regional, that finance it. It can be a driver as well as a catalyst.

Yet if their internecine strife makes many parts of the Middle East and beyond reminiscent of the bloodbath of the Castellammarese War in the New York mafia of the late 1920s, their religious ideologies have resonances with deep belief structures in their social cultures from which they have mobilised support. Such resonances are also being demonstrated in surprising places, such as among middle class Muslims in Western Europe. This is another indication of the atrophy of social cohesion in civil society as capitalist fractions devour all that is human in the interests of furthering their economic and military power.

### **Some geo- and regional politics**

The economic processes highlighted earlier in this article will continue to deepen the contradictions inside global capitalism as imperialisms are ensnared into ever-deadlier embraces. As ambivalences strengthen we can expect greater tensions between national capitals as they all confront their insoluble problems, worsening with the current crisis. As these global tensions cascade down to the regional hostilities where armies and militias confront each other, the one accurate forecast that can be made is that the civilian populations will be the losers either because they are collateral damage or because they are *the* target.

The Middle East remains a pivot for geo-politics because of its oil reserves and the hostilities among the main regional powers - Saudi Arabia, Iran and Israel – which are all highly antagonistic to each other and have ambivalent relationships with the US. The American ruling class has been reassessing its military-economic perspective on how the region fits into the map of its global interests (and one parameter is that it will soon become a net energy exporter) and how to work its relationships with these regional players. There have been many twists and turns in the recent past.

Although the Obama administration has tended to distance itself from the Saudi regime, in part because of the ambiguities about its role vis-à-vis some of the Sunni militias and the financing that has come from within the Kingdom, there are limits to how far it can go: Saudi Arabia remains hugely important to the world economy as the largest oil producer and the primary balancer of supply and demand in the global market and the US can't ignore its pressure. The Saudi's commissioned two new ballistic missile sites last year, one targeting Israel and the other Iran. Iran wants to maintain its support for Hezbollah in Lebanon and supports the Assad regime in Syria as a means of ensuring it. Israel wants to destabilise Hezbollah – which was also US policy. However, Israel's punitive actions in Gaza are considered by the US, with an eye to the opposing Arab interests, to be 'disproportionate'; and the US and Iran have made tentative approaches to one another concerning the uranium enrichment centrifuges (to the displeasure of Israel) – and in recent weeks have even worked together militarily against Islamic State. It is impossible to forecast where this nest of vipers is going to end up; in reality, there is no end to it.

The volatility of events is increasing as all imperialist participants probe and test their opponents and allies. They take advantage of opportunities as and when presented: as Russia did in Crimea as Western manoeuvres in Ukraine unravelled, as ISIS did in Iraq seeing Western indecision over how to deal with contending militias. It is in this Middle East theatre that the maelstrom is strongest. IS vows to destroy the Sykes-Picot Agreement, the 1916

deal between France and the UK to divide the Middle East into spheres of influence and control, and which gave rise to most of the borders in the region. The major imperialisms may go for fragmenting Iraq into Kurdish, Sunni and Shia segments; which, interestingly, was a view proposed by (now Vice-President) Joe Biden when he launched his presidential campaign in 2006. This may contribute to the West's hesitation in choosing its friends and foes in the Middle East when last year's foes are this year's friends.

It is remarkable how crises seem to appear as if from nowhere. Added to regular censorship, the epidemic of yellow journalism obscures actual events behind deceptive and diversionary perspectives, and how quickly it uses a new issue to put the last one in the shade. The Russians are inhuman because their proxies shot down the MH-17 airliner over the Ukrainian war zone, as if the US hasn't done the same thing<sup>4</sup>; beheadings by IS are barbaric, but those carried out by Saudi Arabia are not<sup>5</sup>; last year, Assad's gassing of Damascus suburbs was barbaric and crossed Obama's and Cameron's 'red lines' but this year get scarcely a mention. This is not hypocrisy – hypocrisy needs a moral compass – it is only bourgeois interest shifting with the currents.

For the bourgeoisie, a pile of corpses is just so much political capital in demonstrating the evil behaviour of *The Other*, defined as needs dictate and used to justify the cruellest responses; the sheer vindictiveness and viciousness of the Israeli pulverisation of Gaza being a supreme exemplar. The demonization of populations is all the easier when a militia or a regime acts barbarically. Mass murder, displacement and dispossession are acceptable collateral damage in the furtherance of imperialist interest. For the ruling class, charnel houses are but an expedience.

Marlowe  
October 2014

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<sup>4</sup> Iranian Air Flight 655 in 1988 was deliberately destroyed using missiles fired from USS Vincennes.

<sup>5</sup> 19 judicial beheadings took place in a two-week period in August.

# What is ISIS?



ISIS militants behead Kurdish soldier

Even before its spectacular emergence onto the world stage this year, the jihadist group known as the Islamic State of Iraq and Syria (ISIS, and also as ISIL, or by its Arabic acronym Da'esh) was famed for its brutality in dealing with its enemies and enforcing its interpretation of Islamic law. But while it remained one of a series of regional jihadist groups operating in the region, most commentators were content to ignore it. Its success in seizing and holding significant territory in both Iraq and Syria, its savvy use of social-media and its ability to draw foreign recruits to its "Caliphate," and its continued penchant for public brutality, most notably a fetish for beheadings, has led to a re-evaluation of the group.

## The History of ISIS

Despite its seemingly Athena-like appearance on the international level, ISIS has a much longer history. Like virtually all of the jihadist groups,

the history of ISIS is a series of splits, mergers and bewildering name changes. The origins of ISIS can be traced to Jama'at al-Tawhid wal-Jihad (Group of Monotheism and Jihad) a jihadist group formed in 1999 by a Jordanian fighter Abu Musab al-Zarqawi, who led the group until he was killed by a US bombing in Baqubah, Iraq in June 2006.

In October 2004, Zarqawi declared his solidarity with Osama bin Laden's al-Qaeda network, and his group became al-Qaeda's affiliate in Iraq. The group changed its name to Tanzim Qaidat al-Jihad fi Bilad al-Rafidayn (Organization of Jihad's Base in Mesopotamia), but was popularly known as al-Qaeda in Iraq (a name the group never used). Both prior to and during its affiliation Zarqawi's group engaged in dramatic acts of violence including suicide bombings, public executions, and sectarian violence against Shia Muslims, which ultimately led to a reaction

and temporary weakening of the group. In 2013, under the leadership of Abu Bakr al-Baghdadi, who became leader after the 2010 death of Zarqawi's successor Abu Abdullah al-Rashid al-Baghdadi, TQJBR merged with several smaller and similarly named organizations to become the Islamic State of Iraq and Syria (ISIS).

In February of 2014, al-Qaeda took the unprecedented step of disavowing any connection with ISIS citing the brutality and intractability of ISIS. The step left al-Qaeda without an affiliate in Iraq, and its new section in Syria Jabhat al-Nusra (The Support Front for the People of Al-Sham) quickly clashed with ISIS fighters. In the summer of 2014, with a quarter of Iraq under its control, ISIS proclaimed a caliphate and claimed authority over all Muslims worldwide, a point to which we will return.

### **The Growth of ISIS**

According to most sources, ISIS forces now control a quarter of Iraq and a third of Syria. It is estimated that ISIS' revenues from the oil fields it controls run to millions of dollars daily. In addition, the commonly accepted figure for the number of fighters ISIS possesses is as high as 30,000. How has this come to pass?

While it is tempting to ascribe the success of ISIS to funding from fundamentalist forces in Saudi Arabia and Qatar, ISIS has not only pulled together jihadists in Iraq, but attracted fighters from across the globe. While the majority of ISIS fighters are either of Iraqi or Syrian origins, significant numbers are foreign jihadists including over a thousand from nearby Turkey. The border between Turkey and Syria has long been porous and ISIS militants have freely operated recruitment centres within poorer districts in Turkish cities. The Hacibayram neighbourhood in Ankara's tourist district has reportedly seen over a hundred of its residents go to fight for ISIS. With high unemployment and little future, ISIS has been able to attract youth disenchanted by moderate Islamic regimes, now attracted to a more exciting life. According to a report in the New York Times ISIS fighters receive up to \$150 a day and other needs being free. For youth from an impoverished background, the glamour of

waging jihad for high wages must be a significant lure.

After initial angry denials to accusations of turning a blind eye to the growth of ISIS, Turkey softened its position and allowed the U.S. to use Turkish military bases near the Syrian border to help defend the Kurdish town of Kobani. Turkey's actions regarding ISIS appear to have been twofold. First it was hoped that ISIS fighters would cause headaches for the Assad regime in Syria with whom Turkey is in a bitter conflict. Second, like ISIS, Turkey has no love for the Kurds and also seems to care little for Syrian Kurds. Of late Turkish president Recep Tayyip Erdogan has even claimed that ISIS and the Kurdistan Workers Party are twin evils, and a greater enemy is the Syrian dictator Assad.

The Assad regime too has attempted to use ISIS for its own purpose. Spokesmen for the Free Syrian Army have suggested that part of Assad's strategy has been to pose the alternative in Syria as between his government and ISIS, calculating that the West and the Arab regimes would see him as the lesser evil.

### **What Next?**

One of the distinctive features of capitalism throughout its history has been the continued disruption of community. In opposition to this, Islam has often proclaimed a utopian community of believers, the Umma. To become a part of that community, you need only become a Muslim. In a way the (re) creation of such a community is what ISIS is attempting to do albeit in a brutal and tyrannical fashion. According to its own ideology, ISIS is a caliphate, an Islamic government under sharia law led by a descendant of Mohammad. (That there seems to be little evidence that ISIS leader al-Baghdadi is **such** a descendant, does not matter.) ISIS therefore seeks to extend its base throughout the region for its community of believers. For those who choose not to accept ISIS' interpretation, ISIS has **two** options: leave or die.

But this is not the recreation of a (mythical) community. It is a further example of capitalism as it sinks deeper into crisis, producing ever more barbaric and genocidal responses. This is

not about religion, about Sunni or Shia. If there is an ideology, it is *nationalism*, just as it is in the conflict between Hamas and Israel. Nationalism is the ideological and cultural foundation of capitalism, a nationalism that is brutally xenophobic, whether it's the nationalism of "oppressed peoples" or their oppressors. The result will always be mass murder; the expulsion of the "other" from their homes and lands, and the rule of the gun, the F-16, or poison gas. This is the case whether the nationalism is secular (Ba'athism in Iraq or Syria, Nasserism in Egypt, a half century ago), or religious, as is increasingly the case today in the Islamic world.

Currently ISIS seems to have galvanized significant sections of world opinion against it, even though its atrocities are significantly less than those committed in Dafur, Rwanda or half a dozen other examples of ethnic cleansing. The

U.S. and its allies which earlier employed such rebels as a stick against the Assad regime in Syria have turned against them, but whether the Obama administration has the inclination to commit to a full scale ground war, as some in the U.S. have argued, remains to be seen. The US and its coalition of Europeans and moderate and not-so-moderate Arab and Islamic states, including Iran, may blunt the edge of ISIS or even reduce it to a guerrilla force as they did with the Taliban, but they will not have an effect on the social conditions which produce such barbarism with increasing frequency.

Fischer

November 2014.

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# Ukraine: Back to the Future



The Obama presidency was supposed to be about resolving the most devastating economic and financial crisis since the great depression. In foreign policy it was supposed to be about ending America's wars in the Islamic world, those seemingly endless wars that had also threatened the very financial stability of the US. Obama's aim in foreign policy was to bring the troops home from the wars in the Islamic world, and to *pivot* to East Asia, to meet the economic, political and military challenge of China. Russia seemingly was no longer a threat or a problem for American interests. Indeed, Russia and the West were now partners, their economies interlinked. That was then.

Yet over the past year, Ukraine has become a flashpoint for heightening inter-imperialist tensions between Russia and NATO, as the pro-Russian Yanukovich regime in Kiev was overturned because of its unwillingness to further link Ukraine economically to the European Union, and to begin to take the steps towards bringing the country into NATO. The result was Putin's decision to both annex Crimea, and to help ethnic Russian separatists in Eastern Ukraine (the Donbass) seek to attach the region to Russia by waging war against the Ukrainian government. What followed were Western sanctions against Russia, which exacerbated its economic crisis as oil and gas

prices were plummeting internationally, bringing it to the edge of recession, as the value of the Ruble plunged and fears of controls on capital outflows rose. Meanwhile, the new pro-Western government in Kiev of Petro Poroshenko had unleashed a military campaign to retake the rebel held areas in the East, aided by military and political support from NATO, a campaign that stalled as Russia increased its support for the rebels and sent its own troops into the disputed region, winning back control of much of the territory that had just been lost, and leading to a cease fire, buffer zones, and the Minsk agreement between Kiev and Moscow to grant autonomy to the Donbass region, and for Kiev to halt its military efforts to regain control of the disputed areas.

Yet a provisional stalemate on the battlefield ignores the destruction of cities (much of Sloviansk, Luhansk and Donetsk are in ruins), the stream of refugees from the battle zones who now fill cities like Kharkiv, the large numbers of civilian casualties as a result of indiscriminate and constant bombardments by both sides, all the ugly face of imperialist war supported from Moscow and Washington, and waged in the name of democracy and nationalism.

The origins of this conflict go back to the early twentieth century, and World War One, when

what is today Ukraine was split between a Western region then part of the Habsburg empire and an Eastern region which had been part of the Russian empire for several centuries. In 1939, as Germany and Russia divided Poland between them, the Western Ukraine (then part of Poland as a result of World War One) was incorporated into the Soviet Union. When Germany invaded Russia in 1941, far-right nationalists supported the Nazis, seeking an independent Ukraine, while by 1945 Stalin's Russia re-incorporated that part of Ukraine into the Soviet Union, with the agreement of the Western allies, as its troops moved back into the region towards the end of the war.

The breakup of the Soviet Union in 1991 led to Ukrainian independence, and to the resurgence of the debate over whether Ukraine was a "Western" nation or one bound to mother Russia by a plethora of cultural, political, and economic bonds. To that must be added a series of informal agreements at that time between Russia and the West that NATO would not expand to the east, and certainly not into countries that had been part of the Soviet Union (and historically of Russia) like the Baltic states and Ukraine. The violation of those agreements by NATO, the continued lure of the EU to Ukraine, and the events on the Maidan at the end of 2013, where Ukrainian ultra-nationalists played a significant role, culminating in the overthrow of Yanukovich, reignited Putin's fears about the intent of NATO and the West. Therein lay the beginning of the cycle of events leading to Russia's annexation of Crimea, and intervention in the Donbass, which provoked the sanctions imposed by the West and its military support for Poroshenko.

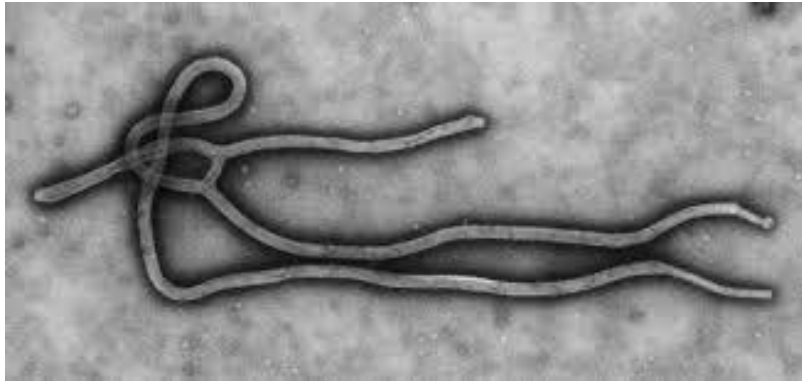
A provisional balance-sheet can perhaps already be drawn. Where the Obama administration had wanted to focus on China, it has now not just been drawn back into war in the Middle-East, but also into a growing conflict with Putin's Russia, now concentrated on Ukraine, and with

implications farther afield in Central Asia (Eurasia to Putin) and even Iran. Moreover, this first round at least has already been won by Putin, who has drawn closer to China, who has stared down the American president who has failed to get the needed support from his allies (e.g. Germany, France, Britain), to impose "real" sanctions on Russia, who has annexed Crimea with only verbal brickbats being hurled by Obama and the West, and who has compelled Poroshenko to halt his military campaign and accept autonomy for the Donbass. In terms of the inter-imperialist chessboard, it is, for the moment, a setback for the US.

The parliamentary elections in Ukraine on October 26, were a victory for the nationalist and pro-Western Poroshenko Bloc together with the equally pro-Western "People's Front" of Areseny Yatseniuk, and the task of the two oligarchs is to now form a coalition government. Nonetheless, while the victory for the "democratic" parties is celebrated in Western Europe and the US, both by governments and by "progressives," the tacit agreements wrung from both Kiev, and Western governments, to end the fighting in Eastern Ukraine, which leaves Russia in control there, will be respected (at least for the time being). More important, the Ukrainian economy is contracting at a rapid rate, as is its currency, and inflation is now out of control. For the working class, that means that the new government will have to impose draconian austerity just to meet its looming debt obligations, as well as reducing the even meager subsidies that workers receive. That could increase the support for ultra-nationalist and populist parties like Svoboda, but it could also be the prelude to *class struggle* by a collective worker, to whom the democratic Kiev government, the EU and the IMF will now send the ever-growing bill.

Mac Intosh

# Ebola



Although this issue of *Internationalist Perspective* has focused on the widening war in the Middle East, (“Heart of Darkness”), the war in Ukraine (“Ukraine: Back to the Future”), and on ISIS (“What is ISIS?”), there is another mortal crisis ravaging West Africa linked to the slummification of whole regions in which human beings are forced to eke out a daily existence in unsanitary living conditions which invite disease, and where the healthcare infrastructure is so sparse as to be almost non-existent.

The discourse prevalent in the press and put forth by governmental personal and mouthpieces for health care institutions is that this disaster is *natural*, an epidemic, not unlike the flu (which kills between 4,000 and 40,000 per year), except there is no vaccine for the current Ebola epidemic, and according to GlaxoSmithKline (UK pharmaceuticals firm), it takes 7-10 years to develop a safe and effective vaccine even though they’re working on fast tracking this to be ready by 2015. That will be too late, however, for this Ebola epidemic. (BBC 10/17/14).

In the meantime, the World Health Organization (WHO) has warned that there could be 10,000 new cases a week (BBC 10/17/14) and adds that

9,000 people have already been infected and that more than 4,500 people have died (these figures, however, are not accurate, due to unreliable methods and difficulty in collecting data). Some figures given have estimated the deaths to be twice as high. In containing the spread of the virus and treating Ebola Viral Disease (EVD), even without the vaccine, what is essential is a quick diagnosis, isolation wards, supportive care and equipment ALL of which are unavailable in the worst hit areas of West Africa (Liberia, Guinea and Sierra Leone) and ALL of which would drastically reduce the chances of death from this disease.

In this article at NPR:

<http://www.npr.org/2014/09/04/345868837/budget-cuts-hobble-the-world-health-organizations-ebola-response>

you will find details of austerity measures involving budget cuts in the WHO and the CDC (Centers for Disease Control) in the billions of dollars, along with elimination in the WHO of 16 percent of the staff in which 35% came from “cuts in the departments that deal with outbreak preparedness and response”.

In a global capitalist economy, with global production and distribution chains, an epidemic like this can and will spread beyond its original geographical site. At the same time, capitalism will do everything to avoid allocating the funds to deal with this mortal danger, such as developing a vaccine, or eliminating the conditions that produce and spread the epidemic, and instead seek only to contain it geographically.

This disease has spread and reached epidemic proportions, not because the supportive environment needed to stop it in its tracks is not available. It is available, but like everything else

in a commodity producing society, health care is only available if you can buy it. The spread of this disease and the resulting deaths from EBV is the price humankind pays for a retrogressive social form – “capitalism kills” - that feeds off the destruction of human life whether it be in the form of cannon fodder on the battlefield, or the loss of human life to disease.

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# Why Wealth Redistribution Cannot Solve Capitalism's Crisis



“Redistribute the wealth!” is the rallying cry of the capitalist left all over the world. Tax the rich, increase the wages, increase the state’s social spending and investment to create jobs and rein in climate change ... all that and more, while leaving the basic framework of capitalism -- commodity production, wage labor, profit, global competition -- intact.

At first sight, this program seems logical. After all, economic growth is stymied by a lack of effective demand, and this demand is diminished by the rising income inequality. So why not take part of the mind-boggling fortunes of the super rich and use it to raise the income of the poor? Look at the Walton family, which owns more than half the stock of the Walmart

supermarket chain. Six members of this family own more than the bottom 30% of all American families together, while workers at Walmart earn so little that they need to apply for food stamps to survive, and collection boxes are installed at Walmart stores so that needy Walmart “associates” can buy a turkey for Thanksgiving. If only, so it is said, people like the Waltons would understand “the genius of Henry Ford”, who supposedly raised the wages of his workers so that they could buy the products of their own labor: a win-win situation in which the workers improved their living standard and Ford increased its market. Likewise, so the capitalist left claims, a redistribution of wealth would make everybody a winner today. Unemployment would fall, living standards would rise; the

expansion of the market would end the crisis of overproduction and thus raise the capitalists' profits, while social tensions would decline.

It remains a curious fact that no government on earth is adopting such a marvelous program, so clearly advantageous to capitalism as well as to the working population. Indeed, when political parties of the capitalist left come to power, no transfer of wealth from rich to poor occurs. François Hollande, the 'socialist' president of France, is not raising taxes on the rich, he is lowering them. US President Obama, who talks a lot about the need to address income inequality, launched a stimulus program of which less than 5% went to the poor; the bulk of it went to the banks and other big capital entities. Under the rule of the Workers' Party (PT), Brazil became the country with the widest gap between rich and poor in the entire world. The second widest gap is in "communist" China, which has scores of new billionaires, many of them high ranking Communist Party leaders, trillions of dollars in the coffers of its central bank and hundreds of millions of people living in dire poverty.

If redistribution of wealth from the rich to the general population were a solution to the economic crisis, you would think that at least some capitalists would be smart enough to act in their own best interests and try it. Instead, all governments, whether from the left or the right, preside over a process of pauperization of the many and enrichment of the few. They differ in their rhetoric and tactics, but what they do is essentially the same. The excuse of the left leaning governments is that the working class would be attacked even harder if the right were in power. Of course when they are in opposition, the left parties devise ambitious wealth distribution plans. The less their chance of coming to power, the more radical these plans tend to be.

But the rising inequality is an *effect* of the crisis, not its cause. Therefore, redistribution of wealth cannot be a solution to the crisis of capitalism. It

is an empty slogan, but one whose appeal is obvious. The more people have to struggle to make ends meet, the more obscene the concentrated wealth of the rich appears. Naturally this provokes anger, and demands for "economic justice." Of course, we support the fight against pauperization, against social cuts, for raising the minimum wage and so on. But we denounce the illusion that capitalism can accommodate "economic justice," that pauperization and the rise of income inequality can be stopped, and that the crisis can be resolved within the framework of capitalist society. The program of the capitalist left is based on mystifications. Let's take a closer look at some of them.

### The Henry Ford-myth



In 1914 Henry Ford doubled the wages of many of his workers to 5 dollars a day. Wikipedia

writes: “Ford’s policy proved that paying people more would enable Ford workers to afford the cars they were producing and be good for the economy”. This myth is still popular, especially in North America. We heard it mentioned several times at Zucotti park in New York during the Occupy Wall Street protests. But Ford did not double the wages to turn his workers into his customers. If that had been his purpose, he might as well have given his cars away for free. Since he was paying the wages, he would be indirectly buying his own cars with his own money. Not very profitable.

Not that a worker could afford a car in 1914 anyway, even while making 5 dollars a day. That only became possible many years later when the high productivity resulting from the mass production methods which Ford pioneered had brought down the cost price far enough. Then, the Ford factories moved to the suburbs, and for its workers the possibility to buy a car became an obligation.

Ford was no friend of the working class. His tactics including playing off white and black workers against each other, and the use of company police to ruthlessly control the work force. He had another reason to double the wages. He was a genius, but his genius consisted in finding new ways of intensifying the labor process. He was the first to introduce moving assembly lines. Productivity was rising fast in his factories but it was hampered by the heavy turnover, as so many workers soon had enough of the hellish pace that became the norm in the Fordist mode of production. In many departments, 300 workers a year had to be hired and trained to fill 100 slots. That constituted an enormous drag on productivity, to which the wage-rise was the solution.

Ford also doubled the wages because he could. He enjoyed a near monopoly in an exploding market. His sales doubled every year. If we look for comparison at companies today, there are some, like Microsoft, Google and Apple, who

enjoy to some extent a similar advantage (they too can afford to pay higher than average wages to attract talent), but the overall context is different. There are certainly still companies that could afford to raise wages but don’t because there is not enough pressure on them to force their hand. But there are many more which can only stay in business by lowering their labor costs, either by eliminating jobs or cutting wages and benefits.

### **The Myth of the New Deal and the Popular Front**



Roosevelt’s New Deal Follies

The myth of the New Deal or what generations of progressives have designated as the “Roosevelt Revolution,” has an even firmer hold on the imagination of the left, as does the nostalgia for the Popular Front, and its model in France (1936), for both are now – especially now – held up as exemplars of progressive social and political policy, and as assaults on the temples of wealth, forerunners and models for today’s demands for income redistribution and government spending to overcome the economic crisis. Both the New Deal and the Popular Front are portrayed by the capitalist left today as having brought about economic *recovery* and

*social justice* through a redistribution of wealth that put an end to the “Great Depression” that began in 1929.

But did the New Deal redistribute income and wealth? Did its programs provide a solution to -- or even significantly ameliorate -- the devastating impact of the economic crisis?

At the heart of the myth of the New Deal lay the social and economic programs which Roosevelt championed: first the abortive National Recovery Administration (struck down by the Supreme Court), which actually set aside the anti-trust laws introduced by earlier progressive administrations, and legalized a network of compulsory cartelization of industry with the aim of jumpstarting the capitalist economy. The failure of that gambit aside, there were the social programs that have come to define the New Deal in the hearts of much of the left today: The Tennessee Valley Authority, the Works Progress Administration, the Wagner Act, Social Security, more progressive taxation.

The greatest impact of the New Deal, and its plethora of programs, was to quell the growing radicalism of the working class, which progressives and the new President clearly saw as a threat to the capitalist system. Yet the promise to put America back to work through deficit spending, itself made possible by virtue of the fact that the crisis itself had led to a threatening *deflationary* spiral, as well as to America’s role in the global economy as a *creditor* nation (in stark contrast to today), was itself an abysmal failure. Public works programs like the TVA or the WPA, absorbed just a small part of the “army” of the unemployed, and “relief” payments to the unemployed barely mitigated their desperation, but the immediate impact of those programs was to blunt the spreading radicalism of the working class, for whom mere existence had become increasingly desperate. Perhaps the most important effect of the Wagner Act, which opened the legal way to mass industrial unionism, was to provide a

means to *control* working class resistance, and channel its outbreaks into a network of institutions where it could be contained. Indeed, the New Deal did not eliminate the unemployment that was the bitter harvest of the great depression. Unemployment in the US in 1933 when Roosevelt took office at the height of the great Depression was 25.2%. A second economic downturn in 1938, threatened to cast the nation back into the same crisis conditions that had prevailed five years before, and despite a massive *rearmament* program, and war preparations initiated by the New Deal, in 1940 unemployment stood at 13.9%, and was only wiped out by America’s entrance into the world war itself. On December 8, 1941 when the US entered World War Two, there were still six million unemployed in the US, despite several years of a massive rearmament program which Roosevelt had undertaken in the knowledge that the US had to go to war. The vaunted economic “recovery” for which the capitalist left celebrates the New Deal, then, was due to war production and inter-imperialist war itself, a war that the US was prepared to fight not just because of its capacity to produce the armaments and raw materials necessary to wage it, but because the New Deal had created the institutions through which the danger of class struggle itself had been neutralized. The real fruit of the New Deal, then, was world war, from which the US emerged as the dominant world power, economically, politically, and militarily, with its basic socio-economic institutions not just intact, but enormously *strengthened*.

The electoral victory of the Popular Front, following a massive strike wave in France in 1936 in response to the same economic crisis that had brought Roosevelt to power in the US four years earlier, put Leon Blum and the left in power, with the support of the Stalinist ‘Communist’ party. The target of the Popular Front, beyond ending the strike wave, which it promptly did, was an assault on the power of the “200 families” that controlled the Bank of



France, and thereby gained control of the money supply and the nationalization of the armaments industry. Yet, the comrades of the communist left saw the victory of the popular Front as “The Defeat in France,” as their lead article in *International Council Correspondence* was titled. The nationalization of the armaments industry, and the creation of the money supply to set it into high gear, was a necessity in the face of the prospect of imperialist war, the bases for which the Popular Front set out to create (that rival factions of French capital preferred a Nazi dominated Europe to one shaped by the Anglo-Saxon powers changes nothing in terms of understanding the *capitalist* nature of the Blum government). As the left communists then pointed out: “The popular-front government can do no damage to the French bourgeoisie. Its only damage will be to the workers. The popular-front government is the government of French capital.”<sup>6</sup>

Both the New Deal and the Popular Front came to power in the midst of a devastating economic crisis, and in each case not only did their triumph put an end to the prospect of an ever-spreading class struggle, but it enabled the ruling class to introduce the economic and political programs that responded to the fundamental needs of *capital*. Indeed, in this regard, many of the economic and social programs of both the New Deal and the Popular Front bear a startling resemblance to similar programs initiated by Hitler and the Nazi regime, confronting the same global economic crisis as did the US or France: deficit spending, compulsory cartelization, state control or even nationalization of banking and industry, the creation of unions to “manage” the working class, and massive investments in war production, which diminished unemployment and the social threat it represented, and which was an imperative for capital as its “solution” to

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<sup>6</sup> *International Council Correspondence*, Vol II, Number 8, July 1936, p.7.

the crisis – imperialist world war – became clear.

Today, in the midst of another devastating economic crisis of capitalism, the *myths* of the New Deal and the Popular Front, having entered into the collective consciousness or imaginary of a new generation of the left, constitute a formidable ideological bulwark of capital in a new century. With respect to the capitalist left’s longing for a *new* New Deal, it might be wise to listen to one of the radical historians of the new left in the ‘60’s, William Appleman Williams, who put it in these stark terms: “The New Deal saved the system. It didn’t change it.”<sup>7</sup>

### **The myth of national independence**

The myth that a redistribution of wealth can solve the crisis implies another one: the myth of national independence; the myth that governments have the leeway to chart an independent course and transfer wealth from rich to poor at will. But the more developed the economy has become the more each country has become a part of a global production chain. Capitalism is now one giant machine with, to quote William Greider, “no one at the wheel”<sup>8</sup>. No one can take the wheel to drive the machine away from the abyss because the machine itself dictates the course. It has its own laws, its own logic which brought us to today’s crisis and makes it inevitable that the deepening of this crisis will lead to a redistribution of wealth, not from, but to the rich, regardless of the government in power.

There have been attempts by various state-capitalist regimes in the 20<sup>th</sup> Century to follow an independent course. By now, such efforts

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<sup>7</sup> William Appleman Williams, *The Contours of American History* (World Publishing Co., 1961), p.439.

<sup>8</sup> William Greider, *One World, Ready or Not* (Simon&Shuster, 1997), p.12. Greider continues: “*in fact, this machine has no wheel nor any internal governor to control the speed and direction. It is sustained by its own forward motion, guided by its own appetites*”.

have been almost completely abandoned, mainly because the resulting lack of integration into the global system led to a growing lag of productivity that meant poverty for the masses and meager profits for the Stalinist ruling class. Today, only the extreme fringe of the capitalist left still defends an autarkic course. But the more moderate left continues to pander to the myth that a proper left government would take money from the rich and use it to spend its way out of the crisis while still maintaining the country's competitive position in the global economy. A few of them, "global Keynesians," recognize that this would be impossible for any individual country but they pin their hopes on agreement between the main players: like Thomas Piketty who had to conclude from his data <sup>9</sup> that the gap between rich and poor was not influenced at all by whether the left or the right was in power, and who therefore proposed a global wealth tax as the only possible cure. As if fiscal competition could be suspended. In reality, we see the opposite trend.

No country can ignore its obligation to be attractive to capital; today less than ever. As water finds a myriad of ways to the lowest possible point, capital always finds its way to the highest possible rate of profit, wherever on the globe. And it starves those areas that fall short. Now that capitalism is mired in a systemic crisis and a deflationary spiral threatens to pull down the value of capital everywhere, capital flows not only to where it can valorize most, but also to where the risk of devalorization is lowest.

So to remain attractive for capital, and thus prevent a flight of capital, a country must offer the owners of capital a better or at least equal expectation of profit than what it could obtain elsewhere. The crisis accelerates a competition between countries in reducing 'the costs of doing business', by lowering taxes on wealth and profits, by lowering wages and benefits, by

making it easier to lay off workers, by lax environmental regulation, by devaluing currencies. They must cut pensions and other social spending to keep the confidence of the owners of capital in their future ability to meet their financial obligations, because if they lose this confidence capital will withdraw and steep interest rates will strangle their economy. This gives an inherent advantage to the countries whose advanced technological development and military power inspire such confidence. That is in the first place true for the US, whose national currency is as well the principal international form of money. That makes confidence in it practically an obligation. So the pressure is not equal everywhere; some countries have more leeway than others. But even for the richest and most powerful ones the priority is to be attractive for capital. They can do so with other means than the weaker ones. The US, with its hand on the dollar-spigot, has created money as never before, just like the capitalist left says is needed. And all that money did create a redistribution of wealth. Only, it was –and is– a redistribution of wealth *to* the wealthy, since the bulk of that money served to buy mortgages, equity, treasury notes and other assets, to prop up their prices, to keep them attractive for capital.

The weaker countries have even less options. Yet it's there that the capitalist left has the most chance to put its recipes to work. It's conceivable, for instance, that the capitalist left (Syriza and the CP) could win the elections in Greece, presumably on the promise to reduce unemployment, increase social spending and increase economic growth. But economic growth depends on competitiveness, which depends on productivity. How would the left keep the Greek economy competitive, without resorting to lay-offs and austerity measures just like the right? Technological innovation might provide an alternative, but that would require capital that Greece doesn't have and even if it would find it, such change would make many more jobs

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<sup>9</sup> Thomas Piketty, *Capital in the Twenty-First Century* (Harvard University Press, 2014)

superfluous and increase unemployment. Make-shift job programs would be nothing more than a fig leaf for that trend. What probably would happen if the left won in Greece is that the new government would try to negotiate better conditions from its creditors without obtaining any meaningful results, as the latter would have no incentive to make concessions. This might lead Greece to drop the euro and return to its national currency, the drachma. The weakness of that currency would indeed make the Greek economy more competitive (by making itself cheaper). But the weight of its debt (still mainly in euros) would rise, as would the price of everything Greece imports. This would increase inflation, and if the government really were to increase its spending to increase the consumer power of the under-privileged, it would rise even more. This would eat away whatever gains the working population was granted and to rein in hyper-inflation, the government would have to revert to steep cutbacks. The pauperization would continue.

We suspect the leaders of Syriza and the CP realize this and will avoid the responsibility. They are more comfortable and more useful for capital in opposition. Capitalism makes everything, including politics, a market. Within the political market, social conditions determine supply and demand. Increased social tension increases the demand for political forces, from the left and or the right, who can encapsulate those tensions within the framework of capital. Parties like Syriza are the supply that meets this demand.

### **The money myth**

By this we mean the myth that money = value = real wealth. It is the basic conceit of capitalism. If it were true, things would be easy and the redistribution of money would indeed be a great way to combat the effects of the crisis. If it were true, the many trillions of new dollars, yen, yuans, pounds and euros that have been created by the central banks since the outbreak of the

crisis would have meant massive new wealth and thus massive additional demand. The world economy would be in full swing. Instead we see anemic growth at best, a return of recession, increasing pauperization and a growth of the total debt burden with a staggering 36 % increase since 2008 <sup>10</sup>.

To believe that money equals real wealth is to believe in magic. But the purpose of capitalism is not real wealth per se but profit: surplus value, which is not created out of thin air but results from capitalist production. But a great deal of money is being created out of thin air. So money does not equal value either. Yet it represents value. Money is buying power, access to the whole world of commodities. Its total value can be no more or no less than the total value of what it can buy. That includes not only the commodities in circulation (producer and consumer goods and services) but also treasured capital, which is absolutely indispensable for the functioning of capitalism. The credit system depends on it. The larger it becomes, the more treasured capital is needed. But when the Fed creates, as it did in recent years, \$600 billion of new money per hour, it obviously does not create new value. It creates fictitious capital. But dollars created out of thin air have the same buying power as dollars resulting from the sale of a commodity (realizing value). When money increases while the value it represents stays the same, the total buying power does not change but a redistribution of buying power takes place. Fictitious capital claims its share of the pie. To what effect? That depends on where the new money flows.

Money-creation increased steeply when capitalism in the 1970's suffered its first global crisis since the end of World War II and was facing declining productivity growth, a falling

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See: *Geneva Report warns record debt and slow growth point to crisis*. Financial Times, September 28, 2014

rate of profit, market saturation, recessions, increasing worker's struggle and other social unrest. Preventing a collapse of production by subsidizing industry and consumer demand was the main purpose of the monetary expansion. But this was addressing the symptoms, not the cause of the crisis. The vast increase of the quantity of money in circulation without a corresponding increase of value in circulation could only result in a growing loss of money's buying power. Hyper-inflation spread in the periphery and was moving towards the center of the system. This was a threat capitalism could not live with. Hyper-inflation made money increasingly unable to represent value. If unchecked, it would quickly have led to a breakdown of the world economy.

In the 1980's the growth of the money-supply in general circulation was sharply curtailed. It was a shock therapy which triggered a deep recession but drove inflation down. But again, this did not address the cause of the crisis. The capitalist state remained dependent on massive creation of fictitious capital to keep a collapse at bay. But while in the 1970's fictitious capital grew in general circulation, in the 1980's and beyond it grew mainly in the treasured form of capital, in financial assets. Instead of ending deficit spending, the state increased it. But through tax cuts, social spending cuts and the deregulation of financial markets, it assured that capital was the direct beneficiary. This alleviated the downward pressure on the profit prospects of capital. And because the increase of fictitious capital did not so much enter the general circulation of commodities, it did not create inflationary pressure. It did create asset-inflation but in the short term, at least in the strongest countries, this was more helpful than harmful for capital. With money flowing more directly to it, capital's buying power increased much more than its incentive to invest in production. So the demand for financial assets in which to store value increased and so did their prices. That proved that they were a good

investment which raised the demand even more, and so on. It is the wet dream of the capitalist, to make money with money, without having to pass through that pesky phase of production.

In the 1980's the financial assets of the OECD (the most developed countries) grew twice as fast as their economies. In 1992 their "value" was twice that of their GNP, in 2000 three times, and so on it went. During the 1980's and the following decades, many other deeply impacting changes took place, such as the IT-revolution, the end of the cold war and of China's autarky, globalization and the restructuring of capital in a post-Fordist direction, but here we're focusing on money in order to deal with the question of whether money, either taken from the rich or newly-created, can solve capitalism's crisis.

Of course for the owners of capital new money did create additional buying power and thus wealth. Some of that trickled down and fostered demand and economic growth. A global pattern developed, for which the relation between the US and China was (and is) emblematic. The former invests in and buys from the latter far more than it sells to it. It is rewarded with direct profits but most of all with cheap imports which keep inflation low. It pays for its chronic trade deficit with an international currency, which it creates itself. It thereby accumulates public debt, a large part of which is bought by China with dollars earned from its trade-surplus. China does so to prevent the dollar from falling and its own currency from rising so that it can continue its export-driven growth. The Chinese state also forces Chinese capitalists to keep a huge part of their dollar earnings in the central bank, to rein in their spending to keep inflation in check. The central bank's foreign currency reserve continuously grows (now almost \$ 4 trillion). To what extent this hoard consists of fictitious capital cannot be known, as long as it stays in the coffers of the central bank. That is the nice thing about this recycling game for capital: it sterilizes the fictitious capital that helped fuel

growth both for China and the US. As long as it remains inert in the central bank, it can do no harm. What if China were to divide its 4 trillion of dollar reserves, or a substantial portion of it, amongst its many poor? Then the fictitious nature of this treasure would reveal itself in hyper-inflation, in a decline of China's competitive position, in global economic chaos.<sup>11</sup> Hyper-inflation would also result from a massive redistribution of wealth in the most advanced countries. The fortunes of the Waltons and other multibillionaires have the same sterilizing function as the Chinese central bank. They can continue to accumulate as long as they continue to increase in "value" and thus as long as the demand for financial assets continues to grow. The difference between fictitious and non-fictitious capital is not readily apparent since they take the same forms. Only in theory can they be considered as separate categories. In practice, money as a whole is partly fictionalized when it grows faster than value. Therefore the whole economy is threatened when the fiction becomes apparent. Money in its treasured form is a commodity and as such it must have use value. Its use value is to serve as latent capital, that is, to make it possible, through the credit system, to set in motion forces of production and create value that can be realized into more money, not just now but in the future. If it is disconnected from this function it loses its use value. Like any commodity that is overproduced, it loses its exchange value. Then the pyramid-scheme crumbles and asset-deflation occurs.

This has happened several times in recent history. In 1990 Japan's stock market lost half its value; real estate went down by more than two thirds. Overnight, assets turned into liabilities and Japan's mighty banks were suddenly awash in a sea of red ink. In 1997, this happened to the Southeast-Asian "tiger"

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<sup>11</sup> More on this in: Will China save capitalism? In Internationalist Perspective 55 [http://internationalist-perspective.org/IP/ip-archive/ip\\_55\\_china.html](http://internationalist-perspective.org/IP/ip-archive/ip_55_china.html)

economies. In 2008, the same threatened to occur in the heart of the system, the US and Europe. And once again, accelerated creation of money was the only way to prevent a collapse. More of it was and is being created than ever before: like the Fed's "Quantitative Easing" policy of \$600 million new money per hour. What was new was that all detours were avoided and the new money was directly used to buy financial assets to prevent their deflation. There was no alternative. The pyramid scheme must continue or collapse. New money has to be fed into it, to prop up the value of the old. Likewise China and others had no alternative but to keep on buying American debt and stuffing billions of dollars in their treasuries. The can is kicked down the road but nothing is solved. Another sharp turn of the screw seems near. The policy recommendations of the capitalist left provide no way out. They too believe in the illusion that money is real wealth, only for them it's in the wrong hands. If applied, their recipes would be a shortcut to collapse.

Once again, the capitalist left holds out the prospect of *reform* as a solution for a social and economic crisis that cannot be resolved so long as wage labor and the commodity form, the veritable bases of the social relations that shape capitalist society, are not overturned.

Sander and Mac Intosh

October 2014

# “The Past Devours the Future”

*On Thomas Piketty’s book “Capital in the 21st Century” and the debates it has provoked*



Since its English translation was published, Piketty’s book has made quite a splash on both sides of the Atlantic. The Financial Times called it “*an extraordinary important book*” and Esquire Magazine even named it “*the most important book of the century*” (already!). It climbed to the top spot on Amazon’s bestsellers list, leaving “Game of Thrones” and “How to win friends and influence people” in the dust. The highest praise came from left wing economists like Joseph Stiglitz and Paul Krugman. “*Conservatives are terrified*”, Krugman wrote in a column in *The New York Times*, entitled “*The*

*Piketty Panic*”.<sup>12</sup> They are terrified, according to Krugman, because they are unable to negate Piketty’s thesis. He gleefully quoted James Pethokoukis of the American Enterprise Institute who wrote in *The National Review* that Piketty’s “*soft Marxism*” must be refuted, otherwise “*it will spread among the clerisy and reshape the political economic landscape on which all future policy battles will be waged*”.<sup>13</sup>

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<http://www.nytimes.com/2014/04/25/opinion/krugman-the-piketty-panic.html? r=0>

<sup>13</sup> <http://www.nationalreview.com/article/374009/new-marxism-james-pethokoukis>

Concerning Piketty's "Marxism", there is no need to panic. It doesn't exist. Of course, by the choice of his title which makes it seem as if he'd written the sequel to Marx's "Capital", he invites the comparison. But in an interview in *The New Republic*, he rejected any resemblance. He said that he had not even read "Capital". He stated that, unlike Marx's, his approach was empirical, not theoretical. That he's just reporting what the data are telling him. Still, in his introduction, he writes with a hint of sympathy for Marx and declares himself in agreement with what he calls "Marx's principle of infinite accumulation": the intrinsic compulsion of capital to accumulate for the sake of accumulating.

### **"The central contradiction"**

From a book that provokes so much talk and controversy, you would expect that it would contain some groundbreaking new ideas but that's not really the case. Piketty is not the *first to show* that the inequality of income between the owners of capital and the rest of the population becomes ever larger, and who warned of the social unrest and chaos that this trend could bring. That's the essence of his thesis. Others have documented the same trend and uttered the same warnings without receiving a bit of the attention Piketty has.

In part, Piketty's success is due to perfect timing. Inequality of income is a burning theme. And it will become even more so in the next global recession. While unable to provide a solution to the cause of capitalism's crisis, the capitalist left everywhere points to redistribution of wealth as the way out of our misery. <sup>14</sup> Piketty agrees with this perspective. His own political background is in the capitalist left, specifically the French Socialist Party. He was an advisor to the

presidential campaign of Ségolène Royal. As for Royal's ex, the current president of France, he received Piketty a couple of times in his palace but, judging from his policies, he didn't take his advice.

The book's success is also due to the fact that it's well written. Economic jargon and mathematical argumentation are kept at a minimum and there are many interesting literary and historical sidesteps. Furthermore, this 'monster' ( 685 pages, with a large addendum online) is the most extensive study ever undertaken of the history of income inequality in capitalism. Piketty and his many collaborators worked on it for 15 years.

He compares the growth rate of capital with that of the economy in the most developed countries from the 18<sup>th</sup> century till today. He calls the first "r" and the second "g". His main finding is that  $r > g$  is the general tendency. In other words, growing income inequality is baked into the system; it follows from its natural course. Piketty calls this "the central contradiction of capitalism".

The average yearly growth rate of capital over the entire period hovered around 4 to 5 %, while for the economy as a whole (the national income) it was less than 1 %. Until the 'industrial revolution' in the early 19<sup>th</sup> century, it was even less than 0,1 %. Then it accelerated. The average yearly growth in the 19<sup>th</sup> century was 1 to 1.5 %. But the part that went to the owners of capital grew considerably faster, so that by the end of the century, aggregate private wealth was worth

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<sup>14</sup> See "Why Wealth Redistribution Cannot Solve Capitalism's Crisis" in this issue of IP.

## CAPITAL IN THE TWENTY-FIRST CENTURY

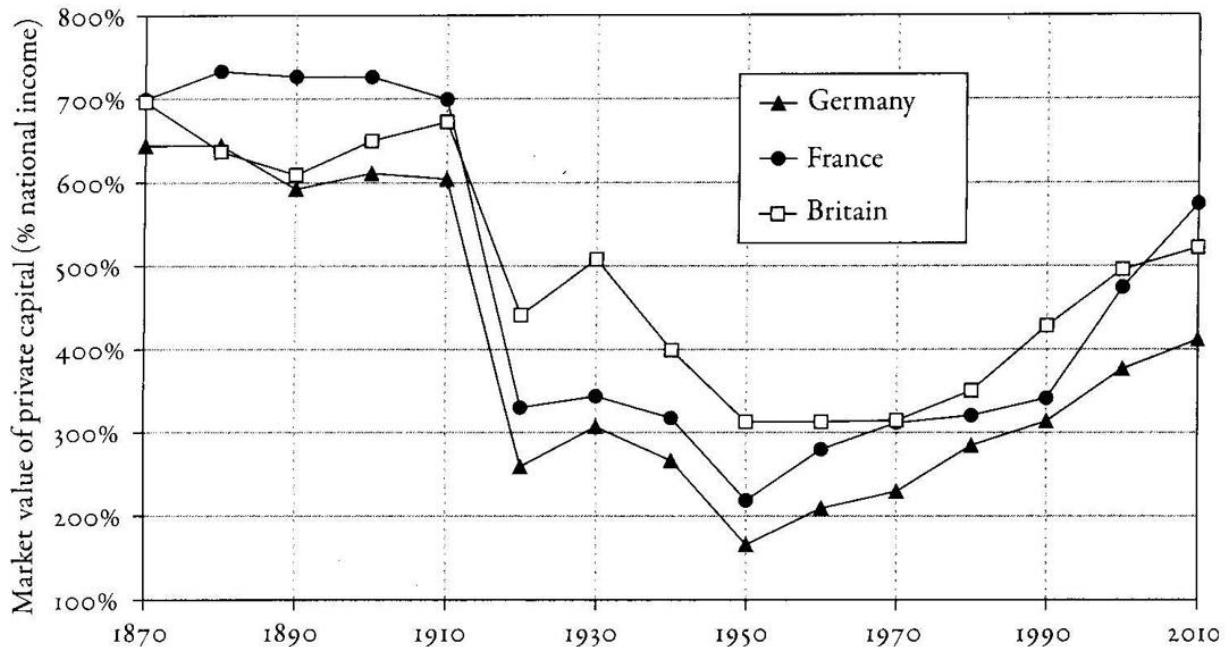


FIGURE 1.2. The capital/income ratio in Europe, 1870–2010

Aggregate private wealth was worth about six to seven years of national income in Europe in 1910, between two and three years in 1950, and between four and six years in 2010.

Sources and series: see [piketty.pse.ens.fr/capital21c](http://piketty.pse.ens.fr/capital21c).

6 to 7 years of national income (in France, Germany and Britain). A wealth gap equal to that of the Ancien Regime.

But then things changed. From 1914 to 1950, the trend reversed and the gap declined. But the reason was not that the income of those who don't own capital rose but that capital devalued. The world wars and the depression between them diminished the yield of capital through inflation, outright destruction, and high taxation to finance the wars. During the Second World War it fell to almost zero.

Then followed a period of strong economic growth. Capital grew likewise. For thirty years, both had a yearly growth-rate exceeding 4%. It was the only period in which they were in

balance, in which  $r = g$ . Piketty thinks that the strong growth of "*les trente glorieuses*" was mainly due to the reconstruction after the war and that it ended when that ended. The growth of the national income declined but the growth of capital did not. Piketty attributes this to fiscal, deregulatory and monetary policy changes spearheaded by Reagan and Thatcher, but also to a shift in the balance of power to the advantage of global capital, resulting from the globalizing tendency of the economy and the removal of obstacles to the international mobility of capital. He concludes from his data that a highly developed capitalist country cannot hope to achieve a higher rate of growth than 1 to 1.5% (which is more than most of them have today, not to speak of next year). Yet capital



continues to grow at a rate of 4 to 5 %. Hence, the gap widens, approaching the levels from before World War I. Piketty's data show that 60 % of the growth of the national income of the US between 1977 and 2007 went to the richest 1 % of the population. The gap between the growth of capital and of national income in European countries like Britain and France became even wider than in the US. He sees the growing automatization as an accelerator of the trend, by reducing the role of living labor in production. More of its yield goes to capital, less to the working population.

The theoretical endpoint of this trend would be that the entire national income goes to capital, which is of course impossible. But already long before that point would be reached, the social fabric of society would be shredded. The possible consequences would be terrifying, writes Piketty. To prevent this disaster, a redistribution of wealth, through a change of fiscal and monetary policies on an international level, is urgently needed.

## Headwinds

His position was of course sharply criticized by right wing ideologues. We can ignore most of them. After all, people who insist capitalism is a "meritocracy," while it has created a world in which 40 % is owned by 1% of the population and half the population has an income of less than 2 dollar a day, cannot be taken seriously. Chris Giles of The Financial Times examined Piketty's data with a magnifying glass.<sup>15</sup> He found some errors and criticized some questionable assumptions. That is not surprising. Piketty analyzed a gigantic quantity of data from 20 countries. Some were incomplete and based on different criteria. Their comparison inevitably creates problems. But Giles' critique does not lead to different

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<sup>15</sup> <http://blogs.ft.com/money-supply/2014/05/23/data-problems-with-capital-in-the-21st-century/>

conclusions. "*The most striking fact is how closely The Financial Times' analysis agrees with Piketty's*", writes Justin Wolfers in The New York Times.<sup>16</sup> Clive Crook, in a column for Bloomberg News<sup>17</sup>, rejected Piketty's view that income inequality is "the central contradiction of capitalism". Not the distribution of wealth but its production is the central problem, he insists. He has a point but for him, this just means that "a rising tide will lift all boats". But where this tide will be coming from, he doesn't seem to know either. The one we're seeing now only lifts the yachts.

The radical ecologist writer Howard Kunstler also thinks that Piketty, by focusing only on the distribution of wealth, ignores the problems facing its creation.<sup>18</sup> For him the central problems are climate change and the finality of fossil fuels. The hope that new technology will make it possible to continue "the industrial orgy" is an illusion. The collapse approaches. Compared to that threat, the income gap seems a minor problem to him. He doesn't disagree with Piketty's findings but thinks it's naïve to assume that the gap can be diminished with political means. "*Capitalism is like gravity*", he writes. It imposes its laws on the owners of capital, on companies, on the state. It resists all attempts to try to correct its fundamental mechanisms.

To some extent, Piketty agrees. He concludes from his data that, in regard to the income gap, it matters little which government is in power: Democrats or Republicans, Labor Parties or Conservatives; it made no difference regarding the general trend of the period. Governments can do useful things according to Piketty but

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<sup>16</sup> <http://www.nytimes.com/2014/05/25/upshot/a-new-critique-of-piketty-has-its-own-shortcomings.html>

<sup>17</sup> <http://www.bloombergview.com/articles/2014-04-20/the-most-important-book-ever-is-all-wrong>

<sup>18</sup> <http://kunstler.com/clusterfuck-nation/piketty-dikitty-rikitty/>

they are essentially powerless to stop the growth of the income gap. There are only two ways to do it, he points out: Increasing the growth of the national income or reducing the part of it that goes to capital. He thinks the first road is limited, since, as mentioned earlier, he came to the conclusion that highly developed countries can grow at a no higher rate than 1.5 % a year. But the second is limited too. Thomas Edsall writes in The New York Times: *“Piketty’s analysis articulates what many people on the Democratic left feel intuitively, that a domestic tax, spending and regulatory agenda is ineffective in the face of the power of globalized capital to grind down wages and benefits.”*<sup>19</sup>

Edsall remarks that this part of Piketty’s theory is less appreciated by the left. He quotes Robert Kuttner, editor of The American Prospect, who thinks Piketty’s book fosters *“passivity and acceptance”* and the economist Dean Baker who sneers that *“a big part of the book’s appeal is that it allows people to say capitalism is awful but there is nothing that we can do about it”*.

### **A world tax**

Piketty thinks something can be done about it, but only on a global level. Only through an international tax on great fortunes can the growth of global inequality be reined in. But what we see in reality is the opposite trend: increasing competition between states to lure capital with fiscal advantages. Despite their rhetoric, they are not even able to agree on joint measures against the “fiscal paradises”, although these obviously diminish their income, because these havens have become essential parts of capitalism’s functioning.<sup>20</sup> Not surprisingly, most of his critics think Piketty’s proposal is utopian. To which Piketty replies that in the

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<sup>19</sup> <http://www.nytimes.com/2014/05/14/opinion/edsall-thomas-piketty-and-his-critics.html>

<sup>20</sup> For a broader treatment, see ‘Virtual Trillions’ in *Internationalist Perspective* 56. [http://internationalist-perspective.org/IP/ip-archive/ip\\_56\\_virtual-trillions.html](http://internationalist-perspective.org/IP/ip-archive/ip_56_virtual-trillions.html)

early 20th century the idea of a progressive income tax was considered utopian as well. But then came the world war, which made it a necessity and today it is accepted as normal.

It’s interesting that war plays a large part in Piketty’s analysis. As it should, since it played a large part in the period he examines. He shows its consequences on growth, on income, on the yield of capital. But he sees war as an external factor impacting the economy, not as one that has itself economic roots. Neither does he see a causal relation between economic growth and the yield of capital. *“Strictly speaking, capital and economic growth have nothing to do with each other”*, he claims.<sup>21</sup> He asserts that it was not economic growth but the increasing valuation of land that was the main source of the growth of capital in the 19th century, and that the high yield of capital today can’t be explained by economic growth either. He emphasizes the complexity; the role of political, cultural and other factors. We can agree on the complexity but by uncoupling the yield of capital from economic growth, Piketty ignores the question where capitalist wealth is coming from. He doesn’t ask, for instance, where the purchasing power that drove up the price of land in the 19th century came from nor why the demand for it rose. For him, wealth can grow by itself.

### **What is capital?**

It is therefore not surprising that several critics charge that Piketty doesn’t understand what capital is. His definition is at once restrictive (he looks only at what is privately owned) and very broad. All exchangeable forms of possessions (land, real estate, companies, technology, financial assets etc.) fall under it. Tyler Cowen reproaches Piketty in “Foreign Affairs” in that he sees capital as *“a growing, homogeneous blob”*, ignoring the many differences between its components. Yet in a sense, capital is an

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<sup>21</sup> In an interview with the Belgian newspaper De Morgen, April 19, 2014

homogeneous blob. It comes in many forms but it can instantly change from one form to another. The whole 'blob' is subject to the same compulsion to grow on penalty of devaluation.

More pertinent is the critique of the Keynesian economists James Galbraith and Brad De Long, who claim that Piketty confuses capital and wealth. He does not distinguish between productive capital and capital that just sits there, and grows in value simply because it represents a share of the total purchasing power: what can be bought with it increases in value because the value of total production increases. Piketty's Marxist critics sharpen that point. "*Capital is a process not a thing. It is a process of circulation in which money is used to make more money*", emphasizes David Harvey. "*The rate of return on capital depends crucially on the rate of growth because capital is valued by way of that which it produces and not by what went into its production.*"<sup>22</sup> Esteban Maito tried to isolate the course of productive capital in Piketty's data. He asserts that this correction makes the stable high yield of capital disappear. Instead, Maito claims, the data confirm Marx's law of the tendential fall of the rate of profit<sup>23</sup>. According to this theory, the declining role of living labor in production implies a declining production of surplus value, and hence of profit, leading to crisis, and devalorization of capital, which cheapen production costs, reconnect supply and demand and thereby set a new accumulation cycle in motion, until crisis strikes again.

What is certain is that Piketty's data confirm that crisis and war devalorize capital and that this devalorization creates room for new growth. But that's no longer true in the post- WW II

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<sup>22</sup> <http://davidharvey.org/2014/05/afterthoughts-piketlys-capital/>

<sup>23</sup> [Maito Esteban Ezequiel - Piketty against Piketty \(on evaluation on Review of Political Economy\)-libre](#)

period. Piketty shows that neither the crisis in the 1970's nor the one that broke in 2008 caused a general devaluation of capital. They led to a decline of economic growth but not of the growth of capital (as defined by Piketty). There was no correction because capitalism resisted it. New capital was massively created to prop up the value of the existing capital; to prevent, or at least postpone, its devaluation.

And on it goes. The Fed (American central bank) alone has since 2008 created, out of nothing, 3.7 trillion dollars. And the central banks of the EU, Japan and China have created trillions more. The Fed recently stopped its "Quantitative Easing" program<sup>24</sup> but keeps interest rates close to zero, which also creates money for the rich. Meanwhile, Japan announced it will expand its quantitative easing. All this new capital does not result from production and neither is it invested in production. Its purpose is, by and large, to give capital a greater share of the total purchasing power in order to keep the collective belief in it alive.

It's fictitious capital and its fictitious nature would become apparent in rampant inflation if all that new purchasing power would actually be used. But the larger part of it isn't; it remains in the form of money or financial assets. The money creation orgy organizes a redistribution of wealth which accomplishes two goals: it maintains capital's yield and sterilizes it against the ill effects of excess money by locking it up in the fortunes of the rich and the coffers of the central banks.

Piketty does not analyze the causes of the crisis of 2008. But he brings ample evidence to the thesis that financial overaccumulation played a major role. An ever larger part of capital is neither invested in production nor consumed nor engaged through the credit market in the future creation of value, yet demands a growing

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<sup>24</sup> The creation of money to buy up financial assets to prop up their prices.

share of the total purchasing power. The more the value of capital is being inflated, the heavier its claims on the real economy become. The longer capital grows in excess of the economy, the more the latter sinks into debt. Or as Piketty puts it: *“The past devours the future”*. This little sentence is quoted by Crook as an example of the incomprehensible language which in his opinion Piketty sometimes falls into. Yet that he finds it incomprehensible, says more about Crook than about Piketty. The phrase is a perfect summary of the predicament the world is in.

And yet, Piketty does not distinguish fictitious and non-fictitious capital. He looks at this enormous mass of unused capital and sees no reason why it couldn't be employed for the general good. *“When you have so much private capital and patrimonium at your disposition, it seems stupid not to use this possibility”*, he says.

25

He wants to force capitalism to grow. But if this increased growth would be sufficiently profitable, capital would flow to it by itself, it wouldn't need to be forced. So he wants capitalists to accept a lower rate of profit or no profit at all. Also, he wants them to accept higher taxes. And to set fiscal competition aside. To come together for the common good.

Good luck with that.

Piketty is indeed an utopian because of the irreconcilable contradiction between the framework he wants to keep (*“I love capitalism”*, he declared in an interview on CNBC) and the goal he wants to achieve. About the Piketty's of his time Marx wrote: *“What divides these gentlemen from the bourgeois apologist is, on the one side, their sensibility to the contradictions of the system; on the other, the utopian inability to grasp the necessary difference between the real and the ideal form of bourgeois society, which is the cause of their*

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<sup>25</sup> Interview in De Morgen, op.cit.

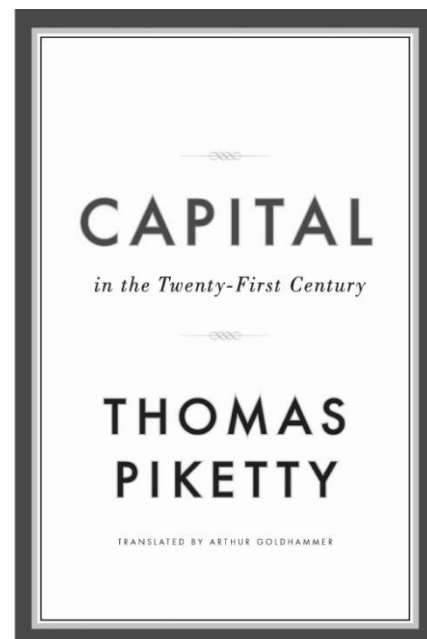
*desire to undertake the superfluous business of realizing the ideal expression again”*<sup>26</sup>. A capitalism with a human face is what they want but a capitalism with a human mask is what they actually contribute to.

A blurb on the back cover of Piketty's book quotes Dani Rodrik of the 'Institute for Advanced Study': *“Whether you agree or not on the solution, the book presents a stark challenge to those who would like to save capitalism from itself.”*

That is indeed Piketty's goal. But it's neither possible nor desirable.

Sander

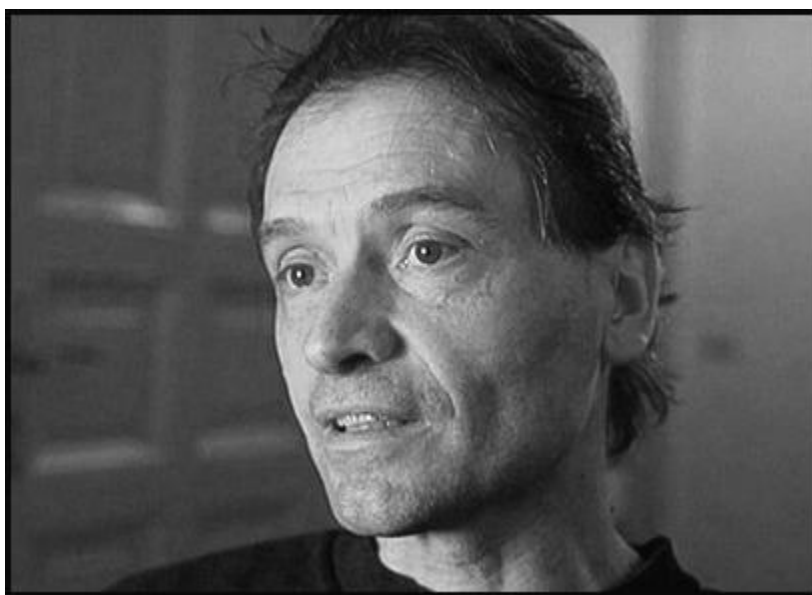
*Thomas Piketty: Capital in the Twenty-First Century, Harvard University Press, 2014*



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<sup>26</sup> 'Grundrisse' p. 248-249 (Penguin ed)

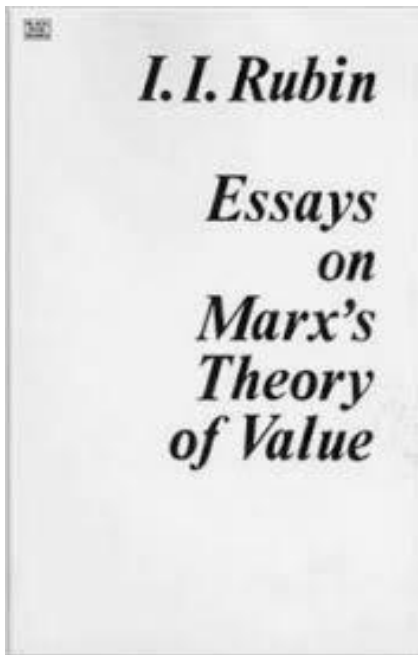
# Selections from and Commentaries on Michael Heinrich's "An Introduction to the Three Volumes of Karl Marx's Capital"



This book is an important and comprehensive contribution to the highly abstract categories that appear in Marx's *Capital*: abstract labor, the value-form and the role of money in a commodity producing society. It is without doubt the most exciting text to come out of what is called the "new reading of Marx". What does this new reading mean and how does it diverge from the old reading? Those involved in the 'new reading' primarily believed that a different approach to reading Marx was needed and that the emphasis should be on seeing Marx's *Capital* as an incomplete project within which there are unsolved problems. Heinrich notes that the process spanned an approximate 20-year period from the *Grundrisse* to the last pages of *Capital* (1857 – 1875). At the same time there was what

Heinrich calls an "historical accident" that supported this new approach with the publication of the MEGA (Marx Engels Gesamtausgabe) which is 140 volumes of their work much of it still waiting to be translated, untouched by editing, in the original German. The fact that only a small part of what Marx and Engels wrote is actually available, adds to the feeling of discovery, and the knowledge that *Capital* is not the last word. *An Introduction to the Three Volumes of Karl Marx's Capital* (hereafter *An Introduction...*) is about questioning the status of *Capital* as a completed project. It is a book that has provoked controversy (See the article on crisis theory in this issue of *Internationalist Perspective* by Sander) as well as enthusiasm.

Basically Heinrich, a leading representative of the new reading, emphasizes that *Capital* is above all, a “critique of political economy”, with a focus on value and value-form, which, apart from I.I. Rubin’s *Essays on Marx’s Theory of Value*, (in the late 1920s) and much later in the 1970’s, with the German debates, has been, as Heinrich notes, ‘largely neglected’, even though ‘it is the longest section’ in chapter 1, of vol. I, of *Capital*. (In his book, Heinrich does not mention Rubin’s contribution, but in one of his lectures he praises the work.)



Black & red edition of Rubin’s book

For Heinrich: “Marx’s theory of value, as a monetary theory of value, is not a theory about the distribution of social wealth, but rather a theory of the constitution of the social totality under the conditions of capitalist commodity production.” (Footnote 46, Endnotes 2, page 92) As *Endnotes 2* correctly stresses: “The issue was thus shifted from one of distribution to an overcoming of the form of labor, of wealth, and the mode of production itself.” (Ibid)

Heinrich clearly shows the destructive potential of the value-form to both human kind and nature, when he writes: “The sole aim of capitalist production is the constant production of surplus value. Competition forces the individual capitalist, on pain of his ruin as a capitalist, to make the hunt for increasing surplus value the aim of his activity. *Nature*, just like labor-power, is merely an instrument for attaining this goal. In accordance with its intrinsic logic, capital is just as indifferent toward the destruction of the natural foundations of life ... as it is toward the destruction of individual labor-power.” The urgency of the present situation today can be seen in Heinrich’s discussion of capitalism’s destructive potential and in its accelerating barbaric course. “The destructive potential of capital does not just assert itself in the way a technology is *applied*, but in the *choice* of particular technical-industrial *paths of development*.” (Page 117) The above statements point to the necessity of the rejection of the value-form, the subjection of humankind to labor *time* as the measure of value, and the money form as its embodiment . Schemes for a redistribution of wealth proposed by the left from “orthodox” Marxism to progressives like Piketty (See the critique of Piketty, by Sander, in this issue of *IP*) can only ideologically bind the worker to *capital* with their claims that they can solve its crisis. Heinrich, by contrast, shows the vacuity and political danger of just such “programs”. A lecture, on the capitalist state, by Heinrich, (“The bourgeois state: class domination and impersonal rule”) can be found here:

<https://www.youtube.com/watch?v=xoHDLonHimU>

Heinrich’s explanations are given clearly and promote a deeper understanding and questioning of the categories and conceptions mentioned above, which, for many readers of Marx’s *Capital*, including myself, have always presented a daunting challenge. The depiction

by Heinrich, of Marx, is entirely new and fresh. Marx appears through Heinrich's eyes as a man who was constantly developing his ideas, which often resulted in profound changes to what he had formerly thought and written, (e.g. thinking that the crisis in 1848 would bring the collapse of capitalism, and revolution, to realizing in 1859 that crisis made capitalism stronger or, in some cases, even dropping entire conceptions held at an earlier time (e.g.: "his concept of 'human essence' or 'human species being' ...no longer surfaces in Marx's work after his Theses on Feuerbach and the German Ideology.")). Alienation is spoken of only "vaguely and rarely". Did he actually discard the theory? At any rate, "it is not in the foreground any longer" (Page 21 – 22).

This leads me to conclude that alienation from a human essence gives way to commodity fetishism and reification, both linked to historically specific capitalist social relations.

Heinrich's book involves a developed critique of traditional/orthodox Marxism and explains "world-view Marxism", the latter view entails the same characteristics as the former – "crude economism" and "historical determinism" - and is a descriptive phrase that accounts for the type of demands made by the working class movement in the pre-World War I period, "a movement that wanted a comprehensive explanation of the world ["*Weltanschauung*" or world view] offering an orientation and answers to a wide range of subjects from questions of philosophy to science and politics." (Page 24)

World-View Marxism grew up in the period when Marx and Engels were active in the Social Democratic Parties; "Marx and Engels constituted a sort of think tank...they were asked to state their positions concerning the most varied political and scientific questions." During this time Engels, "...composed a series of popular works for the Social Democracy (the SPD), in particular the so-called *Anti-Dühring*. The *Anti-Dühring* and above all the short

version, *Socialism: Utopian and Scientific*" represented an effort "...to critically engage with the ideas of Eugen Dühring," who "...claimed to have developed a new, comprehensive system of philosophy, political economy, and socialism and was able to win an increasing number of adherents in the German Social Democracy." (Page 23)

Engels books "were widely translated and read"; however, Heinrich noted that *Capital* on the other hand, "was usually taken note of by only a small minority." (Page 23)

### **Heinrich describes the social climate of that pre-war period:**

"After the worst outgrowths of early capitalism had been eliminated and the everyday existence of the wage-dependent class within capitalism was somewhat secure, a specific Social Democratic workers' culture developed: in workers' neighborhoods there emerged workers' sports clubs, workers' choral societies, and workers' education societies. Excluded from the exalted bourgeois society and bourgeois culture, there developed within the working class a parallel everyday life and educational culture that consciously attempted to distance itself from its bourgeois counterpart, but often ended up unconsciously mimicking it... Within this climate, there emerged the need for a comprehensive intellectual orientation that could be opposed to the dominant bourgeois values and worldview, in which the working class played no role or merely a subordinate role." (Page 24)

Unfortunately, in his critique of Dühring, "Engels not only criticized Dühring but also sought to 'counterpose' the 'correct' positions of a 'scientific socialism' and, in so doing, he laid the foundations for worldview Marxism, which was appreciatively taken up in Social Democratic propaganda and further simplified." (Page 24) World view Marxism had little to do with a scientific approach to Marx's *Capital*; it

“...played above all an identity constituting role: it revealed one’s place as a worker and socialist, and explained all problems in the simplest way imaginable.” It was more like a religion which tried to give answers to nearly everything. This can be seen later in a statement by Lenin who was “intellectually rooted in worldview Marxism...”: “The teaching of Marx is all-powerful because it is true...” (Page 25)

I have selected passages related to specific sections of Heinrich’s book and lectures to facilitate what I think are the most difficult in the reading of Marx’s *Capital* and also the least discussed. These selections revolve around the categories of: the commodity-form, value-form, abstract labor, fetishism and the money-form.

Heinrich emphasizes that the aspects of value theory that are highlighted are not *restricted* to the first seven pages (out of a total of fifty) of the first chapter of *Capital*: “For many Marxists, and most of Marx’s critics, this constitutes the core of Marx’s value theory: The commodity is use value and value, value is an objectification of human labor, the magnitude of value depends upon the ‘socially necessary labor-time’ required for the production of a commodity (the last point is frequently referred to as the ‘law of value’). If that were actually all there is to it, then Marx’s value theory would not have gone very far beyond classical political economy. But the central value-theoretical insights of Marx are not limited to these simple propositions.” (Page 44-45)

### **Marx Breaks with the Past**

Heinrich highlights the breaks Marx made with the classical and neo-classical bourgeois economists and calls it a “scientific revolution with political intentions”. In other words, it was not just one theory or several theories that he critiqued but he critiqued their *whole approach*. As already mentioned above he broke with the concept of human essence, (‘there is no such thing as a human essence whether today or 1000

years ago’); individualism, (‘individuals are embedded in social relations’); empiricism, (‘although he [Marx] was the forerunner in using empirical data he knew that society cannot be interpreted through such data’); and trans-historicity, (‘that economic problems are the same today as yesterday e. g. there are limited means and infinite aims, the basic structure is the same, with no conception of historical and social form’). For a discussion of these remarks by Heinrich see: “Public Discussion with Michael Heinrich” – March 2014 – <https://www.youtube.com/watch?v=xLiCRnsHf7s> (hereafter – “Public Discussion”)

On page 33 of *An Introduction...*, Heinrich elaborates on this ‘scientific revolution’: “However, as the subtitle of *Capital* makes clear, Marx’s intent was not to provide an alternative ‘political economy’ but a *critique* of political economy...he wanted to criticize the *categorical presuppositions* of an entire branch of knowledge.”

*Capital* begins with the most abstract categories, that of value and the commodity form. The idea that labor is the basis of value was a connection made by the classical and neo-classical economists but the question of “*why*” this is the case was never discussed; it was rather assumed. In other words, why do the products of labor take the form of value, of the commodity? “This is not natural, it cannot be taken for granted, and it is an expression of a specific social structure, and this social structure, as structure, was not analyzed in classical theory.” (“Public Discussion”) (See Page 76 of *An Introduction...*)

### **Commodity Producing Labor**

Since Marx’s approach was to critique *categorical presuppositions* the distinction between concrete and abstract labor in a commodity producing society had to be thoroughly investigated. “To understand what’s behind the specific social character of commodity producing labor, we have to deal



with the distinction between ‘concrete’ and ‘abstract’ labor. In most accounts of Marx’s value theory, this distinction is briefly mentioned, but its importance is frequently not understood. Marx himself pointed out its fundamental significance:

*‘I was the first to point out and to examine critically this twofold nature of the labour contained in commodities. As this point is crucial to an understanding of political economy; it requires further elucidation.’* (*Capital*, 1:132) (Page 48)

In other words, Marx’s *scientific approach* was based upon a *radical* critique of the prevailing labor theory of value. During Marx’s time there were two discourses on value that existed. The prevailing and traditional discourse (the substantialist view - based upon the Aristotelian view), was the view of value as a substance, “*restricted*” to an attribute of a single commodity, of a certain amount of labor time “*embedded*” in the commodity itself. The other discourse, introduced by Marx, was the notion of value substance as a “*relational*” substance and as a “*common*” substance. When ‘substance of value’ is viewed as a ‘*relation*’ then it can only *appear* in a relation, it cannot *appear* in a thing. (“Public Discussion”).

On page 48 Heinrich write: “*Every act of labor whose product (which can also be a service) is exchanged produces value. As values, the commodities are qualitatively equal; therefore the various act of labor that produce values must have the status of qualitatively equal human labor. Carpentry does not produce value as carpentry (as carpentry, it produces a chair); rather, it produces value as human labor, whose product is exchanged with other products of human labor. So carpentry produces value precisely as labor abstracted from its concrete manifestation as carpentry. [“All its sensuous characteristics are extinguished” (*Capital*, vol. 1, page 128) - CH]. Marx therefore speaks of value-producing labor as ‘abstract labor’.*”

However, on page 50, Heinrich writes that Marx “...speaks of abstract labor as ‘an expenditure of human labour power, in the physiological sense’ (*Capital* 1:137)... this formulation suggests that abstract labor has a completely non-social, natural foundation, and has therefore accordingly provoked ‘naturalistic’ interpretations of abstract labor.”

Heinrich also notes in the “Public Discussion” lecture that the formulation above by Marx regarding abstract labor as “physiological”, is “pure nonsense” as value producing labor has nothing to do with labor in the physiological sense...that, in fact, Marx was trying to make abstract labor more “plausible” to the reader. But also that Marx was a “human being” and at times “lapsed” back into the substantialist view of value (value as non-relational). Others do not agree and criticize Heinrich for his claim that Marx had “lapses”. In my opinion, *radical* breaks with the past (even for Marx), do not always proceed in a straightforward, linear, direction.

### **Value As A Relation and As A Common Substance**

This idea of value as a *relation* and as a *common* substance is presented by Marx, in *Capital* vol. 1, chapter one, “The Commodity”:

“Not an atom of matter enters into the objectivity of commodities as values; in this it is the direct opposite of the coarsely sensuous objectivity of commodities as physical objects. We may twist and turn a *single* commodity as we wish; it remains impossible to grasp it as a thing possessing value. However, let us remember that commodities possess an *objective* character as values only in so far as they are all expressions of an *identical* social substance, human labour, that their objective character as values is therefore *purely social*. From this it follows self-evidently that it can only *appear* in the social relation between commodity and commodity. In fact, we started from exchange-value, or the

exchange relations of commodities, in order to track down the value that lay hidden within it [the exchange relation - CH]. We must now return to this *form of appearance* [exchange value - CH] of value.” (My emphasis). (*Capital*, Vol. 1, Page 138 -139)

The *form of appearance* for Heinrich, and for Marx, is a *necessary* appearance, without which value analysis could not take place. Value substance is a *relational* substance, and it is this form of appearance (exchange value) which is foundational to being able to “catch” the *content* of this relation. The content of this relation is value producing abstract labor. Therefore the content of abstract labor cannot be analyzed outside of this social form. (“Public Discussion”).

In speaking about abstract labor below, Heinrich quotes Marx:

“The reduction of various acts of labor to this abstraction of equal human labor is only carried out through exchange, which in fact equates products of different acts of labor with each other.” (Marx-Engels Gesamtausgabe or MEGA, II.6:41; French translation) (Page 50)

1	coat	= 2 ounces of gold
10	lb. of tea	
40	lb. of coffee	
1	quarter of corn	
20	yards of linen	
1/2	ton of iron	
<i>x</i>	commodity A, etc.	

### What constitutes value in a commodity producing society?

Heinrich writes on page 51: “If a greater quantity of a use value, a linen sheet for example, is produced beyond that of the (monetary) demand existing in society, then this means that ‘too great a portion of the total social

labour-time has been expended in the form of weaving. The effect is the same as if each individual weaver had expended more labour-time on his particular product than was socially necessary’ (*Capital*, 1:202).” At any given point of time, “...labour-time expended under the average existing conditions of production *as well* as for the satisfaction of monetary social demand constitutes value. To what extent the privately expended labor was actually necessary to satisfy demand depends on the one hand upon the amount of this demand and on the other hand upon the volume of other producers – both of which first become apparent in exchange.” On page 113 Heinrich writes: “...The capitalist is not interested in the *value* of a product but rather *surplus value* or profit, as the case may be...the capitalist introduces an increase in productivity so that his individual costs are lower than the social average, so that he not only obtains the normal surplus value, but an extra surplus value (extra profit).” Obviously what constitutes social necessary labor-time changes as productivity increases.

In the 3<sup>rd</sup> chapter of *An Introduction...*, Heinrich takes the reader through the process of a categorial unfolding of value, labor and money, and step by step shows how each category is entwined with and dependent on the other.

### Abstract Labor/Value Objectivity and the Commodity Form

On Page 52, Heinrich states: “Value-objectivity (*Wertgegenstandlichkeit*) is not possessed by commodities as objectifications of concrete labor, but rather as objectifications of abstract labor. However, as we just outlined, abstract labor is a *relation of social validation* [meaning a “real abstraction” – “...an abstraction that is carried out in the actual behavior of humans, regardless of whether they are aware of it” Page 49 ] existing only in exchange (where privately expended labor counts as value-constituting, abstract labor) then value also first exists in exchange. What’s more, value is not at all a

property that an individual thing possesses in and of itself. The substance of value, that constitutes the foundation of this objectivity, is not inherent to individual commodities, but is bestowed *mutually* in the act of exchange.”

Heinrich reinforces the above statement with further remarks from Marx below.

**Heinrich:** “The most emphatic statement on this by Marx can be found in his revised manuscript for the first edition. There he states that when a coat is exchanged for linen, then both are “reduced to an objectification of human labor per se.” (Page 53)

**Marx:** “However, it should not be forgotten that: *none of both* [neither the coat nor the linen, CH] *is in and of itself value-objectivity* [Wertegegenstandlichkeit], they are this only insofar as that this *objectivity is commonly held* by them [the common substance of abstract labor -CH]. Outside of their relationship with each other - the relationship in which they are equalized – neither coat nor linen possess value-objectivity or objectivity as congelation of human labor per se. (MEGA, 2.6:30)

As a consequence,

a product of labor, considered in isolation, is not value, nor is it a commodity. It only becomes value in its unity with another product of labor.” (MEGA, 2.6:31) (Page 53)

You can see by the above statement that Marx was very interested in explaining *value-objectivity* and also explaining in precise terms what constitutes a *commodity*.

Heinrich too, in discussing the commodity, is very precise in his definition. For example, he is careful to emphasize that even though commodities have existed historically, that: “Only with capitalism does wealth take the form of a ‘collection of commodities’ and only with capitalism is the commodity the ‘elementary form’ form of wealth. This commodity, the

commodity in capitalist societies, is what Marx intends to analyze.” (Page 40)

Therefore, it appears to me that while commodities, indeed, predate capitalism, as others have highlighted, (even going all the way back to the Ancient World), what is essential to understand is that “value objectivity”, is historically specific to capitalism. One of the bases of Marx’s critique is that value objectivity is not a universal feature of human existence as classical political economy claimed and in fact, as a critique, value objectivity provides powerful ammunition for the demolition of political economy.

On the same page Heinrich talks about the “chair” as a useful product, but only a commodity if it is to be exchanged, and further, “That the chair is a commodity is not a characteristic of the chair itself as a thing, but rather of the society in which this thing exists.” (Page 41).

And therefore, regarding exchange and the history of it in relation to capitalism he writes: “Individual acts of exchange occur in all forms of society that are known to us. But it is a specific aspect of capitalist society that almost everything is exchanged.” (Page 41)

Heinrich makes the point – with which I agree -- that in *Capital*, Marx’s focus was specifically on a theoretical analysis of capitalism and the unfolding of its fundamental categories, (value, the commodity form, abstract labor, money) which remain operative through all historical variations of the capitalist mode of production, so that one can speak of “‘capitalism’ as such. (p.31) and see those social forms as constitutive whenever capitalism has historically arisen and shapes social relations. .

Before turning to a discussion of the fetishism of commodities or the *spectral objectivity* of the commodity form one might ask why this is important, or what the political significance of

such a discussion might be. I think it directly relates to both the challenges and the obstacles to the development of any kind of revolutionary class consciousness on the part of the working class as a revolutionary *subject*. Discussion about *spectral objectivity* is not an *academic distraction*, quite the contrary. It relates specifically to what makes capitalist social relations *opaque*, it is why Marx specifies the commodity form as “*mysterious*”, how it appears *natural* and *eternal* not only to the working class but to the capitalist class as well. Comprehending the core social relation (wage labor and capital) cannot be done outside of the concept of spectral objectivity. Therefore one wonders, along with Heinrich why the subject of Marx’s value-form, within which he describes fetishism and spectral objectivity, has been so neglected.

### **Real Abstraction and Spectral Objectivity**

Heinrich writes that a “real abstraction”, is a social behavior or action that is carried out by humans whether or not they are aware of it (“carried out in the social process independently of the thoughts people have,” “behind their back”, so to speak). In the Public Lecture discussion of real abstraction, Heinrich notes that this expression “real abstraction” was coined by Alfred Sohn-Rethel.

He is referring to the “spectral” character of value objectivity, and to what Marx calls “the fetishism of the commodity and its secret”.

Marx discusses this “enigmatic” and spectral character of the commodity extensively in vol. 1, chapter one, section 4, and Heinrich quotes Marx in relation to this discussion on Page 72-73 of *An Introduction...*

### **Marx asks the question:**

“Whence, then, arises the enigmatic character of the product of labour, as soon as it assumes the form of a commodity?”

### **And he gives this response:**

Clearly it arises from this form itself. The equality of the kinds of human labour takes on a physical form in the equal objectivity of the products of labour as values; The measure of the expenditure of human labour-power by its duration takes on the form of the magnitude of the value of the products of labour; and finally the relationships between the producers, within which the social characteristics of their labour are manifested; take on the form of a social relation between the products of labour.

The mysterious\_character of the commodity-form consists therefore simply in the fact that the commodity reflects *the social characteristics of men’s own labour as objective* [reified – CH] *characteristics of the products of labour themselves, as the social-natural properties [gesellschaftliche Natureigenschaften] of these things. Hence, it also reflects the social relations of the producers to the sum total of labour as a social relation between objects, a relation which exists apart from and outside the producers.”* (*Capital*, 1:164-65; emphasis added)

Therefore, because the worker sees the commodity form as *natural*, and as an *objective* feature of the product itself, he/she feels powerless to abolish it. Yet it is his/her own social action that creates it, and that can potentially eliminate it. Therein, lies the political significance for a discussion of the *enigmatic* and *spectral* character of the commodity.

However, as we know, it is both the theoretical deepening and the practical experience of the working class that can bring hope of change.

“Clearly, the contradictions are our hope, and not a contradiction-free functioning capitalism...Even if it’s difficult for some people to bear – there simply aren’t any simple solutions to which one can adhere.” Read interview with Heinrich here:

<http://umsganze.org/historie/2007-g8/interview-with-michael-heinrich/>

And further, regarding these contradictions emanating from the basic structure of capitalism Heinrich writes in *An Introduction...*:

“What Marx criticizes is not a specific distribution of goods or income, but the ‘miserable’ working and living conditions, in a comprehensive sense, which he characterizes with terms such as ‘endless drudgery and toil’ ‘ignorance’ and ‘brutalization’. Marx wants to make clear that the basic structure of such conditions are not just maladies characteristic of capitalism’s infancy, they remain throughout the development of capitalism – regardless of changes to their concrete appearance. Since the sole aim of the capitalist process is valorization and an increasingly improved valorization, and humans and nature are treated as mere instruments of valorization, this process possesses an *intrinsic destructiveness* [my emphasis – CH] toward humans and nature that constantly produces these miserable living conditions in newer forms, even in the case of an increased standard of living.”(Page 129)

Heinrich makes clear that Marx is not making a “moral critique” of capitalism but is “providing evidence of how capitalism actually functions.” And Marx’s “conclusion”? “[I]f one is actually interested in changing these miserable conditions, then one has no other option than the *abolition of capitalism*”. (Page 129)

In explaining value objectivity and the distinction between Marx’s view of value as a relation, and the view of traditional Marxism, Heinrich puts forth his analysis partly in the form of an analogy, on page 54:

“Normally, objective properties of things are inherent, regardless of their relationship to other things. We do not regard properties of things that only exist in a specific connection to other things as objective, inherent properties of those

things, but rather as relations. If soldier A is commanded by staff sergeant B, then A is a subordinate and B is a superior. The property of being a subordinate or a superior arises from the specific *relationship* between A and B within a military hierarchy, but are not inherent to them as people outside of this hierarchy.”

BUT

“In the case of value, a property that only exists within a relationship *appears* to be an objective property that is also inherent outside of this relationship. If we attempt to locate this objectivity outside of the exchange relationship it eludes our grasp. The objectivity of value is quite literally a ‘spectral objectivity’.

Traditional Marxism was also taken in by the illusions that value was a property of an individual commodity. The substance of value was understood in a ‘substantialist way’, as a property of an *individual* commodity. The magnitude of value was also understood as a property of an individual commodity and it was believed to be determined, independent of the exchange process, by the quantity of socially necessary labor-time expended in the *production* of the commodity. Conceptions that emphasize the importance of exchange were accused of advancing a circulation theory of value, and thus of approaching value by placing emphasis on a supposedly negligible aspect.”

### The “either/or question”

For Heinrich, the “question as to whether value and the magnitude of value are determined in the sphere of production or in the sphere of circulation (the buying and selling) is the result of a fatal reduction. Value isn’t just ‘there’ after being ‘produced’ someplace...value isn’t a thing ... but rather a social relationship that *appears as a tangible characteristic* of a thing. The social relationship that is expressed in value and the magnitude of value is constituted in production

and circulation so that the “either/or” question is senseless.” (Page 54).

Heinrich offers this quote from Marx: “It is only by being exchanged that the products of labour acquire a socially uniform objectivity as values, [Wertgegenstandlichkeit] which is distinct from their sensuously varied objectivity as articles of utility” (*Capital*, 1:166). (Page 230, footnote 11)

The point that Marx is making in the above quote is critical to being able to understand the distinction between objectivity as it exists in an object of use, a product of labor, and, on the other hand, objectivity which exists solely in an historically specific social practice, in the form of abstract labor which is specific to commodity producing society.

### **Impersonal, objective domination**

Therefore, Heinrich writes on page 75: “The value of commodities is an expression of an overwhelming social interaction that cannot be controlled by individuals. In a commodity producing society, people (all of them!) are under the control of things and the decisive relations of domination are not personal but ‘objective’ (sachlich). This impersonal, objective domination, submission to ‘inherent necessities,’ does not exist because things themselves possess characteristics that generate such domination, or because social activity necessitates this mediation through things, but only because *people relate to things in a particular way – as commodities.*”

That only happens when exchange has historically developed to a certain point so that use-values are already generally produced for *exchange*, and their character as *values* must have become a fundamental element in the production process itself.

Clearly, value requires exchange, but that very exchange is already pre-supposed at the point of production itself; it's why the product is being produced as Heinrich emphasizes by referring to

the above quote by Marx. In my opinion there is no basis for the claim that Heinrich is a “circulationist.”

### **The Money Form**

In the “Public Discussion” lecture, there is a discussion of Heinrich’s monetary theory of value which he says was not an expression ever used by Marx but was an expression coined in the 1970’s by Hans-Georg Backhaus (and that a monetary theory is implied in Marx’s critique of political economy). Heinrich emphasizes that a commodity producing society cannot exist without the money form. It is embodied within it. The connection between labor, value and money was not made by the classical bourgeois economists, nor is it apparent in traditional Marxism.

He uses this quote below from Marx:

“Everyone knows, if nothing else, that commodities have a common value-form, which contrasts in the most striking manner with the motley natural forms of their use-values. I refer to the money form. Now, however, we have to perform a task never even attempted by bourgeois economics. That is, we have to show the origin [*Genesis*] of this money-form, we have to trace the development of the expression of value contained in the value-relation of commodities from its simplest, almost imperceptible outline to the dazzling money-form (*Capital*, 1:139) (*An Introduction...*, Page 55 and 56)

This statement by Marx has caused a lot of confusion and misunderstanding in its interpretation, according to Heinrich. Heinrich emphasizes that it was not the “*historical emergence of money*” that Marx was attempting to trace, but rather a “*conceptual relationship of development*”. That is, “a conceptual reconstruction of the connection between the “simple form of value” and the “money form”. The more general question, he writes, “is

whether money in a commodity-producing society is merely a practical aid (which is otherwise basically dispensable) or whether money is in fact a *necessity*.” (Page 56)



In other words, the fact that money existed in Ancient Greece, or in any pre-capitalist society was not central to Marx’s task in analyzing “the dazzling money-form.” (Page 56)

On Page 78 Heinrich writes: “Whereas commodities are useful objects that *additionally* have the objective status of being values, money is *directly* a ‘value-thing’” (*Wertding*).

Therefore, the money form, as Heinrich makes clear in his book *An Introduction...* and his lecture “Public Discussion” corresponds to Marx’s value analysis and is an “inherent” and “necessary” *form* of commodity producing society.

“For that reason, Marx can speak of money as the ‘necessary’ form of appearance of the immanent value measurement by labor time: value-constituting labor-time cannot be otherwise measured except through money.” (Footnote 16, page 231 “*In A Contribution to the Critique of Political Economy*, Marx describes money as the direct embodiment of abstract labour” (*MECW*, 29:297) (Page 65)

Heinrich quotes Marx to emphasize what happens in commodity exchange:

“In their difficulties our commodity owners think like Faust: ‘In the beginning was the deed.’ (.....) They have therefore already acted before thinking. The natural laws of the commodity have manifested themselves in the natural instinct of the owners of the commodities. They can only bring their commodities into relation as values, and therefore as commodities, by bringing them into an opposing relation with some one other commodity, which serves as the universal equivalent. We have already reached that result by our analysis of the commodity. [The form analysis undertaken by Marx in the first chapter that we dealt with in the previous sections. – M.H.] *But only the action of society can turn a particular commodity into the universal equivalent*. The social action of all other commodities, therefore, sets apart the particular commodity in which they all represent their values. The natural form of this commodity thereby becomes the socially recognized equivalent form. Through the agency of the social process it becomes the specific social function of the commodity which has been set apart to be the universal equivalent. It thus becomes – money. (*Capital*, 1:180-181; emphasis added (*ibid*, Page 62-63)

Why does Heinrich highlight in this particular statement in the above quote by Marx, that ‘*only the action of society can turn a particular commodity into the universal equivalent*’? He is highlighting that for Marx ‘individuals are embedded in social relations’. Heinrich states on Page 46 in *An Introduction...*, “These relations impose a certain form of rationality to which all individuals must adhere if they wish to maintain their existence within these conditions. If the actions correspond to this rationality, then the activity of individuals also reproduces the presupposed social relations...In a society based upon commodity exchange, everyone must

follow the logic of exchange if he or she want to survive.”

And further, in that same section he writes: “With value theory, Marx seeks to uncover a specific social structure that individuals *must conform to, regardless of what they think*. The question posed by Marx is therefore completely different than that posed by classical or neoclassical economics; in principle, Adam Smith observes a single act of exchange and asks how the terms of exchange can be determined. Marx sees the individual exchange relation as part of a *particular social totality* – a totality in which the reproduction of society is mediated by exchange – and asks what this means for the labor expended by the *whole society*.” (Page 46-47)

Therefore, as Heinrich points out in his discussion of the money-form and the exchange process that occurs in a commodity producing society:

“The analysis of the commodity revealed the necessity of the general equivalent *form*. In order to behave toward things as *commodities*, that is, to relate things to each other as *values*, the owners of commodities *must* relate their commodities to a general equivalent. Their ‘social act’ must make a commodity into a general equivalent and thus real ‘money’.” (Page 63)

Therefore, according to Heinrich, and rightly so I think, “Marx’s value theory is rather a *monetary theory of value*: without the value form, commodities cannot be related to one another as values, and only with the money form does an adequate form of value exist. ‘Substantialist’ conceptions of value, which attempt to establish the existence of value within individual objects, are *pre-monetary theories of value*. They attempt to develop a theory of value without reference to money. Both the labor theory of value of classical political economy and

the theory of marginal utility of neoclassical economics are pre-monetary theories of value. The usual ‘Marxist’ value theory that alleges that value is already completely determined by ‘socially necessary labor-time’ is also a pre-monetary value theory.” (ibid, Page 63-64)

### **In Conclusion:**

Heinrich’s book provides an opportunity for discussion around an in-depth and broad examination of Marx’s theory of value (including the highly abstract and neglected categories of value and spectral objectivity). I repeat what I mentioned above. This is not an academic exercise, but rather an important and necessary political undertaking closely linked to the issue of a revolutionary subject and its consciousness.

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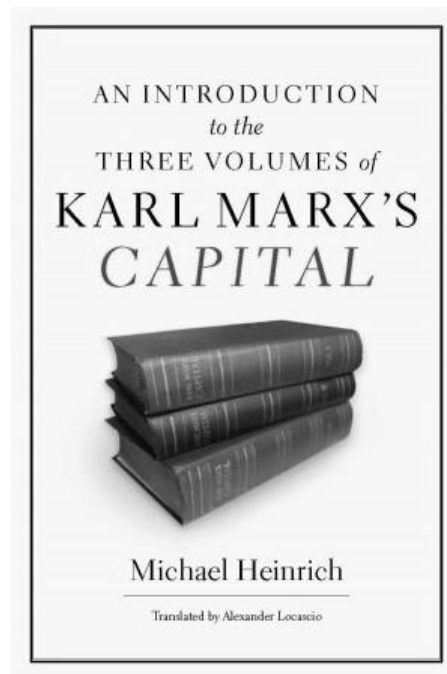






Fig. 3. World rate of profit (simple mean) %



The rate of profit according to Esteban Maito's calculations – see article on Thomas Piketty

### Part 1: A 'law' or a mistake?

The chapters on Crisis Theory in Michael Heinrich's "Introduction to the three volumes of Karl Marx's Capital" are not the most interesting parts of the book, but they are, so far, the most controversial ones. Heinrich expanded on them in an article in the Monthly Review which provoked several replies from other Marxist thinkers.<sup>1</sup> The tone of these replies is often

<sup>1</sup>. [Michael Heinrich: An Introduction to the Three Volumes of Karl Marx's Capital](http://monthlyreview.org/2013/04/01/crisis-theory-the-)  
Heinrich: [Crisis Theory, the Law of the Tendency of the Profit Rate to Fall, and Marx's Studies in the 1870s](http://monthlyreview.org/2013/04/01/crisis-theory-the-)  
<http://monthlyreview.org/2013/04/01/crisis-theory-the->

[law-of-the-tendency-of-the-profit-rate-to-fall-and-marxs-studies-in-the-1870s/](http://monthlyreview.org/2013/04/01/crisis-theory-the-)  
[Heinrich Answers Critics](http://monthlyreview.org/2013/04/01/crisis-theory-the-)  
[http://monthlyreview.org/commentary/heinrich-answers-critics/](http://monthlyreview.org/2013/04/01/crisis-theory-the-)  
[Guglielmo Carchedi and Michael Roberts A Critique of Heinrich's, 'Crisis Theory, the Law of the Tendency of the Profit Rate to Fall, and Marx's Studies in the 1870s'](http://monthlyreview.org/2013/04/01/crisis-theory-the-)  
[http://monthlyreview.org/commentary/critique-heinrichs-crisis-theory-law-tendency-profit-rate-fall-marxs-studies-1870s/](http://monthlyreview.org/2013/04/01/crisis-theory-the-)  
[Fred Moseley: Critique of Heinrich: Marx did \*not\* Abandon the Logical Structure](http://monthlyreview.org/2013/04/01/crisis-theory-the-)  
[Shane Mage: Response to Heinrich—In Defense of Marx's Law](http://monthlyreview.org/2013/04/01/crisis-theory-the-)  
[http://monthlyreview.org/commentary/response-heinrich-defense-marxs-law/](http://monthlyreview.org/2013/04/01/crisis-theory-the-)

indignant, even angry, because Heinrich dares to question what they consider to be the alpha and omega of Marx's analysis of the roots of capitalist crisis: the law of the tendential fall of the rate of profit (*LTFRP* from now on).

The law is not difficult to grasp if you're familiar with the basics of Marx's value-theory. Since the capitalist who replaces labor power by technology to increase productivity produces more cheaply than his competitors and thereby reaps an extra-profit, and since competition forces all capitalists to follow suit, production becomes more and more dependent on mechanical and automated processes, and the role of living labor in it consequently declines. Since surplus value, the source of profit, is but a part of living labor, it must decline with it. The unpaid part "will likewise decrease, however much it may have grown compared to the paid portion." (*Marx, Capital 3. p.226. International Publishers*)

Part III of *Capital*, vol.3 in which Marx explains this, is rather short. A first chapter explains the law as such, a second gives a summary of the most important counter-acting factors which can arrest or even reverse the law for some time, a third one, on the internal contradictions of the law, goes beyond the subject and highlights other aspects of capitalist crisis. The style is telegraphic at times. A lot is left unpacked. This is one of the places in *Capital* where you can see most clearly that the author died too soon. I agree with Heinrich that Marx never got around to formulating a complete crisis theory, a view his critics vehemently deny. That he didn't wasn't because he neglected the subject; on the contrary, for obvious reasons, he was very

interested in it. He wrote about it time and again, and from different vantage points, not always the *LTFRP*. But he never pulled the different strands together in one comprehensive analysis.

That doesn't necessarily mean that he had doubts as to the validity of the *LTFRP*. The arguments that Heinrich advances for this hypothesis are rather thin. Kliman and co give strong counter-arguments. But enough exegesis. Whether Marx had doubts about it or not has no bearing whatsoever on the question whether the *LTFRP* is real or not.

The profit<sup>2</sup> is the value of what is produced minus the costs of production. The rate of profit thus expresses how much surplus value  $s$  has been created compared to how much value is spent on constant capital  $c$  (infrastructure, technology, raw materials) and variable capital  $v$  (wages). Or:  $s/c+v$ . What happens to this rate when the organic composition of capital – the ratio  $c/v$  – increases, as is the general tendency in capitalism, since its transition to real domination began? We can illustrate this, as Heinrich reminds us, by dividing both denominator and numerator by  $v$ , which gives  $s/v / c/v+1$ . What this shows is that the rate of profit depends on two conflicting factors: on the one hand the increase of the rate of surplus value  $s/v$  (the part of the working day that goes to the capitalist versus the part that goes to the worker) and on the other the rate of increase of the organic composition  $c/v$  (we can ignore the constant  $+1$ ). Marx claims the latter factor is tendentially stronger than the former. He gives an example in which 24 workers, each of them doing 2 hours surplus labor per day (in sum 48

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Andrew Kliman, Alan Freeman, Nick Potts, Alexey Gusev, and Brendan Cooney (quoted in the text as "Kliman and co" for short): *The Unmaking of Marx's Capital: Heinrich's Attempt to Eliminate Marx's Crisis Theory*  
[http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2294134](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2294134)

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<sup>2</sup> It would be more correct to speak of 'potential profit' since it must be realized (the product must be sold or its value disappears). As Heinrich often emphasizes, only in exchange the social value of the commodity is revealed. But the *LFRP* only looks at what happens to value in the phase of production.

hours of surplus labor per day), are, as a result of the rise of  $c/v$ , replaced by only 2 workers. No matter how much  $s/v$  has risen, those two workers obviously cannot provide 48 hours of surplus labor per day, so the rate of profit falls.

### Heinrich's argument against the LTFRP

Not necessarily, says Heinrich. The amount of profit falls, but if the value of the capital ( $c+v$ ) needed to produce it has fallen as well, the rate of profit,  $s/c+v$ , could stay the same or even rise. In his reply to his critics he illustrates this by expanding Marx's example:

"Let us put the example in the framework of organic composition and assume that the working day lasts 12 hours and that in each working hour one value unit is produced. When in the first case 24 workers deliver 2 hours surplus labour each, then 10 hours of the working day are paid, and in sum the 24 workers deliver a total surplus value of  $24 \times 2 = 48$  and the variable capital is  $24 \times 10 = 240$ . Let us assume the constant capital is 60. Then the organic composition  $c/v$  is  $60/240 = 25\%$  and the profit rate is  $48/(60+240) = 16\%$ .

Now let us assume productivity has risen and only 2 workers are necessary, and since a fall in the value of labor power is analogous to a rise in productivity, let us assume each worker is now providing 10 hours of surplus labour. The surplus value has decreased to  $2 \times 10 = 20$  (instead of 48). When the working day still lasts 12 hours then only two hours are paid, the variable capital is  $2 \times 2 = 4$  (instead of 240). Let us assume an increase in constant capital. For purposes of illustration let us say that constant capital has increased from 60 to 96, and then we find that the organic composition has risen enormously, from 25% to  $96/4 = 2400\%$ . However the profit rate did not fall, it has risen to  $20/(96+4) = 20\%$  (instead of 16%). Only

when constant capital, in this illustration, is *bigger than 121* and therefore that the organic composition is *bigger than  $121/4 = 3025\%$* , then and only then the profit rate will start to fall." (*Heinrich answers critics, op.cit*)

Heinrich sees no reason why the rate of increase of  $c/v$  should outpace the rate of increase of  $s/v$ , since they are bound together: the capitalist increases  $c/v$  to raise productivity and it is this greater productivity which lowers the value of labor power  $v$  and thus increases  $s/v$ . He writes: "We cannot escape the problem that capitalist development of productivity has two contradictory effects on the profit rate. Maintaining the LTFRP presupposes that one can give reasons for the claim that in the long run the effect of rising  $c/v$  must prevail over the effect of rising  $s/v$ ."

Heinrich's thesis is not a new one. Many before him, Marxists (such as Rosa Luxemburg in her 'Antikritik') as well as non-Marxists, have argued that the LTFRP is invalid because of the declining value of the components of production  $c$  and  $v$ . In an earlier text I have tried to show why this is incorrect <sup>3</sup>. Now let's see if this debate throws new light on the question.

Before delving into in this debate, let me confess that I'm skipping several parts of it. Such as the skirmishes with algebraic formulas, which are quite unnecessary to grasp the issue. Or the question how the LTFRP compares to the law of gravity (I'm not kidding). I also skip the debate on Marx's doubts on the question of whether the LTFRP predicts or only explains, on how to interpret the empirical data and what they tell us

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<sup>3</sup> The fall of the rate of profit and the cheapening of the components of the production process, in "The roots of capitalist crisis, part 1, Internationalist Perspective 30-31 - Winter 1996. This series of texts reflects our thoughts at that time (1996). It is not without flaws. Since then, IP's understanding of the value-system has deepened. I still think the series has excellent parts, but I would write it quite differently today.

about the future, and on whether Marx saw the rise of  $s/v$  as part of the law or as part of the counter-tendencies. Regardless how you answer that last question, it has to be demonstrated why in the long run the rise of  $s/v$  cannot compensate for the continuously shrinking role of living labor in production.

## A red herring

To clear the table, I will first address a critique of Heinrich's position which at first sight seemed plausible to me but less so upon reflection. Kliman and co charge that his thesis implies, not an accumulation of capital, but its dis-accumulation. That would be a serious mistake indeed, since the compulsion to accumulate is assumed; without it, not only can't we imagine a LTFRP, but neither capitalism itself. Heinrich seems to entertain the implausible possibility of a capitalism continuously shrinking in value, while maintaining a healthy rate of profit. Indeed, in the example he gives, the value of production ( $c+v+s$ ) in the first cycle is 348, in the second only 120. Where did almost 2/3 of the value go? It's hard to see any connection between this example and the actual accumulation process. According to Kliman and co, "*Heinrich presumes and has to presume the dis-accumulation of capital [and] thus "refutes" the conclusion of Marx's argument by presuming the absence of one of its key premises*". It's true that Heinrich presumes it but does he "have to presume" it? He presumes it only because he sticks to the example of Marx (24 workers replaced by 2 workers). He assumes that less constant capital (in value) would be needed to employ the 2 workers than the 24 workers. That's not an unreasonable assumption. It does not necessarily imply a dis-accumulation, it implies that more capital becomes available for productive investment elsewhere. If we take it as a representation of the accumulation process as

a whole, Heinrich's example makes no sense, but it's not meant that way. Clearly the transition from cycle one (in which  $c+v+s=60+240+48$ ) to cycle two ( $96+4+20$ ) is impossible. The value has to return into the production process, to continue valorization (or else risk devalorization). But, barring obstacles outside the production process itself, there is no reason why it can't. Cycle two then becomes  $c+v+s=309,4+14,6+73$ . Here we have accounted for all of the value of cycle one, assuming that half of  $s$  went to unproductive consumption and half was re-invested in production. We have maintained the same organic composition  $c/v$  as Heinrich. The rate of profit is 22.5 %, rising even higher than in his example. But there is accumulation. Thus, the charge that Heinrich's position implies dis-accumulation seems a red herring.<sup>4</sup>

But these figures are arbitrary. As Heinrich concedes, if the organic composition  $c/v$  would rise faster in his example, or if the rate of surplus value would not have jumped quite that high, the rate of profit would fall. The question he poses, is whether there is a difference between the rate by which the value of wages as part of the total value of production shrinks ( $c/v$ ) and the rate by which the workers are exploited ( $s/v$ )? Are they facing different limits? Or are they, as Heinrich believes, pushed forward together by the same productivity-growth, so that no dominant tendency emerges?

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<sup>4</sup> Ironically, in a figure example Kliman and co themselves use, there is dis-accumulation as well (the value of the capital invested falls from cycle 2 to cycle 3). That doesn't mean it's a bad example. In it,  $c+v+s$  in the first cycle is  $95+5+5$ , in the second cycle, because of the rise of the organic composition  $c/v$ , it becomes  $100+2,5+2,5$ . The rate of profit  $s/c+v$  falls. A rise of the rate of surplus value  $s/v$  can compensate. But  $s$  cannot be more than a part of the total value of living labor in production ( $s+v$ ). So only if the wage-costs = zero, can the rate of profit of 5% be maintained. In the third cycle, with a further rise of  $c/v$ , we get  $c+v+s=100+2+2$ . Then even the most extreme exploitation cannot prevent a fall of the rate of profit.

## The ceiling of exploitation

The answer is that there is indeed a difference. There is no ceiling to the rise of the organic composition, except the limits to knowledge and the limits to its application imposed by the social conditions of the moment. There is no theoretical limit to the degree in which living labor can be reduced in production. While for surplus-value, "its barrier always remains the relation between the fractional part of the day which expresses necessary labor and the entire working day. It can only move within those boundaries." (Marx, *Grundrisse*, p. 340, Penguin ed)

For Carchedi and Roberts that means that "there is a biological, but above all, a socially class-determined insuperable limit to the extension of the working day". Heinrich does not deny this but argues that lengthening the working day is not the only way to increase  $s/v$ . He's right. Carchedi and Roberts seem to think that there is only absolute surplus value extraction. But there is also relative surplus value, obtained as a result of the shortening of the paid part of the working day, because of the fall in value of what workers buy with their wages: a result, therefore, of rising productivity. "There is no visible limit for the rise of  $s/v$  as long as productivity can be

increased," according to Heinrich. (*Heinrich answers critics*)

Let's be clear on the effect of rising productivity on surplus value. When a capitalist raises the productivity of his company by increasing its organic composition, that doesn't mean that the rate of surplus value  $s/v$  increases as well. If he is innovative, he obtains an extra-profit in the phase of circulation because of his superior competitive position, but he has not extracted more surplus value. Quite the contrary, if the number of workers he employs has diminished

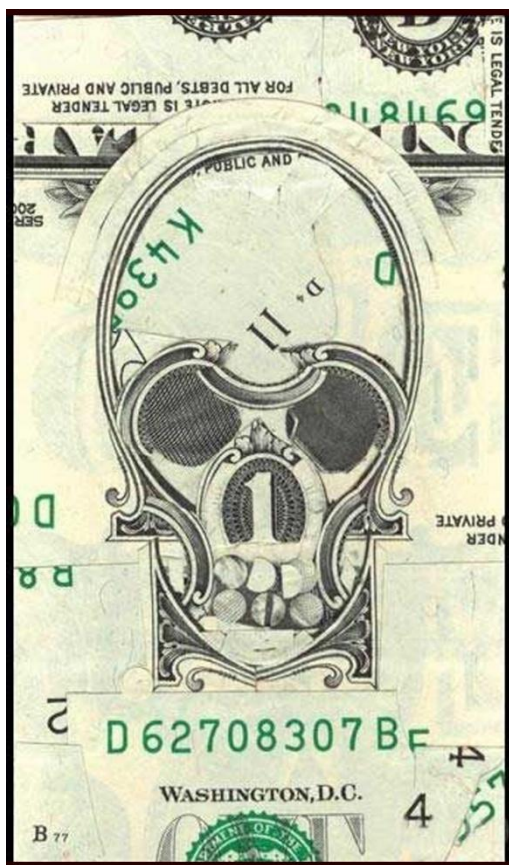
(as in Marx's and Heinrich's illustration), the direct result of his investment is a decline of  $s$ , even though its value is spread over many more commodities. What raises  $s/v$  for him is not his own action but the declining value of  $v$ , of what workers buy with their wages, as a result, not of the productivity of his own company, but of the productivity of the production of consumer goods for the working class in general. As Marx wrote, "when an individual capitalist cheapens shirts, for instance, by increasing the productivity of labour, he by no means necessarily aims to reduce the value of labour-power and shorten necessary labour-time in proportion to this. But he contributes towards increasing the general rate of surplus-value only in so far as he ultimately contributes to this result." (*Capital*, Vol 1, p.433). Rising productivity in the production of constant capital  $c$  does not raise the general rate of surplus value (or only indirectly, by leading to rising productivity in the production of consumer goods).

So Heinrich's claim that there is no limit to the rise of  $s/v$  as long as productivity can be increased, really means that  $s/v$  can always rise, as long as the use values the workers need can be produced with less labor time. That is true but the rise will be increasingly incremental and ineffective as a counterforce. His own example illustrates this. In it, the number of workers (working 12 hours a day) falls from 24 to 2. He makes this work for capitalism by assuming a decrease in value of constant capital  $c$  and an increase of the rate of exploitation: instead of 2 hours, they now perform 10 hours per day for free for capital. One wonders how that would work in the next cycle. It's clear that the pace of increase of  $s/v$  could not be maintained. And with every further increase of the organic composition, its increase inevitably would decline.  $s/v$  could grow from  $10/2$  to  $11/1$  to  $11,5/0,5$  to  $11/9/0,1$  to  $11,99/0,01$  but it could



never rise above 12, the total value of the labor power ( $s+v$ ) expended in production. That is the ceiling Heinrich doesn't seem to see.<sup>1</sup>

It can be misleading to look at  $c/v$  and  $s/v$  in splendid mathematical isolation, both seemingly capable of rising ad infinitum as long as productivity can be increased. It may be clarifying to compare instead the growth-potential of  $c/v+s$  and  $s/v+s$  (by adding  $s$  to each numerator). The first is the value of dead labor compared to the value of the total living labor in production (as opposed to only paid labor time in  $c/v$ ). The second is the value of the unpaid living labor compared to the value of the total living labor. It is clear that the second can never become greater than 1, while for the first, such a ceiling does not exist.



<sup>1</sup> Here we agree with Kliman and co – see note iv

### **Additional arguments on the limits of the rate of surplus value**

That is the essential point. Additional arguments can be made to point out that, contrary to what Heinrich affirms, there is indeed a difference in the rate of growth of  $c/v$  and  $s/v$ . One is that the rise of the organic composition tends to be faster in (what Marx called) Department I, the production of constant capital, than in Department II, the production of consumer goods. The incentive is the same but because of their characteristics as use values, the first is more prone to technification than the second. The very nature of the commodities bought with wages (including housing, education, health care, services) limits the increase of  $c/v$  in their production. It's easier to automate a steel factory than a restaurant. So the lower than average  $c/v$  in Dep. II limits the decline of the value of  $v$  and thus the increase of  $s/v$ . Secondly the decline of  $v$ , the value of labor power, is counteracted by the expansion of its very definition which is social. To produce the goods which defined the value of labor power in early capitalism (mainly food) would require only a very small fraction of the labor time needed to produce the goods which define the value of labor power today. That is, on the one hand, the result of the fact that, the more complex and technified society becomes, the more complex also the conditions of reproduction of the working class (so that, for instance, a car changes from being a luxury item for members of the possessing class to a necessity for many workers); and, on the other, the fact that the value of labor power has what Marx called "a moral component", it is influenced by what society considers to be necessary means of living, it is influenced by the self-awareness of the working class and the struggle it engenders. The recent history of China is a good example of how both influences lead to an expansion of what defines, in use values, the commodity labor power. This does

not imply that the productivity-driven rise of  $s/v$  is neutralized, but it does put a brake on  $s/v+s$ , while not affecting  $c/v+s$ .

There are many issues regarding the LTFRP that aren't discussed here, such as the counteracting influences Marx analyzes in chapter 14 of *Cap.3*, which are strangely absent in this debate, though not in the history of capitalism. Also, the cyclical character of the profit-rate: the LTFRP leads to crisis but crisis is its antidote, it devalorizes both  $c$  and  $v$  and thereby rekindles the rate of profit. Also, there's the question of whether, besides causing cyclical crises, the TFRP becomes worse over time, making the crises deeper and the recoveries weaker. And whether that leads to a point where further accumulation is impeded to such an extent that the global capitalist economy collapses. The latter claim is hard to sustain on the base of the LTFRP alone. While a fall of the general rate of profit leads to dis-accumulation, overproduction, unemployment, in short, to crisis, it is the weakest competitors and the working class who suffer and the stronger capitals which benefit from its results: the declining value of  $c$  and  $v$  raises their rate of profit. So the LTFRP explains why cyclical crises are inevitable, but not why crisis can lead to a global breakdown.

## Part 2: Is capitalism facing a global economic breakdown?

But there's more to Marx's view on the roots of the capitalist crisis than the LTFRP. According to Heinrich, Marx's "most general formulation of capitalism's tendency to crisis is completely independent of the "law of the tendential fall in the rate of profit". He points to the contradiction Marx saw between the conditions for the production of surplus value and the conditions for its realization; between capitalism's tendency to develop the productive forces as much as it can in order to extract as much  $s$  as possible and the limit which the capitalist relations of production impose on the expansion of its market. In the same book in which he explained

the LTFRP, Marx wrote that "the ultimate reason for all real crises always remains the poverty and restricted consumption of the masses, in face of the drive of capitalist production to develop the productive forces as though only the absolute consuming power of society constituted their limit." (*Capital*, Vol. 3, p 484)



America's bright future

So the critique of Kliman and co that "Heinrich doesn't put forward an alternative crisis theory of his own," is not entirely correct. He has one, albeit a sketchy one. But it's nothing new. We're back in the 'classic' Marxist debate between those who see the LTFRP as the sole cause of crisis and those who claim that the fundamental problem is the market-contradiction. This debate even predates Marx, with Ricardo who assumed that the realization of capital is completed in the phase of production and Sismondi who saw only a lack of consumers. It has not developed all that much since. Both camps insist on the 'independence' of 'their' cause. For the first, it is situated in the phase of production, for the second, in the phase of circulation. For the first, overproduction is a mere consequence of the fall of the rate of profit, for the second, it's the other way around.

But Marx saw neither one as independent from the other; instead he stressed their mutual determination: "Production determines the



market, as well as the market determines production" (*Capital, Vol. 3. p 191*) and the capitalist mode of production "comes to a standstill at a point fixed by the production AND realization of profit" (*ibid. p.258, my emphasis*).

The relation between the LTFRP and the market contradiction is not simply that one is cause and the other consequence. From the passage quoted earlier on "the ultimate reason for crises" one could conclude that Marx believed that capitalism could overcome its crises by increasing the consumption of the masses. But he sharply criticized that position<sup>2</sup> (which is the basis of the ideology of the capitalist left). Why did he, if he saw "the poverty of the masses" as "the ultimate reason for all real crises"? Because this passage follows the part in which he explains the LTFRP, which therefore is assumed. Otherwise, higher wages would indeed be an antidote to the crisis, while in Marx's view, the opposite is true. So yes, we must look at the contradiction between the conditions for the production of profit and the conditions for its realization. But the LTFRP is an intrinsic part of the former. Contrary to what Heinrich claims, the contradiction is not "completely independent" from it. It "has to be grasped more intrinsically than merely as the indifferent, seemingly reciprocally independent appearance of the individual moments of the process." (*Grundrisse*, p.415.)

Their unity is capital, the reproduction of society through the accumulation of value and vice versa. What breaks this unity? That is the question crisis theory must answer.

If Marx would have gotten around to writing a comprehensive analysis of capitalist crisis, as he had planned to do, I believe he would have started the same way he began *Capital*: with the value-form and the split nature of the social form of wealth in capitalism, the commodity.

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<sup>2</sup> See Marx, *Capital* Volume II, Penguin edition, p. 486-487

The commodity is both value and a use-value. Their unity is crucial: it cannot be one without the other. Capital's sole purpose is the production of value (more specifically: of surplus value), but as much as the capitalist may wish to be able to produce "pure value", the commodity must have the concrete form of a use-value that fits a demand generated by the concrete needs of the reproduction process of capitalist society (or be a luxury-item for the rich).

The commodity cannot be value with no use-value, nor a use-value with no value. Their unity is what defines the commodity, is what defines capitalism. To maintain it, they must develop together, in the same direction.

Marx observed (and predicted) a gradual yet fundamental shift in the historical trajectory of capital, from 'formal' to 'real subsumption of labor', or from formal to real domination of capital. This entails that technology replaces manual labor at the center of the production process, that capital swallows the whole of civil society, instead of merely controlling it, and that productivity-growth becomes the main instrument for the capitalist in the hunt for profit. As we explained elsewhere,<sup>3</sup> this transition implies an historical tendency to unhinge value and use-value, to shatter their unity. This impacts all the transformations value has to go through in order to continue its accumulation process: in the production of value by its slowing growth (the LTFRP), in the realization of value by the exponential growth of use-values, and in the transformation of money back into productive capital by both, resulting in the increasing difficulty "to maintain the value that is already realized, as value," as Marx put it.

This manifests itself in the phase of production in a lack of profit and in the phase of circulation

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<sup>3</sup> See: Sander: A crisis of value, in *Internationalist Perspective* 51-52, Fall 2009, and: "Internationalist Perspective and the tradition of the communist left, part 2", in *Internationalist Perspective* 58-59, Spring 2014

in a lack of demand and in the financial sphere in over-accumulation and bubble-formation, but the source is the same: the conceptualization of wealth as value, which originally fitted capitalism perfectly but which becomes increasingly absurd in the world capitalism has created.

Marx wrote an outline for such a comprehensive crisis-theory in a section of “*Grundrisse*”, known as the “Fragment on Machines” (see below), in which neither the LTFRP nor the market-contradiction is treated as an independent factor but both, and other crisis manifestations, are linked at a deeper level, in the value-form itself. It shows that he believed that capitalism, apart from having to suffer cyclical crises, also contains an historical tendency to economic breakdown.



.....

“To the degree that large industry develops, the creation of real wealth comes to depend less on labour time and on the amount of labour employed than on the power of the agencies set in motion during labour time, whose ‘powerful effectiveness’ is itself in turn out of all proportion to the direct labour time spent on their production, but depends rather on the general state of science and on the progress of technology, or the application of this science to production.(...) Labour no longer appears so much to be included within the production process; rather, the human being comes to relate more as watchman and regulator to the production process itself (..)

He steps to the side of the production process instead of being its chief actor. In this transformation, it is neither the direct human labour he himself performs, nor the time during which he works, but rather the appropriation of his own general productive power, his understanding of nature and his mastery over it by virtue of his presence as a social body – it is, in a word, the development of the social individual which appears as the great foundation-stone of production and of wealth. The *theft of alien labour time, on which the present wealth is based*, appears a miserable foundation in face of this new one, created by large-scale industry itself. As soon as labour in the direct

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### A theory of collapse

Heinrich criticizes the “Fragment on Machines”. He claims that it was the only time Marx outlined a theory of capitalist economic collapse and that he abandoned it later (though he offers no convincing proof for that). Heinrich may have a (vague) crisis theory but he certainly has no collapse theory. Indeed, he rejects the possibility of a collapse offhand. His arguments are sparse. His main objection is that collapse theories “always had an excusatory function: regardless of how bad contemporary defeats were, the opponent’s end was a certainty”. That’s probably true but it says nothing *about* whether these theories were right or wrong. I will come back to this issue at the end of this article. But let’s first take a look at what Marx wrote and what Heinrich finds objectionable. We think it’s an important text. Allow me to quote most of it:

form has ceased to be the great well-spring of wealth, labour time ceases and must cease to be its measure, and hence exchange value [must cease to be the measure] of use value.

The *surplus labour of the mass* has ceased to be the condition for the development of general wealth, just as the *non-labour of the few*, for the development of the general powers of the human head. With that, production based on exchange value breaks down (..) Capital itself is the moving contradiction, [in] that it presses to reduce labour time to a minimum, while it posits labour time, on the other side, as sole measure and source of wealth (..)

On the one side, it calls to life all the powers of science and of nature, as of social combination and of social intercourse, in order to make the creation of wealth independent (relatively) of the labour time employed on it. On the other side, it wants to use labour time as the measuring rod for the giant social forces thereby created, and to confine them within the limits required to maintain the already created value as value."

(*Grundrisse*, p.705-706 )

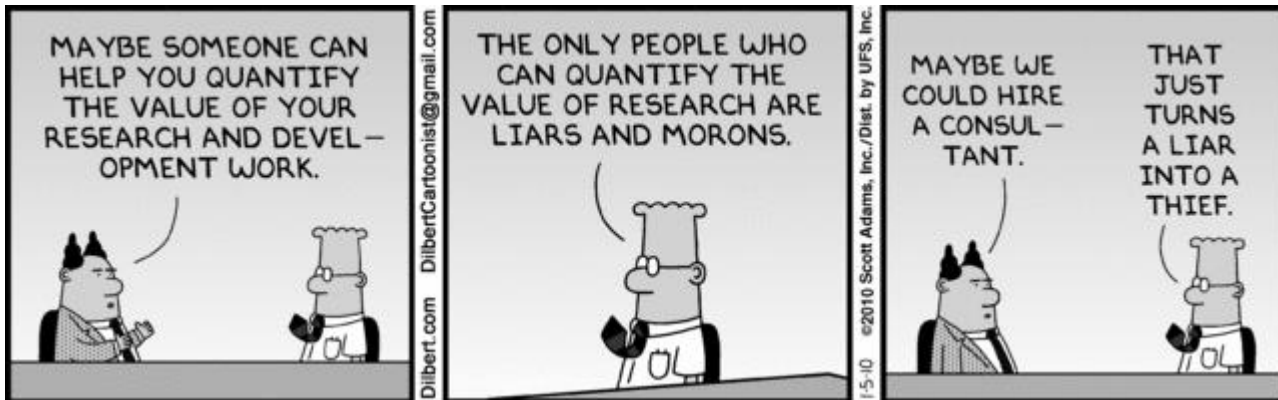
According to Heinrich, Marx here confuses abstract and concrete labor. "The social substance of wealth or value in capitalism is abstract labor, whereby it does not matter whether this abstract labor can be traced back to labor-power expended in the process of production, or to the transfer of value of used means of production. If abstract labor remains the substance of value, then it is not clear why labor time can no longer be its intrinsic measure, and it's not clear why "production based on exchange value" should necessarily collapse." (Heinrich: *Crisis theory*, *op.cit*)

But he misses the point. Rather than confusing abstract and concrete labor, or value and use-values, Marx argues that the very development of capitalist production has a contradictory effect on them; that it drives them apart while they need to stay connected. To this purpose, he introduces the category "real wealth," (or 'general wealth'), and contrasts it with "the present wealth" (value). They must remain connected, the latter measures the former. The question Marx raises is: if the source of real wealth is no longer what the law of value measures (labor time), how can value continue to be its measuring rod?

His analysis situates the roots of capitalism's crisis in its very foundation: the commodity form. The growing disjunction between its two sides makes the very conceptualization of wealth as value, which is the *basis* of capitalism, dysfunctional. All the crisis manifestations follow from this.

In the 'Fragment on Machines' Marx predicts, rather than merely explaining. He saw a long term trend leading up to conditions which are no longer those that gave rise to the logic of capital and are not compatible with it. Because it is a long term trend, the contradiction he points to is more recognizable today than it could have been in his own times.

In the world to which capitalism is evolving, according to Marx, the source of real wealth is no longer living labor. This implies that automation becomes the norm. The real source of wealth now is knowledge, information, science and its productive application by "the social individual". This was not the reality of his days but today we're moving very fast in that direction.



Let's take the example of software, purely digital goods that play an ever greater role in our daily lives and in the production process. There is, of course still quite a bit of living labor required to develop new software but the value of a commodity is not the abstract labor that went into the development of its prototype, but the abstract labor needed for its reproduction. How much of it is needed to reproduce software? As much as it takes to put it on the web. The rest, the consumer does himself, just by clicking on "Download". So what is the value of this commodity? Despite its use-value, it has very little value and therefore even less surplus value. How then can it be profitable? How can it still be a commodity? Indeed, a substantial number of digital goods aren't anymore, since they are shared instead of sold and bought. And yet many software-producing companies are doing well, enjoying a better than average rate of profit.

But there's no correlation anymore between the price of these commodities and their value. The level of demand is the only limit for the former. The companies have a monopoly over their product. The privatization of knowledge (through a vast expansion of patents and copyrights, both in number and duration),

enforced by the state, shields them from direct competition.<sup>1</sup>

Software companies are but an extreme example of a general trend. In all sectors, capital is striving for monopolistic positions which seemingly shelter it from the law of value. The increasing concentration of capital also serves this purpose<sup>2</sup>.

But is this a solution to the contradiction which according to Marx would lead to a breakdown of capitalism? It is a temporary solution for the most advanced capitals. They obtain prices for their commodities far above their value. But value is still the framework. Their profits are still surplus value. But it's not, for the most part,

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<sup>1</sup> They also protect their monopoly through the use of encryption. It cannot be argued that the labor needed for that (or for marketing, etc.) adds value to the product, since its use-value doesn't change, it only adds restricted accessibility.

<sup>2</sup> More on this in: Sander: "Artificial Scarcity in a World of Overproduction: An Escape that Isn't" in Internationalist Perspective 54 [http://internationalist-perspective.org/IP/ip-archive/ip\\_54\\_scarcity.html](http://internationalist-perspective.org/IP/ip-archive/ip_54_scarcity.html)

surplus value they extracted themselves. It's paid by their customers. It's a tax, on the overall economy, to support the rate of profit of the most developed capitals; it's a burden rather than an escape.

What leads capitalism to breakdown is not only that "the creation of wealth" [becomes] "independent (relatively) of the labour time employed on it", that "labour no longer appears so much to be included within the production process", so that the rate of profit must fall. It's also that the "powerful effectiveness" of human knowledge overwhelms the demand for use values that can be productively consumed. The use-values have to go through the narrowing value-hoop. Of course, unproductive consumption can be endlessly expanded, but it kills value, while capitalism is forced to accumulate, to transform value into more value. So the contradiction within the commodity also leads to a growing imbalance between productive capacity and productive demand and to the impossibility of confining "the giant social forces thereby created within the limits required to maintain the already created value as value". Here Marx points to the instability of value. "The already created value" does not stay value by definition. Value must valorize to avoid devalorization. If it can't by investing in production, it over-accumulates as financial capital. There too, the contradiction between value and use-value becomes apparent. Ever more value is stored in the financial hoard but the use-value of money is determined by the demand for it to circulate other commodities and to serve as latent capital, setting in motion production over a longer term. The commodity money thus is overproduced and must come crashing down. It is the devalorization of the financial hoard that brings all the crisis tendencies together and makes the breakdown general. The crisis is existential: with the collapse of the ability to maintain the already created value as value in money, capitalist society loses its rudder and its purpose.

There are other aspects of crisis flowing from the contradiction within the commodity which Marx does not mention in the 'Fragment'. A tendential expulsion of living labor from production implies that an ever greater number of workers become superfluous for capital. We see this happen today at an accelerating pace, not just because of crisis but because of the transformation of the mode of production Marx described in the "Fragment." The billions of people that cannot be profitably employed become a heavy burden on capital. Poverty is expensive: the costs of their (even if minimal) survival, of their containment (including prisons and armies and police forces which increasingly look and act like armies), the costs of containing the effects of poverty in a globalized world, the epidemics and so on, force capitalism to spend an ever greater quantity of value unproductively, which drags down the profit-rate. The solution that becomes logical, from the point of view of capital, is to get rid of this burden, to cause a massive destruction of human life. But *just as* value pretends to be real wealth, capitalism pretends to serve the reproduction of the whole of humanity. Its deepening crisis tends to tear this pretention to shreds. Yet it needs its ideological mask and is therefore not entirely free to do what it wants. The burden of unproductive costs, despite all efforts to cut it, continues to be a factor aggravating capitalism's tendential breakdown.

There is another consequence of the transformation Marx describes in the "Fragment" that he could not foresee: the devastating ecological crisis that we witness today. Here too, we see the contradiction between capitalist wealth (value) and real wealth; the destruction of the latter in order to make the former grow. The main immediate economic effect of this are the rising costs of containing the effects of climate change and the rape of the earth which further depress the general rate of profit, without addressing their worsening cause.

The above paragraphs are not meant as a complete exposition of crisis theory: there are other aspects to it, and most importantly, we have been silent on the role of counter-tendencies without which capitalism's history would be very different (for a more comprehensive overview, see endnote vii). What I tried to show was that the logic of capitalism leads, besides its cyclical crises, in the long term indeed to an economic collapse, and that the framework that Marx unfolded in the "Fragment on Machines" is indeed a correct one to understand this, contrary to what Heinrich claims.

In it Marx writes, "As soon as labour in the direct form has ceased to be the great well-spring of wealth, labour time ceases and must cease to be its measure, and hence exchange value [must cease to be the measure] of use value" – does that mean that he believed that capitalism would just crumble and society would fall like a ripe apple into the proletariat's lap? Was he certain capitalism would end because it would defeat itself? It is possible that when he wrote *Grundrisse*, (1858) he still held on to a deterministic, schematic view of history and that he later abandoned it, as Heinrich asserts. But the framework of the "Fragment" remains valid

without the assumption that an economic breakdown automatically leads to the disappearance of capitalism. Economic collapse does not equal political collapse. Instead of leading to revolution, it can lead to fascism and war. Massive devalorization and outright destruction of value can reset the conditions for value-accumulation. Still, the breakdown of the economy makes the contrast between value and real wealth, between the needs of capital and the needs of the collective worker, between the survival of the value-form and the survival of humankind starkly visible. It creates a great urgency, a collective need to fight to survive. While this does not guarantee a revolution, it's hard to imagine a revolution without it.

Indeed, "labor time must cease to be the measure of wealth" (the survival of our species requires it) but this cannot happen without revolution. And it's only a revolution if indeed it makes labor time cease to be the measure; if in the struggle, it abolishes wages, money and market-production and reinvents human relations, to each other and to nature.

Sander



Ferguson Night

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## Internationalist Perspective

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

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

But instead of freeing humanity from want, this giant productivity condemned capitalism to overproduction. Wealth-creation was no longer dependent on the exploitation of labor power but this plunged capitalism, imprisoned by the value form, into a crisis of profit. These obstacles to accumulation force capitalism to increase the exploitation of labor and to create room for new expansion through self-destruction, through massive devalorization in depression and war. Capitalism entered its obsolescent phase when such cannibalistic destruction became part of its accumulation cycle. It is obsolescent, not because it doesn't grow – it has developed tremendously and profoundly modified the composition of social classes and the conditions in which they struggle in the process -- but because this growth, in its rapacious hunt for profit, became increasingly self-destructive, including of the natural environment itself. Capitalism has become a mortal threat to the very existence of humankind. It cannot be reformed. It cannot be humanized. It must be abolished.

The ultimate contradiction of capitalism is that it posits labor-power as the sole source of value, while continuously expelling it from the production process. Science and technology, yoked to the operation of the law of value, and its quantification of the whole of life, are not liberating in themselves. But the working class which sets it in motion, is by its very condition within capitalism impelled to free itself from the alienation that capitalism, as a social relation, subjects it to, and is, therefore, the bearer of the project of a society freed from the value form, money, and the division of society into classes.

Such a project has never before been undertaken in history. If the Russian revolution was a proletarian one, it did not result in the emergence of a communist society. The so-called "communism" of the former Eastern bloc, like that of China or Cuba, was nothing other than a manifestation of state capitalism. Indeed, the emergence on an historical scale of a new society can only be realized by the total negation of capitalism on a global scale. The process of communization of all aspects of social life begins immediately, not at the end of a posited "period of transition". Such a new society entails a profound transformation in the relation of humans to themselves and to each other, of the individual to production, to consumption, and to nature; it entails a *human community* at the service of the expansion and satisfaction of all human needs.