Marxism and the Productive Forces (Part 1)

Limit to Growth – Collapse?

Marx and Engels' description of how capitalism becomes a fetter on the productive forces has been interpreted as meaning that capitalism has reached (or will reach) a stage of decay when any further growth in production becomes impossible, misery increases and the working class suffers a permanent and generalised reduction in its standard of living. Trotskyists generally reject the crude economic reductionist view that capitalism will "collapse automatically", because of purely economic factors, and recognise that it will ultimately have to be destroyed *politically* by the working class seizure of *political power*. Nevertheless, many make their perspectives for revolutionary upsurge dependent on the above cataclysmic economic perspectives and equate revolutionary situations with economic crises in an over-simplistic manner. I think this cataclysmic theory is wrong and at the root of repeated errors and disappointments. I do not think these conclusions can justifiably be drawn from the model of the capitalist economy built up by Marx and Engels.

Marx's model indicates that the capitalist mode of production constitutes a *relative* rather than an absolute barrier to growth and that while cyclical crises are inherent in capitalism there is nothing to indicate that after such crises production cannot attain higher levels. The exploitation, wastefulness and avoidable misery generated by capitalism; the growing gap between the conditions of today and the possibilities of abundance if modern technology and the productive forces were rationally used for the benefit of society rather than for profit, provide adequate justification for its replacement by a communist society without recourse to cataclysmic perspectives.

Many Marxists believed that the 1914-18 war marked the end of the road for capitalism. Up till then the advanced capitalist nations could find an outlet for their surplus capital and commodities in colonial expansion. The 1914-18 war indicated that the world had now been divided up, and that any further expansion by one imperialist power could only be at the expense of others. If capitalism survived (as it did) the revolutionary wave unleashed by the war, its potential for economic growth was at an end. This assumption was central to the theses of the first four Congresses of the Third International. Any upward cyclical fluctuations would be limited and short-lived. The Stalinists' "Third Period" policies were based on the assumption that the "final crisis" was at hand, and the 1929 Wall Street crash and the ensuing slump seemed to confirm this. While the Trotskyist Opposition challenged the political aspects of this "Third Period" line – its concept of social-fascism, its ultra-left "United Front from below" tactics etc. – it did not to my knowledge challenge the basic economic premises.

Then, when capitalism survived the Second World War, no one envisaged the possibility of a new upsurge of capitalism. In 1938 Trotsky wrote: "Naturally, if a new war ends only in the military victory of this or that imperialist camp; if the war calls forth neither a revolutionary uprising nor a victory of the proletariat ... the further, frightful decomposition of capitalism will drag all people backwards for decades to come." ("A Fresh Lesson", October 1938, in *Writings of Leon Trotsky 1938-9*, 1974, p.63.)

The Fourth International's post-war perspectives denying the possibility of capitalist stabilisation flowed from their basic economic analysis: "The decay of capitalism and the acuteness of class conflicts, forbids another extended period of bourgeois democracy.... While interim bourgeois-democratic regimes may be set up here and there as by-products of uncompleted revolutionary movements, they must, by their very nature, prove unstable and short-lived.... *the economic preconditions for an extended period of bourgeois democracy have disappeared*." (Quoted in Sam Bornstein and Al Richardson, *War and the International*, 1986, p.173, my emphasis – HR.) The British Revolutionary Communist Party's August 1946 Congress resolution on "The Coming Struggles in Industry" stated: "Despite the possibility of a temporary post-war 'boom', lasting for one or two years ... we are now standing on the threshold of the greatest crisis yet witnessed.... Those who imagine that they will return to pre-

1939 live in a fool's paradise." (*RCP Conference Decisions* pamphlet, p.28.) As for the RCP Minority (the Healy group, to which I belonged) we steadfastly refused to recognise the reality that was staring us in the face. Year after year throughout the post-war boom our perspectives documents spoke of actual or imminent economic and social collapse.

The boom lasted until the 1970s. All the main indices of production in the capitalist world have well surpassed and are still well above pre-war levels despite the recent recession. We were wrong about 1914, wrong about the 1930s, wrong about the post-war period. Was this because we were mistaken merely in our timing, ignoring secondary factors which might have delayed the crisis, or was it because of more serious theoretical errors? I think we need to re-examine Marxist economic theory to see whether it does really justify the idea of absolute barriers to growth and inevitable collapse.

Marx's Analysis

The passage in *Capital* that best summarises Marx's arguments about barriers to production is this:

"On the other hand, there is periodically a production of too many means of production and necessities of life to permit of their serving as means of exploitation of the labourers at a certain rate of profit. Too many commodities are produced to permit a realization of the value of surplus value contained in them under the conditions of distribution and consumption peculiar to capitalist production, that is, too many to permit of the continuation of this process without ever-recurring explosions.

"It is not a fact that too much wealth is produced. But it is true that there is periodical overproduction of wealth in its capitalist and self-contradictory form.

"The barrier of the capitalist mode of production becomes apparent:

"1. In the fact that the development of the productive power of labour creates in the falling rate of profit a law which turns into an antagonism of this mode of production at a certain point and requires for its defeat periodical crises.

"2. In the fact that the expansion or contraction of production is determined by the appropriation of unpaid labour, and by the proportion of this unpaid labour to materialised labour in general, or, to speak the language of the capitalists, is determined by profit and by the proportion of this profit to the employed capital, by a definite rate of profit, instead of being determined by the relation of production to social wants to the wants of socially-developed human beings. The capitalist mode of production, for this reason, meets with barriers at a certain scale of production which would be inadequate under different conditions. It comes to a standstill at a point determined by the production and realization of profit, not by the satisfaction of social needs." (*Capital*, Vol.III, Chapter 15.)

Note that Marx speaks of periodical – not permanent – overproduction. Secondly he writes: "The capitalist mode of production ... meets with barriers ... *which would be inadequate under different conditions*" (my emphasis – HR), i.e. in relation to what could be produced under other conditions, e.g. a rationally planned economy "*determined by social needs*".

Let us look in more detail how the *periodical* overproduction Marx refers to comes about. The essential feature of capitalist production is encapsulated by Marx in the formula c + v + s which makes up the value of the commodities produced. As Marx points out commodities do not actually sell at their value but at a "price of production" resulting from the equalisation of the rate of profit of different capitals with different organic compositions. However, as over the whole range of commodities the deviations from the value of the prices of production mutually cancel one another, the formula c + v + s is valid if we consider the totality of commodities. Let us assume the constant capital (c) is £5000, that the variable capital (v) is £1000 and the surplus value (s) is £1000. The total value of the commodities will be £7000 and this must be realised in money form, i.e. sold. The expenditure of £5000 by the capitalists on the constant capital and the £1000 paid in wages (the variable capital) provide a market for £6000 worth of the commodities produced, leaving £1000 of commodities stilt to be sold. The personal consumption of the capitalists and their dependants will account for only part of this, say £400. Unless the remaining £600 is re-invested, i.e. used to increase the capital to be expended in the next production cycle, there will be an unsold surplus and the capitalists will not have realised the whole of their surplus value. When this occurs, a crisis of overproduction develops.

In general, for a succession of production cycles to take place smoothly the process, commodity–money–commodity, must be completed each time. Marx points out that the separation in time and space between purchase and sale opens up the possibility of the disruption of this process and hence of crises: "the total commodity capital, and each individual commodity of which it consists, has to pass through the process C–M–C, the metamorphosis of the commodity. The general possibility of crisis, which is contained in this form – the separation of purchase and sale – is thus implicit in the movement of capital .... " (*Theories of Surplus Value*, Chapter 18).

This process can be disrupted by a whole number of factors – changes in prices and values, physical shortages of commodities and so on. However, the main factor in crises of overproduction is the failure of the capitalists to re-invest the whole of the surplus value appropriated. This happens when the economic conjuncture lowers the expectation of profits from such re-investment to the point where capital is hoarded. This causes a drop in production all round, which feeds on itself, leading to the closure of factories and growing unemployment. There is no need to go into detail. Marx and others have fully analysed the processes involved. But the point is often forgotten that the very same market forces that trigger recessions and slumps also create the conditions for economic revival. Excess capital is devalorised. Surplus productive capacity is destroyed, factories dismantled, un-saleable commodities dumped into the sea. Eventually stocks are run down and the equilibrium between supply and demand – and with it the possibilities of profitable investment – is restored and the economy revives into another boom.

Marx explains: "the present stagnation of production would have prepared an expansion of production later on, within capitalist limits. And in this way the cycle would be run once more. One portion of the capital which has been depreciated by the stagnation of its function would recover its old value. For the rest, the same vicious circle would be described once more *under expanded conditions of production, in an expanded market, and with increased productive forces*" (*Capital*, Vol. III, Chapter 15; my emphasis – HR).

There is nothing here to indicate that after each slump the new boom that follows cannot exceed the previous one. If anything it indicates that, as Marx explained, it is the function of crises to restore the disrupted equilibrium and make the start of a new cycle possible. Capitalism is like a man riding a bike. He is continually losing his equilibrium and restoring it. So long as he keeps on riding he will not fall off. Many Marxists have attempted to use the schemata of Marx relating to the relations between Depts. I and II (capital and consumer goods producers) to prove the inevitable collapse of capitalism.

However, as Ernest Mandel argues: "Any attempt to deduce the impossibility of a 'pre' capitalist economy or the fatal collapse of the capitalist mode of production from these schemes is doomed to failure…. Marx's reproduction schemes ... are designed to solve a single problem and no other. Their function is to explain why and how an economic system based on 'pure' market anarchy in which economic life seems to be determined by millions of unrelated decisions to buy and sell does not lead to continuous chaos and constant interruption of the social and economic process of reproduction but instead on the whole functions 'normally' – that is with a big crash in the form of an economic crisis breaking out (in Marx's time) once every seven or ten years. Or to put it differently: how can a system based on exchange value, that only functions for the sake of profit and regards the specific use values of the commodities it produces as a matter of indifference, nonetheless assure the material elements of the reproduction process which are determined precisely by their specific use value – in other words, how can it at least for a time 'spontaneously' overcome the antinomy between exchange value and use value? The function of the reproduction schemes is thus to prove that it is possible for the capitalist mode of production to exist at all…. Marx reaches the conclusion that social production is in a state of equilibrium ... as long as and in so far as the formula for equilibrium is observed. In the system of simple reproduction this formula is Iv + Is = IIc. This means that economic equilibrium depends on whether the production of commodities in Dept. I can evoke a monetarily effective demand for commodities in Dept. II corresponding in value to the commodities which it must itself deliver to Dept. II and vice versa. A similar formula for equilibrium can easily be deduced from Marx's schemes of expanded reproduction." (*Late Capitalism*, 1978, pp.25-6.)

Mandel continues: "It is obvious however that the overall development of the capitalist mode of production cannot be subsumed under the notion of 'equilibrium'. It is rather a dialectical unity of periods of equilibrium and periods of disequilibrium each of the two elements engendering its own negation. Each equilibrium inevitably leads to a disequilibrium, and after a period of time this in turn makes possible a new provisional equilibrium" (ibid., p.26).

If the schemata mentioned are "inadequate analytical tools" for deducing the collapse of capitalism, then let us see if this can be deduced with other tools or from other factors.

The tendency for the rate of profit to fall was seen by Marx as one the internal contradictions of capitalism bound to lead to its downfall but as Leszek Kolakowski pointed out:

"he never argued, as has been alleged, that the fall in the rate of profit would in itself make capitalism an economic impossibility. A falling rate of profit is quite compatible with an increasing total volume of profit, and it is hard to see how it could be the direct cause of the system breaking down. The principal factor working against a fall in the profit rate is a decline in the value of the components of constant capital, owing to the same technical progress which reduces the relative importance of wages in the production costs – this being a basic aspect of Marx's analysis. [Also important is the increase in the rate of surplus value as a result of the increased productivity of labour – H.R.] In view of the difficulty of quantifying the factors working in either direction, there is no firm ground for asserting that those tending to produce a fall in the rate are stronger; and the alleged 'law' appears to be no more than an expression of Marx's hope that capitalism would be destroyed by its own inconsistencies. Only empirical observation, and not deduction from the nature of the profit rate, can tell us whether it does tend permanently to decline: and such observation is not found to confirm Marx's theory." (L. Kolakowski, *Main Currents of Marxism*, Vol.I, p.298.)

Mandel admits that any attempt to explain the development of capitalism and its inevitable collapse from any single factor is inadequate: "In fact, any single-factor assumption is clearly opposed to the notion of capitalism as a dynamic totality in which the interplay of all the basic laws of development is necessary in order to produce any particular outcome. Up to a certain point all the basic variables of this mode of production can partially and periodically perform the role of autonomous variables – naturally not to the point of complete independence, but in an interplay constantly articulated through the laws of development of the whole capitalist mode of production" (ibid., p.39).

According to Mandel these variables must include the following central items:

(1) the organic composition of capital in general and in the most important departments and its distribution between departments;

(2) the distribution of constant capital between fixed and circulating;

(3) the development of the rate of surplus value;

(4) the development of the rate of accumulation;

(5) the turnover-time of capital;

(6) the relation of exchange between the two departments.

"The history of capitalism ... and of its inner regularities and contradictions", he writes, "can only be explained and understood as a function of the interplay of these six variables" (op. cit., p.39).

In *Marxist Economic Theory* and *Late Capitalism* Mandel applies this approach in a well argued and documented explanation of the actual historical development of capitalism right up to the 1970s in terms of Marxist theory; also reviving and critically re-assessing Kondratiev's theory of "long cycles" of 50 or more years duration. But nowhere in these books have I yet found any valid argument for the existence of any absolute ceiling to production! On the contrary, Mandel writes in the very first paragraph of his introduction to *Late Capitalism*:

"One of the central purposes of this book is to provide a Marxist explanation of the causes of the long post-war wave of rapid growth in the international capitalist economy, which took both non-Marxist and Marxist economists by surprise; and at the same time to establish the inherent limits of this period which ensured that it would be followed by a long wave of increasing social and economic crisis for world capitalism, characterised by a *far lower rate of overall growth*" (my emphasis – HR).

No indication here of absolute limits or collapse – only a lower rate of growth! Fundamentalist Trotskyists will dismiss Mandel as a revisionist. But can his critics provide us with a valid argument for absolute limits and collapse?

Marx argued that the increase in productive power conflicts increasingly with the limited possibilities of consumption, he showed how disruptions in the process of the circulation of capital could occur, he showed how capitalism rested on the wage-slavery and exploitation and was inseparable from class conflict but his schemata of compound reproduction do not reveal the permanent impossibility of realising surplus value, i.e. the contradiction between its creation and its realisation – only the episodic disruption of the process and the restoration of equilibrium through periodical crises.

The question of limits on production can be approached from yet another angle. The working class through its wages, and the mass of the population in general can provide a direct market for *consumer goods only* whereas the totality of production includes *capital goods* which have only one use-value – that of contributing to the production of yet more goods. The ultimate end product must be consumer goods whose use-values are the satisfaction of human wants. Unless there is a need for ever greater quantities of consumer goods there is no need for more capital goods. Is there not therefore an ultimate limit to production of both types of goods in the finite nature of human wants? Even the richest cannot eat more than a certain amount or wear three coats at once. (Even if the rich do not hoard their spare money but re-invest it, the accumulated capital must in the end be able to dispose of the consumer goods it produces.) If there is such a limit, and even if human wants are finite, it is glaringly obvious that we are still a long way from satisfying them while millions in Africa and Asia are still dying from starvation. But, even in the most prosperous advanced industrialised countries and in those strata of the population that have a sufficiency of necessities, new wants seem inexhaustible even at the most mundane level. For years people were quite happy to peel potatoes with an ordinary knife. Now they buy special gadgets. For years pet foods were unknown and people fed their pets on scraps and leftovers. Now one sees in any supermarket the evidence of a multi-million-pound industry supplying tinned pet foods. New technology constantly generates new wants. A large proportion of total world production today consists of commodities that have been invented or developed in the last fifty years – video recorders, calculators, personal computers etc. Thus, as far as the desire for use-values – consumer goods and services – is concerned, there is no limit to growth in the foreseeable future.

We are therefore back to the question as to whether, under capitalism, the effective monetary demand for the satisfaction of these new wants can be generated. Let me repeat the answer I have already given to this. It depends on whether the whole of the surplus value that is not unproductively consumed is re-invested and the necessary equilibrium between the productions of Depts. I and II is maintained. When this does not happen the equilibrium between production and demand is disrupted and crises occur but *equilibrium is always restored* by the crisis itself, by the devalorisation of capital and destruction of commodities; this restores the profitability of new capital investment – thus enabling the renewed take off of production.

State Intervention

How far can private (i.e. monopoly) and state regulation of the economy eliminate or suspend the internal economic contradictions of capitalism? This is a difficult question to answer. In Britain public expenditure expressed as a percentage of the Gross National Product rose from 29% in 1932 to 51% in 1976 and has hardly receded despite the Thatcherite "rolling back of the state". In Germany it is nearly 50% and the trend is upward in all the western capitalist countries. The sheer size of state expenditure in relation to total production and the elasticity of the money supply (due to the severance of its link with gold and therefore of its loss of a *direct link* with intrinsic value) combine to give the State tremendous leverage, if it wants to use it, to drastically affect the economy and market conditions by its *political decisions*. Given the dangers and costs of social upheaval resulting from economic crises and dislocations, it is obvious that the State as the ultimate guardian of the framework within which capitalism operates will use its powers to damp down crises and keep class and social tensions within "safe" limits by a combination of fiscal and monetary measures, subsidies and political measures.

In terms of $c + v + s$, the income the State derives from taxation can be said to come wholly from the surplus value. Thus in relation to the problem discussed earlier of the failure of capitalists to re-invest this surplus value, the State can in part overcome this by transferring part of this surplus value to itself in taxation and re-investing it in the form of public works space research or welfare services. This is basically what Keynesian "demand management" amounts to.

The role of the permanent arms economy in boosting investment and demand for capital goods has been dealt with sufficiently and there is no need for me to dwell on it. This squandering of resources on weapons of destruction emphasises the parasitic nature of capitalism and is in itself sufficient reason for wanting to overthrow it. But in relation to the specific issue we are discussing it is an important factor in helping the system to overcome the problem of overproduction

Equally obviously, the State is not completely free or able to control or predict the effects of its decisions. It is still constrained by the anarchy of market forces, particularly of world market forces, external to the national economy over which the state in question presides. This is why Lawson has sleepless nights. The exchange rate of the pound sterling which he tries to control is buffeted by the forces of the world market, threatened with collapse due to the balance of payments deficit. Attempts to control credit and the money supply by interest rates or other measures are bedevilled by unpredictable variables. The various policy options open to the government clash with each other – excessive anti-inflationary measures could trigger a recession, while policies designed to counter a recession could unleash inflation. The conflicting interests of the "City" and "industry", each pulling the Government in different directions, do not help.

But to the extent that these difficulties stem from the narrow national bases on which different national states operate and which make them vulnerable to external market pressures, the tendency towards the merging of the national economies and nation-states into larger units will lessen these. A European Community State, taking over many of the sovereign functions of the member states, particularly in economic policy, with a Central European Bank and a unified European currency would have more "clout"; its economic "planning" is potentially more effective and less vulnerable to world market forces.

A major feature of the last forty years has been the rapid "internationalisation" of capital – the growth of multinationals. This is far from being restricted to mergers between firms within the EEC. Between 1961 and 1969 there were 820 mergers of firms from within the EEC with firms outside it – Japanese, American, Swiss etc. An increasing proportion of investment within any one of the advanced capitalist countries is from abroad and in turn a large part of its "native" capital is invested abroad.

If the State is the "executive of the ruling class", will the growing fusion of national capitals into international capital be accompanied by the growing fusion of the separate nation-states? When there are no longer any separate "British", "German" or "French" capitalist classes but only an international capitalist class straddling all countries, who will the British, German and French states have to represent? If the economic base determines the political superstructure, are we not moving towards supra-national states or at least international state-like structures and institutions of which the IMF and the World Bank are precursors? And will not these, working from a broader base than purely "national economies" be more effective in regulating capitalism?

Mandel rightly queries whether Government regulation of the economy or the power of the monopolies, or both, can ultimately or durably cancel the workings of the law of value. He answers: "To say that this is possible is to say that contemporary society has ceased to be capitalist. If this is so, then the course of the economy is no longer determined by the objective laws of development of capitalist production working themselves out behind men's backs, but by the conscious, planned or arbitrary decisions of the monopolies and the state. If economic crises and recessions still occur, then this can no longer be due to forces inherent in the system but merely to the subjective mistakes or inadequate knowledge of those who 'guide the economy'. It should then be only be a matter of time before such errors are ironed out and an 'industrial society' emerges that is genuinely free of crises. If the 'regulation of the economy' by government and monopolies is simply an attempt to deflect and temporarily attenuate (i.e., ultimately merely postpone) the effects of the law of value, then the operations of this law must inevitably prevail in the end. If this is the case, crises remain inherent in the system. The long term development of Western 'industrial society' will continue to be governed by the laws of motion of the capitalist mode of production discovered by Marx. The present work has been devoted to the verification of the latter thesis." (*Late Capitalism*, p.526.)

Two answers spring to mind. Even if "industrial society" is still governed by the laws of motion of capitalism nevertheless their effects can be neutralised in the same way as the effects of the law of gravity can be neutralised in an aeroplane. It is still subject to the law of gravity and other physical laws but its flight can be "regulated" by judicious use of engine, ailerons and rudder. Secondly, even if Mandel is right he can only predict – as I have already pointed out – not the collapse of capitalism but only a "lower rate of growth".

Growth and the Environment

So far attention has been concentrated on the limits to growth inherent in capitalism. It may well be that the threat to capitalist society may come from another direction – from unplanned and uneven growth. Scientists warn that a continuation of the present rate of burning fossil fuels and the destruction of rain forests – to mention only two factors – threaten global disaster and call for their drastic curtailment. But this spells disaster for the already fragile and debt-crippled economies of the under-developed countries. To enable these countries to develop alternative energy resources involves a massive transfer of wealth from the advanced countries and massive changes in the economies of both the developed and the undeveloped countries. It is difficult (to say the least) to visualise this happening within the existing international capitalist framework. What condemns capitalism is the fact that this is happening at a time when the underdeveloped countries of the Third World are in desperate need of *more* goods and *more* economic growth. It is this basic imbalance, creating the conflict between the need for growth and the effects of growth that provides the strongest argument for the replacement of a profit-geared economic system by one in which this conflict can be resolved by the planned and rational use and allocation of resources. Such planning and control is incompatible with the continued determination of production and investment decisions by the search for the maximisation of profit. What condemns capitalism is this contradiction between capitalist property relations and the environmental and material needs of society.

The Theory of Increasing Misery

Let us now deal with the theory of 'Increasing Misery" on which time and again Trotskyists have based their political perspectives of mass radicalisation, exemplified by the passage, already quoted from the RCP's 1945 Conference Resolution: "Those who imagine that they will return to pre-1939 live in a fool's paradise."

Marx says: "in proportion as capital accumulates, the lot of the labourer, be his payment high or low, must grow worse. Accumulation of wealth at one pole is, therefore, at the same time accumulation of misery, agony of toil, slavery, ignorance, brutality, mental degradation, at the opposite pole." However Marx elsewhere indicates that wealth is relative: "A notable advance in the amount paid as wages presupposes a rapid increase of productive capital. The rapid increase of productive capital calls forth just as rapid an increase in wealth, luxury, social wants, and social comforts. Therefore, although the comforts of the labourer have risen, the social satisfaction which they give have fallen in comparison with these augmented comforts of the capitalists ... and in comparison with the scale of general development society has reached. Our wants and their satisfaction have their origin in society, and not in relation to the objects which satisfy them. Since their nature is social, it is therefore relative." (*Wage-Labour and Capital*.)

The difference between an absolute fall in the standard of living and an absolute increase but relative worsening (compared to that of the capitalists) makes for not unimportant differences in the possible political outlook of workers. Furthermore, the general increase in the productivity of labour means that an increase in the standard of living is not incompatible with an increase in the rate of surplus value appropriated by capital. If, for example, in 1945 a worker was paid for 24 hours of necessary-labour in a 48-hour week, whereas in 1989 he is paid for only 13 hours in a 39-hour week, this would represent a doubling of the rate of surplus value. But because of the general increase in the productivity of labour the 13 hours of necessary labour time in 1989 would purchase a greater mass of use-values than the 24 hours of 1945 – resulting in an increase in the real standard of living of the worker despite his increasing exploitation and despite the fall in the value of his labour-power.

While real wages fell during the period of primitive accumulation of industrial capital, they rose from the middle of the nineteenth century onwards. In Britain and France they practically doubled between 1850 and 1914 (source: J. Kuczynski, *Die Theorie der Lage der Arbeiter*, quoted in Mandel, *Marxist Economic Theory*, p.149). In fact the idea that real wages tend to decline is not to be found in Marx. When he talks of increasing misery he is referring to those thrown out of the productive process, the unemployed, the disabled, the sick. (But even here welfare benefits mitigate the impact compared to Marx's time.)

Marx explains how an increase in real wages is possible: "It is, however, possible that owing to an increase of productiveness both the labourer and the capitalist may simultaneously be able to appropriate a greater quantity of these necessaries without any change in the price of labour-power or in surplus-value" (*Capital*, Vol.I, Chapter 17); and "the same amount of values represents a progressively increasing mass of use-values and enjoyments to the extent that the capitalist process of production carries with it a development of the productive power of social labour, a multiplication of the lines of production, and an increase of products" (*Capital*, Vol.III, Chapter 13).

As he points out elsewhere, what are considered minimum needs are historically and socially determined and part of this historical and social determination is the continuous struggle of the workers for higher living standards.

The polarisation of society into a handful of rich capitalists on one hand and a mass of workers all reduced to a common level of misery has not happened quite as predicted. The concentration of capital is a fact. But at the same time there has not been a general levelling out of the standard of living of the working class to a common level. Instead, and this is a matter of empirical fact, the burden of economic crises has fallen *unevenly* on the working class. Simultaneously with mass unemployment there has been a rise in the real wages of the employed workers (still a majority of the working class). Even the impact of unemployment has been uneven on different sections of the working class. In Germany unemployment has been internally "exported" on to the mass of "guest-workers" – Turks, Yugoslavs etc. In France Algerians, Moroccans and Portuguese immigrants constitute a "reserve army" on which the burden of low-paid and dirty jobs and unemployment is transferred, thus cushioning the native French workers. In Britain it is the blacks and coloured who suffer proportionally most from unemployment and inner city decay. This uneven impact of economic burdens on different sections of the working class and its fragmentation is an important factor affecting political developments.

Future Possibilities

If we abstract the workings of the economic base from the totality of capitalist society (its economic "base", political and ideological "superstructure" and the interaction between them), if we look only at the economic mechanism described by Marx, we cannot conclude that there is an absolute limit to production nor an inevitable economic collapse of capitalism. Therefore we cannot base our perspectives of proletarian revolution on such conclusions.

This does not mean that capitalism is free of contradictions, can resolve its problems or will last for ever.

While capitalism has only been a relative brake on the productive forces and not incompatible with rising living standards of the working class in advanced capitalist countries, the other side of the coin has been misery and downright starvation in the Third World whose economic development is distorted and curtailed by world capitalism – generating social and national liberation struggles. However, these are no substitute for proletarian revolution in the advanced industrialised countries.

As argued above, the growing incompatibility between unplanned capitalist development and the environment, threatening global disaster, makes its replacement by a rationally planned economy ever more urgent.

The future holds three possibilities:

(1) Either this task will be accomplished by the World Revolution – which is possible but not inevitable.

(2) Failing World Revolution, the existing state and developing "supra-state" institutions will have to impose controls on private capital, eventually leading to a planned economy. Whether this control will be authoritarian or democratic will depend on the success of movements from below for democratic control and participation. (I make no apology for raising once more this possibility, which has already been debated and rejected by the Trotskyist movement in 1939-40, but every postponement of the revolution must repose this question.)

(3) If neither proletarian revolution and its

introduction of a planned economy nor international State control succeed in curbing the unbridled effects of capitalism there will be global disaster and social chaos. What I have tried to do in this paper is to show that the first alternative is not inevitably determined by the economic laws of capitalist development. If the proletarian revolution is to occur it will have to do so because of other factors; because the social tensions and conflicts of capitalism – short of economic collapse and general impoverishment – will create situations in which the revolutionary potential of the working class will materialise into successful revolution.

I hope to examine these possibilities in another contribution.