

Capitalism: Declining forms, failing system

What does austerity tell us about capitalism itself? Hillel Ticktin discusses three key features



Back to the 1920s?

I have said that austerity is a deliberate policy: it does not flow automatically from over-expenditure, as the governments in Britain, Germany, the United States or wherever have tended to argue. Although, of course, officially the United States is not implementing a policy of austerity, this is the effect of what it is pursuing, even if in a lesser form than in Europe.

So the question is, why are they pursuing this policy? I have argued that austerity is needed in order to control the working class and therefore defend the system. But I would like to examine this question a little more deeply. Why is it that the bourgeoisie has *lost control* of the system?

The present crisis is deeper and more extensive in fact than in the great depression - the drop in production in many countries has been greater than it was then. That is not true of the United States, but the US effectively went in for a salvage operation and saw to it that its banks were propped up and dealt with the situation in a way the other countries did not.

But why, under conditions where unemployment is extensive and rising, is it still felt necessary to introduce a policy of austerity? I have argued that this has happened because it was felt there was no alternative. Taking the road of expansion would mean making a series of concessions to the working class and would risk a loss of control.

What that implies is that the ruling class has already lost control of the system itself. Now that is no new discovery, but it is very much connected to the question of decline. Capitalism in decline begins to shed crucial features which buttress it and are essential to its functioning. To put it in a dialectical way, we can say that a system in decline finds that the mediations which ensure that the poles of its contradictions are able to interact begin to malfunction to a greater degree, or even cease to exist. That results in crises, which become increasingly difficult to overcome. That is what is meant by the decline of capitalism.

What is *not* meant by the decline of capitalism is that total production is decreasing, that productivity is going down, and so on. That is not what I am arguing. The question is not one of *absolute* decline (though there are aspects of absolute decline at any given moment, in any given system). The overall system is in decline, even though productivity continues to rise and production continues to increase.

Let us look at the form of capitalism which previously provided the necessary control.

Reserve army

In the first instance it involved the existence of a reserve army of labour. The reserve army of labour includes a large number of long-term unemployed and also people who lose their job and then find a new one, people who are in and out of work over their lifetime. The essential point is that this mass of unemployed workers competes with other workers for jobs, and consequently those in work are forced to accept both lower wages and inferior conditions compared to periods of full employment.

However, the potency of the reserve army of labour is not just based on its size. Thanks to the pressure exerted under the democratic or semi-democratic forms that exist, governments were compelled to introduce the welfare state. While that is very limited in the United States, it is quite extensive in Europe. Workers today who lose their jobs are not in the position they would have been in the 19th century, when they would have had to beg, borrow or whatever in order to survive. So today workers do not have the same fear of unemployment as they had even in the first half of the 20th century.

That is why austerity very much involves cuts in welfare benefits. It is argued that workers are skiving, that they are not telling the truth when they say that they cannot get a job, that they are disabled or that they have no savings. Consequently a privatised arm of the state has been created to declare workers fit for work whether they are or not. This privatised arm amounts to a modern apparatus of economic force to ensure that as few people as possible receive benefits.

The point I am making is that the benefits introduced as concessions reduced the potency of the reserve army of labour. Consequently the working class is not under the same control as it was during the period of classical capitalism. An effective, efficient capitalism demands a reserve army of labour desperate for work, not one that is getting

by on benefits. One of the crucial elements of control has been restricted - one could argue even broken - because it is certainly impossible to restore the reserve army of labour to the form it took prior to World War II (though it is apparent that a section of the capitalist class would like to do that).

If this is the case, one has to say that capitalism itself is in trouble, because the reserve army of labour is crucial to its functioning. That it does not really exist at present is not simply a technicality or temporary weakness. Its form was gradually changed and has effectively been removed.

Commodity fetishism

The second pillar of capitalism was commodity fetishism. Capitalism's controls operate through exchange, through sale and purchase, through the commodity: Adam Smith's 'invisible hand' if you like. Products are exchanged on the basis of exchange-value, which takes the superficial form of price. The point is that capitalism's interrelationships are developed on the basis of exchange values, and consequently appear to stand above humanity through the operation of the economy as a whole. The market, in other words, rules.

The market appears to be a technical function of the system, not something which is driven by humanity. But, of course, it is human: it is the functioning of human beings within the division of labour in society. In their class relationships - of capital and labour, of the sale of labour-power itself - real human interactions appear as technical relations. The sale of labour-power appears to stand above the human being as a function required to feed, clothe and house workers and their families.

This second form of control, this second crucial aspect of capitalism, is also being undermined. It is being undermined at the most basic level because workers can see that they are exploited. That they have to sell their labour-power, that their labour is then used to create the value which is turned into profit, while only a small part goes to them in the form of wages. This profit adds to capital and provides the basis for the system to continue, for capital to function as self-expanding value. Self-expanding value - which also appears as a force of nature standing above humankind - is the central basis of capitalism itself.

Orthodox economics does its best to obscure this reality, as it tries to ensure that the market appears eternal - a wonder to behold. But, once one understands that this is not the case, ideologically it becomes hard for the capitalist class to defend itself. We have had several centuries during which the works of Marxists and others have exposed the ideology, which to a large degree is shot through. Attempts to restore that ideology have not really succeeded: its hold is unstable and dubious. It has gone through various forms over time, but it remains the case that it is not trusted and it is not believed to a large degree.

This results from a situation where it is the capitalist, as the embodiment of self-expanding value, who controls the process and takes the profits, who has the wealth and the high standard of living, while it is the worker who has to accept the fact that he or she is controlled and who has a relatively low standard of living. That situation is very hard to justify. However much the media does its best to restore the situation to that of the 19th century, it cannot do so. The result is that capitalism has a big problem - if the market is not accepted, the system itself is in trouble.

In a downturn like the one we are experiencing, where capitalism looks broken because it is broken, then people must further question whether the system itself can be allowed to go on. It is a system of fantastic inequality, a system that proclaims itself democratic, where we vote for our leaders, but on the other hand enforces a dictatorship in the factory, in the institutions, in the public sector.

This poses the question of how long this system will continue. Of course, the Russian Revolution overthrew capitalism, but unfortunately it turned into Stalinism and was used as a stick to beat the left and as 'proof' that capitalism is superior. It is indeed true that Stalinism was inefficient and remained inefficient to the end.

Capitalist 'strike'

The third aspect of the present crisis to which we should refer is the way in which capital is not actually functioning as such. An increasing quantity of money is lying uninvested in the banks - such as the \$25 *trillion* being held in the Bank of New York Mellon, to name but one. The fact that investment is not taking place represents one of the most important aspects of this crisis. To a considerable degree the rich and businesses hold *money*, which is not the same as capital. In order for money, the universal equivalent, to become capital it must be invested to create profit, to become self-expanding value.

But that is not happening to the degree that would be expected. This is probably the first time that such huge sums of money are simply lying idle, and that is a crucial aspect which distinguishes the present crisis from previous crises. This situation has been referred to as a strike by the capitalist class and there are a number of contending theories about this. One is from the US economist, Paul Krugman, which argues, for example, that this is an effect of monopoly.

The point is that this refusal to invest in the old way preceded the immediate crisis period from 2007. There has been a wall of money that does not know where it should go. That itself shows us that there is a crisis and that the crisis is not just of a temporary nature, but a reflection of the problems of the system, where capital cannot be capital. The capitalist class is afraid to reflate - to invest and expand - which would effectively remove the reserve army of labour altogether through full employment. So, in order to survive, it has to turn to finance capital - a wasteful and short-termist form, and a crucial aspect of the decline of capitalism. It will not reflate because it is afraid it will be

overthrown. But the reverse then happens: it ceases acting like a capitalist class, and capital cannot be capital.

Social forms

I have discussed three factors connected to the crisis which all point to capitalism's decline. But underlying it all is the increasing socialisation of industry and of labour. That is to say that the form of industry itself is increasingly integrated. And it necessarily turns to forms which are *more* integrated, which are *more* social, even if at the same time there is an attempt to prevent and reverse this.

There are two crucial aspects. One is the increasing role of government. It is true that we are seeing more privatisations, but nonetheless even in this privatised form - as with the utilities - there is usually government involvement and forms of control over prices. There is an extensive use of government subsidies, guarantees and direct investment. It is clear that these cannot be undone - despite the existence of a section of the capitalist class that wants to change the situation to one of 'small government'. The fact is that it is not going that way and will not go that way.

The second aspect is the increasing centralisation and concentration within the economy itself. Although there are counter-tendencies, it remains the case that the economy is effectively dominated by a few large firms. The mass of small firms around them are usually used as proof that monopolies do not exist, but it is rather the other way round: the small firms are *dependent* on the large firms.

This increasing degree of socialisation indicates that the form of capitalism whereby a large number of competing capitals raise productivity through competition no longer exists. The rise in productivity, which has acted as an essential justification for capitalism, is today limited - it is dwarfed by what would be possible under a socialist, planned society.

To conclude, the decline I have described is not absolute, but relative. Nevertheless it exposes the failure of the entire system, compared to what is possible. A planned society, democratically controlled from below, would not only have higher levels of productivity: it would produce for need, not for profit.

(This article is based on one of a series of regular podcasts, available at <http://critiquejournal.net/27July.wma>.)