

Geoff Pilling 1989

The Contradictions of Capitalism: the Natural and the Social

This article by Geoff Pilling is based on the opening paper read to the conference 'Marxism and the Productive Forces' organised by the Preparatory Committee in London in November 1989. Further contributions made at the conference will be published in later editions of our journal.

This article will discuss a fundamental question in Marxist theory: the nature of the productive forces in the epoch of imperialism.

There is no doubt that this is a central question for Marxism. Our understanding of the prospects for socialism rests on our grasp of the nature of the productive forces and their fate in this epoch. 'Mankind's productive forces stagnate' says Trotsky in the Transitional Programme, the founding programmatic statement of the Fourth International, written in 1938.

Here Trotsky was basing himself on Lenin's contention that imperialism constituted the highest stage of capitalist development, the epoch where the productive forces and the social relations of capitalism came into an historical and insoluble contradiction.

It is one of the ABCs of historical materialism that the possibility of the overthrow of a social system arises only when its productive forces have outgrown the existing social relations in which they previously developed. That the productive forces stagnate was for Trotsky an indication that just these objective conditions for the proletarian revolution existed: indeed he held that conditions for socialism were not ripe but even over-ripe. And only because the productive forces stagnated, that is only because the objective conditions for the transition to socialism existed, did the crisis of humanity reduce itself to the crisis of leadership in the working class.

This proposition of Lenin and Trotsky has been vigorously disputed by many Marxists and those claiming to be Marxists¹.

But how is the issue to be dealt with? The first thing to recognise is the nature of the task before us. For in struggling to reconsider some basic questions in world economy we do so against a specific background: the prostitution of Marxism in the service of a parasitic and counter-revolutionary bureaucracy, Stalinism. It is only in the context of the struggle against this disastrous impact of Stalinism on the working-class movement that we will be able not merely to defend the basic conceptions of Marxism, but to make a development in Marxist theory that will enable us to understand the changes in world economy since Lenin, Trotsky and others carried out their work on the theory of imperialism.

But this cannot be accomplished on the basis of textual exegesis alone. It is of course necessary to demonstrate that the Stalinist perversion of Marxism involved an attack on the spirit as well as the letter of all that Marx wrote. But more is required. Marxism is a living science or it is nothing. If it is not developed in a manner that can overcome every basic revision of Marxism it will perish and the working class will be disarmed.

Bernstein and Kautsky

The history of Marxism in the period of the Second International is of relevance here. In the mid-1890s Eduard Bernstein began to publish a series of articles in *Die Neue Zeit*, the official journal of the German SPD. They were later expanded and published as the book *Presuppositions of Socialism and the Tasks of Social Democracy*.

Bernstein argued that the 'presuppositions of socialism' provided by Marx rested on the idea that a catastrophic economic collapse will automatically usher in socialism. While Marx, according to Bernstein, was correct in his general description of social evolution, he was mistaken in his contention that the end of capitalism was in prospect. Bernstein proposed that the material conditions of capitalism at the end of the last century meant that Marx's theory was no longer applicable: thanks to the growth of credit and cartels, a world market and 'democratic institutions', any notion that capitalism will break down is false.

Instead capitalism tends towards a decrease in social conflict and crisis and towards the gradual elimination of contradictions. This refutation was accomplished by Bernstein with a presentation of much empirical material.ⁱⁱ

It is the official response to Bernstein issued by Karl Kautsky that is of most interest here because in it can be seen the anticipation of the caricature of Marxism for which Stalinism was to be later responsible.

Kautsky's *The Economic Doctrines of Karl Marx* (1897) became the official commentary on Marx within the German movement. Kautsky advanced a unilinear notion of capitalist crises occurring with ever-greater severity until a 'final crisis' occurred.

The laws of capital analysed by Marx are presented in absolute form, not as laws of tendency. For Kautsky such laws are inexorably realised and empirically verifiable. Kautsky later dropped this notion in favour of an equally mechanical idea of 'chronic depression' based on the inability of the world market to expand rapidly enough to absorb society's growing productive forces. Later still Kautsky was to come round to Bernstein's view that a 'new capitalism' had achieved a permanent state of harmony.ⁱⁱⁱ

A comment on Kautsky's method should warn us how not to proceed:

'Kautsky adopts a mechanistic conception of the economy as an autonomous and isolated force in history and bases his notion of breakdown on this conception. Throughout his discussion of capitalism, Kautsky draws from the general analysis of Capital.

'He then supplements these analyses with large quantities of empirical data intended to meet the arguments of the revisionists and to establish a direct correlation between the laws and material conditions of capitalism. In this way Kautsky reinforces the revisionist tendency to view the conditions of capitalism as a series of 'facts', readily apparent and available for immediate utilisation. (F.R. Hansen, *The Breakdown of Capitalism: a History of the Idea in Western Marxism*, p 47)

Capitalism: natural or social?

If for Bernstein, and eventually for Kautsky, it was clear that capitalism had entered a new crisis-free state, for many on the left today it seems equally obvious that the productive forces have developed over the last half century. The explosion of science and technology, ('the scientific and technological revolution') bringing with it new industries and a great increase in labour productivity, together with the secular boom that post-war economy experienced, would be some of the facts adduced to support this proposition.^{iv}

To meet this challenge is no small task. To repeat: it involves a considerable theoretical effort because in tackling it we are confronted with an equally obvious 'fact': the prostitution of Marxism associated with the degeneration of the Soviet state and the Communist International, a process stretching over more than six decades.^v

And this prostitution affected not merely those in the Stalinist movement but found its reflection in the working class movement, including those struggling to build the Fourth International.

Stalinism distorted historical materialism beyond recognition when it presented history as a series of fixed stages through which each society would automatically progress.

Relations of production would adjust mechanically to the level reached in the progress of the productive forces. And these forces of production were interpreted to mean 'techniques', or the implements of labour or natural forces conquered by technology. Here Stalinism started where Kautsky and Bernstein had left off.

This mechanical and teleological conception of history was no invention of Stalinism, just as it had been no invention of the 'orthodox' Marxists of the Second International. For involved here was a capitulation to bourgeois ideology at its most basic level - one that regards economic relations as natural, beyond human knowledge and control.

To tackle the Stalinist distortion of Marxism thus means to return to the basic propositions that Marx himself had established in his fight against the bourgeois ideologists of his day.

In this paper I propose to touch on just one aspect of this matter: the confusion of the relations between people and people on the one hand and those between people and nature on the other.

Over the last 50 years various theories have emerged amongst bourgeois apologists purporting to explain the 'transformed' nature of present-day society which rest precisely on this confusion. Thus theories of 'industrial society' claim that the imperatives of technical change in the postwar world have made it essential for the large corporations to plan their economic growth over the long term, ignoring the principles of profit maximisation.

J.K. Galbraith, for example, holds that technological advances have made the planning of the supply and marketing of goods and services - as well as their production by means of data-processing systems - a necessary component of management. From such conceptions Galbraith draws the conclusion that power now rests with a 'technostructure', a stratum engendered by the

'technological and scientific revolution' and one which shuns the traditional capitalist mentality.

This layer plans production, seeking optimal profit in a manner that eliminates conflict between capital and labour.

The impact of this 'technological revolution' on the economic structure of society has undermined the Marxist thesis about the decisive role of the working class, argue the proponents of the theory of 'industrial society'.

The specific weight of the working class has declined in the last half century because its share in the economy is diminishing as a result of the scientific and technological changes taking place over this period.

Second, because in present-day 'consumer society' the working class acquires consumer durables and so develops into a propertied class which aims at conserving and multiplying its property, what was formerly the working class is transformed into a middle class whose relations with the owners of the means of production are no longer antagonistic.

Here science and technology are separated from the social relations of which they are a part, transformed into disembodied, independent entities.

The productivity of capital

The theories advanced by writers such as Galbraith may appear new, they may adopt new terms, but they are in essence quite old. For in their technological interpretation of economic phenomena they continue a tradition that has been at the heart of bourgeois economics, and social science generally for the past century and a half.

While such theories have a definite apologetic content it would be wrong to let the matter rest there. As we know, Marx, in his most important work *Capital*, set out to expose the class nature of what, with some contempt, he dubbed 'vulgar' political economy. But he simultaneously offered an explanation of the objective basis which enabled such political economy to mystify reality so as to veil the substance of capital's exploitative nature - and at the same time prove that the principles of freedom and equality are realised in bourgeois society.

The final section of the opening chapter of *Capital* is entitled 'The fetishism of commodities and the secret thereof'. What is fetishism? It consists in the fact that natural objects assume properties which have nothing to do with their nature but are entirely the product of the social relations of which these things are a part. That 'things' do acquire such power is no mere illusion, no mere product of the inadequate thinking of individuals, and therefore not to be 'demystified' by the power of thought alone. Fetishism arises, held Marx, from the very nature of capitalist production itself - where the social relations between individuals take the form of, become attached to, inanimate objects.^{vi}

As an example we can take the category of capital and its 'productivity': a question that is closely related to that of the nature of the productive forces. We know that capital appears, presents itself on the surface of society, in many material guises - buildings, machinery, raw materials, bank balances, stocks and shares.

Now in what sense is machinery productive? It follows from Marx's theory that only labour creates value. But that in no way means that the objective factors of

production such as machinery, or the application of science to industry, are to be denied any form of 'productivity'. To the degree that they contribute to raising the level of production they contribute to the production of use values. But this is not the end of the story, as it is for bourgeois economics as well as for those - Marxists and non-Marxists - who believe that because the 'productivity of labour' has increased in the postwar world, the productive forces must have grown.

What such people miss is that capital is productive in a quite different, even opposed, sense. As the ruling relation of bourgeois society, its 'great historical mission' consists 'in enforcing surplus labour'.

The productivity of capital is measured not simply in its ability to raise the level of production of use-values (for capital this is a nuisance, although one it cannot escape) but in its ability to extract surplus labour. This is the key to the secret of capital's productivity: as an essential relation for the development of the social productive forces.

Capital was responsible for this development not because it constituted one of the 'factors of production' or because it 'furthered the application of science to industry' but because it was 'owned'. In other words, although always attached to things, capital is not in essence a 'thing' but rather an antagonistic social relation of a particular type - one based on an insatiable thirst for surplus-value, specifically for surplus value in its relative form. Thus capital is productive 'insofar as it is a coercive force on wage-labour ... spurring on the productive power of labour to produce relative surplus-value' (*Theories* 1, p 93)^{vii}

The contrast between past labour embodied in the means of production and living labour, of which the worker is the vehicle, lies at the basis of a technological interpretation of the productive forces.^{viii}

While the power of capital, treated as a thing, is glorified, bourgeois economics regards the worker as merely one of the material 'factors of production' used by the owners of the instruments of labour as a component of the technological process, alongside machinery and raw materials.

Of course it would be easy to set aside all this discussion of 'productivity' as a mere playing with words, a silly metaphysical game.

After all, what is the difference between a relationship between person and person and one between people and nature?

For Marxism, the social relations of production into which people enter to secure their material means of life constitute the foundation on which alone the whole structure of society can be explained. If these are confused with natural relations, after the manner of bourgeois political economy, then the very essence of capitalism must be lost sight of.^{ix}

The productivity of labour

Further, the nature of the productivity of capital leads, as it must, to the question of the productivity of labour,^x which, as we have suggested, is a far from unambiguous concept.

For bourgeois economics the matter is simple. By the productivity of labour it means only the rate at which the output of goods and services flows from the use of the 'factor of production' labour.

This is a classic example of the confusion of things natural with things social.

Here we reach the most fundamental issues in political economy. Capitalism is not a mode of producing use-values to serve human needs. This would be to see it naturalistically and mechanically as a mere 'means' satisfying with a greater or lesser degree of rationality a definite 'end' - the satisfaction of human needs.

This is not the case, for the irrationality of capital is complete: the production of things to satisfy needs (use-values) is nothing but an inevitable but incidental break on capital's accumulation.

'The increase in the productive force of living labour increases the value of capital (or diminishes the value of the worker) not because it increases the quantity of products or use values created by the same labour - the productive force of labour in its natural state [emphasis added] - but rather because it diminishes necessary labour.' (*Grundrisse*, p 339)

Or again:

'The limit of capitalist production is the excess time of the labourers. The absolute spare time gained by society does not concern it. The development of productivity concerns it only in so far as it increases the surplus labour-time of the working class, not because it decreases the labour-time of material production in general. **It moves thus in a contradiction.**' [emphasis added] (*Capital*, III, pp 258-259)

Here is a crucial point. If the productivity of labour is understood as the rate at which labour produces products to satisfy human needs then its rise is unlimited, or at any rate limited by technical knowledge and its application, as well as by the bountifulness of nature.

This idea is at the root of many who, basing themselves on the immediate outward appearances of bourgeois economy over the last decades, conclude that the productive forces have indeed developed.

But if by productivity of labour under the specific conditions of capitalism we mean the production of surplus labour-time in the form of surplus value, then there are definite social constraints on this process which arise from the very nature of capital itself. Marx thus explains that the more capital accumulates, the more difficult becomes its task of raising the productivity of labour, that is of diminishing the 'necessary' part of the working day in favour of the 'surplus' portion falling to capital:

'The smaller the fractional part of the working day which forms the equivalence of the worker, which expresses necessary labour, the smaller is the increase in the surplus value which capital obtains from the increase of productive force. Its surplus value rises but in ever smaller relation to the development of productive force.' (*Grundrisse*, p 340)

And on the same page we read:

'Thus the more developed capital already is, the more surplus labour it has created, the more terribly must it develop the productive force in order to realise itself in only smaller proportion, that is to add surplus value - because its barrier always remains the

relation between the fractional part of the day which expresses necessary labour, and the entire working day. It can move only within these boundaries. .. The self-realisation of capital becomes more difficult to the extent that it has already been realised.'
(*Grundrisse*, p 340)

And again:

'Capital can develop the productive forces of society only in as much as it valorises itself in doing so, in so far as it creates a surplus value. However, the expansion is bounded by the limits of the relation between necessary and surplus labour.

'It follows from this that the valorisation of capital must become more and more difficult as the productive forces are developed and necessary labour approaches its 'lowest' limit.' (Capital, I, p 519)

The general point Marx is making is this: capital rests on the extraction of surplus value from the working class. This is its basis, one from which it can never escape, for were it to do so it would cease to be capital. But the development of machines and 'the power of the agencies set in motion during labour time' enables the production of wealth (use-values) on a scale out of all proportion to this narrow but, for capital, inescapable basis.

'The theft of alien labour time, on which the present wealth is based, appears a miserable foundation in the face of this new one, created by large-scale industry itself.' (*Grundrisse*, p 705])

In short, the more capital develops, the harder it becomes for capital to extract relative surplus labour. But the more successful, the more the contradiction between the social basis on which this process rests and its natural results - ever more use-values.

In this struggle to raise the productivity of labour - to raise the rate of exploitation of the working class capital demands two 'ideal' factors.

According to Ricardo capital needed 'competition without restriction' and 'unhampered increase in products through industry'.^{xi}

Commenting on Ricardo, Marx makes an observation which is important in our theoretical conception of the epoch of imperialism:

'This means in other words nothing other than that the laws of capital are completely realised only within unlimited competition and industrial production. Capital develops on the latter productive basis and the former relation of production; that is its immanent laws enter into reality.

'Since this is so, it would have to be shown how this unlimited competition and industrial production are conditions of the realisation of capital, conditions which it must little by little produce, instead of the hypothesis appearing here as merely that of theoretician, who places free competition and the productive mode of capital's existence externally and arbitrarily into the relation of capital to itself, not as a development of capital itself, but as imaginary presuppositions of capital for the sake of purity.'
(*Grundrisse*, pp 559-560)

Industrial capital: the basic form

Marx is suggesting that the industrial form of capital, operating on the basis of unlimited competition is the form in which the immanent laws of capital enter into reality. Why should the industrial form of capital be for capital such an 'ideal' form?

'Industrial capital is the only mode of existence of capital in which not only the appropriation of surplus-value or surplus-product, but simultaneously its creation is a function of capital. Therefore with it the capitalist character of production is a necessity.' (*Capital*, II, p 57)

Industrial capital is the basic form of capital because it is the foundation on which the extraction of relative surplus value takes place, and relative surplus value expresses the essential relations of capital.

As is well known, Marx distinguishes two forms of surplus labour. One Marx called absolute surplus value, in which form surplus value is increased via a prolongation of the working day, the productivity of labour remaining constant. (Absolute surplus value is 'Surplus value produced by a prolongation of the working day.' [*Capital*, I, 299])

The other is relative surplus value where the productivity of labour increases, the length of the working day remaining constant. ('Surplus-value insofar as it arises out of the growing productivity of labour' [*Theories of Surplus Value*, II, p 16]; 'Surplus-value arising from the curtailment of the necessary labour-time, and from the corresponding alteration in the respective lengths of the two components of the working-day. [*Capital*, I, p 299])

It is surplus labour in its relative form that capitalism brings to dominance and this it does through machine production, through the factory system. It is not therefore in absolute but in relative surplus labour 'that the industrial and distinguishing historic character of the mode of production capital appears.' (*Grundrisse*, p 769)

Here again, the distinction between what is 'natural' and what is 'social' is the key to understanding the critical distinction between these two forms of surplus labour. For Marx makes clear that absolute surplus labour depends on natural conditions. If nature did not provide the conditions for human beings to produce more than they required for their immediate subsistence there could be no surplus labour, surplus value or surplus produce.

'This prerequisite of a certain level of productivity is based on the natural productiveness of land and water, the natural sources of wealth.' (*Theories of Surplus Value*, III, p 449)

But it is quite other with relative surplus labour. While the same natural conditions that are necessary for the production of surplus labour in its absolute form fully apply, the creation of relative surplus labour requires certain social conditions in which the productivity of labour can be progressively raised. And this involves the introduction of machinery. Thus:

'The basis for absolute surplus value - that is, the real precondition for its existence - is the natural fertility of the land, of nature, whereas relative surplus-value depends on the development of the social productive forces.' (*Theories of Surplus Value*, III, p 449)

In *Capital* Marx shows how the process owing to which the emergence of the economic form of relative surplus value causes a growth in labour productivity, demands that capital replace manual labour with machine labour and develop the technical basis of the production of surplus value.

It is also at the same time clear that it is the introduction of the machine itself that causes absolute surplus value to be displaced by relative surplus value as the dominant form of surplus value within capitalism. Relative surplus value is in conformity with industrial capital precisely because this form is not merely a passive reflection, a parasitic outgrowth of the development of the productive forces, as it were, but is itself an active form exerting a strong reverse effect on industrial capital itself, that is on the very basis that produced it.

Here we take up an issue which flows from these observations of Marx. What are the implications of the erosion of industrial capital that has been such a feature of the older capitalist countries over the last fifty years? The answer to this question is connected with our understanding of the critical distinction between productive and unproductive labour within capitalism.

Productive and unproductive labour

There has been much confusion amongst Marxists about the substance of productive labour. As we have noted, for Marx productive labour was labour that produces surplus value, and more than anything, labour that produces relative surplus value, essentially labour employed in the factory system.

There are two issues here which have a bearing on the nature of capitalism since the end of the last war.

What is the significance of the growing number of state employees within the capitalist system?

How are we to view the growth in the service sector of the capitalist economy which, in the case of the more moribund capitalist economies such as Britain, has led to a marked process of 'deindustrialisation' ?

An answer to the first question involves an understanding of the distinction between productive and unproductive labour within the capitalist system. The second appertains to a narrower question: the role of machine labour as that productive labour which creates surplus value in its relative form.

Arising from the nature of capitalism, labour that is productive defines itself as exclusively that labour which, exchanging directly against capital, leads to the production of surplus value. The usefulness, the material nature, of the product produced in the labour process counts here for nothing whatsoever, nor the fact that such labour may be necessary for social reproduction.

Of course if capitalism is seen as an instrument for creating use-values, if the aim of production is regarded as consumption, then any labour paid for producing a useful good or service will be deemed productive. On this basis, all those receiving wages (or salaries) would be productive workers.

This latter definition is that of bourgeois economics and many would-be Marxists reject it - or appear to do so. Such Marxists accept the distinction between productive and unproductive labour but find the definition of productive labour as surplus-value creating labour too narrow.

This latter group argues thus: many types of labour that do not produce surplus value directly nonetheless make a vital contribution to the health service, to education, to scientific investigation, etc. Domestic work is likewise indispensable for the functioning of capital and to count it as non-productive is surely perverse.

Similarly, say the same critics, productive labour should be defined as that labour which facilitates social reproduction; the rest - that employed in the manufacture of arms, in the provision of luxury goods for instance should be deemed non-productive.

Both these objections to the 'narrow' Marxist definition boil down to the same thing: they find the definition too restrictive because it refuses to take into account the material nature of the product concerned. In so doing these 'wider' definitions would take us back to the traditional bourgeois view outlined above.^{xii}

Some very 'practical' questions are involved in the confusion of labour as merely a natural process and labour as a social process. For instance, many Marxists saw in state spending the key to capitalism's relative stability in the immediate postwar years. Here the influence of the Keynesian theory of 'effective demand' was strongly felt.

But if we understand the nature of productive labour as only that which produces surplus value then it is clear that such state expenditure is expenditure on unproductive labour and as such, far from assisting the creation of surplus value, constitutes a drain upon it. The rising share of state spending (and with it the level of taxation) in all the leading capitalist economies since the end of the war is an indication of the depth of the problem, and why there is a determined effort to cut that share.

To turn briefly to our second question: the specific character of machine (factory) labour. Does it matter, from the point of view of capital, that ever increasing numbers are employed in the non-manufacturing sector of the economy: in the provision of services?

Once more, if one conceives of productive labour as labour which is paid for a 'useful' product or service, the answer will be a negative one. But it is in just this sector that the limits to the creation of relative surplus value are most obvious, for it is here that the possibilities for the mechanisation of labour are strictly limited.

A retailer of hamburgers can squeeze more surplus value from his staff by intensifying their labour (making them run and serve faster) by paying wages 'below value', as well as by lengthening the working day - extending hours, cutting meal breaks etc (that is increasing absolute surplus value).

But the scope of the extraction of such (absolute) surplus value is objectively limited by nature. The working day cannot be extended beyond 24 hours - in practice of course a much lower limit is encountered.

Second, the intensification of labour also has its limits: not least the strength and dexterity of the workers employed. So the more capital moves away from that form which gave it its historic specificity, the more is expressed its historic demise.^{xiii}

The falling rate of profit

We have stressed that Marx, unlike bourgeois political economy, drew a clear distinction between the social relations of production and production as a material, technical process. But this does not mean that he *ignored* these technical aspects.^{xiv}

Quite the contrary: he understood for example that the labour process involved a unity of a material process (the struggle against nature) and a social process (which under capitalism involves the production of value and surplus value).^{xv}

In order to illustrate this point we can make a brief comment on the law of the tendency of the rate of profit to fall. This law is intimately linked with the development of the productive forces. If the *raison d'être* of capitalism is production for profit then its movement is decisive for the entire nature and functioning of the capitalist system. Thus the prospect of a secular decline in the rate of profit sent a 'shudder down the spine of that millionaire banker Ricardo.' (Marx)^{xvi}

As Marx said:

[This law is] 'in every respect the most important law of modern economy, and the most important for understanding the most difficult relations. It is the most important law from the historical standpoint.' (*Grundrisse*, p 748)

And further:

'Simple as this law appears from the foregoing statements, all political economy has so far had little success in discovering it ... The economists perceived the phenomenon and cudgelled their brains in tortuous attempts to interpret it. Since this law is of great importance to capitalist production, it may be said to be a mystery whose solution has been the goal of all political economy since Adam Smith, the differences between the various schools since Adam Smith having been in the divergent approaches to a solution.' (*Capital*, III, p 209)

What is the basis of the law of the tendency of the rate of profit to fall? It is this: as capital accumulates, its composition alters. Capital is divided into two basic components: constant capital (buildings, machinery stocks of raw materials etc) and variable capital (that portion of capital advanced in purchase of labour power, equivalent to the wages bill).

Thus the organic composition of capital is represented by the ratio c/v , where c is the expenditure on constant capital and v is the advances made in the purchase of labour power. Now if we assume that the division of the working day between capitalists and workers remains constant, that is if we assume that the surplus value extracted from the working class (s) remains in the same ratio to variable capital (in other words, the rate of exploitation, s/v , remains stable) then the rate of profit, the surplus value resulting from the advance of total capital, that is $s/(c+v)$, must decline as the organic composition of capital, c/v rises.^{xvii}

This law has been the subject of vigorous attack not least from those claiming their allegiance to Marx. The nub of these objections is as follows: if capital can

raise the rate of exploitation at a sufficiently rapid pace then why should this not counter-act completely the rising organic composition of capital?^{xviii}

If this were possible, then capitalism would in principle be crisis-free, for the tendency for the productive forces to develop would meet with no insurmountable barrier.

But there are several objections to this position, the decisive one being the following: the possibility of raising or stabilising the rate of exploitation through an increase in the intensity of exploitation is not an abstract procedure. It concerns living workers in real situations. There are natural, physical, barriers to the amount of relative surplus value that can be extracted from workers. First there are definite limits to the length of the working day. Second, the portion of the working day in which the worker has to reproduce the equivalent of the value of his labour power cannot be reduced to zero.

As machinery is introduced workers are displaced ('technological unemployment') while the rate of exploitation of those remaining increases. The first tendency reduces the number of workers available for exploitation that is the mass of surplus value is reduced. The first tendency increases the rate of surplus value. But as Marx points out:

'Two workers, each working 12 hours a day, cannot produce the same mass of surplus value as 24 who only work two hours, even if they live off air and do not have to work for themselves at all. In this respect, then, the compensation of the reduced number of workers by intensifying the degree of exploitation has certain insurmountable limits. It may, for this reason, well check the fall in the rate of profit, but it cannot prevent it altogether.' (*Capital*, III, p 247)

(The same point is made in *Capital* Volume I in the chapter where Marx discusses the 'Rate and mass of surplus value' - see in particular p 305.)

Marxism is not a dogma. It is a guide to action. In the postwar period the crisis of capitalism took on several new forms not all of which could have been anticipated, even by the most far-sighted Marxists. Our task remains: to struggle to understand these new phenomena - and especially those that prima facie seemed to contradict the basic laws of capital- in terms of 'the law of motion of modern society.'

And this task is itself inseparable from a struggle to overcome the enormous damage that Stalinism wreaked on Marxism over the last six decades. It is as a modest contribution to that task that this paper was written.

NOTES

ⁱ Amongst theories I would include as involving a rejection of Lenin's and Trotsky's conception of the epoch are those associated the theory of the 'permanent arms economy' as well as those of 'neocapitalism' and not least the Stalinist theory of 'state monopoly capitalism'.

ⁱⁱ For a discussion of Bernstein's work and the response of orthodox Marxism see F.R. Hansen, *The Breakdown of Capitalism: a History of the Idea in Western Marxism*.

iii Thus Kautsky: 'Indeed, we expected much more from the crisis at that time [1885] ... Not only the revival of the socialist movement in Britain but the breakdown of capitalism throughout the world. This hope proved illusory. Capitalism survived the crisis, despite its considerable extension in space and time and its inordinate intensity. A new phase of capitalist prosperity ensued. But what emerged was an entirely altered capitalism. The older form of capitalism had been eclipsed.'

iv Taking the decade 1949-1959, labour productivity rose at an average annual rate of growth of 5.9 per cent in Western Germany, and 4.8 per cent in Italy; even countries with the lowest rates of growth in western Europe such as Britain and Belgium experienced growth rates of around 2 per cent. As we shall see, the 'productivity of labour' is an ambiguous category.

v 'In our country no fundamental creative work has been done in Marxism-Leninism. Most theoreticians busy themselves with turning over and over again old quotations, formulas and theses. What is a science without creative work? It is not so much science as scholasticism, a pupils' exercise, not a science; for science is above all creation, creation of something new and not repetition of what is old.'

Thus Mikoyan at the 20th Congress of the Communist Party of the Soviet Union in 1956, where the veil on some of Stalin's crimes was gingerly lifted.

vi 'The categories of bourgeois economy consist of such like forms. They are forms of thought expressing with social validity the conditions and relations of a definite, historically determined mode of production, viz., the production of commodities. The whole mystery of commodities, all the magic and necromancy that surrounds the products of labour as long as they take the form of commodities, vanishes therefore as soon as we come to other forms of production.' (*Capital*, I, pp 80-81)

vii 'The productivity of capital is not the productive force which increases use-values; but rather its capacity to create value; the degree to which it produces value.' (*Grundrisse*, p 630).

In other words capital produces and re-produces itself as a social relation of production in the form of the production and reproduction of things. To the extent that the capitalist system produces things in which surplus value is not contained, to that extent it is involved in an expenditure of unproductive labour, however useful these 'things' may be.

viii The 'germ' of this fetishism lies in the commodity form itself. The commodity is a unity of two diverse aspects. In the first place a commodity is a means of satisfying a definite human want - it is a use-value. But at the same time the commodity is an exchange value: it is the bearer of a social relation. Thus, uniquely under capitalism, social relations are expressed in the relations between objects. This is why empiricism, concerned with the immediate appearances of things, will so easily confuse the natural-the relations between people and the material world - and the social: the relations between people.

ix Compare the anarchist Bukarin: 'If the workers are to be free, then capitalism must be destroyed. But this does not mean the destruction of "capital", but rather its preservation.' Marx replied to such ideas: 'Capital ... is necessarily the capitalist. Of course, socialists say, we need capital, but not the capitalist. Then capital appears as a pure thing, not as a relation of production. (*Grundrisse*, p 303)

x 'The productivity of capital consists in the fact that it confronts labour as wage-labour, and the productivity of labour consists in the fact that it confronts the means of labour as capital.' (*Theories of Surplus Value*, I, p 394)

^{xi} Marx thoroughly approved of these sentiments. Indeed it was here that Ricardo revealed a 'faint notion' of the 'historic nature of the laws of bourgeois economy.'

^{xii} For an elegant note on the distinction between productive and unproductive labour see Geoffrey Kay, *The Economic Theory of the Working Class*, pp 132-34; also I.I. Rubin, *essays on Marx's Theory of Value*, pp 259-275.

^{xiii} The same is true of the disappearance of unlimited competition within the capitalist system. Its disappearance indicates that the laws of capital cannot be realised except in increasingly distorted forms which themselves build up the conditions for crises of increasing scope and depth.

^{xiv} In the same way, while it would be wrong to equate 'productive forces' with 'technique' the latter are an element in the former.

^{xv} As another example we can take the question of Marx's theory of money. He stresses that money expresses a social relation and that this is the source of its power - not the fact that it is represented by a particular metal, say gold. But at the same time it is not an accident that gold emerges as the ideal money form. This is because its material properties - its durability, easy divisibility, the fact that its rarity means that a small amount represents considerable value (abstract labour) make it the most suitable substance to act as the 'universal equivalent'.

^{xvi} Ricardo recognised the significance of the possibility of a long-term decline in the rate of profit. But, in line with our general theme, he had a naturalistic understanding of the problem. As cultivation extended to feed a growing population it was forced onto less fertile soil. Because of this the value of subsistence goods (food) tended to rise and this, produced a decline in the rate of profit. In explaining the decline of the rate of profit on the fertility of the soil Ricardo 'flees from economics to seek refuge in organic chemistry'. (*Grundrisse*, pp 753-54)

^{xvii} A simple example. In period 1, let the value of $c = 100$, the value of $v = 50$ and the surplus value extracted be also 50.

Note that the rate of exploitation (s/v) is in the ratio 1: 1 and the organic composition of capital (c/v) is in the ratio 2:1.

Now, in period 2, as a result of technical change, the following values apply: c is now 400; v is 120 and s is 120. The rate of exploitation ($120/120 = 1:1$) has remained constant (our assumption) but the organic composition of capital has now risen (400:120).

In period 1 the rate of profit ($s/c+v$) was $100/300 = 33.3$ per cent. In period 2 it has fallen to $120/500, = 24$ per cent.

^{xviii} To return to the numerical example given above. If in period 2 we assume that surplus value, s , has risen to 175 that is, the rate of exploitation has increased sharply - then the rate of profit will have been stabilised. It will be given by $175/(400+ 120) = 33.6$ per cent.