

HARD TIMES

The great evil demon called Depression lurks around the corner of every news stand. News personalities give a shudder, almost as though they were covering their own funerals, as they look at their torn AP wire copy filled with the latest horror stories. The great evil hangs over them, all dressed up in a black cat cloak. To them, this is a greater boogie man than a Supreme Court freakout establishing prior constraint. The news media-massagers find they can no longer hide behind a jingle; they can't placate their own anxiety. Someday soon Walter Cronkite will spit blood and turn blue on TV and reporters will cash in what's left of their life assurance policies. We offer the following analysis of the situation for those weary of "wage-price spirals", "consumer confidence", or "the Arabs done it". Here's Eric Severide....

By Member(s) of
For Ourselves

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What is the economy?

The crisis in our lives is the more or less direct result of the crisis of what the media call the economy - inflation, unemployment, the "Energy Crisis", and so forth.

Nelson Rockefeller. Gerald Ford. Walter Cronkite and a whole chorus of high placed morons try to tell us that the crisis is an act of God, the Arabs, or some other random force, while the media try to present the economy as a kind of enormous, bad-tempered animal that makes things for us and gets 'sick' or 'healthy', "breaks down" or "functions smoothly".

Others blame the corporations or the government for being 'irresponsible' or "greedy". But suppose that tomorrow morning everyone *stayed home*: suppose no one went to work, collected their check from the government, bought things at the supermarket, or used any transportation or telephones. Presto! no economy! No money exchanged, no products produced. No corporations, no government. The economy is nothing but human activity. *We are the economy*. By doing what we do every day, we reproduce the economy. Everyone knows that they depend on the economy" for survival. What that means, then, is that we depend on each others' activity, on *each other*, period. For example, when I buy a paper cup of coffee from a machine, this involves, first of all, the workers on the coffee plantation, the ones in the sugar plantation and refineries, the ones in the paper mill, and so on. Then there are all the workers who make the different parts of the vending machine and assembled it.

Then the ones who extracted the iron ore and bauxite, smelted the steel, drilled the oil and refined it. Then all the workers who transported the raw materials and parts over two or three continents and several oceans. Then the clerks, typists, and communications workers who coordinate the production, transportation, and sales. Finally, you have all the workers who produce all the other things necessary for the other ones to survive. This gives me a direct, material relationship to upwards of a hundred million people. And in addition, there are all those who, in the advanced countries, are paid by the government not to work so that "the economy" will "function smoothly", and those who, in the underdeveloped countries, are thrown off their land, which is then used to grow coffee, sugar, etc., and left to rot in the slums around the big cities.

So, although none of us wanted this crisis, we are reproducing the conditions of the crisis, collectively but unconsciously. simply by doing what we must to survive in this society. Of course, the managers of the state and the corporations are reproducing it too, even as they are trying to solve it. *They don't want a crisis any more than we do* - they'd love to turn the clock back to 1967 or before, to have a comfortable rate of inflation, comfortable interest rates on loans, and an ever-expanding economy. The very best that the biggest corporations like Chase Manhattan Bank can hope to get out of the crisis is a larger slice of a shrinking pie, as small and medium-sized companies go broke and get bought out. Obviously, the solution to the crisis is not simply to find better managers - they're being reshuffled and re-elected at a frantic pace already - nor is it a solution for us to sit home and starve, to stop reproducing the crisis by stopping reproducing ourselves. What we have to change is the way we reproduce ourselves and our world.

Capital

We reproduce "the economy", but we do so *unconsciously* and often unwillingly, without conscious planning or cooperation. This is what gives "the economy" the appearance of a set of non-human, autonomous forces with their own independent laws. The capitalists and bureaucrats are also subject to these laws, but in a different way. We, as "separate" individuals, do the work of reproducing society by selling our lifetime for wages or by buying the goods and services (commodities) that we or others produce. The managers, whether "private" or "public", administer the laws. We are separated from the means of producing what we need to live even though we may be employed in using some of these means - factories, communications, offices, hospitals, schools, farms, yet the managers either legally own or actually control them. Collectively, these means are called capital, and the people that control them capitalists. But in fact, if all of us did as imagined earlier and stayed home, these means of production would stop being capital. They would simply be empty buildings and idle equipment, producing profit for no one. Hence Capital is not merely an accumulation of things, but a *social relation* between human beings mediated and dominated by things: a relation of living (present) activity, labor, to dead (past) activity accumulated in the form of means of production and "consumer goods" This is the way we reproduce our lives, our world. And it is this way. this social relation of (re)production, that we will have to change if we are to put an end to the crisis once and for all.

The Crisis: The Snake Bites Its Own Tail

The immediate cause of this depression is *inflation*. The general fast rise in prices gobbles up the available money supply. The higher prices go, the more money it takes to buy up the goods offered at those prices, at a given speed of money changing hands ("velocity of circulation"). This creates a "liquidity crisis", which means that there is not enough "liquid money" (cash) around for capitalists to pay for all the raw materials, machinery and other supplies they need to keep production going. So corporations have to borrow "liquid money" from banks (go into debt) in order to buy what they need, and the government has to print more money and expand the public debt to stimulate production and consumption. The resulting rise in *demand* for loan money inflates the "price" of loan money, i.e. the rate of interest rises. This soon makes it more profitable for capital investors to leave their money on deposits at loan-giving banks, collecting interest, than to invest it in the capital-stock market, buying shares of capital and collecting dividends. So the stock market crumbles. This furthers the dependence of the corporations on bank debt to get liquidity, since they can no longer raise cash on the stock market. Pretty soon corporations, and even whole countries (Italy, or even Britain) have to start taking out whole *new loans* just to pay off the debt service (principal + interest payments) they owe on *previous loans*. Pretty soon corporations don't have enough liquidity to both pay their loan-service and meet their payrolls. So they lay off workers. Unemployment jumps up.

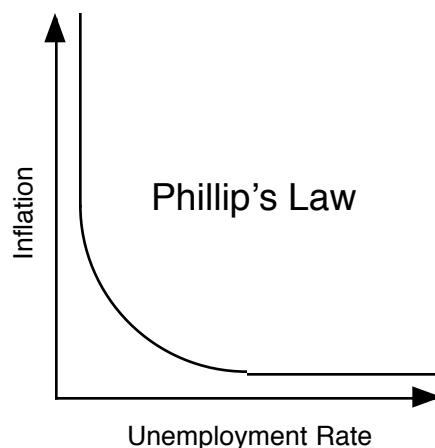
In all previous depressions, this has led to a sharp fall in prices; extreme inflation has turned over into its opposite - *deflation* and high unemployment. So far this time, with slight exceptions, deflation has not occurred. This is an important clue to the secret of this crisis and its uniqueness, to which we shall return.

Later, chain-reaction or "cascading" bankruptcies occur. For example, due to the growth of indebtedness, say corporation B can only pay its debt to corporation C if corporation A pays its debt on time to B; and C can pay off corporation F) only if B pays C. If A can't raise the liquidity to pay B, due to too high interest rates, depression of its stock, etc., the whole chain of payments is broken, with bankruptcies all along the way and,

consequently, big layoffs, further exacerbating unemployment. In cases of the bankruptcy of big and vital chunks of capital - railroads, airlines, steel companies, coal mines, public utilities, etc. - the state has to step in and take over. i.e. state capital forms (unless there's a convenient oil-sheik or somebody around to supply fresh cash by buying up shares). In the case of small and medium size industries going broke, the big loan-banks may take over.

Apparently, it all starts with inflation. What, then, starts inflation? "Greed"? But the capitalists are *always* greedy". Why don't we have this degree of inflation all the time? Why aren't we always in a depression? Such moralistic theories try to explain a unique historical event in terms of an historical constant. They can't answer the question "Why now, and not at all other times?" Such theories explain everything in terms of the sadistic caprice of wicked ruling classes. They don't look to the necessities that operate to *constrain* the behaviour of such classes at specific historical times and places.

This depression is a unique historical event. Never before has the world as a whole experienced *simultaneous* accelerating inflation and accelerating unemployment. This fact is called the "Phillips relation". It simply says that when demand rises and supply doesn't, prices rise (inflation). When workers are employed, they have money, they demand, so prices rise. When workers are unemployed, they don't have money, they "demand", less, so prices fall. As a graph, the relation looks like this:



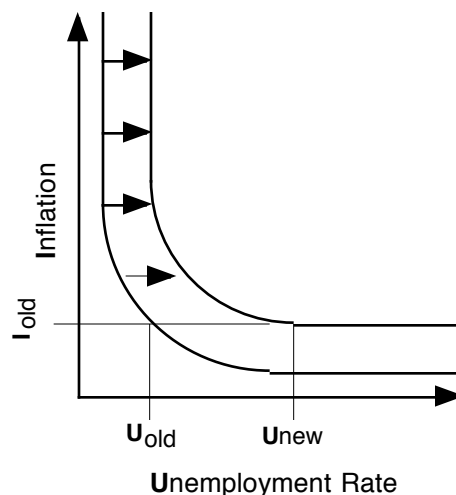
Which just says that "when unemployment is high, inflation is low, and when unemployment is low, inflation is high" - i.e. that unemployment and inflation are *quantitative opposites*.

But today we have *high inflation and high unemployment together*. "Stagflation", the bourgeois economists call it - out they've thrown in the towel as far as explaining it (see *Business Week*, June 29, 1974, p. 50).

How is such a "unity of opposites" possible?

Inflation can only mean one thing - there's too much demand in the system (relative to supply). But if a fall in workers' demand - unemployment - doesn't bring prices down much, it must be that workers' demand is not the cause of inflation. *There must be some other source of demand in the system that doesn't show up on the graph*. Some capitalist economists want to throw out the Phillips Curve - i.e. the theory of supply and demand, which is their only real theory - because it seems not to be working anymore.

But we have to tell them no, their theory of supply and demand is okay, as far as it goes (not very). The Phillips law still holds, that is, the general *form* or shape of the curve is today still as before. It's just that the *location* of the curve has shifted to the right due to an increase of demand which is "invisible" in terms of the Phillips Curve graph.



This simply means that, the same old level of inflation now *corresponds* to a new, much higher level of unemployment or, said differently, the old level of unemployment corresponds to a much high level of inflation.

One thing this does it put the ruling class and government in a quandary. So long as they don't locate and stamp out the real source of inflationary

demand, everything they do to lower inflation will accelerate unemployment, and everything they do to stop unemployment will accelerate inflation. Caught in this contradiction, they're likely to rush around from side to side beating their (and unfortunately, our) heads alternately against each inadequate alternative. And if this hidden demand should keep growing, the curve will keep shifting to the right, and stagflation will get worse and worse, faster and faster. They're in a double-bind, and we can expect this to drive them crazy.

What is this "invisible" source of demand? Fictitious capital. What is it, where does it come from, and how do you get rid of it?

Assume for a moment that there is some cause endemic to capital that systematically leads capitalists to act as if they had more capital than they actually do. They'd charge prices too high, above the actual value of their output, they'd *demand* more value (in the form of money) in the prices they'd set for their product than the value they'd be *supplying* in the form of the product itself.

They would do this because, if they over-value their plant and machinery, their "fixed capital", then the part of their prices meant to cover wear and tear on their machinery, called *depreciation charges*, will be too high. Capital as a whole will be demanding (with the money revenue from sales) more value than it is supplying in the form of actual goods. There won't be any goods around as an "equivalent" for some of the claim on value owned by capitalists in the form of paper money and other paper representations of value. Too much paper will be competing for too little real wealth. The amount of value by which this paper demand outruns real supply is called "fictitious value".

This will cause inflation, and growth of indebtedness. Growth of indebtedness will lead to liquidity crisis, and so on to depression, as explained above. But how do capitalists come to overvalue their fixed capital? Answering these questions will take us through the depths of the system, right to the very heart of the self-contradiction of capital.



The Incredible Shrinking Life (Contracted Social Reproduction)

The crisis and decline, or "decadence" of capital should not be seen as the decadence of the human race. Rather, the reverse. It is the growth of the productive forces, literally of the *creativity*, of humanity, fostered by and as capital, that precipitates the crisis of capital and, in particular, that secretly generates and accumulates fictitious capital. "Growth of the productive forces" means, taken as a whole, *growth of the productivity of social labor*. Growing productivity means ability to produce more and more objects and services and human capacities using (relatively) less and less human lifetime directly in the process.

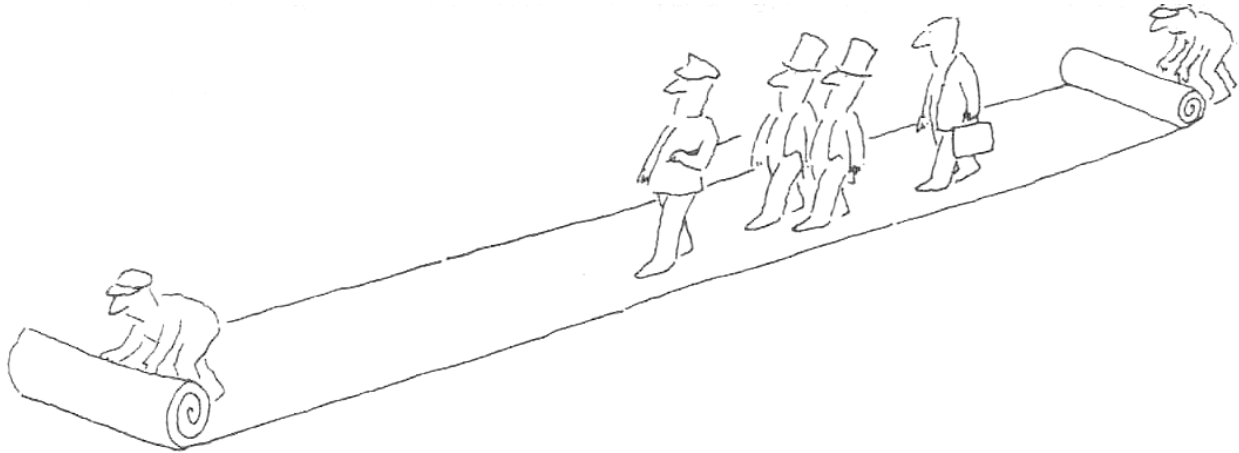
How does this generate fictitious capital? Doesn't better productivity, i.e. technological development, mean more profit added to capital, as well as more "profit" for society as a whole in the sense of greater wealth-per-time? Aren't productivity, capital, and "society as a whole" one big happy family? Or is the house divided against itself, so that it cannot stand forever? Does the growth of technological productivity somehow *subtract value from capital*, as well as *adding value to capital through increased profit*, so that gain or loss for capital from gains in productivity is a question of the balance of these two processes? And suppose that the balance is such that, early in capitalism, the addition side must predominate, but later and as a result of this earlier phase, the subtraction side wins out? If capital declines because of the historical rise of productivity, then there must be some contradiction between social "profitability" and the *capital-profitability* of growth of the productive forces of the human race. And,

since *capital itself* accomplishes this growth of productivity as a necessity of its own early growth, this would be a self-contradiction of capital.

The value of any product of capital is related to the amount of labor-time socially necessary to reproduce it. That means, if any object made in 1905 cost 20 hours of labour-time to make then, but one like it costs only 2 hours to make today, due to increases in the socially prevalent productivity of labor since then, that object is worth at most (ignoring wear) only the money equivalent of 2 hours of labour-time today, no matter what it cost in 1905. The same is true if this object is a capitalist machine.

I may have invested \$50,000 of capital in a machine at one time. But improvements in general social productivity since that time may have devalued my machine by, say, \$20,000, that is, to produce the machine again now would cost only \$30,000 of labour-time (including time of direct labor and time "stored" in the equipment and raw materials used up in making the machine). Now, if my machine wears out from use in 10 years, I'm going to add \$5000 in "depreciation charges" each year, spread out over all the output of that machine, to the prices of that output, so that at the end of 10 years, when the old machine is all used up, I'll have saved 10 times \$5000 equaling \$50,000 from sales with which to buy a new one and stay in business. But, every year after the value of such a machine drops from \$50,000 to \$30,000, I should be adding to my prices only \$3000 per year, not \$5000, in depreciation charges. If I keep on adding \$5000, my prices include \$5000 - \$3000 equaling \$2000 per year of fictitious value. That is \$20,000 of my original capital has vanished as if into thin air. The embezzler, in this case, is general social progress. Inflation is the way the capitalists prosecute the culprit.

Let us evaluate the prospects of each of three modes of purgation of fictitious capital this time around. In this crisis, deflation is being fiercely resisted by oligopolistic, conglomerate, and multinational capital, with the loyal cooperation of the state. World War III is not an option for capital the way World Wars I and II were for the depressions of 1913 and 1929, before it. Nuclear war would be a mode of depression of 1913 and 1929, before it. Nuclear war would be a mode of destruction of capitalism period, not just of fictitious capital, and the capitalists know this. Social revolution, i.e. the *revolutionary expropriation* of capital, remains as our own solution to this crisis.



Cannibal Capital

But, in the absence of social revolution, what will happen? What are the other possible "modes of recovery" of world society from the present depression *if fictitious capital is not destroyed*?

There are basically four possible ways to meet the demand of fictitious capital after a depression that has failed to clean it out of the system. They all involve a return to forms of extraction of wealth resembling the "primitive accumulation" which historically gave birth to capital - by which the first capitals were formed. "Primitive accumulation" is the garnering of capital by non-capitalist (non-productive-investmental) means. It means looting, pillage, the confiscation of wealth without exchange of equivalent, expropriation and theft. It means cannibalization: the consumption of wealth without replacement, without reproduction.

Capitalist demand in the form of paper titles to wealth - money from sales, as well as stock certificates, loan - contracts, bills of exchange and the like (which must be convertible to money, and as money to "hard goods") - has outgrown the base of real wealth produced by capital upon which these titles must ordinarily be "cashed in". Only a source of fresh wealth, over and above the product of capital itself, and available without charge (or at prices below value) can serve to "pay off" this - fictitious capital demand, i.e. to provide this "fictitious" paper with an equivalent in actual goods.

The first possible source of such looting is nature, through the exploitation of newly-discovered lodes of metal ores, petroleum (such as

the new North Sea oil field, the Rocky Mountain oil-shales, the Alaska pipeline, the Santa Barbara offshore oil, and the fields off the shores - of Vietnam). The second is looting of a pre-capitalist hinterland or colonial imperialism. The third is looting of another capitalist nation through its defeat in inter-capitalist war (redivision of its "share" of colonies, of the world market, exaction of "reparations payments", tribute, etc.). The final possibility and last resort is: self-looting, the gouging of the wealth stored up in agricultural land, industrial machinery, real estate property, and, more importantly, in the tissues, skills, intelligence, emotional and physical health of the domestic working class. Capital refuses to invest in the cost of upkeep of 1) its fixed assets and, in the form of wages, salaries, taxes for public services, etc. And the cost of upkeep of 2) its workforce. This means *the looting of our bodies*. This means self-cannibalization of capital and of its basis, labour - Moloch realized.

Let us evaluate each of these four alternatives as to their probable efficacy this time around. The first and second suffer from the defect that most of the possible looting of this kind has already been accomplished in past periods of capitalist crisis and development. The "yolk of the earth" in terms of raw materials is either used-up, or already laid-claim-to. The whole world has been colonized by capital - there is no "pre-capitalist hinterland" left to loot.

The third alternative suffers from the same defect already mentioned - the prohibitive risk of escalation into global nuclear war, which even the capitalists recognize as total loss for them. All that's left is number 4 - the cannibalization of our flesh and blood by capital.

Inflation is in itself already a preliminary form of this looting. We work more and get less, or we get less because we can't even find work. We use up the same amount of muscle tissue, nerve tissue, caloric energy, etc. in working (or even more, due to speedup cannibalization), in return for a pay check buys less and less food, clothing, heating, medical care, relaxation time, "recreation", and mental stimulation with which to "recreate" or reproduce that expenditure of our bodies at work. Capital consumes more of our time and our bodies and gives us less of what we produce back in order to replenish that "self-consumption". Inflation is, in effect, a way of lowering wages while their nominal value stays the same.

This cannibalization of our labour-power is a viciously-circular process. It drops the input to labour, so that, sooner or later, the output of labour must drop as well. But (part of) the output of labour forms the input back to labour (wages). So, every drop in the input to labor leads to further

drops in that input, culminating, if the process is not interrupted by a social revolution, in a viciously-descending spiral of social devolution. The reproduction process of humanity collapses in on itself. Humanity goes down the tubes.



The opposite social process in which the input to labour grows, leading to yet further growth in that input, in an upwardly building spiral of rising standards of living, skill/education, health, intelligence and social creativity, is called *expanded social reproduction*. The phase in capitalist development characterized by expanded social reproduction, during which crises are just "growing pains" of capital, is called the ascendant phase of capital. It depends on rising productivity of labour. It ends when capital has grown to the point where any further growth of productivity will devalue more value of capital than it will add to capital. Then capital can only lose, whereas society in general, and the working class in particular, has still to gain, from further growth of its productive force. Then capital enters its decadent phase, which is characterized by *contracted social reproduction*. Increasingly, capital can add value to itself only by "non-productive" speculation, cannibalization, and production of means of destruction of real wealth (armaments production). Every depression is a moment of intensified contracted reproduction - negative growth. But negative reproduction, when the world is considered as a whole,

characterized the entire period of decadence. This has not been apparent because, to the extent that we have tended to think in national(ist) instead of world terms about "economic progress", the overall balance of the tendency is disguised because of the fact that the two aspects of decadence had been separated until this crisis. The quantitative aspect of decadence, namely, declining rates of population-reproduction impending zero or negative population growth, had been manifest only in the "industrialized countries" in which the other, qualitative aspect declining standards of living - was still contradicted. Conversely, this second aspect, declining "quality" of population-reproduction, that is of the "human product" of capital equals declining standards of living, was confined to the "underdeveloped countries", where population continued its *quantitative* growth.

But the present depression is sublating that duality: living standards are now declining in the "First World" at the same time that unprecedented waves of starvation - due to worldwide inflation in general, and to the effects of inflation of oil prices on the price of petroleum-based fertilizers - are expected to kill upwards of 100,000,000 people this year.

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It should be clear from this discussion the way in which the "zero population growth" ideologies - funded from their inception by the Rockefeller interests which incarnate the interests of the strongest agglomerations of world private capital - it in with this process of cannibalization. The propagation of petro-fertilizer dependent crop varieties (the so-called "Green Revolution") coupled with the drastic jacking-up of world oil-prices through their Standard Oil Company, etc. has thus been the most effective "zero population growth" measure achieved by the Rockefeller interests to date.

On a global scale, per-capital basis, capital has ceased to improve the standard of living of the proletariat, though it has raised it in some localities - at the expense of a withering degree of cannibalization of other, larger, areas.

But with this crisis, cannibalization is coming home.

When capital embarks on a course of cannibalization at home, its first task is to divide its proletariat into two parts, one for immediate cannibalization, the other to be used to keep things going, for a while longer, to make the immediate cannibalization possible. Some apparently non-arbitrary way of dividing up the proletarian class has got to be found, or the deadly risk of a unified proletarian opposition is incurred. In Nazi Germany, the ideologies of anti-Semitism and anti-Communism solved the problem: Jewish and Communist workers, along with anybody who resisted Nazi state-capitalism, were literally worked to death in the slave labour factories of Krupp et. al. attached to the S.S. concentration camps. The looting of human bodies there descended to the level of scavenging the skin, teeth, and gold-fillings of corpses. In the U.S. racist ideology may also be exploited for such divisive purposes as our class comes up for cannibalization here.

Only a united proletariat can defeat the cannibalist plans of capital this time around. During the phase of expanded social reproduction, reform was possible, because expansion of living standards of the proletariat was both possible and necessary from the point of view of capital as a whole (represented by the state), no matter how fiercely reforms, wage increases, unionization, etc. may have been resisted initially by particular capitals. So the proletariat created reformist organizations - unions and the like - to see to its expanded reproduction. But now that capital can no longer expand social reproduction, what was once a reformist "program" has turned into a revolutionary "program". Only social revolution can restore expanded reproduction. Capital can grant "reforms" and improvements to one part of the class now only at the expense of other parts; it cannot grant improvements to the class as a whole. Thus, the only "program" that can unite the interests of the whole class is that of revolution. For the same reasons, the new revolutionary organizations must be class-wide, not localist or particular-interest group (sub-class) based (like unions). They must include unemployed proletariat as well as employed, black as well as white, female as well as male, housewives and students as well as workers. Those organizations will have to become international.

Solving the Riddle of History

The same force that creates the crisis of Capital - the ever-increasing productivity of labour - also creates the solution to the crisis, in the form of the greatest productive force of all; WE, the proletariat, all of us who are forced to put an end to our own exploitation, our reproduction of ourselves as wage-workers or other kinds of "assistants" in capital-production - housewives, students, unemployed or non-employed. Thus we come to see capitalism not as an eternal "way of life", but as a transitory, necessary period in human history which is now on the wane. Capitalism creates all the conditions for its own (self-) abolition. When the conditions of reproduction of Capital (profitability, accumulation) are no longer met, this mode of reproduction must come to an end.

Nevertheless, the positive abolition of Capital - by a successful social revolution - is not a certainty. Capitalism is doomed one way or another, but without certain conditions being met, we are doomed along with it - doomed to a long spiral down into ever-increasing misery, chaos, and terror. Chief among these conditions is that we who reproduce Capital understand what we reproduce (our own slavery) and how we reproduce it (through wage-labour and commodity consumption). Human beings in the past have always reproduced the principal social relations of their epoch without understanding or questioning them until it becomes impossible for them to go on doing so. It's the same with us. As long as Capital provided us with the possibility of reproducing ourselves at a constantly higher level (or what felt like one) most of us went about our daily routine, however dismal it might be most of the time, without thinking too seriously about its implications.

A certain amount of conflict has been part of this routine, helping the system as a whole to correct itself. For example, when a strike occurs in prosperous times, it helps to prevent the average social price of labour-power from sinking too far below the high water mark in Palestine: nothing is called into question. But now, as the life-process of the world begins to contract overall, there is less and less room for illusion. Inflation and unemployment here, starvation and death in the Third World, as well as such "secondary" effects as the erosions of personal relationships - made visible in the soaring divorce rate, the falling birth rate, the increase of rape, murder and violence in general *between people who know each other as well as between total strangers* - make it impossible for us to go on as we are. And at the same time, Capital has

created in us needs and desires which it cannot satisfy, creativity which it cannot put to use. It has unified the world into a material community while at the same time fragmenting it, destroying all real general interest within itself, setting nation against nation, employed against unemployed, one competitor for survival against another. To create a real, free human community of the whole planet, we must overthrow Capital, everywhere.

