

History Repeats



First as Tragedy - Then, as Farce

The so-called “cycle” of capital¹ has turned again.

A global depression is now opening. This puts world revolution back on the historical agenda for the first time in 45 years. Reformist practice is increasingly impracticable. Reformist organizations - unions, labor parties - dwindle, dissolve, become reactionary, or are destroyed by the capitalists themselves. Revolutionary practice becomes necessary (not in the gear and pulley sense, but *subjectively/objectively* necessary). Revolutionary organizations, and organizations which claim to be revolutionary, will sprout up everywhere, and grow.

Socialism is no utopia. Socialism can only be understood in terms of the latent form in which it *already exists* here and now, inside capitalism. As capitalism develops, it turns small-scale production by isolated private individuals and families increasingly into large-scale production by groups of workers associated in factories, offices, etc.: through socialization of labor. Moreover, this large-scale production is increasingly no longer *local* production, but *world* production, based on a world division of labor, world market. Increasingly, the lives of each of us come to depend upon an interconnected production carried on all around the world. This global *social production* is the basis of socialism. Capitalism itself develops it. But capitalism comes to a point where, if it is to continue, it can only tear down what it has built up, or rather, what we have built up as part of it. At a certain point, it becomes more profitable to invest in speculation and waste-production, to cannibalize already existing wealth, than to produce new wealth. Depressions occur, i.e., capitalism has to *stop itself* - stop production. Wars occur, i.e., capital has to destroy some of itself physically - buildings, machines, *and workers*. Then socialism becomes a practical necessity for us. Then we have to rescue the social production we have built up under capitalism - to rescue *our lives* - by ending capitalism itself. We have to take over the means of production ourselves, ending it as capital - as the private property of groups of capitalists or, in countries miscalled “communist”, as *state property* (state capital) - and begin them as the social property of the worldwide class of producers. We say “producers” and not “proletariat” or “working-class” because we would no longer be “wage workers” or “proletarians” when we socially own and plan the use of the means of production, which would then also no longer be capital, but self-expanding use-value now freed from the fetters of self-expanding exchange-value.



Why Depressions Happen

The deepest tendency of capital is to increase the productivity of labor - that is, capitalists set up means of production which take less and less direct labor time to produce a growing quantity of objects. Capitalists do this because of the short-run *profit-advantages* it gives them. Under capitalism, the growth of productivity does not necessarily mean that individuals work shorter hours. But obviously this increase in productivity has a *latent* advantage for humanity as a whole (in liberating time from necessary labor), independent of the question of capitalist profitability. This latent advantage can only be realized in and as socialism.

But this incessant increasing of productivity by capital reacts back on capital itself. It constantly diminishes the labor *value* of all existing means of production, because it makes it cost less labour-time to *re-produce* (to produce anew) those means of production than it cost originally to produce them.

But only in a situation of *near perfect competition* are individual capitalists forced to recognize this devaluation. Then it appears to them as a decline in their rate of profit. After all, if I invest an amount of dollars equivalent to a value C in my machinery, I expect the going rate of return on the value of my *initial* investment. If that value C dwindles to c due to productivity increases throughout society - increases I may know nothing about, changes made by other private individuals in their private property over which I have no control - I have no way of knowing this, unless it comes to me in

the form of price-cuts by my direct competitors. And even if someone were to inform me, I'd be infuriated. The very idea that some of my capital could vanish into thin air without any action on my part! Why that's - robbery!!

Any accountant or group of stockholders would have a hemorrhage over this kind of "evaporation" of assets. No, if I invested an amount C in my fixed capital, I expect the going rate of return on the value of my investment, say, $S-C$. If the value of my fixed capital drops to c due to productivity increases (i.e., to this *techno-depreciation*²), and consequently my return drops from S to s , due to price cuts, I am forced to make to meet competition, then I will see this as a fall in my rate of return from S/C to s/C , even though I'm really making the same rate of profit as before: $s/c = S/C$.

If competition is imperfect, however, as a result of successful competition itself, with the centralization and oligopolization of capital, the forced recognition of the self-depreciation of capital ends. Then a capitalist will, in pricing his/her product, change an amount for "wear and tear" depreciation on his/her machinery at its full original value, i.e., based on C instead of c . Thus the price of his/her commodities further deviates upward systematically from their labor values. The value of his/her means of production which *no longer exists*, which has been wiped out by the general improvements in social productivity, namely the amount C minus c , is still present in his/her pricing structures in the form of physical depreciation charges on what are now nonexistent assets. It is a *fictitious* value: C minus $c = fv$. This fictitious value is capitalistically indistinguishable from the real value, and is *realized* through the sale of the overpriced commodities no less than the commodities real value, and it compounds its value at the same rate of profit as the real value. That is, *fictitious value* becomes self-expanding fictitious value: *fictitious capital*. The ever-growing accumulation of fictitious capital means that capital on paper grows faster than the real productive value it represents. That is, demand outgrows supply. Profit is a right to demand hard goods and services. Titles to profit payments, even if they first take the form of stock certificates, loan contracts, bonds, bills of exchange, etc., must be convertible into hard cash if they are to have any value and therefore are, like hard cash, titles to demand payment in hard goods. Now, real capital *supplies* real goods at the same time that it *demands* other real goods of equal value to what it supplied. Fictitious capital, on the contrary, posits no equivalent in value of hard goods to the expanding right to demand hard goods which it gives to its owner. Fictitious profits *demand without supplying*. Thus, effective demand *in general* increasingly outgrows supply *in general*, as fictitious capital grows. Thus, *inflation* (general rise of prices). This brings about a dialectical "unity of opposites" which the formalist and empiricist bourgeois "supply-and-demand" economists are at a loss to comprehend. From the point of view of capitalists, it looks like *overproduction*, because of the difficulty of

selling all they produce at their prices. From the point of view of consumers, it looks like prices are too high, i.e., what would be the result of shortages, undersupply, *underproduction*. Thus, credit expansion and accelerating growth of debt in order to make possible the "buying back" of the produced commodities, i.e., in order to realize the turnover of capital. Debt expansion leads to liquidity crisis (high interest, "tight money": not enough money around to pay off all the fictitious demand for payment); liquidity crisis to stock market collapse and to bankruptcies (through default on debt payments), single bankruptcies to chain reactions of bankruptcies (due to the breaking of a chain of payments) and chain reactions of bankruptcies to depression. The result: massive layoffs, sudden high unemployment; stoppage of much of production; finally "deflation" - a general fall in prices due to decreased effective demand resulting from high unemployment. The accumulation of fictitious capital, therefore, of "fictitious" effective *demand*, gives rise to another "unity of opposites" which befuddles the bourgeois economists: the apparent overthrow of the Phillips relation; the simultaneous rise of prices and unemployment, which they call "stagflation". What actually happens is that the Phillips curve shifts to the right due to a factor of demand independent of the effective demand created by employment - fictitious capital, by name.

Accumulation of fictitious capital is just a disguised (repressed) form of the tendency of the general rate of profit to fall, a tendency which earlier in capitalist development can lead to depression even in its direct form due to disinvestment (i.e., withdrawal of investment leading to apparent overproduction). There is only one solution to the crisis: the destruction of fictitious capital. The system has to bash and thrash itself around blindly until it beats a sufficient amount of fictitious capital out of itself. This self-destruction of a part of capital has three major forms. The first is *depressionary deflation*, general price collapse which reasserts the fall of the rate of profit disguised by fictitious-value accumulation, wipes out paper value of stocks, small investors, and savings. The second is *intercapitalist war*, a process which simultaneously destroys real and fictitious capital, both constant and variable (i.e., *workers*). The third is *expropriation of capital*. This has two sub-forms. One is state expropriation or *nationalization* - that is, the formation of state-capital. Every depression results in a flurry of state-capitalization due to bankruptcies of essential heavy industry, etc. Italy, France, Britain, etc., already have much state-owned capital as a result of previous depressions (not to mention the fully-owned national capitals of the pure bureaucratic state capitalist countries like Russia). The other is communist expropriation: the takeover of the means of production by the (ex-)proletariat; the freely-associated producers, i.e., *social revolution*.



The Concept of a Final Crisis

There is reason to believe that the depression-crisis now opening is a *final* crisis for capitalism, i.e., that no capitalist recovery from the crisis is possible - the only alternatives being "socialism or barbarism"; a new society, or "the mutual ruin of the contending classes" through war. The presentation of this evidence involves the discussion of the recovery process and the various modes of recovery, their necessary conditions, and inquiry as to whether those conditions exist today.

In a passage of the *Grundrisse* which may turn out to be a virtual scenario for the last 100 years and for the period that is approaching, Marx lays out his conception of the "final crisis":

"Hence the highest development of productive power together with the greatest expansion of existing wealth will coincide with depreciation of capital, degradation of the labourer, and a most straitened exhaustion of his vital powers. These contradictions lead to explosions, cataclysms, crises, in which by momentaneous suspension of all labor and annihilation of a great portion of capital, the latter is violently reduced to a point where it can go on fully employing its productive powers without committing suicide. Yet, these regularly recurring catastrophes lead to their repetition on a higher scale, and finally to its violent overthrow."³

The initial recovery from a depression is possible only because, as a result of the catastrophic deflation of the preceding "crash" phase, means of production - workers and machinery - are purchasable to capitalists at prices *below their socially necessary cost of reproduction*. This means that previously produced wealth is consumed (and not reproduced), i.e., cannibalized. As these reserves are exhausted, a leveling off of recovery, *below* pre-depression levels of production, and thereafter a new decline will occur, *unless an outside source of fresh real wealth* is available for free or at prices below those corresponding to the loss of value. This necessity has been met previously through (1) looting of a pre-capitalist hinterland ("colonization", etc.), (2) looting of the productive wealth of other capitalist nations through successful intercapitalist war and redivision of the world market, or (3) discovery of new lodes of natural wealth - gold, oil, etc. (looting of nature).

This time around, however, there is no pre-capitalist hinterland left to loot. The completion of the globalization of Capital begins its decadence. In some ways the situation of the *whole world* today corresponds to that of one nation, Nazi Germany, in the immediate aftermath of the last Great Depression. "Landlocked" in terms of colonies to loot, i.e., shut out of the imperialist plunder of the "hinterland" with an enormous war reparations debt corresponding to the huge inflationary drain on real (reproductive) production which fictitious capital now represents for us, Germany went into a hyperinflation. Starting in 1923, the phenomenon which then appeared is being reproduced *on a world scale*.

The incredible depredations of Nazism were no accident. The vast slave labor concentration camps and plants, the working-to-death of slave workers, the extermination of those slaves who could not work, the looting of Europe by the Nazi armies, the cannibalization of every corpse down to gold fillings, hair, skin itself, were

expressions of the economic necessity of capital in crisis.

We are underestimating what our own rulers *and peers* are capable of, if we fail to ensure that a higher necessity self-consciously intervene and realize itself: communist necessity. The bourgeoisie has already assembled the means of turning the world into one big concentration camp. Trial runs have already begun in Brazil and elsewhere - in the U.S. itself.

Several government organs and agencies in the U.S. work towards that end. To mention a few of them, notably the L.E.A.A. (Law Enforcement Assistance Administration) with their \$910,000,000 budget for 1974 (\$63,000,000 in 1969) mainly focusing on anti-riot control, anti-insurgency programs, central computer dossier banks, superseding the coordination of local police departments. The L.E.A.A., backed by its civilian branch called Americans for Effective Law Enforcement, is supposed to fight organized crime. What remains to be discussed, though, is its huge counterinsurgency planning imposed over and above all supposedly autonomous major police departments around the country, (the "nationalization" of the police) as well as its common programs with agencies like the National Institute of Mental Health and the Department of Corrections. The strategy of the bourgeoisie is far from being unilateral though; at the same time as they plan repressive conditioning, they promote self-conditioning or cognitive (stimuli) conditioning, i.e., *community control*.

The essence of community control could easily be mistaken for generalized self-management by naive people looking for autonomy and self-determination abstractly, i.e., without grasping the fact that the autonomy of the social individual can only become a reality *worldwide*, as the expression of the organized proletariat superseding capital.

Community control, then, depends on implicitly naive and explicitly anarchoid or nationalist elements in order to promote the heteronomic central organizing the state needs to fight revolution. According to local or community control programs, all neighborhoods, communities, etc., are dependent on the state for allocation of limited amounts of credits, improvements of all sorts, which means these so-called "autonomous" communities compete with each other for state allocations. The result, as you can easily deduce, is *state-councilism*, or, in other words, the most advanced form of recuperation.

The outcome of this crisis, short of world communist revolution, can only be a system of competing national state-capitals. But the tendency to catastrophic instability of such a system is high. All the competition that would disappear at the domestic level

would only reappear more fiercely at the level of international competition. Short of communist revolution, world nuclear war, and with it the virtual extinction of the human species, is the likely outcome of this, the highest and most intense form of the competition of capitals.

The task of class-wide self-organizing, of creating strategy and programme for that self-organizing, has become the first necessity for our survival, individual and collective. There are no atomistic, individual solutions. We survive through social relations. The social relations we have survived through up to now, capital, has begun to self-destruct. Only by creating a new social relation worldwide will we survive.

¹ It is actually a helix, never a simple return.

² The composition of capital is to be understood in a twofold sense. On the one hand the *value composition* of capital, i.e., the (value) *relation* between the value of means of production and the (value) of living labor. On the other hand the technical composition of capital, i.e., the specific relation between the mass of the non-living means of production, and the mass of living labor, necessary to operate (set in motion) those means of production. The correlation between value and technical composition of capital is called *organic* composition of capital.

³ Karl Marx, Grundrisse: Introduction to the Critique of Political Economy; Penguin Books, Inc. (Middlesex, England); first published 1939; page 750.

Originally published in 1974
The Spectacle
Volume 2, Number 6
East Lansing, Michigan USA



(r)epublished by
LUST for LIFE
<rasputin@teleport.com>
v1.0 (March 2002)
v1.1 (December 2002)
v2.0 (January 2003)