

CRISIS OF THE WORLD MONETARY SYSTEM AND DEVELOPMENT OF PRODUCTIVE FORCES UNDER IMPERIALIST DECAY.

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The crisis that burst in 2008 has peculiarities that make it the deepest one in the last sixty years. In this sense we can point out how, considering its particularities, there appear fundamental changes of which the crisis of the world monetary system is an example. In the following article we will try to determine how this changes have their roots in the anarchic development of capitalism in its imperialist phase.

It is important to note here, against any monetarist vision on economy, that precisely the particular physiognomy of the world monetary system is tightly related to the explosive development of the speculative financial sector that grew explosively because of the long survival given by military catastrophes in the XX Century with huge accumulated capital's destruction, the defeat of the labor movement and the crushing and isolation of revolutionary processes that began in the early century. This is why when we talk about the deepening of the contradictions generated by the greater importance of financial speculation (and the correspondent monetary system, in this case the floating dollar as world currency), we are really starting from the fact that we recognize how the development of the so called "counteracting forces" are behind the deepening of the contradictions. As Marx said, credit takes the natural elasticity of the reproduction process to the limit.

This means it takes the tension between the potential development of productive forces and the barriers that capitalism puts before itself to the maximum.

We think it is relevant to carry out this analysis on the particularities of monetary system and its current crisis as a continuity and an application of the theory of imperialism of Lenin. Against the vulgar vision, the Leninist theory of imperialism does not point out a "political option" by the Powers, but the development of capitalism when its immanent barriers lead it to a structural crisis. Lenin studies this phenomenon from the "countertendencies" (or counteracting forces to the falling tendency of the rate of profit) described by Marx. Particularly, as we have said above, regarding the massive expansion of financial capital, expressed in the greater power of banks and the generalization of speculation. The other countertendency that we can verified out of its great development is the expansion of foreign trade to a global scale, that should not be understood as a mere expansion of commodity exchange to a global level (which already exists since the beginning of capitalism), but the exportation of capitals and the creation of capitalist markets, typical of colonial expansion and that continued despite the World was "already divided" (this didn't diminish but increase that tendency). Imperialism can thus be seen

as a development of the countertendencies of capital, that themselves, postpone the crisis increasing its destructive force.

The centrifugal forces that this crisis has unleashed tend to destroy the monetary system established since 1944 and which kept running, not without significant modifications, during the second part of the XX Century. With this, naturally, the postwar capitalist equilibrium is challenged. On the other hand, the choice of this article to develop the history and physiognomy of the current monetary system was made from considering it the place where the movements of the whole world capitalist system are condensed. Far from seeing this as the core of capitalism, as bourgeois monetarist economists believe, we think that in these projected shadows of the monetary system are expressed the fundamental movements such as capital exportation to semi colonies, interimperialist competition (and its postwar particularities), the boom of speculation and the accumulation of fictional capital, and even the capitalist assimilation process that imperialist countries are trying to impose over Russia and China.

Moreover we can say that the crisis of the monetary system based on the dollar, and in a concrete way on USA's economic potential, is actually the main "centripetal" force that is affecting today the USA as the main core of world capitalism. The mone-

tary system in crisis –build as a living image of the American economy– made the World run at its own pace (including its competitors) for over sixty years. This meant an additional strategic advantage for the US, that obtained seigniorage privileges on the world economy. Now, this crisis is the proportional counter reaction directed to the very core of its economy. Unlike the development of the crisis in Europe and Japan, that fall because of their own contradictions, in the case of the crisis in the USA we can say that it is the burden of the contradictions of the whole capitalist system what is leading it to disaster. Its hegemony finally turned into exposition to historical decline and decay of imperialist capitalism.

Finally, we want to point out that this article intends to take place in the open debate inside Trotskyism about the question of productive forces' development under imperialism. This discussion divided the ranks of Trotskyism –it still does–, since it determines important strategic questions. In the center of this debate there is Marx's assertion: "No social formation disappears before all the productive forces for which it is sufficient have been developed, and new superior relations of production never replace older ones before the material conditions for their existence have matured within the framework of the old society".² Likewise, Trotsky stated in the Transitional Program that the productive forces (PF) were stagnant in 1938, which would determine an extreme maturity of the objective conditions for revolution. Precisely, what is in the center of debate on PF is the question of revolution, or to be more accurate, of whether the conditions for revolution have matured enough to be rotten (which would define that revolution is "objectively possible" since decades ago) or, on the contrary, whether the recovery of capitalist economy would deny such statements opening the way to the reformist program.

On our part, we have set ourselves the goal of overcoming this absolute dichotomy in which the debate of postwar centrism has fallen, misunderstanding in an abstract and ahistorical way Trotsky's statements, and that has in concrete led many currents to all kinds of unilateral stances that in the end turn out to be impotent when they are taken to politics.

The financial system in the postwar period

The development of the financial system under USA's hegemony: from Bretton Woods to the floating dollar and the boom of derivatives market

La actual crisis capitalista expone de forma clara los fundamentos de la crítica al modo de producción basado en la explotación asalariada. El desarrollo de las fuerzas productivas en la segunda posguerra tuvo características derivadas de las ya vistas por Marx en el siglo XIX, pero desarrolladas en un grado nunca antes visto.

The current capitalist crisis put clearly forward the foundation of the critique to the mode of production based on wage exploitation. The development of productive forces during the second postwar period had features derived from those that Marx had already seen in the XIX Century, but these have developed to a level never seen before.

The "monetarist turn" that the imperialist bourgeoisie made during the postwar period, of which Bretton Woods is the greatest exponent, describes an economic ideology based on capital fetishism that gives itself value, that is to say, the predominance of interest-bearing capital. On the part of bourgeois monetarist theory, it derives all the economic phenomena from a particular money theory that has its origin in the very foundations of Ricardo's political economy, the "quantity theory of money". This is why, although there can be stated the series of crisis that the capitalist system suffers due to its own limits, there should be found an argument to reach the fundamental question, which is: that behind the ghostly quantity theory of money and its further development into the modern monetarist theories, only law of labour value, as the main amalgam of the whole process of capitalist accumulation, could explain the myriad of monetary phenomena that exists today. But to do this, we must start from the Marxist critique to the theory of money. In this critique Marx defines the "determinations" that money experiments, and that give shape to its contradictory dynamic (which is at the very foundation of the periodical outbursts it has). Precisely, in this moment, when the operation over time is a quality ele-

ment, the deployment of the "money concept" explains the development of the multiplicity of monetary phenomena that bourgeois ideology fetishizes in pragmatic descriptions that lack of articulation.

Brief explanation of the formal determinations of money in marx

The Marxist theory of money explains, by the dialectical method, the different "formal determinations" of money, that is to say, its different functions which help to describe the different moments of this "universal commodity" inside the phase of circulation. For Marx³, money performs three functions: as a measure of value, as a means of circulation, and as money, strictly speaking, either as means of payment or means of hoarding or world money.

As Marx says: "The first function of gold is to provide the world of commodities with the material in which they can express their values as magnitudes of the same denomination, quantitatively equal and qualitatively comparable. (...) Money as a measure of value, is the phenomenal form that must of necessity be assumed by that measure of value which is immanent in commodities, labour-time" (Marx, Capital, volume one, chapter 3).

In order to perform this function of measure of value, money must be a particular type of commodity that embodies the general expression of all commodities, as a special commodity "existing beside and apart from the other commodities".

The following "moment" in the development of the concept of money is money in circulation strictly speaking. Here money has to perform the function of means of exchange, in which it is not only expressed the value given to money, but also the "tentative price" given to commodities when they get to market. Remember that price is not equal to value, for price is mediated by the competition among capitals; this situation determines the average profit rate. As Marx says: "In this determination as a pure means of circulation, the determination of money itself only

consists of this circulation it makes effective, while its quantity is pre-determined".⁴

In circulation, money becomes a pure means, and in this sense it is confronted to the rest of commodities as an exchange-value, against use-value each of the others have. Money, in the phase of circulation, allows the splitting of the act of exchange into buying and selling. Marx says that precisely circulation "splits, in the antithesis of buying and selling, the direct identity existing here between alienating the product of one's own labour and buying the product of other's labour".⁵ It is settled, therefore, a difference between the moment of selling and the moment of buying, that might be more or less extended in time. This management of time between selling and buying is what opens the possibility for money to transform during circulation into diverse forms of credit, so it opens the door to the fictional creation of values.

Now, although this split between exchange-value and use-value is established, as well as the one between buying and selling, it is important to note that the unity of the act of exchange is never lost. In fact, even though commodity makes its "somersault" (the selling is done separately from the buying), if the latter is realized in a too long period of time or not realized at all, the violent return to the exchange unity presents itself under the form of a crisis.

On the other hand, it is in this moment of money as a means of circulation strictly speaking when, from the splitting, money can also be represented by tokens of value, by paper that represent an absent value at the very same moment of exchange, but existing as a guarantee. Thus it is possible the emergence of paper money, or legal tender notes. As Marx states: "The fact that the course of money itself "dissociates" from the real content of currency its nominal content, from its metallic existence its functional existence, entails the latent possibility of substituting metallic money, in its monetary function, for cards made of another material, or symbols".⁶

The development of this moment of money in circulation even reaches forms that have to do with non existing values that circulate

as money, as the case of monetized credit, like for example checks and bills of exchange.

Finally, money performs the function of money strictly speaking, either as a means of hoarding, a means of payment and as world money. That is to say, we are talking here about "hard cash", not any more a tentative estimate of the value of a commodity, or circulation of values in the (split) acts that compose exchange, but money as a commodity to be exchanged for other commodities. This is why this commodity-money can be saved as reserve, which constitutes hoarding. On the other hand, its second function as money in strict sense is to serve as a means of payment of debts or commodities, such as it occurs for instance in the exchange between countries. Precisely from this last case money in strict sense becomes a worldwide equivalent to commodities that different countries exchange in international trade. Thus, money "strictly speaking" is the globally accepted measure to define values. For Marx, gold contains, conceives, all the material wealth spread in the world of commodities.

Historically, the role of commodity-money has been played by gold, and to a lesser extent by silver. Only have the development of productive forces and the increase in the productivity of labour (and therefore the greater need of money) made "metallic money" a non sustainable monetary base, that was partially replaced by the use of the function of global equivalent of notes issued by the central banks of those countries with the strongest economies, being the US dollar the most important of all.

These distinctions are not understood by bourgeois economics that always tends to confuse one with the other, specially the function of means of circulation with the one of means of payment. This difference could be summarized saying that while money in circulation could not be exchanged for an equivalent (because of the splitting in time between selling and buying), in the case of the means of payment, it is essential its exchange for an equivalent (this generates the return to the unity of exchange or the simultaneity of both acts of selling and buying).

The role of credit in capitalist production

The other fundamental matter is credit.⁷ We will take here some important references developed by Marx on interest-bearing capital. It is important to mention that for Marx credit appears as a "lever" that "accelerates the material development of productive forces and the establishment of world market". That is to say, its importance lies in fact that it allows the realization of capital's historical mission. But at the same time, this lever "accelerates those violent explosions that crisis are", by forcing to the maximum the elasticity of the reproduction process, due to the simple fact that the main agents who manage the great masses of capital are no longer their owners but speculators and bankers that manage the mass of social capital with greater disengagement. Thus, they convert the capitalist system into "the most pure and gigantic system of gambling and speculation, reducing more and more the number of the few individuals that exploit social wealth". But along with this, this movement that accelerates the contradictions of capital determines, for Marx, the establishment of "the transitional form towards a new production regime", precisely because centralization and concentration of capitals tend to make the expression "social capital" a more and more immediate reality. For Marx, the role of credit is therefore the constant tendency to break the immanent barriers of capital based on the private character of property and the antagonism of production, which can never be taken to the end, what generates deeper contradictions that are the foundation of the tendency to crisis, characteristic of capitalism.

Having said this, we can now state some characteristics of the role of credit in capitalist economy.

In the first place, for Marx credit was a necessary vehicle to equilibrate the rate of profit.

In the second place, it helps to the "reduction of circulation costs", economizing the cost of (metallic) money since it is directly omitted in most real transactions. As well, its costs are reduced due to the acceleration of its circulation, or when it is substituted by notes. Moreover, through credit the "commercial metamorphosis"

is also accelerated.

A third important characteristic is the constitution of “sock companies”, which means the scaling of production due to centralization and concentration of capitals, that allow then the rather “social” character of these enterprises constituted by a myriad of private capitals. On the other hand, he emphasizes the fact of the appearance of rentiers, but above all the appearance of “other’s capital managers”, confronting “all the really active individuals in production, from the director to the day laborer”, which means a necessary point of inflection for the future reconversion of capital into “property of the producers”. Another feature that Marx notes in the behavior of capital under credit is the fact that dividends for stocks paid by companies to investors are determined by the rate of interest without participation in the equalization of the general rate of profit. In this way, credit works as a counter-tendency that tends to postpone the fall of the rate of profit. Finally, he points out the important fact that capitalists that operate with credit can have social labour at their disposal without risking their own capital, their own property; but social property. This makes the expropriation of small and medium size capitals the very core of the tendency to the centralization of capitals.

Marx points out, on the other hand, the constitution of “bank capital” based on cash reserves (liquidity), and furthermore, “titles and obligations”. Currently, this is what is expressed by the distinctions M1 (liquid money) and M2 and M3 (fixed term deposits, stocks and bonds). What is important about this is that Marx noted the fact that, for bankers, the return emerging from their operations appears to them as the “a capital’s interest”. That is to say, banks do not discriminate, regarding the origin of their profit, the fact that only a part comes from “real” wealth and that the other part (every time more important as productive forces and credit develop) only constitutes the interest that comes from a debt that appears as capital. In this sense it is marked how operations with fictional capital (state debt bonds, for example) are an important part of bankers’ operations, although they are in fact just nominal representation of already spent capitals (credit to States) or of capital that do exist

in industry or trade. In this way, this “accumulation” of fictional capitals does not accrue at all “the nation’s wealth”. In fact, these values that are established on other values are quoted, not from for example improvements in productivity, but from “what is expected” of industrial capitals to win in the future (the case of stocks), or even worse, of taxes that are to be paid the following year (the case of public debt).

Some relevant points about marxist analysis of interest-bearing capital

In the first place, we will name the complex relationship between money-capital and real capital, which is established from the existence of cash money plethora available outside production and trade. Marx makes two questions regarding this: if this plethora of money capital is a sign of excess of real capital (productive or commercial); and if, on the contrary, its eventual “narrowness” has to do with a real shortage of capital or rather a shortage of means of circulation. Marx says that financial assets (equity securities, bills, etc.) tend to be quoted and increase their value with the decreasing trend of the rate of interest (this decrease is a reflex of the decreasing trend of the profit rate). Thus, this “credit money” will always tend to increase up to unlimited levels. Now, on the other hand, Marx notes how in relation to commercial credit, its growth goes hand by hand with growth in industrial capital, so the part that performs as loanable money capital represents in fact that fixed capital or that is in process of reproduction, and not remaining and idle capital. This is why the possibility to expand credit to the maximum is equivalent to the fullest use of industrial capital. On the other hand, also crisis provoke the existence of idle capital that is no longer used because of the shrinking of the base of the reproduction process.

In this way, Marx says that not every increase in loanable money capital is equivalent to the enlargement of the reproduction process.

Another important topic is the situation of the means of circulation

under the credit system. Beyond appearances that come out from credit-money’s dynamics, Marx states that the mass of money is always determined by prices, even though credit regulates the speed of money circulation. The mass of money supply depends on the needs of trade and not the other way around. In this mass of money supply a distinction should be made between what effectively circulates from what remains as reserve in the banks. This variable proportion between the two masses of money supply determines the interest rate, or the so called “abundance” (when the amount of money increases in the bank) or the “shortage” (when reserves in the bank are reduced). The rate of interest is determined according to the evolution of these proportions during the industrial cycle. For example, in times of crisis there is the maximum interest because what it is needed is means of payment, liquid money. Precisely regarding this point, Marx notes the fabulous power that speculator gain from central banks fixing the well known “equilibrium interest rate”, which allows the alteration of the determination of the interest rate according to the great financiers convenience.

In his polemic against the “Currency School”, Marx and Engels point out the fact that every modification in the level of prices is “totally independent from the ebbs and flows of gold and the type of interest”, although between the latter two there is a tight connection, such as we mentioned above about “shortage” or “abundance” of money. Marx discusses here with the theory derived from Ricardo’s quantity theory of money and even affirms that, on the contrary, the reduction of the quantity of gold only increases the rate of interest.

Finally, we will quote Marx’s discussion on the relationship between exchange and flow of precious metals for an economy. Although Marx analyzes the dynamics generated in a monetary system with a metallic base (and not a standard based on paper money such as the dollar, as we have nowadays), some of his findings can be very useful to analyze the dynamics of nowadays money system and financial system. It is important the mention he makes on the influx of world money (gold, in Marx’s times), from which great disturbances in economy are produced, the more

developed the credit system is (he talks about a “hypersensitivity”), due to fluctuations produced in the rate of interest, therefore the whole system is exposed to the risk of high probability of run on the banks (need of sudden transformation of financial assets into liquid money). This is why, for Marx, even though money capital is just a particular and marginal kind of capital when analyzing the capitalist system in its genesis, its dynamics becomes the most important when trying to analyze the bank system, and it constitutes a fundamental part of the analysis of reproduction of capital on an enlarged scale. From this comes the well known Marx’s irony about capitalist system and its development through credit system, when he says that the monetary system (with a metallic base) would be “essentially catholic”, and the credit system “essentially protestant”, because in the same way that Protestantism cannot emancipate from its Catholic foundations, neither can credit system emancipate from its real monetary base.

After having taken up this fundamental points of Marxist critique to these complex aspects, and at the same time the ones which are “closest to the surface”, we will take care of the question of recent history of capitalism, particularly the guidelines established after the second World War and that are today in a deep crisis.

The end of Bretton Woods system and inflation

The monetary system based on convertibility gold-dollar left by Bretton Woods expressed at the beginning the situation of world capitalism after the second World War, when Europe was devastated and USA imposed as the greatest economy in the World. Its highest productivity, along with the immense size of its economy, allowed it to produce with equal or better quality than its competitors, in a greater quantity and with lower costs. This was the foundation of the American dollar that was expressed in the agreement of 1944. The postwar reconstruction and the exportation of capitals to Europe, in the framework of the existence of the USSR and the revolutionary

outburst in China, determined the recovery of European imperialism, under American “protection”. After a few years, capitalism was again involved in new crisis derived from overaccumulation. The expression of these crisis had different shapes, beginning with the typical crisis of balance of payments that the USA started to suffer in its role of issuer of dollar-gold. But also, it was expressed in monetary crisis, in particular in an “inflationary spiral” derived, precisely, from the contradictions of the dollar as paper money (sign of value) and world money convertible into gold.

Precisely, the bourgeoisie tried to attack this inflationary expression of the crisis of capitalism, since it was the problem posed in the most clear way. One immediate cause of the inflationary spiral at a worldwide level was due to the unsustainable relationship of convertibility gold-dollar. Basically, the increase in productivity due to the development of productive forces that took place after World War II was not consistent with the relatively low productivity in gold production. But gold does not adjust its prices to the productivity of its branch. The branch of gold production, in a gold convertibility system, does not adjust to the price formation that the other branches suffer, because its demand is sustained by the same needs of means of circulation that has the capitalist system, especially in times of expansion. Therefore, what was happening was an “artificially” high value of gold, and every time lower prices (in gold) of the rest of commodities, branches of which had achieved substantial improvements in productivity.

To this respect, Mandel says: “The expression “gold price”, that is obviously a nonsense under gold standard, has an indirect sense when we talk about a system based on paper money, where fluctuations in the monetary mass and variations in the values of the different national currencies in terms of fluctuations of this total are registered. If we do not consider the terrible inflation that has occurred at a universal scale during the last half of the century, we shall see that prices of most of commodities in terms of gold prices have declined considerably. Does this mean that under a monetary system based on paper money tied to the gold standard every expression of the

monetary mass automatically causes prices rise? That would only be true if the total production and labor productivity remained stable. As soon as production and productivity rise, the total monetary mass can expand considerably without a rise in the prices.

Productivity in the USA decreased in certain branches compared to its European and Japanese competitors. This produced a progressive degradation of its balance of payments that became loss-making. Of course, the weakening of USA’s hegemony in economy was not only because of trade with its competitors. Actually, we could say that its role as world center of economy that it began to play after WWII, exposed its economy to the contradictions of the world capitalist system. But, taking up the particularities of the matter, it is necessary to pay attention to the question of issuing paper money under a system such as Bretton Woods. Although it is not true that expansion in the means of circulation will lead to a rise in prices (as that axiom of Ricardo’s quantity theory of money affirms), when we talk about paper money it may happen that, if along with the issuing of notes there is no enlargement of the productive base and of productivity in the main branches, it is possible that a generalized rise in prices occur. This would mean at the same time that beyond the appearance of “inflation generated by the simple act of issuing”, actually inflation is due to economic stagnation, and that additional issuing would only amplify the initial inflationary effect. It is important to add here that this phenomenon happens mainly in imperialists countries, since the causes of inflation in semi-colonial economies are more complex and are to a great extent a derivation of their dependent character (for example, the case of “imported inflation”).

It is possible that the relation between stagnation of USA’s productivity, related to international competitors (Germany and Japan) in specific branches of economy, and its consequent falling into a deficit balance of payment, along with the opportunity of “seigniorage” of the USA due to the power to issue paper money as if it was international means of payment, have configured the core of the inflationary spiral that began to suffer the world economy and that emphasized in the late ‘60s⁸.

It only remains to say how this

inflation became “patrimony” of economy as a whole. Convertibility gold-dollar, either in a pure “metallic” system, as the one running until 1914, either in a system such as Bretton Woods (in which reserves were made of a combination of gold, dollar, pound sterling, and even international credit), has the peculiarity of requiring the adjustment of circulating money to the amount of reserves, established by a percentage given by the Central Bank (for instance, 25% of circulating money is backed by reserves). The problem comes up here when due to an eventual deficit in the balance of payments in the country that issues the reserve currency (as it happened in the ‘60s) allows this country to pay off its debts by simply issuing notes, that is to say, making paper money ‘devalued by the act of issuing notes itself’ become an international means of payment. Thus, those dollars that entered to the world market enlarged the existence of dollars, not only as means of circulation, but also as reserves (or what is the same, as means of payment and as world money). So there was a rising inflation generalized to all the countries caused by the country that issues the dollar.

Overaccumulation crisis and monetarist policies

It is important to remember that the fact that the same internal contradictions in the logic of capital (the barriers that it puts to itself, as Marx said in “Grundrisse”) are the internal forces that in a particular moment do not allow the continuity of the expansion of the economic base. In fact, these barriers have expressed several times in the history of capitalism through the crisis of monetary systems. We can verify this in the existence of the huge accumulation of capitals and the consequent tendency of the rate of profit to fall. The impossibility to overcome this immanent barrier has compromised capitalism, trying to tackle these problems by magnifying them. Mandel affirmed in this sense that economy in Occident headed to prosperity in an ocean of debts, credits and inflation of paper money.

This is something that has beco-

me more tangible in the last decades. On the other hand, we should remember that one of the deep reasons for the crisis of capitalism is the overaccumulation crisis, various expressions of which configure the physiognomy of imperialism in the second half of the XX Century.

As regards this, it was by monetarist policies established during the second half of the XX Century that the rate of profit was intended to be recovered at the expense of altering the rate of effective accumulation of capital. Because, under the overaccumulation pressure, the intrinsic possibilities of the capitalist system did not allow the markets and the profits to grow enough to assure the use of installed capacity (of the accumulated capital that is immobilized as fixed capital); that at the same time would determine an unemployment rate that did not lead to a social and political crisis that destabilizes the bourgeois regimes.

This is why capitalists, through their main think tanks like Keynes, understood that in the XX Century they could not leave the dynamics of capitalist system to act freely to its own determinations. The stagnation in growth and in rate of profit does not allow capitalism to reduce unemployment or even a full utilization of installed capacity. The State intervention through monetarist policies that tended to generate inflation and indebtedness (typical of Keynesianism) were a pragmatic and temporal solution between the reality of permanent crisis of the capitalist system and the interests of the bourgeoisie as a class.

Keynesian policies applied during the postwar period set the goal to guarantee growth based on the expansion of credit and indebtedness that, as long as the gold exchange-standard gold was in force, had a direct impact on inflation of prices in dollars.

Then, and along with the crisis that the “Keynesian solution” generated, the bourgeoisie would continue with monetarist interventionism following the “new-orthodox” theories of Friedman and Hayek (which is commonly known as “neoliberalism”), that postulated a mischievous “return to free market”, and that set as a goal to end inflation, even though they were actually the continuity of Keynesian indebtedness by other means.

Why neo-keynesian policies led to growth through inflation by indebtedness

After the outburst of the crisis in 1929-32 capitalism showed clearly its ability to tackle the crisis in the same way it had done it in the period of its rise (for example, as it happened in the 1870’s). From 1914 onwards the crisis of capitalism had become insurmountable without destroying huge sums of accumulated capital (fixed as well as circulating). Economic policies in the 20’s had made the growth generated by reconstruction in the postwar period and the rise of the USA the base for a new burst of the contradictions of capitalism; with the speculative bubble created at the time of the rise of the USA, but that would rapidly spread all over the world through a monetary system sunk in the crisis since the First World War.

In this background of generalized crisis, that was the continuity under new forms of the structural crisis that capitalism already suffered since the beginning of the XX Century, emerge the bourgeois theories based on the state intervention through monetary mechanisms, such as the Keynesian theory.

The Keynesian postulate of aggregate demand multiplier is known to be a concept that poses the supposed role of economy’s driving force that state expenditure would have; or rather, economic growth hold on state indebtedness. With this theory, applied since early ’30, the bourgeoisie’s policy centered in state intervention in economy, not only through regulation but mainly through indebtedness.

In fact, from the American policy of the New Deal to the fascist corporatism, including French and English statism in the 30’s, the whole of the bourgeoisie introduced the world economy into a spiral of indebtedness through state expenditure, to the same extent in which protectionism increased and the fracture of the world market, that had not been able yet to recover after the shock of the Great War.

Anyway it is important to note the fact that the tendencies to pay for economic growth with fictional capi-

tal did not begin with statism, they started to develop under the speculative bubble of the second half of the 20's, when the "credit boom" took place.

State indebtedness in the 30's took very much of this dynamics but at a larger scale and consciously directed to the military enterprises that constituted an element of vital importance to imperialism in those years. Thus, bourgeois governments adopted Keynesian inflationist techniques to overcome the crisis. It was a monetarist way to control overproduction, stimulating demand through public expenditure (in infrastructure and military equipment) and controlling unemployment in the same way and also with direct subsidy (unemployment benefit).

It is important to note that state indebtedness did not mean expenditure in the common use of the term but it became a way to support great enterprises and trusts that organized labour in the preparation of the imminent Second World War. In every imperialist country there was the case of automotive corporations, iron and steel, chemical, oil, mining companies and so on that grew in a spectacular way thanks to "State expenditure" and the advantages of State "lobby". Capitalist competition would be, from then onwards, a lot more mediated by imperialist State intervention.

And it is precisely the unusual increase of State indebtedness encouraged by Keynesian policies one of the determinant elements of a permanent tendency to monetary inflation⁹ that reach its peak in the 60's. The huge development of this inflation and its relation with indebtedness could be seen in the artificial expansion of credit backed in the issuing of sovereign debt securities in possession of banks as a guarantee to those credits. Inflation in the second half of the XX Century is not any more just an increase of circulating paper money, but it appears in the form of increased fictional capital based on the negotiation of public debt securities. Thus, the use of public debt securities as fictional capital or even as fictional money capital begins to be generalized, giving form to something that would later be very common, the use of debt bonds as if they were money, in its functions of means of payment and of hoarding.

As Mandel says: "As for the rest,

diverse characteristics of the phase of imperialist decay reinforce the fundamental inflationist tendency of our epoch. Let's mention above all the accelerated amortization practices, self financing and, in general, excessive liquidity of great monopolies. This liquidity has as a consequence a rise in prices, increasing thus the volume of monetary circulation, with this money not finding counter-part in the market since the duration of the cycle of real renovation of fixed capital has not been reduced in the same proportion as in the cycle of financial and countable amortization. If they are in bank deposits, this cash return to the monetary circuit, stimulating thus the inflation of credit. Or they are used to buy government bonds in the short or medium term, that "finance" the unproductive budget deficits or expenditures and create thus pure and simple inflation".¹⁰

After the great destruction of productive forces and capitals that the war left, capitalism headed an unusually rapid expansion that went beyond the reconstruction of the devastated Powers (as a fence against the USSR and then China), through the implementation of many technical and organizational innovations in production that, either could not be implemented before the war, or that had been developed during it. There was, thus, a great renewal of fixed capital and a reconstruction and enlargement of all the infrastructure damaged or destroyed in the war.

Now, it is timely to pose the question on the nature of this capitalist recovery, that only 25 years later would show strong signs of exhaustion. Were the mechanisms of capitalist accumulation of the second postwar period similar to those of capitalism in full expansion in the XIX Century? Or has this growth had in its dynamics much of the "lesson" of the years of growth through indebtedness that had completely deformed the pre-war economies?

In the first place, we will take up the characterization of the crisis as of overaccumulation, structural and historical of capitalism which includes all the partial manifestations that have taken place since 1914 onwards. In fact, it could be pointed out that the "postwar boom" itself established a continuity with the indebtedness mechanisms implemented since the 30's.

However, this continuity had

modifications in the fact that the greatest proportion of indebtedness was taken by private enterprises, which were the driving force of the reconstruction in Europe and the expansion of USA's economy. In this sense, it was inflation of credit the main means to guarantee the stimulus to the so called "postwar boom". Basically for two reasons: because it allowed to enlarge the consumption markets beyond the ability to pay that wage-earners and rentiers had, and above all, because it allowed enterprises to expand and increase their investments due to the huge credits that gave these companies the opportunity to acquire greater quantities of surplus value than what they would have got according to the magnitude of their actual accumulated capital. In this way, the development of the postwar economy was real and it expressed a growth in the capacity of productive forces, which resulted then in the growth of world market that facilitated at the same time a greater unequal and combined development in the semicolonies.

So we can say that capitalism continued to develop in an anarchic way by indebtedness, which is equal to Marx's assertion about the function of credit in capitalist economy, that pulls to the maximum the natural elasticity of the reproduction process, since it allows capitalists to have others' capitals at their disposal and behave in a more risky way. The counterpart of this growth has all the time been the permanent and increasing inflationary tendency, direct expression of state and private indebtedness of the world economy.

Picking up the thread, then, of the question about the events that led to the end of the gold-dollar exchange standard in 1971, we must analyze taking into account what we have pointed out about the mechanisms that capitalism used to develop itself without over passing the insurmountable barriers of overaccumulation what determined the worsening of the tendency of the rate of profit to decrease, and finally a new fall into the crisis of the imperialist order. In this sense, we can mention some contradictions that, having taken place in the so called "boom" between 1945 and 1968, were determinant to the stagnation. We will quote Mandel here,

The monetary system after Bretton Woods

who noted several tendencies that led to a crisis in the late 60's. In the first place, he pointed out the increase in the organic composition of capital that would inevitably happen after the reconstruction of Europe and Japan, but also related to the rising prices of raw materials, particularly the ones needed to produce energy, due to the fact that the development of these branches did not match the great development given in the manufacturer branches that supplied consumption goods. On the other hand, he also noted the fact of the generalization of technological advantages that provided extra-profits to some enterprises, which at the same time determined an increase in the capital needed for innovations. Regarding the rotation of capitals, the acceleration of which improves the rate of profit, he also observed a slow down in the implementation of these improvements in part because of the obstacle that the existence of national boundaries represents to capital. He also observes the worsening of the tendency to crisis of overaccumulation due to a saturation in the consumption capacity that took long to be assimilated to the increase in productivity. The main negative effect of this tendency was, for Mandel, expressed in a significant decreasing tendency in the utilization of installed capacity, specially in the USA. At last, he affirms the fact, admitted by the bourgeoisie itself, that inflation was becoming more and more an obstacle to growth. In Mandel's words: "the negative rate of "real" interest, the tendency to make long term investment projects from the point of view of more doubtful (and therefore more difficult) calculations and profit prospects".¹⁴

When we go over this contradictions we can see how they are interrelated; and how, being one an expression of the other, it is clear they cannot be controlled separately without falling in unilateral approaches. The way in which imperialist policies tried to postpone the critical effect of those can be used to explain how they keep on developing indebtedness with different instruments, that beyond particular forms, continued in the same line of postponing and magnifying the inherent and insurmountable contradictions of capitalism.

In short, the picture of capitalism in the late 60's of the past Century was that of a system undergoing greater difficulties to expand, and that had become dependent on inflation and indebtedness (specially to be able to pay for the necessary investments).

The inflationary pressure caused by the unsustainability of Bretton Woods (sending gold to the Central Banks for every dollar issued by USA) presented to the USA, that needed to finance its deficits by issuing money, and that was somehow solved with the devaluation in 1971. This can be seen in the illustrative phrase by J. Connally, finance minister of Nixon's government: "The dollar is our currency, but it is your problem". This was precisely what the American economist R. Triffin noted, and it was later known as the "Triffin Paradox". Before the great inflationary problem, the Yankee bourgeoisie's policy, with Nixon's government, was to abolish the fixed convertibility between dollar and gold (established by Bretton Woods) and to allow "the free flotation of the dollar" with regards to gold. This has a direct impact, as it was expected.

That artificial growth that was possible because of inflation, due to the increasing in the issuing of dollar-world money by the USA, continued to be based on indebtedness but modified part of its mechanisms through the massive use of "credit money", that is to say the use of sovereign bonds (T-bonds) "as if they were money in dollars". It was this expansion of credit money what stopped inflation at a global scale (and this meant an orthodox monetarist turn) and allowed the continuity of dollar as means of payment and world money, already liberated from the gold exchange standard. But naturally, these changes did not voided -but deepen- that contradiction of dollar as means of payment and world money (those who had dollars as a reserve).

From there on, the contradictions of imperialist capitalism, expressed in its monetary crisis, would manifest basically with the development of credit money. Nonetheless, this did not change suddenly, precisely

the 70's was a decade in which inflation continued to develop. But it did mean a complete change in economic policies that would begin to establish a "monetarist turn" in Milton Friedman's version of the Chicago School combined with more strategic policies taken from Keynesian monetarism.

Anyway, in the early 70's capitalism suddenly faced the hangover of the postwar period "boom". Inflation, what monetarists pointed out to be the cause and at the same time the effect of every crisis, actually was the superficial expression of the contradictions accumulated by capital, as historical problems not solved by the two world wars, as the problems originated in the postwar period. Monetary instability was a sign of the crisis, but it was at the same time used, by means of Keynesian policies in the 50's and 60's, as the driving force of growth. The manifestation of inflation denotes its character of simple expression when analyzed together with the other typical problems of the capitalist crisis such as the problems in the balance of payments, the increase in the cost of industrial enlargement and the uncontrollable increase in consumer price index. Given all this, the bourgeois response was a set of monetarist policies aimed to reduce the quantity of circulating money and lift up the rate of interest (following the most basic notions of its quantity money theory).

The inflationary spiral created in the first decades of the postwar period finally turned into an explosion of credit, and particularly of credit money. After the voiding of the gold exchange standard that Bretton Woods had established with the American dollar, the most "orthodox" monetarist policies coming from the Chicago School think tanks tried to control inflation at the system's surface by deflationist policies. However, and as it evidences the "founding act" of the ending of the gold exchange standard that was the grounding for monetarist policies later called "neo-liberal", what really happened was that the inflationary spiral continued to develop with the expansion of credit and state (first in semicolonial States, then even in imperialist states) and private (in the huge corporations as well as individual) indebtedness.

In essence, the different bourgeois policies denote that necessary relation between, on one hand, the

internal boundaries of capitalist accumulation, and on the other, the increase in the “capital plethora” and the exceeding installed capacity. At the same time, increasing and structural unemployment is also related with this inherent limits of capitalism.

Development of financial speculation and development of derivatives markets

The expansive growth of “money supply” encouraged by the abandonment of the gold exchange standard showed from the beginning a gap in regards with the accumulation ability of capitalism as a whole. That is to say, the increase in the plethora of capital did not match with an increase in capital accumulation. This “surplus money” had to be invested then in some way so it would be valued at least through interest. This is how financial speculation had a strong impulse with the new monetary sketch. The increase of fictional capital by indebtedness and the creation, along with those, of negotiable titles was the correlation of the decrease of the profit rate (in the early 70’s) and the appearance of a plethora of capitals that either came from abandoning production or from the opportunities that came up in 1973 with the floating dollar and speculation with values sustained in raw materials (specially petroleum). Moreover, in those years there was a huge global accumulation of debts. This accumulation then grew even more with the appearance of “petrodollars”, that were huge deposits of value, property of the oil producing countries and that were used by the great international banks to grant big loans to semicolonial States in Asia and Latin America.

Like in the period in which the gold exchange standard was in force, the State got a fundamental importance in the development of inflationary trends after the disguised “default” of 1971. State intervention still had similar importance in the continuation of state indebtedness. There was a monetarization of sovereign debts, what put at the disposal of financial speculators huge sums of fictional value that would be the base

for the following stage in the development of imperialist capitalism.

As we have affirmed above, the State is a prime source of credit money. The base of these credits is surplus value that the State can collect in the future by taxes. Of course, these “values” sustained by state debts form fictional capital par excellence, since they are referred to the taxes that might be collected, which have no relation at all with how the capitals the State received as loans were used. The mechanisms with which this indebtedness is developed into a new plethora of capitals that are put at speculators disposal is the following: Particularly in imperialist countries it happens that the Central Banks transfer these debt bonds to Commercial Banks under the form of bills of exchange that were traded for titles. As a counterpart, the Central Bank can also control the fictional “value mass” by selling titles in its possession against the bonds that is initially transferred. With this mechanism, public debt becomes in appearance a money supply as valid as real money. Of course, this pretended equity lies on the abstraction or concealment of the fact that credit is essentially different from money, since it actually represents a shortfall that is expressed in the payment date of the obligation it embodies.

These fictional-value developments are given due to the important role of credit in capitalist economy. Even though it is money accumulation generated by productive capitals the fundamental source of loanable capital, it is also true that without a credit system the enlarged reproduction of capital would completely depend on the scale of capital accumulation itself. By the concentration of accumulated funds, capitalists get the chance to have at their disposal the capital accumulated by society. From this situation, money-capital appears also as a commodity, which use value is lent at interest price. After the transformation of capital into interest-bearing commodity, there gets the turn for credit and investment to become commodities, turned into financial assets. This is what bourgeoisie calls “capitalization”.

In this expansion of values and money supply via credit indebtedness there can be found the possibility for developed capitalism to increase the monetary mass through financial assets. This tendency expresses the

need that capital has to enlarge the base of its reproduction, in this case, with the possibility to expand beyond its character of commodity, as a universal expression of the value of the other commodities. The ability to develop by these fictional values lies precisely on the fact that, although their real base is a right to appropriate part of the surplus value produced, its immanent logic of valuation (the appearance that “money produces money”) makes the determination of its quote be apparently independent from the flow of values, and that is determined by its interest rate. We have seen how the irrational determination of capital by its use value, that determines the interest, can sometimes momentarily contradict its fundament on the law of labour value (in the confusion between rate of interest and money price, typical of bourgeois economy). But precisely, the most important thing is this momentary aspect, this time in which these fictional values appear, develop and disappear is at the same time the confirmation of the fundamental limit to the irrational logic of capital valuation taken to its ultimate expression (M-M’).

Above, we have shortly developed how during the phase of decay of capitalism it continued to develop in a contradictory and unstable way, through indebtedness that had its most tangible expression in structural monetary inflation, mainly generated by the distorting state intervention in economy. To this point, what we are interested in is to show the mechanisms that predominated after the end of the gold exchange standard in 1971.

Currently, the development of derivatives markets has imposed new forms in the development of money capital that have been the foundation of economic growth, particularly in the last 40 years. This determined a growth based on the speculative lever that created huge sums of fictional values from relatively small capitals.

This tendency that has always accompanied capital developed a lot more in its imperialist phase. But in particular, the last decades of the XX Century, after the liberation of the dollar in its parity with gold there was a huge development in the speculation and fictional capitals.

Even if after the crisis of the 30’s capitals tried to regulate the development of the most extreme speculative

tendencies, of which Bretton Woods had been the foundation stone, it was the impossibility to sustain such inflexibilities (the galloping inflation generated by the parity gold-dollar) what lead again to “deregulate” and make way to speculation with the new wings given by the fact that the world currency was paper money as any other, with a floating relation with metallic money. Despite this fact gave the USA new opportunities to develop speculation and the ability to (at least in the short term) over-indebt itself almost without limits, by controlling the issuing of world money, the rest of imperialist countries under the Yankee hegemony could overpass the immediate inflationary pressures.

As we said before, what was fundamental for imperialism after Bretton Woods was to end inflation. This had its ideological reflex in the exaltation of monetarist theories by Friedman, Hayek and other think tanks of bourgeois economy. The paradoxical thing is, we could say, that this anti-inflation response was put in practice against another monetarist theory such as Keynesianism, that had been applied in the architecture of the global monetary system in the postwar period, in particular regarding the idea of fixed parity between a strong currency and gold.

However, it did not take long for some destructive manifestations of these “monetarist” orientation to come up (debt crisis in the years ‘81-‘82, speculative crisis in 1987, etc.), so it was necessary again to establish “regulations” to commercial banking. A result of these discussions were the Basel Agreements (1988) that demanded maximum limits to leverage, and minimum limits to base capitals with which the banks would be able to operate.

The crisis pushed to “redesign” the Basel Agreements to, in their second version, try to consider “new instruments” of speculation, but giving the banks a 10-year-term to change their proceedings.

The expansion of credit money

With the development of the financial system, and in particular the “capitalization” process of debts, comes the chance to allow the circu-

lation of all kinds of financial assets as if they were money. In this way, the determination of the interest rate began to play a fundamental role in monetarist policies that capitalist governments implemented. It is a fact that in developed capitalism credit money becomes the predominant form of money, without voiding for this the real base of money as “universal commodity”. Of course, this is nothing new; it happens since the times of Marx with speculation of commercial bills. Nevertheless, the magnitude that this has currently got is unprecedented. Now, this financial assets that circulate as money (credit money) determine their price according to the interest rate in force. The price of this money supply will rise or lower according to the interest rate in inverse proportion, that is, if the interest rate lowers the value of bonds rises, and the other way around. This is because the ups and downs in its value depend on the magnitude of the discount made at the moment of selling the bond before its date of expiration. If the interest rate is high, the “return” for the one selling the bond before its expiration date will be less because the discount will be bigger, and the other way around. This indirect mechanism, abstracted from the law of value, is like any other interest, a deduction from the surplus value effectively produced, so finally the “value” of this credit money is only indirectly similar to the value that real money has.

It is important to note at this point that this mechanism determines a great part of the value that circulates and is accumulated according to capitalist accounting.¹² It is also important to mark the fundamental role that the bank system has in the creation of these fictional values since from them, and their own goals to get profit, emerge the fluctuation of the interest rate, that find here its importance in markets nowadays. In fact, here do we find the supposed effectiveness of monetarist measures that bourgeois governments implemented by rising or lowering the interest rates to control the “currency issue” when they try to control inflation or overcome deflation. This is how in the years of the economic boom (the 50’s and 60’s) there was an increase in the quantity of money, while in the years of recession (the ’70 and ’80) the was a contraction.

Nevertheless, in the 90’s, after the liberalization of financial markets that allowed an explosive development of the derivatives market and the greater imperialist penetration in semicolonies and the former members of the socialist bloc, a strong flow of imperialist investments based on financial assets (derivatives, bonds, etc.) developed. In USA, after overcoming the crisis of the early 90’s there was an increase in money supply. Between 1980 and 1997, the composition of the money mass varied substantially. If we divide it into M1, M2, M3¹³ and we compare each of them with the GDP, we can see that since the last decade of the XX Century M1 has remained constant, while M2 grew 100% and M3 145%. That is not all, the quantity of assets M3 was in 2008 almost 700% higher than the quantity of “liquid” assets M1.

Thus, the expansion of “credit money” continued to grow as a mere expansion of debts, but at a very accelerated pace, which made of this “money abundance” (and its corresponding low interest rates of reference in feedback) a fundamental element in speculative bubbles that burst in different occasions from the “tequila effect” in 1995, the crisis of the “Asian Tigers” in 1997, the Russian crisis in 1998, to the crisis of the “dotcom” in 2001.

The succession of crisis that ended up in the outbreak of 2008 express the volatile nature of this accumulation of fictional values. This happens because these assets do not have true value, but from the fact that they are derivatives from interest, they constitute mere property titles on surplus value that does not exist yet (or that has already been spent, which is the case of sovereign debt bonds). This is proved by the fact that in moments of tension in the money markets these values fall when the interest rate rises or when they are put for sale simultaneously in a massive way to be turned into liquid money. The question that arises is why has the destruction of these fictional values through verification of their speculative character have such a strong effect on economy? In fact, when these capitals are destroyed, there are also destroyed real capitals that valued themselves through the circulation of these fictional values. The expansion of these credit values plays the role of taking the natural elasticity of the reproduction process

to an extreme. In this way, its presence is constant and its influence extends to the last corner of capitalist production and circulation.

The crisis and contradiction of the dollar as a means of circulation and world money

As we have said before, indebtedness under different forms has been a dominant trend in the development of imperialist capitalism during the second postwar period. We have also mentioned the particular fact that with the liberation of the dollar in regards to its metallic base in 1971 credit money had an expansion unprecedented in the history of capitalism. This explosive boom of indebtedness as a monetary form had had since then its epicenter in USA's economy, making the dollar the world money and at the same time the receptacle of the huge indebtedness process that was growing worldwide. The US increased their debt in a violent way, even loosing their condition of world net creditor in 1985. Under this movement it existed the postulate that said that USA's public debt (that did not become "inflation" anymore) could increase without any limits. For capitalists this was based on the strong demand that T-bonds would always have by international investors, so the interest rates were always low (or were lowered by imposition of the FED).

In addition to this, there are the arbitrary benefits that USA can take advantage of by controlling the global reserve currency. Beyond some advantages they get from the technical process of circulation of commodities and capitals, the main benefit for the USA is the ability to suddenly liquidate debts through devaluation. Of course, this sort of maneuvers do not actually end up with contracted debts, but make them "patrimony" of the whole economy. That is to say, change their expression into deficit in a general decrease in the value of capitals in the whole World (with harmful consequences for economy), and take, at least for a while, out from the center of the storm the USA, seriously exposed to the violent fluctua-

tions of capitalism in crisis.

This chaos had an insurmountable contradiction for the monetary system based on the dollar: the fiscal deficit associated with the general indebtedness of economy began to alter the relation between the dollar as a national equivalent and its function as world money. Being the dollar the world reserve currency⁴, the general trend that developed during over twenty years had to explode at a time, bringing up the immediate menace of a general devaluation of assets based on American credit money.

However, the most important piece of information is that an increasing volume of reserves have stopped being accumulated even in dollars, and with the boom in speculation, there has been an accumulation of "financial assets", that is to say, fictional capital. To the accumulation of Treasury securities add, in the last years, bonds issued by companies and mortgage debts, stocks and so on.

The increase in the accumulation of financial assets as reserves, such as T-bonds, mean a serious danger of default to global economy as a whole. If we remember that bonds over tax incomes of a State are in direct relation to the health of fiscal accounts, the problem of American deficit⁵ becomes a problem that breaks through national boundaries. Even though the American State "will pay its debts, everything suggests that it will start doing it by using its privilege of discretionary administration of the dollar. Thus, bankruptcy will be generalized, by the violent devaluation of the assets in the rest of the economies of the World.

In this sense, some economist talk about the possibility of a sudden devaluation of assets to be developing, as predicted so Robert Triffin back in the 60's when the gold-price of the dollar disappeared in a devaluation that exported the American debt to its competitors by devaluation of assets based on the dollar.

Global capitalist crisis and the spark of 2008

In spite of tightening the net around the core of commercial banks in the imperialist countries with the Basel Agreements, they did not de-

termine boundaries for all the new financial instruments that were created with the impulse of University of Chicago ideas, among others. Among these new forms of speculation there were the "investment banks" and the whole of speculative architecture of derivatives markets (that had appeared in 1973, from the expectations on the Chicago's commodity stock market). Already in the 90's, the investment banks could operate almost without any own capital, working with short term deposits that -due to the complex leverage- could offer very high returns to investors, that took high risk in investments made by the banks. With this, the business of this "deregulated" bank expanded explosively. Already in 2007 the five greatest investment banks in USA had valued their assets in such a way that they equaled altogether more than two thirds of the whole commercial banking system of that country. Some of those institutions operated with equity base at least thirty times smaller than their assets. In comparison, commercial banks operated with capitals that represented 12 times its assets. This "shadow bank" appeared in the 90's. They operated with the so called "investment banks" with very little or none resources of their own, but they assured to those who invested their deposits really high profits thanks to great leverage maneuvers.

"Leverage" is at the foundation of banks' business, that precisely receive short term deposits to whom they return low interest rates, and at the same time they loan at a longer term with high interest rates. While the bank's activity is normal, the bank can afford its short term obligations (e.g. paying fixed term deposits' interest) without any problem. But, when a bank must resort to pay its obligations with clients with their own base capital, then the bank is in trouble. The high degree of "leverage" that characterizes investment banks make any interruption in their business (already volatile) may soon become a "bank run", that is to say, the sudden withdrawal of deposits and the immediate payment of obligations incurred by the bank.

Since the so called "subprime crisis", that was the spark that started the fire, it is well known the existence of strong speculation in Real Estate, where there were huge masses of capital invested to gain speculative profit, taking advantage of low interest

rates due to “money abundance” (the old misunderstanding of the quantity theory of money). The increasing demand in real estate made their price rise, granting profits to the first investors and discounting their debts with them. The transference of this debt from one hand to another as a means of payment that made the speculative bubble grow, ends every time—as it is expected—in the bankruptcy of those who come last to the top at that moment—“incredible business” of speculation, either because it could not meet the unreal expectations over profits or because the cost of indebtedness increases due to a deepening of the crisis (recession). Furthermore, because of the great expectations on quick profit, there was a strong quotation of the derivatives “values”, which, given the great boom of speculation, also had high quotations.

The development of the financial system thanks to the increasing plethora of surplus capitals, along with the free flotation of the dollar, allowed the creation of all kinds of speculative tricks. But even in the most traditional sector of the stock market there appeared investment opportunities of “high profitability and high risk”, that accumulated great sums of capitals belonging to owners that are literally deceived with this business. There are also hedge funds that artificially increase their quotation by the short-term acquisition of assets. What is essential about financial capital is therefore sharply expressed in these usurious practices that, given the magnitude of the operations they make, have become “relevant for the system” (as it was said about investment banks that went bankrupt in 2008), so society as a whole must—according to capitalist governments—finance their rescue.

All this big derivatives market favored the later development of the huge speculative bubbles that have burst year after year since 1995 to date. The financial crisis of 2008 showed that the typical risk of investment banking had spread all over the banking system, since that was the source of direct and indirect financing of countless productive and commercial activities. The range of the destructive power of this financial crash coined a new term: “toxicity”. For the influence of this extraordinary plethora of fictional capitals accumulated for decades had already become functional for the system.

In fact, this was one of the reasons why the “capital injections” into the financial system were approved. The financial rescues of 2009 showed that these injections could only be useful to pay the debts of broken speculators, specially the most important ones, since the banks’ interest rates did not went down, neither did the volume of loans (necessary for economic activity) go up, while the values that these institutions have as “toxic” values vanished with the crisis were recovered. In other words, capital injections that imperialist governments applied to aid bankrupt banks were again used for speculation. Behind a fall of only 2.4% in the banks assets, there is a two digits reduction in the loan granting for industry and construction.

Although it is true that speculation is a “zero-sum game” in relation to the real production value, it all changes when we analyze at least the course of the capitalist monetary system and we see in the spontaneous, repeated and catastrophic generation of these speculative “bubbles” nothing else than the chronic, structural debt of the capitalist system as a whole. This debt was generated during the economic recovery in the 20’s, that ended in the Crash of ‘29, or from the policies of strong state indebtedness in the prewar period and during the war, as well as in the years of the “boom” itself, when the private sector and USA’s hegemonic power got huge debts.

By way of conclusion

As you may have seen in this article, we have tried to point out the features of capitalist decay, in monetary system as well as in financial system. These have developed, for decades of monetarist economic policies, structural liabilities that express the maximum limit to which the capitalist reproduction process could be forced through credit. The capitalist bankruptcy we are seeing nowadays has therefore a structural dimension. That is to say, we are not talking here about just another crisis that joins the series since the 90’s. In fact, we can say that each one of these “partial” crisis were actually preparing the ground for the following, that would be deeper than the previous one. We have seen here how capitalist development along the XX

Century have manifested in chronic indebtedness and hypertrophied financial system. Precisely, that is why we can note in the crisis developing today a historical dimension, that is updating the historical contradictions of imperialist capitalism.

The historical limit showed by the world war almost a hundred years ago could not be yet surmounted through imperialist massacres, by deepening the development of global market and the contradictory development of productive forces under imperialism. It is not possible for capitalism in decay to develop them without falling in terrible imbalances that make the following crisis deeper, more destructive and after an ever shorter period of time. For Marxism, this historical limit of capitalism is determined by a general inevitable tendency, typical of the capitalist system: the tendency of the profit rate to fall. However, it is indispensable to reach a more concrete analysis, to draw up more certain elements such as the acceleration of the open process of the crisis.

The current crisis can be summarized in the fact that global economy finds itself before a structural problem, since the world trade rules running today cannot be sustained any more. The efforts made by capitalist governments to overcome the most harmful effects of the gap existing between the institutions created during the postwar period of equilibrium (still in force, but established by a particular configuration of interstates relations that today tend to disappear) and the urgent matters posed by the crisis generate uncouthable contradictions.

In fact, all the bourgeois theoretical arsenal seems to have reached its limit and expiration date. We can say that during the whole XX Century the debate among monetarists (Keynesians and orthodox) has been simply configured by the world economic history, with fluctuations and eclectic combinations of both theories. Having past the first decade of the XXI Century, the current crisis serves as a concrete balance of those policies, that only extended the most damaging effects of the crisis. In fact, both trends of bourgeois economic thought made their own contributions to the whole set of contradictions, that we have analyzed above in its monetary manifestations and over the financial system.

It is important to remember that

the epicenter of the crisis is located in imperialist countries. USA concentrates today the greatest contradictions of global economy. Its role as driving force of capitalism followed the chaotic development of economy, that after every big crisis hit the imperialist center that in these last seventy years has been USA. Since the 80's, after the debt crisis and the bourgeois attack against workers and against the USSR (personified by Thatcher and Reagan), the USA started to develop even further its financial system with deregulation policies and also new plethora of capital that accumulated after every economic crisis (1973, 1982 and 1987). Despite the fact that this liberalization in financial markets relatively improved the situation of the USA (in relation to Japan and Europe), it was actually deepening its decay. Public deficits and private indebtedness, that increased exponentially since the 90's, showed that that momentary prosperity was going to have a high cost. For capitalism was not a "property" of the USA, what can be seen with this crisis that is undermining the foundations of American economy from inside.

This country-continent is a victim of its own role in the imperialist chain. Its hegemonic presence allowed it to rule over its competitor and to always obtain the best of semicolonies. But it also put it in the eye of the storm, absorbing all the contradictions of global capitalism. The weight of its own economy, its financial system and its currency turned into "world money" helped it stay on top as an undisputed world Power. On the other hand, the use of its currency as reserve and world money has finally expressed in the great commercial deficit and the huge proliferation and dependence on the "new products" of the financial system: the derivatives markets. All these elements, in addition to certain lack of solvent markets for the great supply of world economy, turned the USA into the main global consumer. Today, before the great current capitalist crisis, this country finds itself before the greatest indebtedness in history, being in fact the greatest debtor in the World. Its total public debt is of around 14.2 billion dollars (almost 100% of its GDP), while the State's budget deficit is of about 1.65 billion dollars, equivalent to almost 11% of the GDP.

Changing from net creditor to net

debtor is not only a sign of USA's general decay, since it actually does not exist a serious challenging power to its hegemony (as it did happen with England and USA in the early XX Century). Actually, its weakening is not in favor of any other "rising Power" but a direct consequence of the violent influence of nowadays capitalism's contradictions. Its hegemony over Europe with the persistence of inter-imperialist competition is something that has been very costly for American economy's health, having to finance the historical debt of England, that had began its dis-industrialization, or on the counterpart, Germany becoming a "net exporter" that sells capital and durable consumers goods to the USA. This "unhealthy" relations inside capitalism, extended in time, are at the point of deforming American economy itself. USA will not stop being -immediately- a world Power, but it will change very much regarding to what it was in the XX Century. It will not be able to effectively dominate the World, it will have to compete with the other imperialist Powers to establish its zones of exclusive influence. This tendency is the greatest centrifugal force that capitalist equilibrium suffers currently and it can lead it to its complete overturning. Yankee imperialism is a disease, also to USA's economy.

Capitalist crisis, that for the bourgeois is today a "debt crisis", introduced in the USA the old discussion on the "dichotomy" between "State or market". In concrete, in the USA, with the severe convulsions it suffers (with which it also make the rest of the world suffer) regarding this matter, the question becomes more deep and immediate than it appears.

In the last months, the current political crisis of imperialist democracy has been developing. The debate on "raising the roof of the debt ceiling", that has historically been just a "formality" that had been done 72 times since 1962, became under these circumstances a political crisis of a historical character, being President Obama literally blackmailed by the republican opposition by their menace of making way to a "technical default" if they did not get taxes improvements and cuts in social security. But beyond these facts, typical of a "Banana Republic", the essential matter is happening under the reworks of the ultra-right-wing Tea

Party versus the democrats of the Medicare.

Actually, what is jeopardized here is the economic policy that the imperialist State is going to apply before a crisis that is vaporizing huge sums of accumulated value by the world economy. The position of the Democrat Party itself shows a continuity with the line of increasing state spending and more or less ignoring the debt in order to cope the crisis. This position, supported among other by Paul Krugman, would mean in fact the eventual defaulting by USA. Of course, not in the "Tea Party's way", but in a sense of a unilateral action by the USA regarding global economy. This has always been the absolute limit of Keynesian thought: the chauvinist narrowness that the imperialist bourgeois show before the crisis. The monstrous indebtedness of the State, due to policies that encouraged the increasing of public spending can only be paid for by making its competitors pay the price. Although this would offer a certain recomposition of economy in recession, as Krugman says, it would also lead to the final liquidation of American hegemony as we have known it till now, undermining its most important tool to its global economic hegemony that is the dollar. On the other hand, the republican stance seems to be "making way" to the crisis, letting the crisis tear the economy and all that was built around indebtedness to pieces. All the adjustment lines, such as the one imposed over Greece by Germany, for instance, have the same structure and goals than the old "deflationist" policies (for as we have seen, inflation and indebtedness are two forms of the same phenomenon). These policies that try to cut the debt "to zero" condemn great parts of industry to bankruptcy, which would show sooner or later how speculative crisis will be paid by the whole economy. And how in case of applying "orthodox" policies it would be the same, only the other way around: paying off debts through the liquidation of economy does not mean this will take economy to a fresh new start, since recession would probably add to inflation coming from the galloping costs of energy and food.

In Europe, for its part, the crisis is deeply undermining the reactionary project of unifying the continent under capitalism. The euro has proved to be just an instrument for

pillaging the weakest economies in the continent. The euro will probably end its history having been just a late, failed and regional remedy to the dollar. The capitalist unity, so much encouraged by the “Europeanist” ideologists, could only be sustained by increasing and exporting huge sums of debt. The European capitalism’s decay shows that over a hundred years of its imperialism have not been in vain. None of the European economies can escape this question, not in the most evident cases such as the English, where dis-industrialization and the unusual development of financial speculation have completely deformed economy; neither in the most “deceitful” cases such as the German, that behind a firm of exporting industrial country hides the subjection of Europe’s peripheral countries (Eastern and Mediterranean) by exporting surplus and fictional capitals. European masses are beginning to pay -with this crisis- the real costs of the adventure of the euro and the capitalist reunification of Germany.

As regards semicolonies, international politics will show in a -if not short- medium term that any theory of decouple is a big lie. In the first place, the disorder in the monetary system will take the crisis to the semicolonies that have saved in the years of “bonanza” in the sales of raw materials to China, in dollars, T-bonds, euros, and other papers that will quote according to the imperialist interests at stake. On the other hand, the situation of adventurer offensive given in the imperialist countries could jeopardize semicolonies, ending up their ideas of a World of emerging countries. Many enthusiasts of decouple theories, or of multipolar World, etc. take the indicator of capital flow between countries, that tends to grow between imperialist countries and semicolonies but not between imperialist countries as it used to be. They understand this as a growth of emerging economies, but they forget a detail, who this capitals belong to.

Another fundamental point of inter-states relations, that changes substantially in the crisis, are the processes of assimilation to capitalism of Russia and China. In the first case, this dismantled country, turned into Europe’s petroleum and gas producer, can have its inner stability jeopardized because of redoubled menaces by

the imperialist countries hungry for this resource that is getting more and more expensive. On the other hand, China’s case will be even more complex. Chinese economic growth has been dependent for the last twenty years on its trade with Occident, particularly with USA (what is expressed in its reserves made mostly of T-bonds). The abrupt fall in the great global consumer’s demand will not be able to be replaced by the unsustainable demand of its domestic market. As well, from 2009 onwards, China has been receiving all kinds of capitals that were escaping from the crisis of European and American speculative markets, which generated a special-type and huge of bubble made of infrastructure investments, housing and even manufacturer industries. So it is possible that China is approaching a full strike of the crisis under the form of an overproduction crisis, which will affect the rest of the countries tied to its economy, specially the semicolonies that are big raw materials producers.

Coming back to the discussion on American hegemony crisis, it is needless to say that none of the imperialist bourgeois factions that are confronting in the USA have a bourgeois orientation that represent a coherent policy in the long term. In fact, the republican line that we mentioned above is not necessarily contradictory with the idea of “defaulting” and open an inter-imperialist dispute against its competitors. Moreover, this happens on both sides of the Atlantic. We could say that so far there have predominated the eclectic combinations of state intervention à la Keynes (capitals injections to the banking system), and more “orthodox” policies of structural adjustment, such as the ones being applied in Greece and Ireland. The feverish discussion between republicans and democrats evidence the situation of political crisis with the tensions, incertitude and weaknesses the American State has shown.

But what is true is that any of the “options” in monetarist policies posed by democrats or republicans will mean a direct attack to the working masses, for either by “Keynesian” inflation or “orthodox” adjustment and structural unemployment, workers will bare the burden of the crisis over their backs. Moreover, another element that is always hidden, but that is always present at every bil-

teral meeting, in every disagreement at both sides of the Ocean, is that of the tendencies to fragmentation in the global market. This can be seen in the ever growing difficulty to reach an agreement on criteria to face the crisis. In fact, if the erratic lines that we see today continue to deepen, we will see who will be the principal actors in EU’s outburst and in USA’s historical political crisis. We have said how the use and abuse of the dollar by the USA can make them lose their absolute hegemonic position, but not their power. On their part, the other countries will also try to impose more or less exclusive zones of influence. The possible crash of the imposed monetary system, even with modifications since 1945, can be a very serious indicator of very violent change processes in the class dynamics and in the inter-states relations as we have known the till today.

Notes

1- Article written in August 2011.

2- K. Marx, Preface to A Contribution to the Critique of Political Economy.

3- A Contribution to the Critique of Political Economy.

4- K. Marx. Capital, Volume I.

5- Ibidem, p. 138.

6- Ibidem, Book 1, Chapter 3.

7- See Capital, volume 3.

8- And we say this in a dimension from which the fall of European imperialisms (France and England), the destruction of German and Japanese imperialisms, as well as the “paradoxical” reconstruction of these as imperialist countries by the USA against the USSR may be explained. Its role as main imperialist Power, as hegemon, put its relatively healthy economy in comparison with European ones, to the risks of historical decay of capitalism.

9- Regarding the role of inflation in relation to the salary level: “Permanent inflation, even when it is more or less “moderate” or “frozen”, as it occurs currently in the USA (and as it occurred in Nazi Germany), means there is always a redistribution of national rent. Its first victims are the holders of stable incomes, as well as all the wage-earning layers that do not have the means and union force needed to defend their real incomes. Nonetheless, when economy continues in a general expansion this redistribution does not necessarily mean an absolute deterioration in the life standards of the workers (this did not happen, for example, in the United States between 1945 and 1958). But it does imply that the part corresponding to wage-earners in the growing social product is smaller than the one they would have had with a stable currency. Inflation is in this case a means of relative neutralization of union force, and not, as it is recklessly assured by conservative media, the “result is union pressure”. E. Mandel: “MARXIST ECONOMIC THEORY – Tendency to permanent monetary inflation”.

10- Ibidem.

11- Ibidem

12- The flow of operations of the derivatives markets had an explosive development during the last two decades. From 50 billion dollars in 1995 they passed to 500 billion in 2007. This figures mean almost five times the world GDP of that year.

13- There are “different degrees of liquidity” of deposits. The most liquid form of all is hard cash, such as dollars, euros or gold. They are called “M1” assets. Then, fixed term deposits are called “M2”. Finally, the least “liquid” of all are debt bonds, stocks and all kind of financial derivatives, which are called “M3”.

14- The dollar is the currency used for most international transactions. According to Linda Goldberg (Vice President of International Research at the Federal Reserve Bank of New York), its use represents 85% (over 200%), while the euro represents 39%. It is also the currency used to determine world prices. The same author estimates that by March 2009 there were circulating outside the USA around 580 billion dollars in physical money. In 2009, 46% of the debt securities were issued in dollars; 52% of international credits were in dollars; and 59% of international deposits as well. Moreover, the dollar was demanded as value reserve. In 2007, 89 countries had their fixed exchange rates related to the dollar, and another 7 had their economies dollarized or under some kind of convertibility regime (Goldberg, 2010).

15- Many analysts observe that there is being a contraction in USA’s fiscal capacity in relation to the size of world economy. E.G.: the debt stock of USA in 2011 equals 99,5% its GDP; its net debt equals 72,4% its GDP, and the primary balance deficit 95 of the GDP. In 2011, the amount of the expiring debt and fiscal deficit equal 28,8% of the GDP. (IMF, 2011)

EQUILIBRIUM, STATISM AND BOURGEOIS ECONOMIC POLICY TO THE CRISIS: SOME KEY ELEMENTS

Joaquín Morelli - Isabela Arana

Introduction

In the G-20 summit held in Seoul, the document signed by the delegation of member countries continued to set the objective of obtaining a compromise of “correcting the imbalances”, without defining yet a clear line about the working of the World economy, in particular about the financial system, capital flows and exchange rates.

The statement issued in the summit is trapped between a regulatory line on financial mechanisms that lead to the crisis’ outburst, and the claim to ensure “free markets” and free circulation of capitals. This contradiction in bourgeois economy’s terms, is given due to its primary objective of reaching a world economic balance after attacking the pretended causes of the imbalances generated by the crisis itself.

Precisely, this statement tries to resolve –without any success– deep differences that are not only “theoretical”, but actually political and economic, even though there exist very opposite interests between, for example, the countries with surplus in their balance of payments and those countries with deficit.

As the bourgeois economist Nouriel Roubini says, “the G-20 summits seem more to be the G-0”, for the combination of the different interests of the main countries in those meetings results in a force equal to zero.

Formally, the statements in this type of meetings point out on some imbalances like public debt and budget deficits, the relation between private savings and private debt, and in the other hand, the imbalances in world trade, including balance of trade and investment flows and transfers of capital. In the analysis of bourgeois “think tanks” and “opinion leaders” it is fundamental to take into account the exchange rates and fiscal and monetary policies.

Now, it is important to note here that this division of imbalances into parts, beyond the relevance of analyzing the grades and the particularly serious cases of crisis, it tries to hide the structural nature of the capitalist crisis.

We have analyzed in other articles in this issue, the approaches of certain sectors of the bourgeoisie in the discussion among the countries with trade surplus and countries with trade deficit, as it is the discussion of Pettis towards China. However, this is not the only expression of the problem of imbalances. Also, as various supranational institutions claim in their statements, serious problems of exchange rates have surfaced, developing a “currency war”. Another sticking point is the capital flows, which are used in mass to countries with higher interest rate (exporting countries that try to maintain “undervalued” currency, like China, Brazil and India). Likewise the issue of state de-

ficits must be highlighted.

These problems and discussions resurfaced in the recent meeting between the principal finance leaders of the G-20, where the highest bids were exposed between the US and the EU and between Germany, Britain and France in particular, and between them and China. Discussions regarding how to avoid imbalances and collapse of the global economy before the “systemic risk” posed by banks may not be resolved with purported regulatory policies nor alleged recapitalization lines and showed their inefficiency by exacerbating existing problems. The capitalist crisis cannot be resolved, from the bourgeois point of view, with an eclectic mix of lines implemented in the ‘30s or ‘70s. Again, bourgeois political economy shows the historical lapse in its approaches

Some considerations on the concept of “balance” in bourgeois economic theory

As we see, bourgeois discussions on the crisis are reduced to a matter of summation of these imbalances. It is permissible to ask why this obsession to achieve this “lost balance” which,

incidentally, was never reached. So the bourgeois notion of balance, both economically, and politically, refers to an abstract notion of absolute stability. That is, an equilibrium concept more related to an abstract must be rather than to the concrete reality.

There are several definitions and laws associated with them, that determine these supposed "balance" in bourgeois economy. One of the pioneers in entering the field of general equilibrium theory was F. Quesnay (1694-1774). The French economist started on the description of a subsistence agricultural economy. Quesnay argued that a nation is reduced to three classes of citizens: the productive class, the owners class and the sterile class. He made this classification from the place of individuals in the process of wealth creation. In this scheme the three social classes income are associated with the generation of wealth in the form of consumer goods that are produced by the society's labour. This raised the notion of "steady state" in a closed economy as a circular flow that repeats every period enabling economic and social balance from equality between income and expenses of each class.

Subsequently, from liberalism, Adam Smith (1723-1790) analyzed the functioning of the manufacturing system, born with the Industrial Revolution, where there would be three classes: landowners, workers and employers with their income, wages and benefits respectively. Adam Smith argued that the market naturally tends to an economic and social equilibrium.

According to the Scottish economist, the pursue of self-interest satisfaction would benefit the entire society and was limited by self-interest of others. Producers try to get the maximum benefit, but to do that, they produce the goods wanted by the community. Further, they should produce in adequate amounts, otherwise, it would result in a low benefit and price, while too little would cause a price increase and finally an increase in supply.

The smithian mechanism of the "invisible hand" also came to play in the production factors market, ensuring harmony as long as the factors seek the maximum income possible. The adequate goods would be produced at the adequate prices and the whole society would obtain the highest wealth possible as long as free

competition governed. However, if free competition was restricted, the "invisible hand" would stop working and the community would suffer the consequences.

From this point of view, economic and social balance would be natural in a society where there would be an "invisible hand" that would make particular interest correspond with general interest.

But there were two transcendental historical changes that challenged the development of these theories of "general equilibrium". The French Revolution of 1789 and the situation of English society after the enactment of the Poor Laws of Speenhamland (1795) challenged the harmonic assumptions and posed the problem of population evolution in economics. Thomas Malthus (1766-1834) formulated in that period his proposition regarding the "shortage of resources" considering that the rhythm of growth of the population would overpass the rhythm of growth of food production. One of his best known disciples was David Ricardo (1772-1823) whose work focused on the dispute between landowners and businessmen in the theory of differential rent (1817) where entrepreneurs, given the scarcity of fertile land in England, had to pay landowners ever higher rents for land becoming less fertile to meet the needs of a growing population. One of the main Ricardian theses was to consider the total property value divided into two parts: the one that constitutes the benefit and that one that constitutes the labor, defining the current capital as previous labor.

Ricardo, a critic of Smith's value theory, said in his main thesis that one should not confuse the labor invested in the good production with that labor bought in the goods, that value was determined only by the labor invested and that the value determination by time labor kept its full validity under the capitalism. He considered wages and profits as two parts of the value created by labor, and concluded that the decrease in wages raises profits and their raise reduces the latter, thus recognizing the divergence of interests between the proletariat and the capitalist class.

Jean B. Say (1767-1832) criticized Ricardo statements putting again the axis of economic study in the harmonic thesis by subtracting the so-

cial classes analysis from economy. His main contribution was the markets law, where he stated that every supply creates its own demand.²

Later, Schumpeter (1883-1950) picked up the thread of Say's propositions and posed that production would increase not only the supply in the market, but normally also its demand. In this sense he considered that supply creates the source out of which demand of its products flows. He thought that demand, supply and equilibrium are concepts to describe quantity relations within the universe of commodities and services, and specially that aggregate demand and supply are not independent from each other, for the demands that make up the total demand of the product of an industry, or enterprises, or individuals, come from the supplies of all the other industries, or enterprises, or individuals, and therefore, the first one increases in most of the cases when supplies increase, and decreases if they diminish. From these arguments he concluded that crisis did not find their cause in the fact that society had produced too much.

Walras, influenced by Jevons, started from considering economy as a math science. From this idea, he made an effort to empirically prove that the different markets are interconnected as if they were a system of compatible mathematical equations, so the equality between the number of equations and of unknown quantities would enable an only solution that verifies the simultaneous equilibrium of markets.

Walras placed the enterprise at the center of the economy and he was interested on its action in the context of competition among agents, as well as the interdependence of all economic markets: products markets (goods and services) and production factors markets (labor, land and capital).

In this scheme Walras believed that the solution to the problem of general equilibrium was related to the simultaneous determination of prices of goods and production factors, assuming a perfect competitive market with full employment. who considered that market equilibrium was stable, that is to say, if price went away from it, it would tend to come back, as a pendulum swings around its inner point.

The interest in "stability balances", especially markets, character-

rized the members of the School of Lausanne, particularly the successor of Walras, Vilfredo Pareto. A more developed version of the equilibrium theory is expressed by the "Pareto Optimization" which postulates that no individual can improve his situation without worsening the other's. So a system of pure and perfect competition is necessary. This kind of competition is the fulfillment of five conditions: markets atomicity (so many buyers and sellers that no one can individually influence the price of the product), transparency and perfect information (everyone knows perfectly well the market's conditions), free entry and exit from the market (there are no restrictions for any company to produce what the company wants) free mobility of productive factors (capital as well as labor go to that situation according to the price of factors), and product homogeneity (consumers do not matter who is selling if all the products are the same).

Together with the Austrian Karl Menger and the British Stanley Jevons, Walras was considered one of the founders of the neoclassical and marginalism.

Schumpeter considered that the walrasian equilibrium was essential to get to know the fundamental relations of the economic system, and asserted that it is not possible to understand the process of development without taking into account the conditions that imply the break of the stationary equilibrium. The fundamental characteristic of the walrasian stationary state according to the schumpeterian vision is that he considers that the economic situation repeats, either in the sphere of production, or in consumption. Once competition has driven the system to the equilibrium position, that matches the maximum performance, the process is repeated in an always-identical cycle. Every enterprise must always produce the same types and the same quantity of goods, always combining the production factors in the same way.³

For Schumpeter the break of this stationary state, and as a consequence the beginning of a development process, occurs when in the sphere of production there are introduced the modifications that deeply change the preceding productive systems. Changes may be stated as follows: 1) the introduction of a new product or

a new quality of a certain product, 2) the introduction of a new production method, 3) the opening of a new market for a particular industry considering that the products of that industry had never had access, 4) the conquest of a new source of raw materials or semi-finished products, 5) the establishment of a new organization of a particular industry. Such changes are called innovations. The main categories of his thought are the concept of innovation and the concept of entrepreneur. The capitalist entrepreneur is the one who continuously finish with the static and stationary state, changing the production processes through innovation. The factor that causes the change is innovation, which is to do things in a different way in the field of economic life.⁴

The period between wars and the crisis of 1929 profoundly challenged these arguments. It was in this context that John M. Keynes (1883-1946) developed the main postulates of his work, partially arguing with the predominant ideas. In his critique of Say's Law, Keynes argued that it only works when an individual action inevitably drives to a parallel one of investment and that it is not appropriate to suppose the existence of a financial link that bounds the decision to abstain from present consumption with the ones that provide future consumption. For Keynes there is a speculative motive that favors a mass of money generated in production to fly away to the financial sector in the search for safer rents. This thesis challenges the notion of general equilibrium of markets based on the free supply and demand game, present in previous schemes. Keynes believed that during the crisis, the market cannot ensure economic balance, and that is why it requires State's intervention to promote investment, production and employment, by stimulating aggregate demand via public and private consumption even if it means an increase in general prices level. We shall return to these statements.

Decades later, the Keynesian assumptions were questioned by the neoclassics. One of its greatest exponents is Milton Friedman, who took up the principles of the market law stated by Say and the idea of general equilibrium.

In the following sections we will go deeper in the analysis and argue with those statement of bourgeois

political economy in order to better grasp the current debates among different political officers and representatives of each current.

Some elements of methodological critique to bourgeois political economy

The Marxist theory, unlike the bourgeois political economy, takes the question of equilibrium as a contradictory concept. Equilibrium and disequilibrium are, in Marxist economic theory, non exclusive concepts, instead they are part of a differentiated unit, as a dialectical concept

The main reason why Marxism has to use this type of concepts is precisely that it analyzes the living phenomenon, and therefore contradictory, of capitalism. On this methodological formulation is based its main advantage regarding the bourgeois economic theories that are reduced to a set of deductions made from an abstract and stationary equilibrium. To develop this important topic of the notion of equilibrium in bourgeois economy we will take Henryk Grossman's critique in "Marx, classical political economy and the problem of dynamics", where he tries to elaborate the notion of dynamics of Marxist economy by exploiting the contradictions in the statements of bourgeois economists.

The aim of developing an economic theory that captures the dynamics and contradiction of concrete phenomena was possible for Marx thanks to a critique of the classic's economic theories -such as Smith and Ricardo- by the dialectical method that intends to capture what is concrete in thought. In this sense, the categories proposed by classical political economy, specially the one of value, were analyzed by Marx in their inherent contradictions. That is to say, for Marx the concepts developed by these economists had, like every idea in society, a mystified part and a real part. The aim was therefore, not to void a mystifying category and change it for another one, but to explain the necessary connection between the two of them and from that to establish the apparent character of those. For Marx, the monetary phenomena should not

be taken as the essential elements of economic facts, but as reflexive parts of those; and the real process that affects commodities should be searched in production, behind “the monetary veil”. Nonetheless, Marx was far from posing a categorical opposition between what’s “real” and what’s “apparent”. Marx established a connection between commodity and money when considering that “the hidden contradiction between use value and exchange value that exists within commodity becomes tangible in the external opposition between two commodities, in which one is considered by its exchange value and the other by its use value”.

A brief introduction to the problem: the double character of labor and the fundamental error of bourgeois economic theory

When developing the contradictory character of the most ordinary category of capitalist society, commodity, Marx goes even further into it analyzing the special character of labor as commodity. Thus, Marx can determine the double character of labor, noting the fact that it creates the value of a product destined to the market, and at the same time, it creates a socially necessary use value.

From this fundamental distinction, the Marxist critique to bourgeois economy points right to the center of its ideological and political aims, one of which is the idea of achieving an abstract “equilibrium”, that is nothing but the ideological reflex of the bourgeoisie’s and its State’s class interests.

Marx himself said that to note the contradictory character of labor in capitalism was a fundamental discovery for economic science.

This double character of labor shows at the same time the double character of commodity, the exchange value and the use value of a commodity. This duality of economic categories is seen at every level in Marx’s exposition of his theory, from the most abstract ones such as the analy-

sis of commodity, to the most concrete ones, such as the analysis of the contradictions between fixed and circulating capital, etc. This dialectical methodology is essential to approach the analysis of capitalist dynamics, without falling in the mathematized study of quantity changes of variables of bourgeois economy, that is in that way still a “static” theory.

What is important here is to recognize the toehold that static concepts of bourgeois economy have. That is to say, to find out where is the conception of equilibrium established. In the first place, we will mention the fact pointed out by Grossman that “classical economy has always been an abstract theory of the exchange value”. This is in the sense that its development has always been guided to focus in the aspects of the supply and demand dynamics (circulation) to the detriment of processes related to value production. And here we can pick up the thread of what was said before on the “part of truth” of economic categories that a critique must take into account. Marx noted that the purest expression of capitalist dynamics was the relation between the “exchange value” and the “increase in the exchange value”. This logic, conceived from the point of view of the usurer or the trader, completely abstracts itself from its origin, not only from the exchange value, but above all from the reason for the increase in value. As Marxists, we recognize the main value of labor in production and reproduction of value, an aspect that although it was recognized by the classics such as Ricardo or Smith, was not developed by them in its consequences for the analysis of capitalism. But coming back to what we are dealing with, we need to determine which are the consequences of this thought, abstracted from the centrality of labor in the notion of equilibrium.

As for Smith as for Ricardo, the abstract equilibrium was a fundamental concept for their theories. Precisely, the theory of “natural prices” starts form an equilibrium between demand and supply that is just an equilibrium among exchange values, and that only reflects, at all events, the fluctuations of prices around values (actual fact, and that Marxist theory economic theory develops).

As we said above, what the classical analysis leaves aside is the

contradictory aspect of value, in this case, the counterpart of price dynamics, that does not take place on the surface of “commercial exchanges”, but in the depth of production. What we want to note here is the fact that an economic theory absolutize the exchange value because it completely leaves aside the fundamental dynamics of use value of commodities, it cannot understand the underlying phenomena of capitalist development itself along its own history. The dynamics of exchange values abstracted from their counterpart related to the use value of commodities becomes therefore a static element that can describe the movements within the established margins in given reproduction conditions. Thus, there are left aside the aspects regarding enlarged reproduction and the phenomena of capitalist accumulation, which are essential to understand the dynamics of capitalism beyond the conjuncture. By ruling out the study of use values’ dynamics, that is to say, by voiding the contradiction that is at the center of the question of value, the only thing that is eliminated is the ability to understand a phenomenon that becomes more and more usual and violent as capitalism develops, such as crisis. In this way, by omitting the inherent contradiction of the category of value in capitalism, there appears a sharp opposition between equilibrium and crisis, that would be later deduced as a fundamental postulate by economists after the classics.

Precisely, this absolutization of value is for Marx at the foundations of the error of Adams Smith’s theory, that poses an equilibrium between supply and demand that would determine the “natural prices” of commodities, as an equilibrium of values.

As regards Ricardo, this absolutization of the value dynamics to the detriment of the use value was also expressed in Ricardo’s interest for the study of the “net rent” –profit understood as surplus value taken from the relationship of prices over costs- and to reject the study of “gross rent”, in the sense of use values necessary to sustain the reproduction of labor.

What was fundamental for Ricardo was the study of a theory of values’ distribution. He even stated that the determination of a mathematical relation starts from a given totality, which was the only real aim of science. This kind of arguments led the ricardian theory to it’s a priori and de-

ductive character, typical of classical political economy and its successors.

These statements denoted, as we have said before, the deep contradictions of the ricardian theory itself, where there was a coexistence of a theory of labor-value with an absolutization of the value dynamics over the actual complex behavior of value. From this we can understand the later existence of two opposite Ricardian schools, “leftist” (equalists) and “rightists”, who tried to banish the consequences of the theory of value-labor (in concrete, that workers do not receive the total product of their labor) highlighting the study of market phenomena as exchange. As the father of Lausanne School, Leon Walras, would later say political economy “is the theory of value and the exchange of value”, denying thus the possibility or the interest on the study of production and value distribution in economy.

Precisely, the bourgeois economic theory started to develop –from the incongruities of classical theory– a method that had the aim to make of economy a set of statements the more abstract and formal the better, with the purpose of concealing any relation with the concrete process of production and labor exploitation. Concretely, and following Ricardo’s goal, they tried to create a theory of distribution based on the market dynamics, in order to give a foundation to the “theory of factors” according to which every factor of production (land, capital and labor) is rewarded in proportion to its intervention in commodities production, being therefore wage the total pay for realized labor and not just a part of it, as even Ricardo asserted.

Once erased from the theory the question of unequal exchange between capital and labor, it was necessary to enunciate a theory of value that matched the theory of factors. In this sense, there were developed, as we mentioned above, the psychologist theories of value expressed first by J. B. Say and later continued by the marginalist school.

These “subjective theories of value” stated the necessity of measuring the “subjective utility” of products and services. In this way, the theory of marginal utility tried to turn the question of value into a psychological one. Regarding the scientificity of this methodology, as regards the accurate measurement of

the concrete value produced by labor, there were no more concerns. The important thing is that this school had already built up a theory of value tailored to the theory of factors of production, and from this, of the need of equilibrium between those (distribution according to their “participation in production”). Precisely, the Law of Say and his statement that all production assists its own demand, as a fundamental law of equilibrium of economy, is also subsidiary to those conceptions.

Furthermore, in his critique of the bourgeois economic theory, Grossman argues that the reason for which all the trenes within the dominant theory highlighted the static character of economy has been the need to justify the current social order as “reasonable”, as a system that tends to self-regulation. But, as we have seen above, classic bourgeois economists from Ricardo to Say started to gradually fund their theories on an idea of equilibrium that particularly abstracted itself from the question of labor exploitation and the unequal exchange that it embodied. Grossman points out regarding this that: “Anyway, if one tries to establish the specific direction of the whole of economy, one must research, not only the exchange relations from given variables, but also its development, growth and demise, or (as Mayer says) the “process of price formation”. It is not enough to look at the exchange relations, one must also study the process of production as well as the process of circulation, that is to say, the process as a whole. In this way, it becomes clearer the fact that positive and negative changes do not balance till they reach zero degree, but they assume defined values (for example, the fall of the rate of profit). This means, they reveal the direction of the system’s movement as a whole, the trends of its development’.”.

Grossmann thinks that the emphasis of bourgeois political economy on the concept of “self-regulation” has the intention to divert attention from the prevailing reality in the capitalist system, characterized by the chaotic and frenetic destruction of capital, the bankruptcy of enterprises and factories, mass unemployment, monetary crisis and arbitrary distribution of wealth. Staring from this considerations, Grossmann thinks that it could be perfectly understood why the con-

cepts “static” and “dynamic” –originated in physics theory– were introduced into bourgeois economic theory without any discussions on whether that antinomic and mechanical division was justified.

In this sense, Grossmann concluded that: “What is unsustainable about that separation becomes clear when we consider that there do not exist processes “without movement” in economy: that the so called “stationary” economy “moves”, and that it is a circular process. From this, the distinctive characteristic of static and dynamic ones cannot lie on the fact that one of them studies the “non movement”, and that the other the mobile or variable phenomena. Moreover, we characterize as “static” a kinetic economic process that has reached a whole equilibrium of its movements, as a result of the persistence of all the objective and subjective conditions that repeat endlessly, without changes, from one period to the following (a circuit). Consequently, a dynamic economy must be understood not as an “economy in motion” (since the “static” economy also moves), but as an economic process that has not reached equilibrium, that means, a process that moves towards disequilibrium along time, what simply means that the conditions of the economic process change from one period to the following, resulting in the final situation of the economic process –the economical structure– also in permanent change.”⁶

Attempts to update bourgeois economy to the problem of dynamics

Despite the theories of equilibrium, it was the capitalist development what pressured bourgeois economists to introduce the problem of dynamics in their economic theories. The increased complexity and the new problems appearing in the form of increasingly violent crisis led economists to consider aspects of motion on their static theories.

The first one was J. S. Mill, who wanted to introduce “corrections on the static scheme”. There were also developed theories as A. Marshall’s theory, who attempted to carry out –as already mentioned– a “partial

equilibrium theory”, dependent on a “fundamental equilibrium”, which was not explained.

These reforms in the theories denoted the pressure of capitalist contradictions, that expressed themselves in a more and more violent way. However they sustained their basic assumptions regarding the problem of balance. We have seen that this view lies on a certain conception of value, so that the abandonment of the static idea was practically impossible. That is why before the problem of crisis, bourgeois theories began to develop a series of theoretical adjustments that were based on a new corollary of the equilibrium theory and can be summarized as follows: phenomena that alter the system’s balance are of external nature. In this way, the building of deductive equilibrium theory was still standing and could at least try to explain the recurrent phenomenon of capitalist crises. As Grossmann says: “As equilibrium theories, the dominant theories cannot derive from their own principles the generalized crises of the system, since from their point of view prices represent an automatic mechanism of balance restoration and to overcome alterations. Any attempt of these theories to include any empirically tested moments of alteration would eventually collide with the following contradiction: a consistent application of the arguments of the theory of equilibrium (that they use) can only explain such balance breakdowns as externally produced, that is to say, as changes in given economic variables”.⁷

Although the economists above mentioned tried to carry out these changes, others, like the ones of the school of marginal utility, took to an extreme the abstract conclusions of the theory of balance. The next step taken by this current was to take to the extreme the method of deducing relations among given variables. For these economists, the evolution of forms of organization was inherent to capitalism, but they considered that studying such changes was outside the object of study of economics, for precisely the “notion of equilibrium” could not be applied to such changes. For authors such as W. Jevons, “the laws of exchange are analogous to the laws governing the equilibrium of a lever”. For F. Knight, economics was a science of “economic quantities”, so the task was to establish the relation-

ships between variables from equations. In this way, he resorted to the “mathematization” as rigor criteria for the economy, while the conceptual development was abandoned to the selection of some (not all, for example, the law of labor value) of the postulates of classical political economy.

Clearly, these conceptions tend to heighten the myopia of bourgeois economy, setting as the only possibility of movement the study of changes of state of a variable in time. In this sense, the equilibrium theory is strengthened, since all the elements of reality that may impose non-equivalent relations and interdependent movements would not be in the analysis of “mathematized” economic science. Between these two poles, it began to develop the idea of “self-regulation”, that being external to the development of economic variables, was sustained in a supposed mechanism that driven beyond the stationary positions could never be reached, but it was the only reason why an economy that lacks a command center does not enter in chaos.

A key element of the Marxist critique of the formal equilibrium conception, is the one mentioned by Grossmann: “The static method cannot explain a system that is in expansion... The static thinking cannot explain the development of new successive states precisely because balance in the static analysis cannot conceive growth”.⁸

The ordinary concept of equilibrium, typical of neoclassical theory, cannot explain the dynamic character of capitalism, as it does not consider the fact of the expansion of the production process (expanded reproduction, capital accumulation). The “formal” equilibrium according to “Say’s Law” is only possible in an economy that does not accumulate, that does not broaden the basis of its reproduction. These variables related to capitalist accumulation are left aside by the “mathematization”. A clear example of this is the “Jevons paradox” regarding energy usage and improvements in technological efficiency: empirical data of the expansion of value reproduction that is not interpreted as such, but as a “paradox”, that is to say, a contradiction set forth but not resolved.⁹

Examples of this absolute thought were the proposals of Haberler, for whom only balance could be interpreted as growth, while imbalance was

equal to crisis. The formal opposition of two aspects of the real movement of the economy does not conceptualize the sequence of events in its contradiction.

In contrast, for Grossmann the question of totality was of fundamental importance. About Pareto’s School he said that they broke with the idea of totality, dismembering it into individual sectors. Grossmann says: “The Pareto equilibrium equations were developed from the functional connection between given variables, excluding the dynamic factor in the process of production, or in other words, achieving the complete system immovability”¹⁰. In fact we can say that in the late Nineteenth Century there could be witnessed a “bankruptcy of the mathematics school”. The mathematized equilibria of Walras and Pareto even postulated absurd propositions as the Pareto’s “equations of indifference”.

As we can see, these static methods are basically deductive, since they start from a given situation, and are abstracted from the change that the very economic development generates from its own logic. It is a static method that assigns to “history” the task of change, understanding it as a narration and an interpretation of the sequence of events that occur.

The “pragmatic critique” in bourgeois economy

To analyze the break up of a sector of bourgeois economists with the “neoclassical” school is an important point, because it allows to establish the link between the most vulgar theories of equilibrium (for example, the marginalist) and those proposed by the “critical-pragmatic” bourgeois school in which we can include Hicks, Wicksell and Keynes, who was determinant in the twentieth century.

It is important to point out what underlies this break up was the violent eruption of the problem of the crisis in bourgeois political economy. Such a break with the notion of equilibrium is methodologically expressed in the empirical testing of classical observations on the tendency to crisis of over-accumulation (in Keynes it is called falling marginal

efficiency of capital”).

Hence, the search for “counter-cyclical” mechanisms is an aim rather characteristic of the economists of the twentieth century, parallel to the development of a new ideology on economic phenomena that included the possibility of crisis, which could only be confronted with the irruption of the State “as a tool” in market mechanisms.

Before these aporias, some bourgeois economists began to establish partially critical guidelines with the aim of adapting the neoclassical thought to the reality of developed capitalism that became increasingly divergent with regard to such theories of absolute balance. One example was Hicks, who along with other economists of his time was forced to criticize the notion of static equilibrium for being “unrealistic”. For Hicks, “the concept of “steady state economy” is one of the causes of stagnation in the development of economics because it denies the problem of dynamics”. And, as we saw, Pareto’s “equations of indifference” are only valid in a stationary economy where there is no accumulation of capital, or any other change in the situation.

But the economists that developed their works after the Russian Revolution and the establishment of the first workers’ State and the increasingly serious crises that had already began in the late Nineteenth Century and deepened during the Twentieth Century, were the ones that began to develop theories that sought to assimilate the notion of crisis without affecting the foundations of their monetarist theories. An exponent of this current of opinion was Knut Wicksell, a Swedish economist who in the late Nineteenth Century tried to incorporate the problem of crisis to bourgeois economics, trying to devise new tools to mitigate its effects. For Wicksell it was a fact that a connection between economy and credit had moved the center of gravity of the economic system to the monetary system. This is the reason why for him the key factor was to attack the dire consequences of increasing capitalist crises by regulating interest rates (thus establishing a “monetary theory of the crisis”). That is to say, he posed the need to reach an equilibrium between international payments balances and the general level of prices, which remain constant. In this sense he affirmed, in the most

ancient quantitative tradition, if the cash flow was stabilized, fluctuations in economic activity would disappear and prosperity could continue indefinitely.

Knut Wicksell tried, from the same theoretical basis of his predecessors, to overcome the impotence of the static conceptions of capitalist equilibrium that had been challenged by recurrent crises. He tried to do this by trying to make a synthesis of elements of the marginalist theory of Walras with classical political economy of Ricardo. In 1889, in “Interest and Prices”, his most important work, he began to set the foundations of what would be an idea of price control from the manipulations made on the interest rate. In this way he differentiated between a “natural interest rate” for the pretended point of balance between supply and demand (which made it “external” to markets of capital) and a banking interest rate, corresponding to capital market. These rates determined, according to Wicksell, the whole process of accumulation, because if both rates did not match, then neither did the demand for investment and savings. In this sense if, for example, the interest rate of capital market increased above the natural rate of interest, then this would produce a decrease in money demand to invest and would increase savings, by reducing consumption and all economic activity. Of course, for Wicksell it was necessary to achieve an economic expansion, for there could be seen in the horizon some features of stagnation in the first years of the early Twentieth Century.

This algebra of interest rates (and the ghostly “natural rate”) was based on the old quantitative theory of money. In fact, the concept of “natural rate of interest” starts from the idea that there would be a certain amount of currency that would keep prices stable. But the important point in this theory is the role that is assigned to the action of banks, or even more, of government in the command of economy. For Wicksell, it was essential to intervene through monetary mechanisms to solve or alleviate the problems generated by the development of the capitalist system. In this sense the policy of issuing by the central bank was the main tool, that is to say there should be a precise amount of circulating capital for a balanced development between supply and

demand. Hence, for Wicksell this point was determined by the rate at which banks lend money, if this rate was lower than the natural, it would create an impetus to investment (as it would be better to invest in production than to lend at interest), and in the opposite case it would restrict it. If what was required was to create a balance, the interest rate of banks should be equal to the natural rate, so prices would remain well balanced (a balance between supply and demand).

As it can be seen, the aporia of the “ideal” point of balance still stands, primarily because the theories from which it derives are still standing. However, to try to find a practical solution to problems that were no longer just theoretical, but of immediate need, Wicksell said that the natural rate of interest should not be set “quantitatively” but banks should test the ground pragmatically, following the rule that if prices stayed steady, also should the interest rate stay steady, and if prices improved, the bank interest rate should do it too and the other way around, staying unaltered until there was a new variation. This “algebra” taken from the quantity theory of money would have a great influence in Keynes and his Austrian “rival” school.

Thus capitalist governments would have a tool to control economic cycles, which started to be a strong concern for the capitalists of his days, who no longer believed in the magic of the hand of the market.

Keynes’ “general theory”

From this developments, and facing the catastrophic deepening of capitalist crisis and class struggle that took place during the first post-war period, it appears the figure of J. M. Keynes. He tried to introduce the problem of crisis to the analysis of bourgeois economy in his attempt to overcome the boundaries induced by the formal conception of equilibrium and introducing, in the line of Wicksell, the necessity of state-intervention in the market in order to thwart the tendencies to crisis.

Keynes was against some of the statements of the “classical theory” (he equaled it to Marxism, which he viscerally rejected) leaving its foun-

dations, namely, the quantity theory of money and the subjectivist ideas of value. It could be said that he pragmatically criticized some of the most discredited neoclassical theories, imposing the idea of the necessity of state-intervention under the concept of "fiscal policy". He affirmed that state policies in the fiscal and monetary fields could increase the severe and destructive tendencies to crisis being careful of not altering its foundations, such as private property. Particularly, Keynes must recognize the fact that crisis was a phenomenon that had become a rule and not an exception. In this sense, he proposed concepts such as "decrease of the marginal efficiency of capital" that tried to describe the phenomenon of the tendency to fall of the profit rate, which already in the '20s appeared on the surface of the capitalist system. Fiscal policies were important for Keynes precisely as mitigating factors, through state-spending, to the general decline in profitability. State-spending would generate a multiplying effect by the increase in aggregate demand, created by the abundance of money supply, as the quantity theory says. This concept of aggregate demand multiplier was perhaps the characteristic feature of his theory. This adaptation of the neoclassical statements is also seen in his main work, "General theory of employment, interest and money", clearly based on the same foundations of bourgeois economics, but incorporated through the subjectivist ideas of value, the element of crisis, absent in the neo-classics.

As we said above, Keynes was trying to refute the idea of the natural tendency to equilibrium. He asserted that in every case such equilibrium of free market depended on many factors not recognized by what he called the "classic theory". So conceptions like the one of the Law of Say "were not completely right", since the equilibrium between supply and demand was only an exceptional case and not a rule. However, Keynes' "critique" was seized by the same conceptions that he tried to tackle, so his break up with Say was rather an inversion in the terms of the well-known law of equilibrium. If for Say production determined demand, for Keynes it was demand what determined production. As we can see in this "paradox of the chicken and the egg" what follows is the problem of value pro-

duction, therefore the Law of Say is intact. For Keynes such an "inversion in the terms" was produced because of the fact that the propensity to invest on behalf of capitalists depended on the existing relation between the interest rate and the profit rate for a certain moment. As we can see, this concept is clearly the image of what Wicksell stated, so that algebra of the interest rate remains unaltered in Keynes' "general theory": If the difference between two rates is in favor of the profit rate then there will be a highest propensity to invest. But, as profit depends on demand (and here we see another intact statement of the "classical theory" in the "general theory"), if consumers and investors behave according to the stipulated "rational" guidelines given by the classical theory, and save because of "too high interest rates" (or a negative perception on behalf of them regarding to their incomes, as also a possible future decrease in prices) then profit would be negatively affected, so the initial problem of interest rates higher than profit rates would feedback creating a vicious circle that Keynes would call the "paradox of saving". In this way, a "too high interest rate" would reduce the aggregate demand, for it would reduce the demand of capital for productive investment (investment demand) and therefore it would reduce employment and the mass of wages, so consumption would also decrease (consumption demand), creating thus a crisis.

In this way, since the necessary "propensity to consume" (that Keynes equals to investment and state-spending) would not be established by the mere action of market, for him it was essential that a force acted to harmonize such necessities of the system to avoid crisis. Thus, it appears the need for state-intervention, for only could the State have the necessary force to modify the situation of markets, affecting the mentioned relation between interest rate and profit rate.

Let's have a quick look on some important concepts that illustrate the subject. In Keynes, the concept of aggregate demand is essential, even more if we put in the center of the analysis the statist perspective that this theory contains".

For Keynes, consumption demand, added to what was called "investment demand" (capitalists' intention to invest) and state-spending constitute "aggregate demand". This

concept is used to define a curve that seeks to establish the point of equilibrium between supply and demand, in a graphic that represents the quantity of "goods and services" that inhabitants, enterprises and public entities of a country buy at different levels of interest rate (or of prices). The point where the bisector of the graphic cuts the curve of aggregate demand represents another fundamental concept for Keynesianism that is the "marginal propensity to consume" (mpc). The marginal propensity to consume is defined by Keynes as "a variation of consumption when the available income varies in one unit, that is to say, the relation between a variation in income and the corresponding modification in the spending to consume. The opposite concept is the "marginal propensity to save" (mps). It is clear here the persistence of a typical feature of the neoclassical economy, the idea of marginal utility, where mathematization comes from, as well as the formal and closed (deductive) character that the concept implies.

It is important to note here the marginal propensity to consume because it constitutes at the same time the so called multiplier. Then, Keynes' idea regarding the relation (inversely proportional) established between saving and investment is "mathematized".

Summarizing: the mpc is the slope of the curve of "consumption demand", that is at the same time the same slope of the curve of aggregate demand. Investment demand and state-spending are simply "added" to consumption demand, raising the curve and making the curve of aggregate demand. This slope (mpc) is what is tried to be raised, for according to bourgeois theory, in situations of crisis and stagnation (general decrease in the marginal efficiency of capital, according to Keynes) it is necessary to recover the equilibrium between supply and demand by increasing the mpc to improve the flow of investments, and state-spending to buy the supply that does not find demand and be able to reach the potential production, that means, full employment of resources (capital, land and labor).

For this state policy to achieve this purpose the Keynesian theory establishes two types of mechanisms: The first one is what is called "monetary policy", that is based on the

alteration of the relation stated by bourgeois economy² between the interest and the profit rates in favor of the latter. If the “marginal efficiency of capital” is higher than the “interest rate”, then investment will increase and the other way around. Manipulating the interest rates could benefit the “investment demand”. The other mechanism used is the one of “fiscal policy”, that is to say, to simply increase the public spending to settle the supply that finds no buyers and the use of the production factors that remain idle.

In both cases the aim of Keynesian political economy is to reach the old “equilibrium” represented by the point where the curve of aggregate demand cuts the bisector (point of equilibrium between supply and demand). According to this theory, if in the middle of a crisis state spending and investment demand increase, the more can “the point of equilibrium between supply and demand” (the point of intersection between “the curve of aggregate demand” and the bisector) approach to the “full employment of resources” or “potential production” (which has no necessary relation with the economical variables, in fact for Keynes there can be equilibrium without “full employment”).

Thus, the Keynesian theory continues to support the conception based on the analysis of consumption and not of production. The centrality of mpc clearly denotes this. For Keynes, if the propensity to consume is weak and the opportunities to invest are not attractive enough for capitalists, then a part of the income that is not consumed will neither be invested and effective demand will reduce, so economy will contract and the level of employment will decrease.

But if beyond the difficulties of this deductive “algebra” that Keynes proposes, it is important to remark the fact that since saving and investment are not always in “equilibrium” (Say’s equilibrium), he considers the intervention of State indispensable in order to assure the “necessary level of investment” to increase the economic activity (improve the “multiplier”) and guarantee full employment..

Although the “monetary policy” thought by Wicksell in the late XIX Century continued to be a “valid tool” for Keynes, he considered that in the situation of generalized stagnation of the efficiency of capital it was necessary to give priority to policies that

increased public spending, this is, “fiscal policy”. In this sense, he stated at least three ways of financing the new spending: increasing taxes, issuing more paper money or resorting to state indebtedness. State indebtedness has been proved to be the favorite for Keynesians who preferred not to alter the value of currency, neither increase taxes, choosing the resource of paying the present debts with future incomes (by taxes in an economy that was obliged to grow).

The capitalist crisis: statism and imperialist decay

After this review of the mechanisms postulated by the Keynesian analysis we will proceed to its analysis through some tool of Marxism. We mentioned above that Keynes operated in his theory by equalizing spending and investment. This matter is very important because it determines the whole meaning of Keynesian theory as the guiding ideology of Statist economic policies applied by the bourgeoisie for almost the entire Twentieth Century. The ideology of “statism” was based on these theoretical concepts in which productive labor can be confused with unproductive one, debts with assets, etc. Such confusion is possible from a subjective conception of value and the application of the old “trinitarian formula” (the so-called equality of production factors: land, capital, and labor). At this we will quickly say that the law of value sets a criterion that differentiates between unproductive expenditure, as is the unproductive class’s consumption or state spending, and capital investment. The reason is that a mass of money does not act as capital if it is not used to enhance and extend its value. We may also add that from this misconception of the determination of value, there also comes the confusion between profit rate and interest rate (Wicksell spoke only about “different rates”, although with “very different” genesis).

As we said above, the Keynesian theory seeks a point of “equilibrium” in the curve of aggregate demand in which equilibrium between supply and demand is reached (among many) which at the same time reaches the level of “potential output”

(the “maximum utilization of resources”) and hence “full employment”. Basically this is what sustains the political objective of Keynesianism: to be the theory that would ideologically justify and set the policy of the bourgeoisie as a class behind its State to overcome the threats of class struggle unleashed by the decay of capitalism and the threat that represented the USSR.

However, from the bourgeois economics critique standpoint, we know that the problem of Keynesian theory lies in its poor conception of value, that is to say it does conceive value in its contradiction: as exchange value and as use value. We have also seen how the Keynesian mechanisms have a stiffness derived from the absolutism of monetary phenomena (which juxtaposes certain psychologistic principles in the tradition of Böhm-Bawerk and other vulgar economists) over its internal relations with the value production.

Some considerations on the question of “equilibrium” in Marx

The economic policies proposed by Keynes are posed essentially around monetary phenomena. Naturally, this is because of the vision bourgeois economists have on the problem of value. For Marx, the analysis of monetary processes that take place on the surface can only be correctly understood from the difficulties that occur in the reproduction of values and in accumulation. Behind appearances, monetary problems are actually expression of problems that are inherent to market economy and its contradictory relationship with the needs of production and consumption. Only from observing the troubled relationship between “buyers and sellers” as social relations within capitalist norms of production, can we overcome the useless search for equilibrium between “supply and demand”. The inherent contradictions in capitalist production and circulation, derived from the double character of the value of commodities (use value/exchange value), cannot be analyzed from a conceptual corpus that evades itself from the question of production relations. On the other hand, also the relative lack or abun-

dance of capital can lead to economic problems, that will also appear for bourgeois theory as crisis typical of the monetary system, especially if we take into account that the development of the financial system and its speculative character lead the most irrational expressions of capitalist competition to strongly affect investments.

The true aspect from which the conceptions of equilibrium between supply and demand of classical political economy started from was based on the fact that there were fluctuations around the values in the market's dynamics. Although it is a fact that the addition of all the values must equal the addition of all the prices, the theories of value of bourgeois economy, that do not recognize the problem of the realization of value, absolutize this dynamics to the whole system, avoiding the contradiction between use value and exchange value that is at the foundations of capitalist crisis. From here, because of this absolutization, emerges the confusion of thinking that external intervention (by monetarist or fiscal measures) and altering thus the volume of supply or demand, the "equilibrium" lost by economy in the crisis would be regenerated.

This vision, partial and reduced to the acts of selling and buying, is related to the narrow vision on the social process of production through the eyes of individual interest, maximization of which would magically mean giving every individual the equivalent of his contribution to the production process, creating thus social welfare. Far from this, the social process of production is a lot more complex and -under capitalism- a lot more contradictory, for as Marx says: "private interest itself already is a socially determined interest and can only be achieved in the scope of conditions that are fixed by society and with the means it offers, it is linked in consequence to the reproduction of these conditions and these means⁶⁷". The struggle all against all that is created under capitalist competition does not provide the necessary order for the "equilibrium" that the bourgeois economy looks for. The fact that the law of value imposes by force a point around which prices fluctuate and a minimum level of competitiveness for capitals, does not mean that the same individual conditions from which capitalists do their activity do

not fall under the general conditions of social production, which are out of control for them and turns out for capitalists to be an objective dynamics over which they have not enough incidence. This loss of control, this alienation, voids all pretension of subjective will that would be significant for the dynamics of capitalist accumulation, that carries on its way based on a blind logic that, as Marx discovered, carries the seed of structural crisis of capitalism.

Everything that is going on in the dynamics of markets depends essentially on the dynamics of value production and distribution. It is important to remark that this does not mean that there is no incidence of prices on the behavior of markets, but this incidence will always have to do essentially with the structural changes produced in the sphere of production. For Marx, far from thinking that the price system constitutes a regulator, prices reflect the forces created by the needs of production, determined by the thirst for profit of capitalist accumulation. Moreover, the same law of value that the inner forces of capitalist production express can also be seen as "regulated" by concrete social needs (use value) of the population that of course escapes the logic of capitalist accumulation. This expresses the fact that society cannot stop producing or consuming, so the continuity of the process of social production is guaranteed, which is actually a process of enlarged reproduction of social life.

Finally, we will say that the apparent equilibrium sought by bourgeois economy can only occur as an imposed force by the law of value (beyond its eventual fluctuations), but not in a gradual and organized way, as a tendency to reproduce without interruptions, but on the contrary, with more or less violent interruption in reproduction, that if eventually "reaches equilibrium" it is due to the destruction of accumulated capitals along with the burden of misery and social unrest inherent to an important crisis. Thus, equilibrium can never be "stationary" but it is actually a moment in which inherent contradictions are not yet enough developed to make the conditions of capitalist accumulation burst in the air. The right way to see "equilibrium" sought by bourgeois economics from the classics to Keynes and his followers is the irruption of the law of value that does

not equalize at all the contradiction between production and consumption (based on value's duality in use value and exchange value), but it only re-establishes a relatively predictable dynamics between production and capitalist accumulation.

Keynesian policies and capitalist crisis

The problem of the inherent tendency to crisis that the dynamics of capitalist accumulation conceals is precisely a central aspect of economy, that even bourgeois economy gradually assimilated -almost smuggled by the most pragmatic bourgeois theories that sought to gather tools for a bourgeois response to capitalist crisis. In fact, although the whole bourgeois tradition from Malthus to Keynes does not recognize the central role of labor as a source of value, it is true that it had to adapt to the fact that at least they had to count the interference of wages in order to be able to quantify the magnitudes handled by its "macroeconomics".

The other fact that bourgeois economy "had to recognize" was the tendency to fall of the rate of profit, seen as a gradual decrease of the average profitability of capitals. Nevertheless, this recognition of the basic problem of capitalist accumulation was not recognized as such, and was awarded to problems such as the decrease in land fertility (Malthus) or the contradictions in the relations of agricultural and industrial production, etc.

For Marx, the lay of the tendency of the profit rate to fall was a "fundamental law" of capitalist dynamics. However, this was so because in a mode of production like this, based on the antagonism between owners and producers, production as a whole is on the track of creating quantitative increase of the magnitude of value in money contained in the capital of owners. Thus, the whole system, the whole production, is just a means to increase profits, which could only be achieved if all the conditions that allow the survival of the producers' class were reproduced, and amplified the value of capitals. This constant enlargement requires, for capitalists' property to remain capital, and not just a quantity of money, an application of a greater quantity of workforce, which implies at the same time

a greater enlargement of production and therefore a greater accumulation of capitals, and again a greater necessity to extract surplus labor in order to value the every time greater mass of capitals and, particularly, the realization of values produced in consumption. Thus, the success itself of the capitalist system in its accumulation it is what defines its own crisis.

This is the phenomenon that Keynes tried to explain without modifying his subjective conceptions on value as “decreasing marginal efficiency of capitals”. This tendency to crisis that had become evident in his times, was taken by Keynes as a problem to be solved by externally altering the dynamics of supply and demand through the action of fiscal and monetary policies that only could the State adopt.

Preliminary considerations on the true nature of bourgeois statist policies

Marx developed his discovery regarding the tendency of the profit rate in its internal contradictions. Thus he developed the topic of countertrends existing inside the capitalist accumulation process that prevented the system from collapsing in a short term due to its own weight. Henryk Grossman, who deeply studied the implications of countertrends in capitalist development, stated that “...accumulation goes on at an ever faster pace, for the volume of accumulation does not develop in proportion to the level of the profit rate but to the potential possessed by the accumulated capital”⁴ Grossmann based his assertion on what Marx pointed out, when he said that “beyond certain limits, a large capital with a little profit rate accumulates faster than an small capital with a high profit rate”⁵.

A central component of Marx’s question regarding the accumulation crisis inherent to capitalist development is the fact that to prevent the system from a rapid collapse, capital accumulation must grow at a higher pace than the fall of profit rate. This must be this way because, the lower social consumption is in relation to social production, the more surplus

value will accumulate. So simultaneously, a larger share of surplus value must be converted into variable capital (that is, the advancement of capital in the form of wage) for which a higher capital increase rate is needed. But that acceleration and precisely here is the dead end of the logic of capital accumulation eventually produce an almost absolute fall of the profit rate due to the rapid raise of the organic composition of capital. Thus, the collapse of capitalism by its accumulation’s own weight would become true, out of its complete.

We know, however, by Marx’s study on counter trends and concrete historical experience, that there does not exist a blind mechanism leading directly to the collapse of capitalism (although there actually exists the possibility of a more or less indirect way to economy’s destruction and a regression to “barbarism”). In fact the process of capitalist accumulation is delayed by the counter trends studied by Marx, which determined the development of capitalism to its imperialist phase. Now, already in this mature phase of capitalism, in which it cannot overcome its own barriers (as testified by the life and death competition for the world market in which national capitalist economies are involved), perhaps we could say that the “non-productive capital expenditures”, that is to say, the consumption of values that are not reproduced by labor, are just different forms of capital destruction. The destructive policies are carried out directly during wars, but also through government intervention in economy.

Keynesianism and imperialist decomposition

It is important to add that the Marxist critique of bourgeois statist policies was always based on the law of value, which enabled it to point out the Keynesian confusion between “spending and investment”. Paul Mattick, in his book “Marx and Keynes”, makes a critique of statist Keynesian ideas. For him, Keynes generates a confusion by stating the idea that the deficit spending can be financed by savings it has itself engendered. In this sense he makes a

critique on the concept of multiplier that states that “... any given amount of additional income can be multiplied by simply moving from one income group to another ...” when actually “there is no income multiplication by the initial expense itself, although there may be production of new income; and it is only as long as the original expenditure leads to an increase in production that it can produce an increase in income”⁶. Also, he criticizes the idea of growth based on state indebtedness through credit, since, as occurs with speculation and fictitious capital, this creates value representations from the idea that they will materialize as such, when that depends on the development of the process without interruptions of capital accumulation.

It is important to note, however, that Mattick’s analysis tends to absolutize the question of state expenditure due to the pressure of warfare expenditures during the Cold War.⁷ We believe that, beyond the fact that he has reflected in his analysis a situation that was occurring at his time, the problem of unproductive expenditure and statism exceeds that specific situation by far. This is evidenced by the inability of neo-orthodox (neoliberal) policies to overcome the problem of state spending, that despite of being a result of government policies, it has its origin in the pressure exerted by monopolist interests that are the very foundation of statism.

According to Mattick, in Keynesian policies there is an obsession to incorporate certain elements of income redistribution, from the deviation of values to production in unprofitable sectors. Precisely, what Mattick remarks is the equalization that Keynesianism makes between investment and consumption by the derived concepts of multiplier and the curve of aggregate demand. For Mattick, there exists in Keynesian policy “an element of income redistribution because it channels funds to areas of nonprofit production”.⁸ This deviation generates an effect of growth in the absolute production of goods that are consumed in a “nonprofitable” way, that is, capitals that do not reproduced themselves. This is why he points out that such destruction of capital in the form of consumption would be the reason why accumulation may slow down, which finally results in state intervention becoming

in the short term a mitigating factor to the crisis of over accumulation, since “instead of being capitalized, a growing part of the social profit is dissipated in additional government spending”.¹⁹

The problem with this line carried out by statist policies is that in the long term it generates an unusual increase in public debt that, by altering the entire fiscal balance, produces a new blow on earnings, either directly through taxes (which are known as a deduction thereof), or indirectly through financial speculation with the “sovereign bonds”, that appear as fictional values, and in fact mean a discount on profit in the form of interest.²⁰

During the last forty years the latter mechanism has been the most extensively developed due to the huge boom in financial speculation, not only around the sovereign bonds market but also around the financial derivatives market. The analysis of this important matter of the interference by the great weight that fictional capital gained in the accumulation process in the global economy, is partially addressed in another article of this issue.

Finally we may add a provisional remark about the problem of relocations. It is a fact that the latter have been developed as a form of capital destruction. Relocations are short-term policies that only express the anarchy of capital, its destructive tendencies. The current crisis shows that the capital logic is its own limit and that capitalism cannot bring trends to the end. The arguments started by bourgeois “intelligentzia” about the economic costs that the policy of relocation and outsourcing in design, quality, etc. has caused for companies like Toyota, Boeing, among others, illustrate this capital’s devastating and short-term trend.

El punto fundamental, sin embargo, es el mecanismo de financiamiento de aquellas. El alto costo de inversiones en capital fijo y la simultánea destrucción de capitales ya invertidos en equipos, instalaciones, etc., sólo pudo ser “rentable” dentro de la dinámica del gran desarrollo del capital ficticio acaecido en las últimas décadas. Estas inmensas inversiones difícilmente hayan sido amortizadas debido a que se apoyan en la expectativa sobre las ganancias futuras que hoy podemos decir, ante esta crisis, que nunca se realizarán. A partir de

esto podemos decir que el fenómeno de las relocalizaciones posiblemente constituya en cierto grado un gasto improductivo. The fundamental point, however, is the mechanism to finance them. The high cost of investment in fixed capital and the simultaneous destruction of capital already invested in equipment, facilities, etc., could only be “profitable” within the dynamics of the great development of fictional capital occurred in recent decades. These huge investments have hardly been recouped because they rely on the expectation on future earnings that today we can say, before this crisis, will never be achieved. Hence, we can say that the relocation phenomenon may constitute, in part, an unproductive expenditure.

An example of bourgeois policies in the current crisis

The increasingly menacing development of capitalist crisis has begun to raise the voices of publicists of different bourgeois sectors that, before uncertainty and pessimism, try to recover lines of action and economical thought that express the interests of the countries or the factions of the dominant class that they represent.

The “economical journalism” performed by personalities such as Joseph Stiglitz or Paul Krugman has become in the last years the spearhead of a political line for the sectors that, before the blows they received from the crisis, must be convinced at all cost about the supposed ability of capitalism to re-invent itself.

As an example of statist thought we can quote the opinions of economists such as J. Stiglitz, who has been doing for years systematic publicism of the neo-Keynesian statist ideas. Before the crisis running since 2008, many Keynesians like him have taken a rather prophetic and warning tone that is adopted in a completely uncritical way, not only by the sectors linked to trade-union bureaucracy, but also by groups that claim to be part of the left. In an article pompously titled “To cure the economy”, Stiglitz gives a brief but accurate image on the essence of statist policies to face the crisis. Of course, the pessimistic tone that reflects uncertainty is clear when he affirms

that “As the economic slump that began in 2007 persists, the question on everyone’s minds is obvious: Why? Unless we have a better understanding of the causes of the crisis, we can’t implement an effective recovery strategy. And, so far, we have neither.”²¹

At the beginning of his analysis he characterizes that although the crisis burst in the financial sector because of its “unforgivable imprudence”, its reasons are deeper. But the real elements that for this economist define the crisis do not propose a further reach, but the recovery and the imposition of old “statist policies”. In the first place he affirms that the current crisis is one of “overproduction”, in the underconsumptionist sense of the term, when he affirms that “... America and the world were victims of their own success. Rapid productivity increases in manufacturing had outpaced growth in demand, which meant that manufacturing employment decreased. Labor had to shift to services²².” He adds to this consideration a supplementary question related to unemployment asserting that this is also due to a supposed decrease in industrial employment in developed countries, by the pressure of developing countries’ comparative advantages.

Beyond this last superficial explanation on the problem of unemployment in capitalism, Stiglitz focuses on underconsumption to go then to the problem –so dear to Keynesianism– of demand. For Stiglitz, there are different reasons for which there exists a decrease in “aggregate demand”. In the first place, because of the “concentration of income” that would produce a displacement of those from “people that spend it” to “people that do not spend it”. Here we will say that, starting from the Keynesian heritage, he equals spending to investment, when he affirms that “there is money but it is not being spent”, when we are actually talking about immobilized capitals. This is clear when, amazed, he asserts before the lack of investment by enterprises that “large enterprises are sitting on a few trillion dollars in cash, so money is not what is holding them back from investing and hiring. Some, perhaps many, small businesses are, however, in a very different position; strapped for funds, they can’t grow, and many are being forced to contract²³”. This concentration of capitals,

that Stiglitz confuses with the simple concentration of money, such as the one given by the worker's wage, is actually the accumulation or overaccumulation of capitals that cannot be re-invested without disappearing (consumed as unproductive spending in non profitable investments) in the current conditions of market. Of course, this asseveration is based on a certain rudimentary conception on money (quantity theory) but it is important for us to note how rapidly come to light the conceptual limits before a fact as explicit as the crisis.

But precisely, from this confusion the present problem is no longer about the adequate and efficient operation of society's resources (real capitals and their money representations) but the distribution of such resources, that by the way, are divested of their concrete and specific character given by their use value. The redistribution of capitals through the distribution of money, under the form of rents, subsidies, state spending and so on, is the first great misunderstanding that the Keynesian policy of indebtedness tries to impose.

As we have seen above, equaling investment to unproductive spending is the fundamental operation to justify the state-spending policies proposed by Keynesianism. But as we see, the idea of encouraging demand by spending (the well-known "multiplier") basically starts from this idea that the crisis has an element of "underconsumption" by "concentration of money in a few hands" and that its natural remedy is the "re-distribution of money", confusing it with the real, material, social, wealth accumulated under the form of capitals.

The same operation appears with the statements regarding existing money in the reserves of underdeveloped countries that is not being spent, and state-spending cuts in healthcare and education that capitalist governments have combined with Keynesian policies of subsidies and capital injections to the financial system. It is also important to point out here that regarding the question of the basic social services of healthcare and education how –from the Keynesian logic– the "spending" on them is aimed to encourage demand and not to fulfill the need of such services. In fact, the concrete destination of that spending ends up being an "extra-economical" consideration ("ethic" or "political") since from this

logic of aggregate demand multiplier, it is not important whether the State spends the capitals accumulated by society on a great invading army, or on burying bottles and then paying for digging them up (in the image Keynes used to explain his policy)²⁴. This is important because in this author's publicism there is a great component of demagoguery that is then smuggled to be put at the center of Keynesian policies, when actually, it is all about maintaining the dynamics of concentration of capitals started by the crisis, added to a new relation of forces between capital and labor that benefits the first one with higher rates of exploitation.

From such arguments Stiglitz finally affirms that "The prescription for what ails the global economy follows directly from the diagnosis: strong government expenditures, aimed at facilitating restructuring, promoting energy conservation, and reducing inequality, and a reform of the global financial system that creates an alternative to the buildup of reserves."

Beyond the bourgeois essence of the statements we have analyzed above, that constantly try to conceal the problem of the origin of value specially in a moment of crisis when it is expressed on the surface, there arise two very important additional questions. As Stiglitz says, there exists a problem regarding the energetic costs. Before these, the only response is energy "saving", that if it does not end up in the decrease of consumption itself must at least pose a technological leap that allows to solve a structural problem of capitalism and that it is not casually tightly related with overaccumulation (the spending in raw materials, fundamental for energy industry, becomes more and more important as the tendency to overaccumulation grows by the increase in the organic composition of capital). However, as capitalism in crisis is not in conditions to make such technological revolution (these cannot have "endogenous" causes related to a supposed progress in technology by itself, but they are due to a leap in the productivity of productive forces), it is predictable that the energy saving will simply be one of the many forms of shortage that the bourgeoisie will oblige the masses to endure.

The other important question is the one of the concealed but at the

same time strong critique to accumulation under the form of sovereign funds existing in underdeveloped countries, this "money that is not being spent". This remark may mean an appeal to the expropriation of such capital on behalf of the Powers that can "spend" them, either directly or indirectly. When Stiglitz talks about "alternatives to the accumulation of reserves" he means of course the implementation of state-spending policies also in this countries lacking of capital in comparison with the imperialist countries. For the implementation of Keynesian style state-spending policies in countries that do not have their own financial system, neither a strong industry and therefore cannot decide on their economies, simply means the extreme exposition before the Powers' economic force, which can only result in a greater imperialist penetration. Taking an Argentinean example, we can say that the economic policy of Peron's two first periods is one of the clearest illustration for the case. Of course, such dynamics becomes more complex before the dynamics of the crisis of interstates relations, which will boil in the scene of trade disputes that protectionism and state intervention in general will generate in the medium term.

The capitalist crisis tends to lift the veil that covers the real causes of the social catastrophe of capitalism. But it is precisely in these times when the vanguard of the proletariat must deepen and overpass its own common-sense conceptions and explore the real mechanisms of exploitation to finally abolish them by truly overcoming the cause of the present disaster: the capitalist mode of production. To surpass the statist ideology, so rooted in mass sectors and so dear to the left, is one of the tasks to be carried out by the new generation of revolutionaries to confront the ongoing imperialist decomposition.

Notes

- 1- Sep-Oct 2011.
- 2- "A Treatise on Political Economy, or the production, distribution and consumption of wealth" (1803)
- 3- D. Guerrero, et al. Manual de economía, vol 1. 2001, pag 258
- 4- Ibid.
- 5- Grossmann, "Classical political economy and the problem of dynamics". (Our translation)
- 6- Ibidem
- 7- Ibid. pag. 68
- 8- Ibid pag. 70-72
- 9- The Jevons Paradox, named after its discoverer, William Stanley Jevons (also Rebound Effect), says that as technological improvements increase the efficiency with which a resource is used, it is likely to increase consumption of that resource, rather than decrease. Specifically, the Jevons paradox implies that the introduction of energy efficient technologies can, ultimately, increase the total energy consumption.
- 10- Grossmann, op cit, pag 74.
- 11- In the Keynesian theory, effective demand is the essential variable that determines the level of employment. A concept that Keynes adds here is the one of "price of the global supply", which is defined for a given level of employment, and is "the expected product that, to the eyes of the businessman, is just enough to make it worth to supply that volume of employment". It is not a price in the ordinary sense of the term, but the minimum product demanded by businessmen to accept hiring the workers that would allow to obtain it. As we can see, in this upside-down economics, the worker needs the capital, and not the capital the worker. The effective demand is the anticipated demand that is equal to the global supply. At the level of effective demand obtained this way, there corresponds a determined level of employment.
- 12- It is important to note here the difference that exists between the external and indifferent relation posed as by Wicksell as by Keynes, and the Marxist relation between interest rate and profit rate, that although it is not "necessary" it is internal, since in Marx interest is a deduction of profit.
- 13- Marx, "Capital", III, chap. 15.
- 14- Grossmann, "The capital accumulation law"
- 15- Marx, "Capital", III, chap. 15
- 16- Mattick, Grossmann, Keynes. cited by D. Guerrero
- 17- For this reason Mattick characterized it as a countertrend.
- 18- Ibid
- 19- Ibid
- 20- See in this issue: International monetary system crisis and productive forces development under imperialist decomposition.
- 21- J.S., To cure the economy. October 2011.
- 22- Ibidem
- 23- Ibidem
- 24- "When involuntary unemployment exists, (...) Pyramid-building, earthquakes, even wars may serve to increase wealth (...) If the Treasury (State) were to fill old bottles with banknotes, bury them at suitable depths in disused coalmines which are then filled up to the surface with town rubbish, and leave it to private enterprise on well-tried principles of laissez-faire to dig the notes up again (the right to do so being obtained, of course, by tendering for leases of the note-bearing territory), there need be no more unemployment and, with the help of the repercussions, the real income of the community, and its capital wealth also, would probably become a good deal greater than it actually is. It would, indeed, be more sensible to build houses and the like; but if there are political and practical difficulties in the way of this, the above would be better than nothing." J. M. Keynes, The General Theory of Employment, Interest and Money, 1935.

ON THE MECHANICS OF THE TRANSITIONAL PROGRAM

Guillermo Costello y Carolina Vidal

Preliminary note

The idea of a program being born or emerging from material necessities that promote the action of mankind and class struggle could appear a bit obvious for a Marxist that boasts himself of such, and yet this is one of the many “obviousnesses” that the Trotskyist centrism has forgotten. What has prevailed during the postwar period among the Marxist currents, either in its more sophisticated version as Mandel’s “neo-capitalism”, its politicist version in Lambert’s or Pablo’s United Fronts, or its barbarian expression in Nahuel Moreno’s Inversion of the Law of Historical Causality (*Inversión de la Ley de Causalidad Histórica*), was the idealist exaltation of subjective factors over objective ones.

Mandel characterized the postwar period as a period of development of “neo-capitalism” marked by a long term wave of economic expansion. According to him, it was precisely this expansion what enlarged up to unprecedented levels the margins of negotiation between the bourgeoisie and the proletariat. He said that, thus, regimes consolidated on the base of concessions made to workers in the imperialist countries, that is to say, a regime based on tight collaboration between the expansive bourgeoisie and the conservative forces of the labor movement, and founded on an improving tendency of the life standards of a layer of workers.

But at the same time, for Mandel, the nature of neo-capitalism

itself implied the increasing intervention of the State in economic life, in order to avoid by all means—in the middle of the “Cold War”—the development of a great crisis like the one of 1929-1933. State intervention became thus “anti-cyclical” or “anti-crisis”, being the political factors the ones that prevent the objective laws of capital from developing.

Through a “permanent technological revolution” (sic) and the rise of new strata of workers related to this phenomenon, full employment and concessions, the working class satisfies its minimal material needs and so it must focus—as part of active resistance to neo-capitalism and confrontation to its regime—in the political, cultural, gender aspects, etc. But above all, and based on this new strata of wage-earners with a higher cultural and technological level, it could be developed the struggle for economic planning by self-management and the fight for true democracy. We could think, so, that the irruption of a crisis that cut out this long expansive wave, would shatter the Mandelist theory. On the contrary, with the crisis of ’81-’83 not only does he support it, but he goes further with it.

This is why in the Athens Conference of July 1, 1983 he says: “The defense of the Marxist theory of crisis is not only a duty of scientific honesty, of ability to understand, explain and foresee the way of world economy. It also plays a precise role in the ideological struggle that develops today within public opinion, that is to say the political class struggle, class struggle in its most di-

rect sense. It plays a role even more precise in the division lines within the international labour movement, between those who—under the most diverse forms and with the most contradictory excuses—accept the crisis as inevitable and are satisfied with the proposition of recipes to administer the crisis with gradual doses of austerity, and those who want to organize, broaden and generalize the rejection to the austerity policy as a whole, the militant and active resistance against capital’s offensive, the struggle against unemployment by the immediate introduction of the 35-hour-workweek without reducing the weekly wage and with compulsory hiring, the struggle for an anti-capitalist alternative as a whole to the austerity policy. This division line opposes at last all the defenders of class collaboration against all the irreducible partisans of class independence of the proletariat, for which Marx has fought his whole life since 1850.”

This crisis will only be solved if the masses take in their own hands the management of their own affairs, of economy, of the State, of society. This crisis will only be solved by the socialization of the great means of production, by putting them to work in a planned way on the base of priority objectives democratically fixed with the political pluralism indispensable for democracy, by the mass of producers-consumers themselves, by the management of economy by associated producers, by the creation of a World Socialist Federation, based on the power of workers, the power of workers’ and people’s coun-

cils in the whole World.”

The program that Mandel poses is restricted to one “anti-crisis” measure, that of imposing the 35-hour-workweek and the compulsory hiring (to go back to full employment) plus pluralist and democratic self-management.

Lambert, in the same year Mandel published his writings on neo-capitalism, said:

“[The policy of] American imperialism as well as the one secondary imperialisms and particularly, in what concerns us, French imperialism are trying to adopt, express the inherent tendency of decaying capitalism to dislocate the world market. These measures also express the will of making the workers of every country pay for the survival of the regime of private property of the means of production, to try to overcome the economic, financial, political and social chaos that the dislocation of the world market entails”¹.

But curiously, just like Mandel, he affirms that the line of capitalism since 1949 is to avoid at all cost a crisis like the one of '29, by injecting military budgets in American economy and giving some concessions to workers. “But —he says— can we qualify as an “unprecedented economic progress” this huge waste of human labor when productive forces driven by the exploited turn into destructive forces, as Marx, Lenin and Trotsky defined? Could we talk about a great leap forward of productive forces when the facts show to what extent Marx and Engels were right when they predicted that in a certain phase of its development, the cost of survival of the capitalist regime would be higher than what this regime gives to mankind? With imperialism, reaction all along the line, as Lenin defined it, the work force of workers is wasted, with militarization of economy it weighs on human society the threat of being sunk into the barbarism of the Third World War, first symptoms of which can be found in the Vietnam war and the extermination of ‘Bengali’.

Quagmire of economy, monetary crisis, crisis of over-production that threatens. From bankruptcy to bankruptcy, if the world proletariat does not put an end to the capitalist regime in every country, capitalists all over the World will drag mankind into the final bankruptcy of

barbarism.

However, before all these calamities that approach, what will the program of the OCI be in 1971? Severance pays of 200 Francs, sliding scale of... prices!!! Nationalization under workers’ control of all trusts, “remodeling” the nationalized service companies, and a workers’ government, calling to build a true Workers’ Party and be part of the OCI.

Already in the early ‘80s, while Mandel proposed anti-cyclical measures to face the crisis, Lambert developed his theory of the progressive bourgeois fields and affirmed that “In that struggle against bourgeoisie, without taking the least responsibility for Mitterrand’s government, we are in the field of Mitterrand in his actions of resistance to the bourgeoisie”², to develop —later in the ‘90s— the “line of democracy” and the “program of democracy”.

As we see, evolutionists and catastrophists end up supporting the same program of state capitalist measures, effectuation of which would be guaranteed by this or that current. Over-dimensioning the political factors over the economic ones has fully taken them to the bourgeois regime and the struggle for democracy.

We will not stop here in the most bizarre versions such the one of Moreno, who flirted at its time as with the Mandelists as with the Lambertists, under the proclamation of the Anti-imperialist United Front 3.

Moreno displaced in such an extreme way the axis of policy, destroying the materialist comprehension of the revolutionary program, that he reached the point of saying that there was a “moral transitional program”⁴.

Anti-crisis program, program for democracy, moral transitional program, are the consequence of abandoning the Marxist method of program elaboration, a necessary condition for a current to become a revolutionary party and not just a mere group of intellectuals.

Introduction

“The materialist conception of history starts from the proposition that production and, next to production, the exchange of things produced, is the basis of all social structure; that in every society that has

appeared in history, the manner in which wealth is distributed and society divided into classes or estates is dependent upon what is produced, how it is produced, and how the products are exchanged.

From this point of view the final causes of all social changes and political revolutions are to be sought, not in men’s brains, not in man’s better insight into eternal truth and justice, but in changes in the modes of production and exchange. They are to be sought, not in the philosophy, but in the economics of each particular epoch.

The growing perception that existing social institutions are unreasonable and unjust, that reason has become unreason, and right wrong, is only proof that in the modes of production and exchange changes have silently taken place with which the social order, adapted to earlier economic conditions, is no longer in keeping.

From this it also follows that the means of getting rid of the incongruities that have been brought to light must also be present, in a more or less developed condition, within the changed modes of production themselves. These means are not to be invented, spun out of the head, but discovered with the aid of the head in the existing material facts of production.”

This document emerges from the need to go back to the Marxist premise —unfortunately forgotten by the majority— of the preeminence of objective factors over subjective ones, or rather, the material expression of the relation between these factors in production and the relation of forces that is established from that.

This is precisely what Trotsky elucidated when he posed the contradiction between maturity of the necessary objective conditions for the victory of socialist revolution and the immaturity of subjective conditions, what has been misunderstood by circumscribing the Transitional Program to the simple task of “overcoming the insufficiencies of the subjective factor” (Mandel).

What we want to prove in this document is that there exists a mechanics in the Transitional Program thought by Trotsky that starts from the relation between historical tasks and claims and demands 6 of the

working class, since –paraphrasing this great revolutionary– the programmatic norms can only be realized if they are the generalized expression of the progressive tendencies of objective historical process.

So, with this sketch, we are trying to recover that programmatic norm as a guide to revolutionary action in this situation marked by an unprecedented imperialist decay and expression of which is the present world capitalist crisis. We want to prove that there exists a theoretical-political continuity in the elaboration of the revolutionary program and the historical overcoming of the minimum and maximum program started by the III International and developed by Trotsky and the revolutionaries of the IV.

At the same time we will seek to establish the relation between the Transitional Program –incomplete– and the communist program, that for Trotsky was nothing but the program of the Permanent Revolution.

In the same sense, we start from the Marxist conception that the revolutionary program is part of the theoretical elaboration of a party, since it implies the generalization of the previous experiences for the development of the proletariat’s subsequent experiences.

How does a program spring

The revolutionary program is fundamental for the existence of any party. Trotsky said that it is the expression of a common comprehension of the tasks (“Discussions with Trotsky on the Transitional Program”, 1938). For Lenin, without a program there is no party, but a mere group of intellectuals; for the program is a guide for revolutionary action.

Any materialist conception –not idealist– on the program must start from the material necessities as driving force, conditioning the human existence.

This means that the program does not start from the capricious intellectual’s head, nor from idealist speculations on “what the masses want”, but it must be inspired in the Marxist premise that the objective factors prevail over the subjective

ones. In the dynamics between economy and politics, between structure and super-structure, between what’s objective and what’s subjective, the program is configured; and so policy and tactic (Trotsky’s phrase on the curve of capitalist development and politics).

Claim, demand, slogan

An extended debate among Marxists is how to establish the relationship between ordinary claims of the working class, out of their condition of wage-earners and the specific relationship between bosses and workers, along with the demands that are encouraged by spontaneous or syndicalist movements, and the program and slogans⁷ of revolutionaries. A program that denies the claims and demands is a dead program, typical of a sect. A program that is exclusively based on or assimilates in raw the claims of a class or sectors of class is a syndicalist, partial or spontaneous program.

As we have said before, to make a program is to make revolutionary theory. As a generalization, the program and slogans of revolutionaries must establish a particular relation with the spontaneous demand, to overpass the simple relationship worker-boss and set the foundations for political struggle, that is to say, to reinforce the workers’ organizations to break capitalist command.

Not understanding this reduces the program to a series of minimum claims or, at most, to state-capitalism measures. But precisely, it is this dialectical relationship claim-demand-slogan the basis of the mechanics of the Transitional Program that has its foundations on a given class dynamics to develop a revolutionary movement and its “effective power”. To establish or even approach to it we must make a historical review on the discussions of revolutionary Marxists.

Minimum and maximum program

“In place of the minimum program of the centrists and reformists, the Communist International offers a struggle for the concrete demands

of the proletariat which, in their totality, challenge the power of the bourgeoisie, organize the proletariat and mark out the different stages of the struggle for its dictatorship. Even before the broad masses consciously understand the need for the dictatorship of the proletariat, they can respond to each of the individual demands.(...)”⁸

This system of demands⁹ is a great step forward in the dynamics of the program and the tactics that emerge from it.

It takes into account the temporary element (that Lenin develops in his Theory of Imperialism) as a central axis of revolutionary politics and the analysis of the concrete dynamics between classes in a certain historical moment, that is to say, the path from an organic period of capitalism to its critical period when political and social equilibrium is lost, which is a transitional period (that creates a new foundation for tactic). For the III CI, this period is between two moments (the organic and the critical) taken from the point of view of the theory of imperialism (lack of long term reforms).

Thus, the III International in its revolutionary phase abandons the idea of minimum and maximum program; it goes beyond with a “system of demands”.

It is interesting to analyze thoroughly this mechanics established by the III CI. For the leadership of the International, this system of demands must serve to destroy the bourgeois power, organize the proletariat and build the phases of the dictatorship of the proletariat.

The III International addressed vanguard communist parties in order to arm them theoretically, politically and programmatically to lead the revolutionary processes that cut through Europe and that allow the III characterize the situation as “objectively revolutionary”.

We can say, then, that it was a material, historical, concrete fact what settled the old discussions among Marxists around “minimum and maximum” program. It was the Russian Revolution, the rise of an international revolutionary leadership, what put an end to the old distinction between minimum and maximum program and set the basis to its dialectical overcoming.

Trotsky, on the contrary, starts from quite different conditions with

a brutal crisis of revolutionary leadership, the crushing of the revolutionary processes by the action of popular fronts and fascism, along with Stalinist and social democrat policies. All these combined with mass movement processes in the oppressed countries and in USA. But he had the great experience of having been a maker of the Russian Revolution and the rise of the III International. Trotsky's idea of proposing the transitional character of the system of demands has to do with the need to establish that bridge between two generations, and to face that historic leap that marked the turn to counterrevolution of the III CI. Due to the absence of those vanguard parties, Trotsky had to recover the program that was being destroyed by the Stalinist bureaucracy and give continuity to the method of the III, although he had to base his elaboration on the intervention in mass movements and promote the spring of a vanguard that took lessons from defeats and prepared the offensive.

Precisely because of this, the Transitional Program written by Trotsky could not include the three founding elements of the programmatic conception of the III International in its revolutionary phase: destroy the power of the bourgeoisie, organize the proletariat and build the phases of the dictatorship of the proletariat, but—as Trotsky himself warned in “Discussions on the Transitional Program”—the Transitional Program lead the proletariat to the threshold of the proletarian revolution, or in other words, it stays in the first aspect of the programmatic conception of the III. Trotsky's Transitional Program does not proposes to organize the proletariat in the sense of the III CI, that is to say, the immediate and conscious preparation of the vanguard parties built and grouped inside a revolutionary international to seize power and insurrection.

Neither does it seek to build the phases of the proletarian dictatorship, since as T. says, we are not talking about social revolution, “about the seizure of power by insurrection, the transformation of capitalist society into the dictatorship, the dictatorship into the socialist society”, so the Transitional Program is only built as a Program of Action “until the beginning of the socialist revolu-

tion”¹⁰

Thence we are talking about an incomplete program that has the goal to destroy the bourgeois power, since as Trotsky himself asserts in the Transitional Program: “...the Fourth International advances a system of transitional demands, the essence of which is contained in the fact that ever more openly and decisively they will be directed against the very bases of the bourgeois regime”¹¹.

From Trotsky's conception, hence, to complete the program does not mean to add slogans to it, but to overcome the crisis of revolutionary leadership and to build the IV International, and in this aspect it takes shapes as the continuity of Leninism.

Under this perspective, Trotsky sustains a concrete relation between claim-demand and slogan. The programmatic articulation does not deny, but contains the elementary demands of the proletariat, but at the same time it condenses the preparation of the working class for the tasks of its dictatorship, even though it does not develop them.

To conclude, we can say that Lenin and Trotsky share the same method when they establish a specific relation between claim/demand/revolutionary program, in the idea of a “system” of demands: the first one with the necessity of an immediate fight for power; and the second one, in the need to overcome the crisis of revolutionary leadership. Not to understand this method means to split “system” from “demand” either by proposing a “block of slogans” or by simply advancing the immediate claims.

Finally, it is necessary to point out that internationalism in the III CI and in the Transitional Program have a different concrete expression. To the III CI it took shape in constituted parties grouped up in the revolutionary international with the authority of a revolution and a workers' State.

To Trotsky it meant to recover the international program, abandoned by Stalinism, to confront the prevailing chauvinism at the dawn of the second World War, to build up the IV International in the light of this great test for the world proletariat, and to make the political revolution in the USSR to recover it as the leadership for world revolution.

Method and system

Overcoming the distinction between minimum and maximum program in a system of demands posed revolutionaries the task of world revolution and the construction of masses' communist parties. But due to the subsequent defeat they were obliged to make a tactical withdrawal maintaining the theoretical-political positions, for not only the bourgeoisie but also Stalinism—who spoke in the name of the Workers' State—were trying to liquidate the historical memory of our class. This is why it is not at random that Trotsky used the word “transitional”, since he tried to recover the program in a phase when the socialist intrusion of the Workers' State in the capitalist society reached a new historical dimension.

Trotsky confronted Stalinist stagneism in the light of the experience of the Russian Revolution and the process of transition.

“In other words, a democratic workers' and peasants' coalition could only take shape as an immature form of power incapable of attaining real power—it could take shape only as a tendency and not as a concrete fact. Any further movement toward the attainment of power inevitably had to explode the democratic shell, confront the majority of the peasantry with the necessity of following the workers, provide the proletariat with an opportunity to realize a class dictatorship, and thereby place on the agenda—along with a complete and ruthlessly radical democratization of social relations—a purely socialist invasion of the workers' state into the sphere of capitalist property rights”¹².

From this point of view, the dictatorship of the proletariat was understood as a process that had its roots even before the seizure of power, in its preparation. The existence of the workers' state posed the international character of this process and had programmatic implications. But the bureaucratization of the proletarian leadership interrupted this process to turn it into its contrary.

There was no longer an objectively revolutionary situation like the one of the times of the III, but in 1938 there was a combination of a “pre-revolutionary period of agita-

tion, propaganda and organization” with a tremendous leadership crisis.

In the III International Lenin thought that the world vanguard had been ideologically won and therefore the matter was to advance a program that was “the expression of the needs of the great masses, even if these masses do not take conscious position yet in the field of proletarian dictatorship”³ while Trotsky must forge a new vanguard, and from the practical point of view the most important thing was how to guide the “different strata of the proletariat in the path of social revolution”⁴.

Trotsky intended to establish, with the system of transitional demands, a bridge, that is to say a connection between the present-day claims and the present-day consciousness of the proletariat and the program of action to seize power. However, this program is not “finished” neither could it be, for it is a program of action that takes the proletariat to the threshold of the revolution. That means, it is incomplete, or rather, it is part of a more historical program that is the program of communism.

Trotsky clarifies the limits of the Transitional Program of ‘38. “The draft program is not a complete program. We can say that in this draft program there are things which are lacking and there are things which by their nature don’t belong to the program. Things which don’t belong to the program are the comments. This program contains not only slogans but also comments and polemics against the adversaries. But it is not a complete program. A complete program should have a theoretical expression of the modern capitalist society in its imperialist stage. The reasons of the crisis, the growth of unemployed, and so on and in this draft this analysis is briefly summarized only in the first chapter because we have written about these things in articles, books, and so on. We will write more and better. But for practical purposes what is said here is enough because we are all of the same opinion. The beginning of the program is not complete. The first chapter is only a hint and not a complete expression. Also the end of the program is not complete because we don’t speak here about the social revolution, about the seizure of power by insurrection, the transformation of capitalist society into the

dictatorship, the dictatorship into the socialist society. This brings the reader only to the doorstep. It is a program for action from today until the beginning of the socialist revolution. And from the practical point of view what is now the most important is how can we guide the different strata of the proletariat in the direction of the social revolution.”⁵

Nonetheless, the fact of being an incomplete program does not mean that it does not preserve the whole validity of its method, since it establishes the correct mechanics between demand and program.

On the one hand, the Transitional Program does not deny the demands, but it contains them, as long as they keep their vital force.

What matters are not demands themselves, as isolated slogans, but the “character that may and must take the struggle for these demands under the conditions of the current social crisis”. And this does not imply other than the fact that in order to oblige capitalists to make real concessions it is necessary to break their will, that is to say to break the capitalist command.

For this reason there must be no confusion between the system of transitional demands and the system of “immediate” demands. It seems a play on words, but it is lethal to revolutionary politics. As Trotsky asserts, it is about the general Marxist theses “social reforms are nothing but the byproduct of revolutionary struggle, in the epoch of capitalist decay it has the most burning and immediate importance. Capitalists cannot cede something to the workers, unless they are under the threat of losing it all.”

This system of transitional demands allows to put in motion the daily claims according to the historical tasks, and that condenses the preparation of the proletariat as dominant class, its organization and its despotic intervention over property right. This is why the transitional program condenses the tasks of the future workers’ state, because it prepares the proletariat for the tasks of domination, although it only takes it to the threshold.

In other words, the system of transitional demands condenses a specific historical stage -a transitional one- and contains the experience of the class and the vanguard in the stage of crisis, wars and revolutions.

Contrary to what has been commonly interpreted, when Trotsky refers to or makes some kind of a schematic distinction between democratic demands, transitional demands and socialist tasks, he refers to the way in which they are expressed in underdeveloped countries, but not to establish “blocks of slogans” -this method has nothing to do with Marxism- but to show different stages in class struggle that the program generalizes as a whole. And because of that, to the transitional programmatic conception of Trotsky “they are not separated in the struggle by different historical stages, but they come up immediately one from the other.”⁶

By way of example

While we think that it is a mistake to separate Trotsky’s programmatic elements to study them in an isolated way, just for analytic purpose and only as an example we will take some aspects to illustrate the mechanics we are talking about.

For this we want to focus on how Trotsky starts from the elemental role of capitalist production and distribution to establish his programmatic method.

In this sense, workers’ control, for instance, is not posed as an eventual anti-crisis and democratic way-out, but as an attack to the bourgeoisie’s economic disorganization. As Engels said, “The contradiction between social production and capitalist appropriation manifests now as the antagonism between organization of the production inside every factory and anarchy of production in the whole society”⁷. In the imperialist epoch, capitalist collapse and crisis exacerbate this contradiction and it is in this sense in which Trotsky posed the idea of workers’ control, as a school for planned economy.

But when Trotsky posed the need of the sliding scale of working hours and wages, he does not do it just as a measure to cope with the effects of the crisis, but it is the “system of work of the future socialist society”. Only from there can we understand why “scale” and not “distribution”. The proposition of sliding scale tries to get into the roots of capital’s problems of production and distribution, while to distribute the working hours is a mere anti-cyclical measure.

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Engels, in discussions against Dühring on the equivalence of labor time, said "If the equality of value of labour-time. means that each labourer produces equal values in equal periods of time, without there being any need to take an average, then this is obviously wrong. If we take two workers, even in the same branch of industry, the value they produce in one hour of labour-time will always vary with the intensity of their labour and their skill"¹⁸

Although Trotsky proposes the partial expropriation, that is to say, of certain large branches, the aim is to prepare the proletariat, disorganizing the bourgeoisie and takes as a basis the expropriation of the appropriators as a restoration of individual property but based on social property of the land and the means of production also created by labor itself. As Engels said "this means that social property extends to land and other means of production and individual property to products, this is, consumption items"¹⁹.

This is why, for Trotsky, in his Transitional Program, the necessity of advancing the slogan of expropriation in daily agitation in a partial form, and not only in propaganda in its more comprehensive aspects, derives the fact that "different branches of industry are on different levels of development, occupy a different place in the life of society, and pass through different stages of the class struggle"²⁰.

The programmatic link that Trotsky establishes between the party and the masses finds its expression in his policy towards trade unions.

"The aim of the communist party is to lead the working class to power. This revolutionary mission can only be accomplished if it wins the majority of the proletariat and, therefore, its mass organizations, specially trade unions. A party's struggle to gain influence in trade unions must be carried out in a way it does not hinder the present tasks of organizing the masses, that it does not split one from another, that does not grow among the workers the idea that communists disorganize the class movement. The principles of this struggle have already been stated in the Manifesto of the Communist Party, developed by the later theory and practice of the labor movement,

and have found their highest expression in Bolshevism." (L.T. La ofensiva económica de la contrarrevolución y los sindicatos. 1933)

From this perspective Trotsky even affirms that the Transitional Program is the program for trade unions. "In this sense, the program of transitional demands adopted by the last congress of the Fourth International is not only the program for the activity of the party but in its fundamental features it is the program for the activity of the trade unions."²¹ Nevertheless, he does not mean it in the sense that they abstractly absorb it, but to bring the party closer to mass organizations, starting from the hypotheses that before the crisis of revolutionary leadership, the struggle for power could begin with their control. This takes a singular expression if we take into account that the Transitional Program, as we said before, is confined to the first of the three aspects or tasks advanced by the III CI, this is, to disorganize the bourgeoisie, and therefore it should aim trade unions, for these are the organizations that have a direct relationship with production. And therefore a revolutionary policy in trade unions implies the attack on the foundations of the bourgeois regime.

As we can see, as a whole, to establish the Marxist relationship between economic base and its political expressions allows to prepare the economic and political conditions for a socialist regime.

Program, proletarian dictatorship and bridge

At this point it is very important to develop what dictatorship of the proletariat means to revolutionary Marxists and the relation between this and the program. The dictatorship of the proletariat is not a "perspective" or a far away strategy for which to fight while we propose a program of immediate demands, but it in fact articulates the whole of the communist program and -as we will see- also the Transitional Program.

But at this point we shall ask: If the Transitional Program only takes the proletariat up to the "threshold"... what relation does that en-

tail with its class dictatorship? Is the Transitional Program only a program to face capitalist collapse? We think that in that way the question would be wrongly asked. If the Transitional Program is part of the communist program, that according to Trotsky is the program of the Permanent Revolution, this means that there is a relation or in any case it includes the elements of the dictatorship of the proletariat. To analyze this, again we are in the need to take the elaborations of the III International in its revolutionary stage and Trotsky's IV International.

As we have seen, for the III CI it was a matter of elaborating a "system of demands" to disorganize the bourgeoisie, organize the proletariat and prepare it for the stages of the proletarian dictatorship.

At this point we must stop in what revolutionary Marxism considers a "stage" of the dictatorship. For Marx, "Between capitalist and communist society there lies the period of the revolutionary transformation of the one into the other. Corresponding to this is also a political transition period in which the state can be nothing but the revolutionary dictatorship of the proletariat."²²

From this Lenin interprets that "Thus, the dictatorship of the proletariat is a 'transitional political period': it is evident that the State of this period is a transition to a non-state, that is to say 'it is no longer a state in its actual sense'..."²³

But this political period of transition towards a non-state, that is, towards its extinction, goes through different moments or stages.

As Marx asserts in discussions against Lasalle in his critique of the Gotha Program "What we have to deal with here is a communist society, not as it has developed on its own foundations, but, on the contrary, just as it emerges from capitalist society; which is thus in every respect, economically, morally, and intellectually, still stamped with the birthmarks of the old society from whose womb it emerges.(...)But these defects are inevitable in the first phase of communist society as it is when it has just emerged after prolonged birth pangs from capitalist society. Right can never be higher than the economic structure of society and its cultural development conditioned thereby."²⁴

Marx distinguishes two phases

of the communist society, the first or inferior, signed by inequality in distribution, in which, as Lenin observes there still survives the (semi-bourgeois) Law and therefore its (semi-bourgeois) State, and the second or superior, in which the inequality has been overcome “from each according to his ability, to each according to his needs” putting an end to the antagonism between intellectual and manual work, turning work into the first necessity of existence, and with a powerful development of productive forces that will create the conditions for the complete extinction of the State.

But the inferior phase of communism means to start from the most advanced point that capitalism has left, as Trotsky says, “...Marx understood as ‘lower stage of communism’ as that of a society with an economic development, from the beginning, higher than that of developed capitalism”.²⁵

Analyzing the Russian workers’ state, Trotsky reaches the conclusion that “it is more accurate, then, to call the current soviet regime, with all its contradictions, transitional between capitalism and socialism, or preparatory to socialism, and not socialist” that is to say, the USSR had not even reached the lower stage of communism. And nonetheless, there exists a political period of transition that is the dictatorship of the proletariat. All this means that the imperialist epoch makes the problem of stages more complex, adding new ones, since imperialism has become the main obstacle to economic and political progress.

But if, furthermore, we understand the dictatorship of the proletariat, not as an act but as a movement, not only insurrection (that for Lenin was a constitutive part of the dictatorship) but also the preparatory tasks themselves are part of these stages.

That is why we have said “The dictatorship of the proletariat is not uniform in every moment of the revolution. According to Lenin, it has different stages: of preparation, that includes essentially the construction of the revolutionary party and its link to the masses; the seizure of power itself, the moment of insurrection as the crowning of the civil war started in the last preparatory stage. Finally, the dictatorship does not end with the seizure of power, but

it rather intensifies in the stage of transition to socialism that the new workers’ power opens.”²⁶

For Trotsky, the Transitional Program is a program of action for one of the stages of the dictatorship (preparatory) however not the dictatorship itself that is why it only leads to the threshold. This mechanics is complex but it takes us 100% away from those intellectuals that have intended to turn the Transitional Program into the finished program of the IV International, result of which is and has always been to set it apart from the fight for the proletarian dictatorship, taking away its strategic cohesion and turning it, hence, into a set of anti-cyclical or state-capitalism measures.

That is why when Trotsky established that the Transitional Program was a “bridge”, on the one hand between current demands and the tasks of the proletarian dictatorship, and on the other, between generations (overcoming the old leadership’s confusion and demoralization on the one hand, and the lack of experience of the young one on the other) he did not intend to find a magic formula to raise the masses’ consciousness, but find out how to face the preparatory tasks of the proletarian dictatorship. That is to say, how to develop the proletariat as the dominant class, which constitutes an essential task for its class dictatorship.

That is why Trotsky asserts that “the dictatorship of the proletariat by its own force, can and must be the supreme expression of proletarian democracy. To make a great social revolution the proletariat needs the supreme manifestation of all its forces and all its abilities: it organizes democratically precisely to end its enemies”²⁷

The Transitional Program prepares the party to lead the masses (that means the masses’ institutions) confronting and in opposition to the institutions of the bourgeois State. But under the perspective of the communist program it gets prepared (and prepares its cadres) to execute the dictatorship of the party as a part of the dictatorship of the proletariat and as a part of the proletarian general staff that is the International. To deny this role, to replace it by a role of educator or simple consciousness raiser, that is not to confront the bourgeois state

and lead the revolutionary struggle to the narrow frame of capitalist democracy.

“Permanentism” in the programmatic process

If the Transitional Program is a program of action until the seizure of power, we must stop here at the distinction between this one and the communist program, that is the program of edification of socialism by the dictatorship of the proletariat. When we talk about “communist program” we are not talking about general questions or revolutionary mysticism, as the champions of the distinction between minimum and maximum program like, but the concrete tasks of the party and the proletarian dictatorship in a concrete society of transition to socialism historically given. For this, the experience of the Russian Revolution will be of vital importance and it was, in fact, for one of the most important programmatic contributions made by Trotsky: the political revolution. The Transitional Program prepares for putting into practice the communist program, that is why it is very important to understand the historical transitional processes. For example, the Communist Manifesto was also a transitional program from capitalism to socialism, in a given stage of capitalism, but in the imperialist phase the program voted by the IV International expresses the transitional tasks of the epoch.

So, in this transition from one stage to the next, the most important distinction between transitional program and communist program is that the first one is conceived for a stage in which the social productive forces are not being organized in a voluntary and conscious way by a given society. By overcoming the first transitional stage of the threshold of the seizure of power, the transition has a state character of destruction and creation posing other tasks. So for the communist program the main task is economic planning, the guided development of productive forces and the extension of the world revolution.

In the epoch of imperialist decay, the transitional program and the

communist program are interrelated in a precise historical way and this interrelation will be given according to the mechanics of the world revolution. For this reason, the Transitional Program cannot be thought only from a national point of view, although the particularities have a national character. Neither can the program of socialist edification be thought merely in the national ground -being this a Stalinist logic that Trotskyists fought- even though revolutions take place in a national ground and the proletarian dictatorship has -episodically- a national character.

And because revolutions do not tend to be simultaneous, the transitional program and the communist program will coexist and will be articulated in a specific way according to the progress of the international revolutionary process. And it will be the challenge for the reconstructed IV International to generalize its mechanics.

At last, the transitional program and the communist program will depend on the specific conditions of the dictatorship of the proletariat, that is to say, on the development of the revolution in the backward countries as well as the imperialist countries.

Conclusions

“Transition” means a quality leap. This is why the struggle to impose a program is a permanent fight against our class enemies.

In this sense, it is important to note that the Transitional Program has a “permanentist” character, for it is a concrete expression of the communist program in a given epoch -that of crisis, wars and revolutions- and it starts from a particular relation between the driving forces for the revolution and the crisis of revolutionary leadership. It is in this dynamics -this contradiction- between class, party and leadership in which the Transitional Program arises and proposes the objective tasks of the proletariat in its struggle for its liberation.

As we have said at the beginning, it is important to take into account that when the III International discusses about the necessity of a “system of demands” it does it -among other elements- because of the path from the organic period of capital to its critical one, and that this period

gave a new foundation to tactic. 28

And we want to stop at this point. In this essay we have seen the elements of Marxist continuity that prevail between the Program of the Communist International in its revolutionary stage and the Transitional Program of Trotsky and the IV International. The first one confronts a new relation with bourgeois institutions and capitalist states that are no longer “in formation” (tasks taken by the bourgeoisie in the organic period of capital) but in decay and showing their most reactionary aspects, that deepen in the imperialist phase of capitalism, that is to say marked by the “critical period” that not even the development of productive forces during the second postwar period could conceal. However, the descending curve of capitalism has implied, at the end of the postwar period, a leap in imperialist decay with great levels of decomposition.

This means that the “critical period” characterized by Lenin acquires a number of catastrophic elements that will determine the period that approaches and that will affect the whole of class relations. We are already seeing the first shocks, in which bourgeois ideology is being questioned, and therefore its institutions.

Hence, the working class cannot wait until the bourgeois building falls under its own weight, much less to replace it with “new” “democratic” bourgeois institutions. The challenge for the proletariat and its vanguard is to build their own institutions to break capitalist command. We must go ahead imperialist plans that before their inability to economically co-opt, will try to do it politically by creating new mediations, and break the will of the enemy and from this build an international revolutionary leadership.

If on the contrary, the left currents persist in taking the Transitional Program as a pressure method on the State or a way to place demands on it, they will not be able to quit democratic fetishism and will move the vanguard away from the preparatory tasks of the stages of the proletarian dictatorship.

The Transitional Program, by its intention to disorganize the bourgeoisie, tries to free the society from the ties of capitalist production. It faces this challenge sketching the general lines to confront the bourgeoisie in

its own field and to outline the proletarian institutions of the future workers’ state, by taking back our mass organizations such as unions and building the revolutionary party.

So, the Transitional Program does not intend to “disorganize the bourgeoisie” in the field of political regime -even though it incorporates democratic demands- as the centrists think, but the conception of disorganizing the bourgeoisie means in production, and from there it will start to arise a new workers’ leadership that will be able to take the charge of State and planned economy.

In this sense, it is important to see that “to complete” the program implies to understand its mechanics from an idea of totality, regarding the different stages of revolutionary processes at an international scale, since our program develops with the different experiences of class struggle.

Our current accepts the challenge proposed by Trotsky: to complete the program and to put it in motion. We understand that to complete the program is not circumscribed to a better application or the sum of slogans and measures. It means to recover the program abandoned by the heir currents of the IV International and their centrist deviation in the postwar period. For this, we think that the best way to complete the program and to put it in motion implies to collaborate with, to recover and to sophisticate the method of analysis of imperialist tendencies and the revolutionary tasks, as the way to overcome the crisis of world revolutionary leadership and reconstruct the IV International.

Also, to complete the program means to understand its permanentist character, that is historical, and we refuse to turn the program into the mechanics of “moments” (union, political, military...) that is nothing but the bourgeois theory adorned -as Marx said- with the “litany of democracy”, in other words, to adapt the program to the moods of abstract masses. For we understand Trotsky’s words “the program must express the objective tasks of the working class rather than the backwardness of the workers” We hope that this work would be a contribution to face this challenge.

Notes

- 1 - Declaration of the Political Bureau of the Communist International Organization (Organisation Communiste Internationale, OCI), August 20, 1971.
- 2- Draft of political report preparing the XXVI Congress of the OCI (U) taken from Correspondance Internationale N° 15, 1981.
- 3- About this, see records of the international buro of the CORCI in discussions with the SU (Secrétariat Unifié – Unified Secretariat) 1979 and also the letter from the CORCI to the SU, 1979.
- 4- See “La Moral y la actividad revolucionaria”, 1987.
- 5- F. Engels, Anti Dühring, part 3, chapter 2 (1877).
- 6- TN: the original Spanish version of this article poses this distinction between these two ideas. In the original English version of the Transitional Program, both words appear as demand. The meanings of both, claim and demand, as we use them in this text are explained in the following sentence: “An extended debate among Marxists is how to establish the relationship between ordinary claims of the working class, out of their condition of wage-earners and the specific relationship between bosses and workers, along with the demands that are encouraged by spontaneous or syndicalist movements, and the program and slogans of revolutionaries.”
- 7- TN: we use slogan with the exactly same meaning of word of order.
- 8- Theses Resolutions and Manifestos of the First Four Congress of the Third International, “On tactics”, 12 July 1921 (drafted by Russian delegation in consultation with German delegation; introduced by Radek).
- 9- The original text in Spanish says “sistema de reivindicaciones” according to the Spanish translation of the Transitional Program. But in the English version it appears “system of demands”. Despite the distinction made on “claim (reivindicación) and demand (demanda)” we use the phrase as given in the English version. See the following passages, both published in <http://www.marxists.org>:

The Minimum Program and the Transitional Program
 (...) This bridge should include a system of transitional demands, stemming from today’s conditions and from today’s consciousness of wide layers of the working class and unalterably leading to one final conclusion: the conquest of power by the proletariat.

El Programa Mínimo Y El Programa De Transición
 (...) Este puente debe consistir en un sistema de reivindicaciones transitorias, partiendo de las condiciones actuales y de la conciencia actual de amplias capas de la clase obrera a una sola y misma conclusión: la conquista del poder por el proletariado.
- 10- “Discussions with Trotsky on the Transitional Program”. June 7, 1938. Fourth International [New York], Vol.7 No.2 (Whole No.63), February 1946, pp.53-59.
- 11- L. Trotsky, “The Transitional Program”. 1938.
- 12- L. Trotsky “The lessons of October.”
- 13- V. Lenin “Theses for a Report on the Tactics of RCP” adopted by the III Congress of the CI June 1921.
- 14- “Discussion with Trotsky...”
- 15- Idem
- 16- L. Trotsky, “The Transitional Program”
- 17- F. Engels, “Anti Dühring”, VI Simple and Compound Labour.
- 18- Idem
- 19- Ídem
- 20- Op. Cit.
- 21- L. Trotsky, “Trade Unions in the Epoch of Imperialist Decay”.
- 22- K. Marx, “Critique of the Gotha Program”
- 23- Lenin’s notes on the Critique of the Gotha Program.
- 24- Op. Cit.
- 25- L. Trotsky, “The Revolution Betrayed”
- 26- J. Morelli, I. Arana “Sobre la dictadura del proletariado”. Cuadernos de la COR #1. 2007.
- 27- L. Trotsky, “Wither France?”
- 28- See for example, V. Lenin “The new epoch and the new parliamentarism”.
- 29- Leon Trotsky, “The Political Backwardness of the American workers”, Writings 1938.