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# Living through the Decline of Capitalism

Review of “The Endless Crisis,” John Bellamy  
Foster & Robert W. McChesney

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had created a social agent, the modern working class, capable of replacing it with the "free association of the producers", a society without classes, states, or other forms of oppression. Industrial capitalism influenced the consciousness of the workers, pushing them in the direction of socialist revolution.

Anarchists and other libertarian socialists have criticized Marx's theory (that is, Marx's Marxism) for various aspects. This includes Marx's determinism (or at least being vulnerable to being interpreted as determinist), or his concepts of a centralized economy, or his advocacy of a transitional "workers' state" ("dictatorship of the proletariat"), or his strategy of building workers' parties to run in elections, and so on. But there is much in Marx's critique of political economy which is accurate and useful. Foster, McChesney, Magdoff, and other writers for Monthly Review have made some valuable contributions to this interpretation of the current stage of capitalism, as it goes deeper into its decline (as have other Marxist theorists I have mentioned). They should be respected for that. But the hope for a cooperative, free, peaceful, and ecologically-balanced, society requires a broader vision than the one they offer.

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Foster and co-writers could have written, "Sweezy and others supported Stalinist dictatorships, but now we support socialist democracy"; but it would be hard to explain their current support for the Cuban state. It is the height of irony that people who write about monopoly capitalism, as analyzed by Marx and others, should have regarded regimes as "socialist" which take the most extreme form of monopoly capitalism, namely state capitalism.

A similar lack of historical clarity shows in the occasional references to the importance of renewed working class struggle. Back in 1966, in the original "Monopoly Capital," Sweezy and Baran rejected "...the answer of traditional Marxist orthodoxy - that the industrial proletariat must eventually rise in revolution against its capitalist oppressors" (quoted in Draper, 1992; p. 29). In general, the original MRists denied the revolutionary potential of the working class. They were impressed, instead, by the revolutions in the oppressed nations led by Stalinists and nationalists. They built peasant-based armies, run by middle-class elites (China, Cuba, Vietnam, etc.). These set up regimes in which the workers (and peasants) had no democratic control.

To Marx, the importance of the working class was not an "iffy" empirical thing. It was based in his economic theory of the working class as the basic productive force of capitalism. The point was not that the workers were morally more oppressed than poor peasants, say, whom he knew were capable of great rebellions (he sought an alliance of the workers with the peasants). But workers play a strategic role in capitalist production. Workers are more likely to resist exploitation on the job than are those who are not industrial workers. Class-struggle anarchists agree with Marx on this importance of the proletariat.

For Marx, the whole point of his economic theory was to show that capitalism would reach its limitations and begin to decline. It would develop increasing crises and stagnation. It

would be a return to the Maoist/Stalinist revolution of the 40s but would also be different.

In "The Great Financial Crisis", the authors conclude that "it is necessary for the population to...replac[e] the present system of capitalism with something amounting to a real political and economic democracy; ...'socialism' " (p. 140). Again, they refer to the working class: "It is time for a renewed class struggle from below...labor must rise from its ashes" (p. 38).

The MRists call for "a truly revolutionary reconstruction of the entire society. [But] such a radical reconstruction is obviously not on the table right now" (p. 38). While it is true that revolution is "not on the table" in the sense of likely to happen in the near future, it is untrue in the sense that revolution is something which radicals must raise right now, during this great crisis, if we are ever to build a revolutionary movement, to prepare for when revolution will be immediately "on the table".

There is a kind of misdirection going on in these few comments about program, socialism, revolution, and the working class. Foster, Magdoff, McChesney, and other MR writers are openly proud about how they base their economic theory in the work of Sweezy, Baran, and other earlier MR theorists. They refer to this frequently in these two books, as elsewhere. But they are almost silent about certain other matters: that the founders of MR were independent Stalinists, for example. They never joined any Communist Party, but they clearly supported Stalin's USSR in the Cold War, until they switched for a period to become supporters of Maoism. These books do make friendly references to Che and the current MR often has positive articles about Castro's Cuba.

That they opposed (and oppose) U.S. imperialism, while living in the U.S., is to their credit. However, it hard to know what someone means by "socialism", which should have "real political and economic democracy", no less, who also has supported totalitarian mass-murdering state capitalist regimes.

There has been a flood of books about the Great Recession of 2007-2009 and the limping "recovery" which we are now living through - which the liberal economist Paul Krugman has called a "depression". Of the many works, one of the more interesting is by Foster & McChesney (2012). Among its several virtues are its clarity of style, rare among economists of any orientation. The chapters began as separate articles in the left magazine, "Monthly Review", of which Foster is the editor. (This causes some repetition.) It is a continuation of the previous book, *The Great Financial Crisis: Causes and Consequences* (Foster & Magdoff, 2009; reviewed by me: Price, 2010).

Monthly Review has its own historical theoretical tendency, which Foster & McChesney refer to as "neo-Marxist". I will discuss MR's school of political economy and its programmatic implications after summarizing the main points of the book. Despite their limitations, lessons can be learned from these books, I believe, by antistatist Marxists and Left Communists, as well as by Marxist-informed anarchists such as myself. (It is my personal view that Marx's economic theory is the most useful analysis for understanding how capitalism works. But I believe that anarchism offers the best vision for a new society.)

## Global Monopoly-Finance Capitalism

Foster & McChesney's basic concept is that there was a significant change in capitalism around the end of the 19th century. The progressive, "competitive", era was over, followed by a new epoch. This is the "descending phase of capitalism" (p. 183), which has culminated in "global monopoly-finance capital". The key features of this epoch are a trend toward stagnation and the expansion of monopoly; other traits follow from these two. Such an analysis is an extension of Marx and Engels' theory of the tendency of capitalism toward concentration, centralization, and statification, and the analyses of early

20th century capitalism by Marxists such as Hilferding, Lenin, Bukharin, and Luxemburg, which were also agreed to by various Left Communists.

*"...This is an endless crisis, because it flows inexorably from the functioning of what we call monopoly-finance capital...The normal state of a mature capitalist economy dominated by a handful of giant monopolistic corporations is one of stagnation. This has been true for nearly a century (if not longer)..."* (Foster & McChesney, 2012; p. viii).

By stagnation, the authors mean high unemployment and underemployment, low growth rates, unused industrial capacity, increasingly deep crises, pools of poverty even in the industrialized countries, the "third world" remaining poor and "underdeveloped", or "developed" in a distorted manner. I would also add, having ecological and energy crises. (Foster is an expert on ecology; see Foster, 2002. But this book does not integrate the ecological crises much with the economic crisis. See Price, 2010b) They do not at all deny that there is also growth and productivity in certain sectors, but regard growth as one-sided and limited. Standard bourgeois economists regard the world economy as essentially healthy, with occasional downturns and problems. On the contrary, Foster & McChesney believe (correctly, I think) that the system is basically stagnant and vulnerable to crises; it is the countermeasures, producing periodic prosperity, which are limited and occasional.

They back this up with an analysis of the prosperity after World War II (a so-called "Golden Age" mostly for white people in Western Europe and North America). The Great Depression of the 'thirties had only been ended by the stimulus (and destruction) of the World War. After the war, prosperity was bolstered by enormous U.S. expenditures on armaments, plus the rebuilding of Western Europe, the automobilization of the U.S., with its highways and suburbs, the "cheap" petroleum, the growth of debt in all parts of the economy, expansion of the nonproductive finance, insurance, and real estate (FIRE) sec-

jective stance. They look on, following world developments, and make comments, but do not provide much guidance.

In "The Endless Crisis", they state, once, that *"...if people want to get off the downward spiral of stagnation and growing human misery, it will require radical change in the economic system..."* (p.viii). That is, there is no alternative to a revolution, except increased stagnation and misery.

Many advocates on an underconsumptionist analysis draw liberal conclusions: capitalism can improve if the workers have more money to buy goods (due to unions or to minimum wage laws) or if the government provides a stimulus to increase aggregate demand through a "new New Deal". This would imply that the workers and the capitalists have common interests (see Kliman, 2012). But the MRists reject this liberal argument (see Foster & Magdoff, 2009, p. 23). They say (correctly) that the capitalists need for increased profits require them to decrease workers' wages, not increase it. Nor, due to class interests, would the capitalists ever allow the government to spend a lot of public money on raising the workers' living standards. This is why the main form of government spending has been through funding the military.

Besides calling for a vague "radical change", "The Endless Crisis" discusses the worldwide attack on the international working class. It declares that *"...labor everywhere is on the defensive...It is time for a new International"* (p. 154) and *"international worker solidarity"* (p. 182). These also sound good, but are rather vague. The closest the authors get to a programmatic statement is in their analysis of modern China. They analyse the contradictions of the current Chinese economy and are hopeful about the massive struggles being waged by workers and peasants. They look to *"...the renewal in some way of the Chinese revolution itself - which would necessarily take new historical forms as a result of changing historical conditions..."* (p. 182). So the new Chinese revolution they hope for

to expand monopolies, and to invest in financial "instruments", but profitability is no longer fully restored.

I dislike "fundamentalist", like "orthodox", as a label. Foster & McChesney also use "fundamentalist" (negatively) but in a different way, referring to those Marxists who "make no systematic references to problems of economic concentration and monopoly" (p. 98). They cite Brenner (2006), for example, who rejects their "monopoly" theory (as well as "value" theory). But Smith is using "fundamentalist" for a different theoretical trend, which does accept the tendency toward "concentration and monopoly", but also accepts value analysis. Besides Smith (1994; 2010), who is an orthodox Trotskyist; there is Paul Mattick Jr. (2011), an antistatist Marxist; Andrew Kilman (2012), a "Marxist-Humanist" (Dunayevskayaite); Walter Daum (1990), an unorthodox Trotskyist; and Loren Goldner (2009), a Left Communist; among others. Also me, an anarchist (Price, to be published). Obviously, we disagree on several political issues, but agree on key points of Marx's critique of capitalism. In particular, we all agree that capitalism produces a tendency toward working class revolution. Believing in a key role for the working class and its allies, we reject the bureaucratic dictatorships ruled by Communist Parties (all of the above writers, except for Smith, regard them as some type of state capitalism, and even Smith denies that they ever were "socialist").

## Political Implications of the Theory

Having laid out a theory of the current stage of world capitalism, Foster, McChesney, Magdoff, and other MR theorists could be expected to explain the political implications of their theory. What should be done about monopoly-finance capital and who should do it? Unfortunately, they do not go into these questions in these two books, taking instead a passive and ob-

tors of the economy, and the U.S.'s imperial dominance of the world economy. These factors have run out of steam; for example, the U.S.'s domination of the world economy is in question; oil is becoming more expensive to produce; the environment is in deep crisis; armaments and debts display negative effects; and so on. This returns the system to its (underlying) stagnation. That became clear around 1970, and the overall trend of the world economy has been downhill ever since (for another analysis of "the Long Downturn", see Brenner, 2006; critiqued in Smith, 2010).

There continues to be lop-sided growth, but i-phones do not make up for global warming. Indeed, climate change and pollution demonstrate how real but lop-sided growth can result in ever-greater decline. They discuss this in relation to China's industrial growth, which has caused massive pollution and provoked increased popular unrest.

The stagnation causes and is caused by the expansion of "monopoly capital". By "monopoly" they mean giant enterprises so big that they distort the market. Few industries are dominated by only one firm (the traditional meaning of monopoly) but most major industries are dominated by a small number of giant firms, which share "monopoly power". A small group of businesses can keep all their prices at about the same level (either by a conspiracy or just by paying attention to what prices the biggest firm charges). This form of quasi-monopoly has also been called "oligopoly", the rule of a few.

The growth of monopoly does not contradict capitalist competition. Giant firms collude with each other, but they also compete among themselves. Rather than cut prices, they are more likely to compete by seeking cheaper forms of production (such as lower wages), or a greater market share through advertising. At the same time, competition leads to monopoly, as some firms lose out, and may be taken over by more successful enterprises.

Past a certain point, these semi-monopolies reinforce the trend to stagnation. The larger they are, the more they have to loose; they cannot afford to let a significant part of their expensive plant become obsolete due to significantly new products (as opposed to cosmetic changes in old products). The monopoly power of a small number of firms in an industry can keep out new businesses with new ideas. The amount of capital needed to start to compete with the giants is too much for almost any potential competitor. The size of the firms gives them enormous political clout, so that the state backs their interests. They are said to be "too big to fail" (they cannot be allowed to fail because they would drag down the rest of the economy).

As the economy slows down, it becomes ever harder for the capitalists to find profitable investments. They invest less and less in the productive base of the economy (called "the real economy"). Increasingly the paper titles of ownership and future promises to pay become what is invested in, traded, and borrowed against, with decreasing connection to that real economy. This included the growth in "value" of real estate, without any actual improvements (any real increase in value). This is called the "paper" or "financial economy" (dealing with what Marx called "fictitious capital"). The productive base stagnates while the financial superstructure has boomed. At a certain point, it was inevitable that this or that bubble would pop, and suddenly the financial economy would appear as it was... paper. Capitalists would look around for (more-or-less) real products, like players in musical chairs looking frantically for open seats. However, when the immediate crisis is over, the game will start again (with fewer players), because nothing has fundamentally changed. So we face one crisis after another in our future, whether we have conservative or liberal governments.

One way for giant firms to seek profits is to go abroad. In competition and collusion with their fellow monopolists, they invest in, buy from, and sell to other countries. There

its workers (the surplus value), that is, the value of the total product beyond the equivalent value of the workers' wages.. Since more machinery is used to produce goods, the proportion of living labor (actual workers' work) to the total capital invested continually decreases. This also means that there is a decrease in the proportion of total unpaid-for labor (the profitable part, for which the capitalists do not pay wages) to total investments. The total quantitative amount of unpaid labor may increase, but it will decrease as a relative proportion of the total. Which is to say that the rate of total profit will tend to fall.

This has certain effects, including monopolization and stagnation. A falling rate of profit in the real economy will cause capitalists to seek profits in the paper sector, causing financialization. A decrease in profits will decrease investments. Therefore fewer workers will be hired and the bosses will cut wages (and therefore there will be less demand for consumer goods). Capitalist firms will have less need for new machinery and raw materials. Therefore there will be less industrial demand for machinery and raw materials. The fall in the rate of profit will cause a decrease in effective aggregate demand. The fall in aggregate demand is an effect, not a cause, of the downturn.

Marx emphasized that there were counteracting effects which balanced the tendency toward a fall in the rate of profit (which is why he called it a "tendency" rather than an absolute "law"). I will not go into these here, as important as they are. But note that the growth of giant semi-monopolies weakens these counter-tendencies. For example, under earlier competitive capitalism, when a downturn occurred, much of the economy collapsed, debts were disowned, the values of machinery and businesses decreased, and wages fell. These effects make production more profitable again. But under oligopoly, when firms are "too big to fail", there is little de-valuation and de-leveraging of giant businesses. The big capitalists feel a great pressure to cut wages, to invest abroad,



main in their theory - but are just not used much. However, they are explicit that Marx's "tendency of the rate of profit to fall" (a key concept for Marx) does not apply under monopoly capital.

*"...Baran and Sweezy argued that Marx's law of the tendency of the profit rate (...) to fall [was] specific to competitive capitalism, [but it] had been replaced, in monopoly capitalism, by the tendency for the rate of potential surplus generated within production to rise. This led to a gravitational pull toward over-accumulation and stagnation: for which the main compensating factors were military spending, the expansion of the sales effort, and the growth of financial speculation" (F & M, p. 86).*

Since monopolies for some reason produce too much, their excessive surplus supposedly clogs all possible outlets for investment, causing the economic machinery to move ever slower: stagnation.

However, note the reference to the rise, not of surplus, but of "potential surplus". In a situation of global stagnation, the real surplus would not rise. If it did, then there would not be stagnation! So, too much surplus is not really being produced after all, just a "potential". Again, if the capitalists could produce enough profitably, there would be no lack of aggregate demand and no stagnation. The problem is not a surplus of too much product, but a shortage of not enough surplus value being produced.

This view is elaborated by alternate approaches to Marxist economic theory (more precisely, to Marx's critique of political economy) than MR neo-Marxism/left-Keynesianism. Murray Smith (1994) calls one school, "fundamentalist value theory". By this he means those thinkers who accept the trend toward monopoly, but who still use the labor theory of value/law of value and the tendency of the rate of profit to fall.

Marx's "tendency of the rate of profit to fall" begins with the belief that the total profits of a capitalist economy (competitive or monopolistic) are nothing but the unpaid labor of all

is "...increased international competition (or transnational oligopolistic rivalry)" (F & M, p. 25). The earlier age of imperialist colonialism is over; the imperial countries have little outright ownership of other countries (with some exceptions such as Puerto Rico). Under today's neocolonialism, the giant firms of the imperial countries dominate the world mainly through the market, but backed up by military power when "necessary" (from the imperial government or from bought-up local national states). As within the national markets, these giants have competed and monopolized on a world scale, until only a relatively few dominate each area of the international market.

In particular, the semi-monopolies use the world economy to seek out the cheapest labor forces they can find. This is "labor arbitrage" on a global scale. Expanding beyond the imperial industrialized nations, they find workforces in Asia, Africa, and Latin America which will work for a tiny fraction of what U.S. and Western European workers would accept. To a great extent, these workers are former peasants forced off the land (a revival of what Marx called "primitive accumulation" at the start of capitalist development). In turn, the U.S. workers are attacked by threats to outsource their jobs unless they accept worsening pay and conditions. In this way, superprofits are made on a world scale.

There is an expansion of the "global reserve army" of the unemployed to create a vast pool of easily exploited, low-wage, workers in the oppressed ("third world") countries. This overlaps with the workers of the formerly Stalinist nations of Eastern Europe and workers of the Asian nations still ruled by Communist Party dictatorships.

Foster and McChesney reject the common expectation that China's Communist-Party-ruled authoritarian market economy will grow indefinitely, perhaps replacing the U.S. as the world's imperial hegemon and creating a new world-wide prosperity. They point out that China's boom has been based

on its very low-wage labor, to a great extent of peasants forced off the land. This attracts foreign investments and also makes it possible to sell cheap goods to the imperialist countries (especially to the U.S.). China has become a hub for assembly, its workers cheaply putting together products whose parts were made (even more cheaply) in other Asian countries, and then shipping the commodities to the U.S.A.

All of which puts limits on China's growth. "...The true intensity of the economic, social, and environmental contradictions in China...make its developmental pattern unsustainable in every respect" (p. 181). Economic decline in the industrialized countries to which China sells would devastate the Chinese economy. Low wages limit the internal market, but improved wages would decrease the profitability of investing in China. The pollution is massive and would cost a great deal to bring it under control. The economy was given boosts by government spending (financed by increased borrowing) and real estate bubbles. These have created massive debts, and threaten collapse.

*"The new imperialism ...is thus characterized, at the top of the world system, by the domination of monopoly-finance capital, and, at the bottom, by the emergence of a massive global reserve army of labor...This then becomes a lever for an increase in...the rate of exploitation in the North as well"* (F & M, p. 130).

## Theoretical Considerations of Neo-Marxism

Before discussing the political implications of these ideas, I will review certain theoretical issues. Calling their views "neo-Marxist", Foster and McChesney base their concepts in the theoretical tradition of the journal "Monthly Review". Its concepts were worked out in the 1966 book, *Monopoly Capital*, by MR

editors Paul Baran and Paul Sweezy. This was very influential among radicals in the sixties and seventies.

The MRists root their theory in the "underconsumptionist" tendency of Marxist political economy (Foster, 1986). This said that capitalism's crises and stagnation are not due to difficulties in production (ultimately caused by class conflict). Instead, crises and long-term stagnation are due to capitalism's inability to sell its products (to "realize" the values of its commodities on the market). This view overlaps with the ideas of the great bourgeois-liberal economist, John Maynard Keynes. He held that the big problem for capitalism was the lack of "effective demand" (or "aggregate demand"). From the many Keynesian authorities cited by the MR writers, such as Foster, they should be regarded as left-Keynesians as well as "neo-Marxists".

Other Marxists had criticized this view. The problem was a weakness in production, not demand. If the capitalists could produce profitably enough, they would hire more workers, who would buy more consumer commodities, and their factories would buy more machinery and raw materials (means of production). There would be no lack of effective demand. The question is what limits capitalist production of profits.

However, the MR theorists go further than underconsumptionism. They claim that the development of monopoly capital has drastically changed what Marx had regarded as the basics under competitive capitalism. These basics no longer apply (or at least are not relevant anymore). This includes the "law of value:" that commodities tend to exchange according to the socially necessary amount of labor time used to produce them; that society's total of prices equals the total of values (the amount of socially necessary labor needed to produce all the commodities); and that society's total of profits equals the total of surplus value (all the values - labor times - which workers are not paid for). Rather than "surplus value" being a significant variable, they use "surplus" as the important concept. Foster and other MRists insist that these Marxist laws do re-