

# Capitalism in Crisis

*Submitted for pre-conference discussion by Fred Goldstein, October 6, 2010*

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## Part I

### Characterizing the Crisis

We are entering a rare period in history – a period in which a world historic social system – the capitalist system – is showing all the signs and symptoms of being in a **profound crisis from which it cannot extricate itself by economic means alone.**

**We do not have a crystal ball.** Marxism is a science and its revolutionary practice is an art. It is not a school of prophecy. Marxism can unearth the tendencies at work in the capitalist system based upon knowledge of its laws and careful observance of the course of events.

However, the **capitalist system is unplanned and anarchic.** The giant monopolies that span the globe engage in cutthroat competition carried out in secrecy, both from their corporate competitors and from the capitalist governments. There is no way to get an accurate preview of economic developments. This will only be possible once there is a consciously, collectively planned, cooperative world economy.

Even central bankers of the U.S., Europe and Japan, as well as the IMF – those who have the greatest access to information – cannot do anything but guess about the course of the capitalist system at any given moment. Representatives of the working class, in order to refine their strategy in the

class struggle, must apply Marxism as best they can under the circumstances.

#### *The problem of characterizing the present crisis*

Everyone repeats that this is the greatest economic crisis since the Great Depression. This is true enough. But this statement does not clarify major questions. It tells the workers and the vanguard nothing about the nature of this specific crisis other than how bad it is (which they already know). Merely reiterating the severity of the crisis does not tell why it is so bad, how it got to be this way, and what the prognosis is – what is in store for the masses and, above all, what is the way out of the crisis. If this is a crisis of the bourgeois system, then the only way out for the workers and the oppressed, once they get galvanized for struggle, is the complete overturn of capitalism.

**There is a profound difference between a particular capitalist crisis and an historic crisis of capitalism as a system.** The Great Depression began as a cyclical crisis, the collapse of a stock market bubble, with an underlying crisis of overproduction. But it soon revealed itself to be a crisis of the system. The present crisis is showing similar signs. What began in December

2007 had the basic elements of a classic capitalist crisis, in the sense that it was caused by capitalist overproduction, even though it was precipitated by a financial crisis with the bursting of the housing bubble. Overproduction and bursting of bubbles are characteristic of every capitalist crisis. But this crisis is obviously far more than a cyclical crisis.

### *The Jobless Recovery: Growing Capitalist Impasse*

This crisis has important features that indicate a **qualitative difference from previous post-WWII recessions**, including the 1980-1982 crisis. It is growing clearer every day that the **capitalist class has no answer to the growing mass unemployment**. There was not even a dent made in the ranks of the unemployed during 12 months of capitalist recovery. Indeed, the operation and revival of the system is being overwhelmed by an intractable unemployment crisis affecting at least 30 million workers and their households – i.e., perhaps one third of the population or more.

### *Development of jobless recovery*

This is perhaps the most significant aspect of this crisis. If capitalism cannot reduce the reserve army of the unemployed during an upturn, then it means that the economic mechanism of capitalism is irrevocably broken. The system, just as in the 1930s, cannot solve the unemployment crisis by economic means alone. Its normal functioning as a system of boom-and-bust exploitation has run aground. It had a gigantic bust but there is not, and will not be, a following boom. At best, the bust will be followed by stagnation with enduring and growing mass unemployment; at worst, an even greater bust is yet to come.

This jobless recovery **is by far the worst in a series of three jobless recoveries over**

**the last two decades**. The jobless recovery is a new phenomenon in U.S. capitalism. It first arose after the 1991 downturn and caused concern among bourgeois economists. This concern was dissipated by the collapse of the USSR and the boom in technology that followed at the end of the decade. But the phenomenon returned with a vengeance – a far worse jobless recovery – after the 2000-2001 downturn. The present jobless recovery is a disastrous continuation of this trend and far exceeds that of 2001-2004.

The significance of a jobless recovery is that **capitalism recovers but the working class does not, even on the most minimal level. Business expands but employment does not**. The failure of the capitalists to rehire the workers raises a barrier to the revival of the capitalist business cycle. The bosses won't rehire because business is bad. And business is bad because the bosses won't rehire.

The anemic growth of the economy during the "recovery" is being accompanied not by massive hiring but by continued layoffs. But hiring is the only way that workers can get money in their pockets again and buy the commodities they produce in order to fuel an upturn. The capitalist press refers to this as the "problem of the consumer." But it is really a problem of capitalist overproduction, which reaches crisis points as soon as the recovery begins and chokes off any further boom.

### *Change in the business cycle*

**The capitalist recovery phase of the business cycle is supposed to be the most favorable situation for the working class**. The recovery part of the cycle in the past has been the moment when the bosses needed to hire labor to feed a burst of renewed production and exploitation. Relative labor shortages and rising wages have been

characteristic of capitalist recoveries throughout history. Karl Marx explained this process as far back as 1847 in his classic work, *Wage Labor and Capital*.

In the last two decades, the effect of the boom part of the cycle on the working class has turned into its opposite. Capitalist recoveries have been increasingly accompanied, not by a relative labor shortage, but by **continued high unemployment for a longer and longer time after each recovery and continued shedding of workers, especially from high-paying and moderate-paying jobs through the boom period**. The requirements of capital for growth of the labor force in order to maintain profitability during a boom have gone down steadily.

### *Contraction of productive forces*

In order to return to profitability in the **present crisis** the capitalists have had to **shrink the economy, reduce capacity and fire workers**, in addition to greatly intensifying exploitation of those remaining on the job. Capitalism overall, as opposed to particular industries, has had to contract the productive forces and productive capacity without replacing them with comparable or greater productive capacity, as it has done in previous crises.

**The shrinking of the auto industry** is a prime example. U.S. auto firms had a capacity of producing 19 million cars annually and were producing more than 16 million before the crisis. Dozens of plants have been closed down, around 235,000 workers were laid off and now the industry is struggling to produce and sell 11 million to 12 million vehicles. The shrinking of the auto industry and the crucial housing industry (the two industries that produce the most jobs in the economy) are the most important cases, but such examples could easily be multiplied.

In the 1990s the global steel industry was suffering from overproduction due to technological innovations and intensified world competition among the steel monopolies. The U.S. monopolies lobbied for high tariffs on imported steel. But the rest of the capitalist class did not want a trade war to break out. So the industrialists got together and shrank (down-sized) the steel industry.

But it is one thing to down-size a single industry producing a single raw material and another to down-size the central industries, such as auto and housing, that draw on countless raw materials and manufactured products throughout the economy. That impacts millions of jobs, both directly and indirectly.

### *Structural crisis or crisis of property relations?*

Many bourgeois economists have begun to use the term “structural crisis” to describe the present situation. They do not agree upon, nor can any of them really give a definition of what this means. But the phrase “structural crisis” holds a way out for them because it implies that some form of restructuring can solve the problem.

The fact is, as we shall discuss below, the problem has been created by the continuing restructuring of capitalism, nationally and globally for the past three decades. Capitalism has been profoundly technologically restructured, creating a high-productivity, low-wage global structure. There is virtually no room left for further significant restructuring along any foreseeable lines.

Indeed, this is more than a structural crisis such as took place in 1980-1982 (which we deal with later). It is becoming a crisis in which the system of exploitation, **the bourgeois relations of class**

**exploitation and private property upon which it is based, are coming into irreconcilable conflict with the further development of society.** If this is so, then no bailouts, no stimulus packages, no financial manipulation and no restructuring can revive the system in the long run. And no episodic upturns here or there can change the broad, downward course of events.

**Capitalism is a system based on the repetition of crises.** It is a system where booms are followed by busts – a system of recurring crisis for the working class. It is characterized by overproduction, collapse of the markets, mass layoffs, workers' gains being wiped out, destruction of the productive forces, factories, stores, etc., and their replacement by more efficient and larger means of production. This has been the cruel history of capitalism for almost two centuries.

**The crisis of 1980-1982 was devastating, but it was a structural crisis.** The so-called Reagan recession was the greatest downturn, up to that time, since the Great Depression. It was both a cyclical crisis of boom-and-bust and a structural crisis in which the capitalist class was facing a declining rate of profit.

The growth of industry in the decades leading up to the 1980s had been based on an expansion of the old technologies. The bosses speeded up the workers, raised prices and did everything possible to squeeze as much profit out of them. Then the scientific-technological revolution brought about computerized, robotic production and other new technologies. This set off a competition among the capitalists, who seized upon the new technology to increase the rate of exploitation and boost profits.

The giant industrial monopolies carried out a vast restructuring of industry during and after the Reagan recession. The official

unemployment rate went up to 11 percent, higher than the official rate today.

Plants were shuttered. **Millions of workers were thrown out of their jobs in a short period.** Many were permanently replaced as new, high-tech plants with robots, sensors and other technological methods of replacing labor were installed. Older but perfectly functional factories were shut down. The era of automatic production spread throughout the economy with a vengeance. Concession bargaining with the unions was the order of the day. Racism and union-busting were rampant.

A carefully planned ambush attack on the PATCO union of the air traffic controllers was launched. The union was broken and 18,000 workers were barred from federal employment for life. The labor leadership went into retreat under the onslaught. Labor was pushed back despite valiant and furious struggles by the rank-and-file – from the Phelps-Dodge copper miners to the P9 meatpackers' strike to the Pittston coal strike and many more. Social services were gutted. The Reagan reaction shaped the right-wing political atmosphere in Washington.

**But capitalism recovered from the crisis** by a combination of increased exploitation of the workers through high-tech reindustrialization, a major, unrelenting anti-labor offensive directed against higher-paid workers, a \$750 billion transfer of wealth to the bosses using money taken from social services – a virtual war on the poor, especially the African-American and Latino/a population -- and the \$2 trillion Reagan military build-up directed against the USSR.

**In what respect does the present crisis differ from that of 1980-1982?** If it is not qualitatively different, if the system has not passed a crucial point of no return, then this crisis will be liquidated eventually by the emptying of inventories and the gradual

return to an upturn stimulated by the bailouts and military spending. The capitalist market will revive with a return to a renewed expansion strong enough to absorb a significant portion of the present reserve army of unemployed. But is that what is happening?

### *Historic means of economic revival are exhausted*

The historic means of capitalism overcoming its crises of overproduction and profitability in the imperialist epoch have been varied and familiar.

Imperialist expansion and plunder of the oppressed nations was one of the earliest and involved military spending, war preparation and war. Next came financial intervention by the capitalist state in the economy, i.e., pouring money into Wall Street banks and the stock market or boosting specific giant firms. Above all has been the lowering of wages through technology and/or union-busting and the raising of prices (inflation).

All these methods have been used either separately or in combination to help overcome the previous 10 crises that U.S. capitalism has experienced since WW II. None have so far proven capable of overcoming the present impasse.

### *Financial intervention by capitalist state is stretched to the limit*

**There has been unprecedented intervention by the capitalist state in the economy, to no avail.** So far the capitalist government has spent or pledged at least \$10.5 trillion to revive the economy. They spent an immediate \$750 billion for banks, \$85 billion to subsidize the auto industry in shutting plants and throwing thousands of workers out of work. Then came the cash-for-clunkers subsidy which pumped up auto

sales. Then Congress passed a \$787 billion stimulus package. In addition, there was the handout to the military-industrial complex and the Pentagon of \$700 billion to \$800 billion each year and the expanded war in Afghanistan.

As the capitalist market system has failed to solve the crisis, the **capitalist state has had to step in** and bail out not just the ruling class, but the system itself. In addition to having handed out more than \$10 trillion in bailouts, loan guarantees, purchase of toxic assets, etc., by the end of 2009, the Federal Reserve has given untold amounts of money to the financiers by holding bank borrowing rates at near zero.

The intervention of the federal government (and governments throughout Europe, Japan and the rest of the capitalist world) has **transferred much of the crisis of the private capitalist monopolies to the financial structure of the state.** By assuming the debts of the bankers and financiers, by borrowing money at home and abroad and by going to the printing press to put money into the economy, the capitalist state has acquired huge debts – debts which cannot be repaid because of high unemployment and the reduction in the value created by the workers.

Capitalist government debt does not lead to financial crisis if the capitalist economy booms, surplus value is created and the government gets the money back from taxes on wages and profits – both of which represent real value created by the workers. The Roosevelt administration incurred greater debts than the Bush and Obama administrations. But World War II was followed by capitalist expansion, the rebuilding of Europe and Asia, a new stage of industrialization of the world capitalist economy and untold profits flowing into Wall Street and Washington based on the

exploitation and super-exploitation of labor all over the world.

The present debt crisis is insoluble because, rather than expansion, there is now global economic contraction and mass unemployment. When tens of millions of workers are unemployed, they are not producing new value. All the expansion of currency and loans by the government cannot create one iota of value. It is just paper – fictitious value.

The situation today is the opposite of the post-WWII period. Even though the ruling class politicians are cutting back on social spending every place they can, nevertheless, the capitalist government now has to give some minimal support to large sections of the working class through unemployment insurance, food stamps, welfare, aid for utilities and other payments. Instead of being exploited and supplying profits and taxes, the workers have to be sustained by various social programs in order to keep them from sinking into total destitution – and rising in rebellion.

The African-American and Latino/a population are getting the least support and are suffering proportionately very high casualties from the crisis. The Indigenous population always suffers the highest casualties in any capitalist crisis – including unemployment, low wages, loss of health care and homelessness. Indigenous communities, on the whole, are invisible in relationship to the rest of the society due to centuries-old racist genocidal policies.

The rise in the poverty to record official levels – 15 percent in 2009 – means suffering for the masses and aggravation of the financial crisis for the capitalist state.

The financial crisis of the capitalist state is, in turn, being transferred to the masses. Just as the ruling class is shrinking the so-called private sector, it is permanently

abandoning the most vital social services. The system is contracting; schools and hospitals are closing or being sold off; fire houses and senior centers are being shut down; mental health programs, food stamps, and many other services are being cut. The Obama administration is setting the stage to cut Social Security, Medicaid and Medicare.

Funding for social services comes from workers' paychecks or from taxes paid by bosses using profits taken from the workers in the first place. So social benefits are really wages in a social form. Service cuts are a reduction in the social wage of the working class.

Many of these services, including universal public education, **were once regarded by the ruling class as necessary to the health and functioning of capitalism.** These institutions were necessary for the reproduction and maintenance of the working class. They were supported (grudgingly) by the ruling class in order to sustain the workers materially at a minimal level and give them the requisite skills and education necessary for renewed and expanded exploitation. (The African-American, Latino/a, Asian and Native population, being kept by racist policies at the bottom rung of the proletariat, always got the least.)

The fact that these social institutions are being thrown overboard wholesale is a sign that the bourgeoisie, with its system in a state of contraction, no longer regards education and other support for the workers as vital. **The upkeep of the working class, especially the oppressed sectors and their communities, is regarded as expendable overhead by the bankers and the bosses at a time of crisis and systemic contraction.** This is analogous to the shrinking of the economy in the so-called "private sector."

### *Military spending: a failing narcotic*

The historic narcotic used to artificially stimulate the capitalist economy has failed this time around. The ruling class hands the military-industrial complex \$700 billion to \$800 billion a year, has expanded the war in Afghanistan and Pakistan and continues to occupy Iraq, but all this has not been sufficient to re-stimulate the economy.

Why not? First, because the U.S. military machine is already larger than all the rest of the world put together, and it cannot significantly expand based upon the present limited scale of warfare.

Second, the military machine is a reflection of the general capitalist high-tech economy. It is now based more and more upon smart bombs, laser-guided bombs, pilotless drones, satellite-coordinated warfare, battlefield robots, high-tech missile ships, etc. Production for high-tech warfare is not labor intensive, as is the production of equipment and supplies for a mass, drafted army engaged in conventional warfare.

### *In the present crisis, imperialist war is a net loss*

It is worth noting that the first general crisis of capitalism in the U.S. and worldwide came at the end of the 19<sup>th</sup> century. The conquest and settlement for exploitation of Native lands, the annexation of half of Mexico, the importation of Chinese and other Asian workers to build the western railroads, -- and chattel slavery -- were part of settling the so-called "frontier." This outright theft and aggression formed much of the economic basis of U.S. capitalism.

After the Civil War and post-Civil War the "frontier" expansion by genocide and annexation came to an end. The period of industrialization, including the great railroad boom, ended in bust after bust. There was a

general downturn in the U.S. economy. The economy collapsed in 1873 and, with mild recoveries in between, continued in crisis with the crash of 1893-1896.

Imperialism was both an outgrowth and an expression of the capitalist crisis. Out of this crisis came the expansion of the European powers with their "scramble for Africa" and the expansion of the U.S. into Asia and Latin America. The early U.S. conquest of Hawaii and Samoa was followed by the so-called Spanish-American War of 1898 and the conquest of Puerto Rico, Cuba and the Philippines.

U.S. capitalism was facing open class war during this period, from the great upheaval on the railroads of 1877 to the 1886 Haymarket struggle for the 8-hour day, the Homestead steel strike of 1892 and the Pullman railroad strike of 1894 (which was fatally flawed by the exclusion of Black workers).

In other words, the capitalist economy could not grow any longer within the framework of the national boundaries without imploding in a crisis of mass unemployment and/or social upheaval. Bloody imperialist expansion was the way out.

Thus far, the attempts to expand the empire have yielded little for U.S. imperialism. In fact, because of mass resistance, their recent wars have been a net loss to the capitalist class. They spent between one and two trillion dollars on the Iraq war for paltry results. The war in Afghanistan is an increasing drain on the economy. So there are no new sources of super-profits and no new territories in which to expand their exploitation.

Thus, while military spending and warfare are essential to keep the system from collapsing, they have generated very little in the way of jobs and have been

unable to help stimulate an economic

recovery, as in the past.

## Part II

### The crisis and the era of low-wage capitalism

The bosses, as they always do, are using the capitalist crisis to lower wages. This boosts the profits of individual corporations, but in the present downturn is only deepening the crisis of the system. What was a historical method of lowering wages to boost profits, thereby laying the basis for a new capitalist expansion, is not working.

Coming into this crisis, the working class had already suffered more than three decades of declining wages, from the late 1970s onward. In addition, the workers were being crushed under the increasing cost of health care, loss of pensions and benefits, and massive mortgage and credit card debt. Reserves of households were depleted.

African-American, Latino/a, Asian and Indigenous households had barely any reserves to begin with and were suffering historically high rates of poverty – before the crisis. More and more women joined the workforce, but mostly at the lowest wages in the service sector of the economy, many of them forced to work long hours (or multiple jobs) to fill in the income gap left by layoffs of men or sinking wages in the working class in general.

The inequality in the national division of income between capital and labor reached obscene proportions during these three decades. The super rich got richer and the workers got poorer. From 1979 to 2007 average after-tax incomes for the top 1 percent rose 281 percent – an **increase** of \$973,000 per ruling class household. This top 1 percent of millionaires and billionaires went from raking in 7.5 percent of the national income in 1979 to 17 percent in 2007. The lowest fifth of the population was averaging \$17,000 a year (below the official

poverty level) and the middle income workers were averaging \$55,000 a year.

While this is personal income, it is a reflection of the re-division of the social surplus, a vast increase in that surplus going to the rich, deriving from three decades of lowering wages and intensified capitalist exploitation.

This was the result of the global restructuring of world capitalism based on the revolution in production, transportation and communication brought about by the scientific-technological revolution.

The restructuring accelerated after the collapse of the USSR and Eastern Europe and the opening up of China, India and other parts of the world doubled the global work force available for exploitation by imperialist capital (as has been documented in *Low-Wage Capitalism*).

The collapse of the USSR not only subjected hundreds of millions of workers and peasants to plunder and exploitation abroad. It unleashed the fist of the capitalists against the workers at home. This is a quote from *Low-Wage Capitalism* (p. 65):

...the world struggle between the rival social systems acted as a restraint upon the ruling class in the United States in its treatment of the workers and the oppressed, so long as the USSR and the socialist countries set the world standard for the rights of the working class. Perhaps the most fundamental of these rights was the right to a job, something contrary to the very essence of capitalism. Shedding labor is part of the automatic mechanism of capitalism, and the creation of a reserve army of unemployed is an essential condition for the advance of capital accumulation. ...

“The collapse of the Soviet Union in 1991, ending the Cold War,” wrote [Louis] Uchitelle [of the *New York Times*], “relieved the pressure on companies to preserve job security. Or, as Richard Freeman, a labor economist at Harvard, put it: ‘You had a different attitude toward your employees when you thought that Communism was still out there as an alternative.’”

The USSR, in addition to guaranteeing job security, also set the standard on guaranteed pensions, free health care, and many other rights. Every capitalist country had to take this into consideration in dealing with its own working class. (p. 65)

### *Imperialism and the crisis: from Lenin's time to today*

But in addition to the political effect on the class struggle, the collapse of the USSR and the opening up of new frontiers of exploitation of the world working class have changed the dynamics of imperialism since Lenin wrote his classic analysis, *Imperialism: the Highest Stage of Capitalism*, in 1916.

Again quoting from *Low-Wage Capitalism* (p. 55):

...in the most recent phase of the scientific-technological revolution, advances in transportation, communications, internet technology, and software development have permitted the giant capitalist companies, with huge treasuries and links to the giant banks, to create **a new division of labor in the world**, or what Marx called the social division of labor, as distinct from the division of labor in the workplace.

The new technology opened up to the capitalist class the ability to reorganize and relocate production processes around the globe, using both new and old methods. This process accelerated a worldwide corporate race to find the

cheapest labor in the less-developed countries (and in low-wage areas at home) and incorporate them into the networks of the most modern productive processes, as well as import low-wage labor from abroad.

The process of imperialist super-exploitation was freed from all geographical limits by the scientific-technological revolution. It could now be carried out wherever workers could be rounded up on the globe.

When Lenin wrote his work, which remains the fundamental basis for understanding imperialism, the ruling classes were using a small portion of their super-profits stolen from the colonies to bribe the labor leadership at home and create a broad, privileged upper layer of the working class. Their objective was both class peace at home and getting the workers to identify with imperialism. The export of capital to the colonies meant super-profits brought back home.

Now, however, with global wage competition under the regime of modern-day imperialism, the capitalist class has orchestrated a “race to the bottom” among the different sections of the global working class. Setting worker against worker and putting workers in the imperialist countries in competition with low-wage workers around the world on a job-for-job basis is destroying the privileges of sectors of the working class, mainly white males, who dominated the labor movement.

The wholesale destruction of privilege is a new aspect of imperialism in the era of the scientific-technological revolution and the post-Soviet period, and must be understood as a new development since Lenin wrote his brilliant analysis. His work still stands as the foundation for understanding imperialism as the rule of monopoly finance capital. But the development of the productive forces and advances in capitalist globalization have

transformed the class structure of the world working class and leveled it downwards. This will ultimately strengthen the revolutionary perspective.

Whereas the export of capital was once used to foster an upper stratum of the working class in the imperialist countries, to soften the class struggle, and to promote social stability, with the new world division of labor the export of capital is being used to drive down the living standards of the workers in the imperialist countries, decimate the upper layers of the workers and sections of the middle class, and destroy job security and social benefits. This will inevitably undermine the foundation of social stability. It will lay the basis for the revival of class warfare in the heartland of the giant corporate exploiters. Furthermore, the expanding worldwide socialization of the labor process and the rapidly growing international working class is making class solidarity across borders against imperialism an imperative. (*Low-Wage Capitalism*, p .57)

This is the historical background to the crisis. Those pundits who are beginning to talk about the so-called “structural crisis” should be reminded that the profound nature of the crisis of the system is the **result** of years of ruthless capitalist restructuring of their global system of exploitation. If they could just fix it by further restructuring, they would already have done so.

### *Laws of Marxism are still valid*

The way to understand the underlying cause of the present crisis is to understand **the role of the development of technology under capitalism** and its effect on the working class. The following excerpt from *Low-Wage Capitalism* (p. 81) contains an important citation from Sam Marcy:

The late Sam Marcy, chairperson and founder of Workers World Party, in a very important book entitled *High Tech*,

*Low Pay: A Marxist Analysis of the Changing Character of the Working Class*, published in 1986, analyzed the early stages of the high-tech revolution and its effect on the working class in the United States.

In a section devoted to its impact on the unions, he traced the phases of development of the productive forces under capitalism from the manufacturing phase of simple cooperation to the industrial revolution and large-scale machinery to mass production – primarily assembly line production – in the early twentieth century. He then described the high-tech phase:

“This [mass production] stage has now given way to another phase of technological development. The mass production period which began with Ford and continued for a period of time after the Second World War was characterized by expansion. But the current stage, the scientific-technological stage, while continuing some of the earlier tendencies of development, contracts the workforce. [my emphasis, f.g]

“Like all the previous stages of capitalist development, the current phase is based on the utilization of workers as labor power. But its whole tendency is to diminish the labor force while attempting to increase production. The technological revolution is therefore a quantum jump whose devastating effects require a revolutionary strategy to overcome.”

**All technological innovation since the dawn of capitalism has been aimed at intensifying the exploitation of labor** by getting more and more production in less and less time by fewer and fewer workers. Marcy wrote on the subject a quarter of a century ago, before the Internet, the universal use of computers, production control software, retail software, GPS systems, and the myriad of technological innovations directed at shedding workers,

speeding them up, reducing skills and lowering wages.

**There are two irresistible and contradictory tendencies rooted in the capitalist profit system** that exist side by side and derive from the same source: the thirst for surplus value, for profit. One is the tendency of capital to expand production to the absolute limit of capacity, given the available technology, in order to maximize market share and profits. The other is the urge of capital to shed labor and reduce wages, also in order to maximize profits. These two tendencies, which are built into the system, must inevitably end up in a crisis of overproduction – a crisis in which the ever-increasing volume of commodities produced by the workers cannot be purchased by them at a price that will yield a profit for the capitalist.

Workers are always paid in the range of what it takes to survive. Some are paid slightly more than it takes to survive, others less, particularly the oppressed, but this is now true for an increasing number of poor white workers as well. **Under capitalism the consumption power of society always remains in a narrow range dictated by the subsistence price of labor power – i.e., wages. But production always inevitably forges ahead of consumption based on capitalist competition, whether wages are high or low.**

The total wage bill of society, plus the income of the middle class and the consumption by the ruling class, no matter how extravagant, can never keep up with ever-expanding production in the race for markets. And that race cannot be contained because all capitalist corporations, no matter how large, are always in danger of being swallowed up by their predatory rivals.

### *Declining rate of profit*

As technology gets more and more expensive, it tends to bring the rate of profit

of the capitalists down. This is because the bosses spend larger and larger sums of money to use more efficient machines and equipment and more raw materials to get more and more production out of fewer workers. Thus they use less labor power relative to the instruments of production. The rate of profit is calculated on the amount of surplus value extracted from the workers relative to the total capitalist investment in means of production and raw materials (constant capital) plus wages (variable capital).

When the rate of profit drops, each capitalist tries to introduce new technology to get an advantage over their rivals. The first to introduce the new technology get an advantage over their rivals who are still using the older, less productive technology. But soon, the new technology spreads. The original advantage of the first capitalist grouping is lost. The new, higher level of productivity becomes the norm. The entire industry or group of industries affected by the new technology is now more productive, churning out more and more commodities with fewer and fewer workers. Thus the cycle in the race for new technology begins over again.

When workers produce more commodities in a given time due to new technology or just plain speed-up, they spend less time on each commodity, or on each operation that goes into creating a commodity. The labor time of the workers is spread out over more and more commodities. The total labor time remains the same but there is less labor time embodied in each particular commodity. Since there is less labor time incorporated in each individual commodity produced using the new, more expensive technology, there is less surplus value in each, as surplus value comes only from human labor. So the capitalist has to sell more commodities in order to reap the same surplus value and

make a profit. It gets harder and harder for the bosses to get their money back to cover the cost of the equipment and maintain a hefty profit from the unpaid labor of the workers. The capitalists must therefore constantly expand sales to get an increased mass of profit to compensate for the decline in the rate of profit. This is the only way to sustain their profitability and to survive the war-to-the-death capitalist competition. This drives the capitalist class inevitably to create conditions leading to overproduction and crisis.

Capitalist groupings compete with each other to gain market share by constantly introducing new technology. This is what has driven capitalism forward historically from stage to stage since its earliest beginnings. As Marcy wrote in *High-Tech, Low Pay*, “this is a law that they cannot get around.”

The scientific-technological revolution, the digital revolution, has opened the door for the bosses to maintain an uninterrupted flow of labor-destroying technology. At the present juncture, after three decades of intense, accelerating and permanent scientific-technological revolution, imperialist globalization and transformation to the stage of low-wage capitalism, the system is so productive that, as soon as it starts up again, the productive power of advanced manufacturing and service processes quickly outstrip the ability of the masses to consume.

The bosses are not going to invest in new productive forces unless they can sell at a profit. Bankers are not going to lend to businesses that cannot sell to an increasingly impoverished population. With each advance in technology it becomes progressively harder to start up the system and expand capital. But the expansion of capital is the only thing that keeps the system going and workers working.

The contradiction between the growth of the productive forces and the profit system is reaching another climax, the way it did during the Great Depression. During the 1920s it was the rapid development of mass production industries – auto, meat packing, refrigerators, radios, etc. – that preceded the collapse. Today it is the impact of the scientific-technological revolution that is bringing things to a head, but on a greater, more global scale. This contradiction is what was behind the jobless recoveries after the crises of 1991 and 2000-2001. And this is what is underneath the present crisis.

The broad theoretical framework within which to analyze the present situation was laid out by Marx in 1857 in his Preface to *A Contribution to the Critique of Political Economy*:

In the social production of their life, men enter into definite relations that are indispensable and independent of their will, relations of production which correspond to a definite stage of development of their material productive forces. The sum total of these relations of production constitutes the economic structure of society, the real foundation, on which rises a legal and political superstructure and to which correspond definite forms of social consciousness. ... At a certain stage of their development, the material productive forces of society come in conflict with existing relations of production, or – what is but a legal expression for the same thing – with the property relations within which they have been at work hitherto. From forms of development of the productive forces these relations turn into their fetters. Then begins an epoch of social revolution. With the change in the economic foundation the entire immense superstructure is more or less rapidly transformed.

This paragraph is the most concise formulation of the central thesis of historical materialism. It most closely describes the

process of the transition from feudalism to capitalism and from capitalism to socialism, although it is the explanation for all historical development from one stage of society to another, beginning with primary communism, before society split up into classes.

The key to Marx's thought as it applies to the present is that capitalism has created vast, powerful means of production operated by a worldwide class of workers on all continents who are woven into a widespread system of production. Since the early stage of manufacture, when artisans were brought together into one building to make clothing or wagons or whatever, the capitalists have used technology to advance to the space age. But the same institutions of private property, wage slavery and the profit system that existed at the beginning of the capitalist system still exist. They are completely outmoded and are now strangling society. In Marx's words, property relations, private property in the means of production, are coming in conflict with the operation of a global system of economy involving hundreds of millions of workers.

This is the point capitalism has reached in the present crisis, just as it reached that point in the 1890s and the 1930s.

Midway into the third year, 31 months since December 2007 when the economic downturn began, **nothing has been capable of starting the capitalist system up again in any significant way.** As it continues upon this course, the system of capitalist exploitation is moving in the direction of becoming an absolute brake on further development. Society will not be able to go on in the old way. The masses will face an abyss. Our task is to prevent the workers and the oppressed from being dragged down into this abyss.

Beyond understanding the broad, overall nature of the crisis, we must be able to

**discern where we are in the crisis**, what is the state of the working class and how its different sectors are reacting. Knowing that there is a profound crisis is one thing. Adapting our strategy and tactics to the moment is another. To know where you are going and how to get there, you have to know where you are.

Right now the workers as a class are under siege and have not yet been able to mount a strong class defense against attacks which are coming from all sides. The labor leadership has not mounted effective action and, so far, has adopted a completely non-struggle approach. Before the crisis they were in retreat and they have shown no inclination so far to abandon that posture.

A capitalist crisis breaks up the working class and weakens its position. But that being said, even our limited experience has shown us that there are many elements among the workers, particularly among the oppressed and among immigrant, undocumented workers, as well as students and youth, women and LGBT workers, the lowest paid for the most part, who are willing, ready, able and even anxious to struggle.

Sam Marcy wrote about the tendency of technology to pauperize the working class and level the higher paid, bringing the Black, Latino/a, Asian, Native and women workers – the low paid and most numerous sectors of the working class – into position to give more militant, political leadership in the working class movement. And in the present crisis, we can sense this development – from the victory of the domestic workers in New York to the Republic Windows and Doors workers, to the struggles of agricultural workers, service workers and many others too numerous to name.

No one can tell when and how this will to struggle is going to spread, but in the

meantime, our analysis of the present state of the system should encourage us to openly and aggressively indict capitalism for all its crimes against the masses and have faith in our socialist program.

Our generation has the benefit of being able to learn from the experience of previous generations of workers. During the 1930s the entire capitalist world was in what seemed like a terminal crisis. There was a pre-civil war situation in Germany before Hitler took power. There was a great general strike in France. There was civil war in Spain. Italy had its upheaval earlier after WWI. And in the U.S. there was a pre-revolutionary upsurge of the workers. Much more was taking place in the colonial areas in Asia, Africa and Latin America. There are many important lessons from this period which will apply in the future and the party

must school itself in these lessons, even though this is a different historical setting.

All these upheavals were conditioned by the fact that capitalism had reached an impasse and was threatening the very existence of the proletariat and the oppressed. But the working class, for a variety of historical reasons, was unable to topple the bourgeoisie at that time and the ruling class got back on its feet through counter-revolution and war. It opened up a new era of imperialist expansion and capitalist development, which now appears to be coming to an end.

We must move forward one step at a time to build the party, the indispensable instrument for any significant progress in the struggle, and have faith in our revolutionary socialist program.