Paul Mattick

Ernest Mandel's Late Capitalism

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In the field of present-day Marxism, Ernest Mandel occupies a leading position. His industry and ambition have produced a small library of Marxism to which even bourgeois economists pay some respect. In his book Late Capitalism, Mandel practices a sort of self-criticism with respect to his earlier works. In particular he criticizes his Marxist Economic Theory, first, for its "exaggeratedly descriptive character," and then for its "too small effort to explain the contemporary history of capitalism by its immanent laws of motion" (p. 7, German ed.).Since the later book contains Mandel's corrections of his earlier works, Late Capitalism *(Spätkapitalismus)* must be seen as representing, if not Mandel's final conception, at least his ideas of the moment, which makes a look back at his Economic Theory largely superfluous.

In the course of his various works, Mandel came to the conclusion, which should have been obvious from the beginning, "that our explanation of the history of the capitalist mode of production is only possible through a mediation between the laws of motion of 'capital in general' and the concrete forms of appearance of the 'many capitals'" (p. 7, German ed.; see English ed., pp. 8-9). The contemporary concrete form of appearance Mandel condenses into the concept of "late capitalism," although this does not feel quite right to him, since this term is not intended to suggest "that capitalism has changed in essence," although its purely chronological significance is also "unsatisfactory." In any case, calling the present state of the system "late capitalism" can in no way make "the analytic findings of Marx's Capital and Lenin's Imperialism out of date" (p. 10).

Since Lenin also claimed to hold to the analytical findings -Marx's Capital, one cannot speak of the analytical findings of Lenin's Imperialism: it only represents Lenin's interpretation of a particular situation, namely the First World War, on the basis of the incorrectly understood, to be sure Marxian laws of motion of capital. Thus Mandel can make but little appeal to Lenin, even when his political position compels him to place Lenin next to Marx, although, as Mandel himself points out, Lenin "does not provide a systematic theory of the contradictions of capitalist development" (p. 38, n.).

Up to now, according to Mandel, the relationship between the Jaws of motion and the history of capitalism has not been satisfactorily explained. He wants to fill this gap, which necessarily brings him into opposition with nearly every previous interpretation of capitalist development. Mandel nevertheless devotes the customary introductory pages to the "dialectical analysis"- now become a "commonplace" which traditionally precedes every explanation of development, in order to emphasize that "to reduce Marx's method to a 'progression from the abstract to the concrete' . . . is to ignore its full richness" (p. 14). The concrete is the real starting point, as it is the goal, of the process of knowledge. The truth of the laws of development produced by theory must be empirically proven. Although there is nothing to object to here, the question remains whence the empirical proof will come.

Mandel attacks those who think that the capitalist mode of production stands in the way of a direct empirical verification of the Marxian theory, and who therefore restrict themselves to the abstract analysis of developmental tendencies. In opposition to them, he wants to describe not only the "tendencies" discovered by the abstract analysis but also the development of capitalism as a concrete, historical process, since Marx "categorically and resolutely rejected this quasi-total rift between theoretical analysis and empirical data" (p.20). In this respect there is certainly little to be found in Marx, unless one sees empirical proof of his theory of capitalism in the fact that the production process, examined in the first volume of Capital in isolation from the rest of the system, is represented in the third volume as the process of production as a whole in the concrete forms in which it is experienced. But even in terms of the process as a whole, and despite the many illustrations taken from reality, one cannot speak of quantitative and empirical proof of the validity of Marx's developmental theory, since the data necessary for such a proof are in capitalism neither available nor to be expected.

But, Mandel objects, "In the first volume of Capital Marx calculated the mass and rate of surplus value for an English spinning mill, basing himself on exact data (declarations) from a Manchester manufacturer, as they had been given him by Engels..." (p. 21 n.). Now it goes without saying that one can represent the process of surplus-value extraction on the basis of the data, given in prices, for each capitalist enterprise. These data can also illustrate the degree of exploitation of the workers by the capitalists, and similar data on investments can be used to illustrate the organic composition of various capitals. In none of these cases, however, is any light shed on the developmental tendencies of capital. But this is the point of Marx's theory, not proving that capitalist production is the production of surplus value and is based on the exploitation of labor power something known long before Marx and felt by every worker in his own life. It is impossible to prove the detrimental consequences of value and surplus value production by empirical statistics as long as capitalism's internal contradictions can be overcome by accelerated accumulation. What Mandel claims to show, namely how "the real history of the past hundred years" can be represented "as the history of the unfolding development of the internal contradictions of this mode of production" (p. 22), comes down, for him as for everyone else, to the concentration and related centralization of capital and to capitalism's susceptibility to crisis. The tendency to crisis arises from the valorization requirements of capital under the conditions of blind market processes. The "regulation" of the capitalist economy by the law of value means that the contradictory movement of capital cannot be continuously known and followed directly in its concrete manifestations. If this could be done, there would be no need for the theory of value to understand the history of the last hundred years.

For Mandel the law of value is not a key to the understanding of capitalist development but a sort of law of nature that must also apply to the pre-capitalist period. In this connection he cites Engels, who in a letter to Werner Sombart (and also in other places) declared that in pre-capitalist times, at the "beginning of exchange," commodities were evaluated by reference to their labor-time content, so that value had "a directly real existence." Only in capitalism is labor-time value so thoroughly modified that it can no longer be recognized in prices. Both Engels and Mandel, however, are laboring under a misconception that is not alleviated by Marx's suggestion that the value concept has historical as well as theoretical significance. It makes no difference whatsoever whether commodities were exchanged in precapitalist times in accordance with their labor-time contents or not. In capitalism, in any case, this possibility is excluded, since here we find the special commodity labor power that produces a surplus value in addition to its value. The production of value and surplus value obviously had roots in pre-capitalist exchange, and in this sense these social categories have a historically factual aspect arising from the general necessity of taking the labor time involved in production into account. But labor time and value are not the same thing. Whether or not the exchange of labor-time equivalents takes place, it has nothing to do with the value character of capitalist production, which reflects the social relations of production peculiar to this system.

Capitalism is ruled by value not because production is regulated by labor time but because the exploitation of the workers is accomplished by means of exchange. To say that the value of the commodity labor power is determined like that of every other commodity is to explain the origin of surplus value (that is, extra labor for the capitalists). While the commodity market is constituted by the exchange of the products of the total labor time employed, there is no exchange of labor-time equivalents, since the capitalists have nothing to exchange but only appropriate a portion of the workers' total product. Thus the law of value can have neither a "directly" nor an "indirectly" real existence in exchange.

The law of value does not operate in reality as in the theoretical model developed to understand reality. It is based on the dual character of labour as a process both of production and of capital expansion, which appears in the dual character of the commodity, including the commodity labor power, as use value and exchange value. Capitalist production is the production of exchange value, and the use value of commodities is only a means to this end. With the increasing productivity of labor the quantity of goods produced increases while their exchange value falls, the one change counteracting the other. In this way the increasing productivity of labor results in the accumulation of capital, and the opposite movements of use value and exchange value have no visible detrimental effect on capitalist development.

The accumulation of capital thus expresses the growing productivity of labor, while the growth of productive capital in turn improves the productivity of labor. This process indicates that expansion of capital is tied to changes in labor-time relations. More total labor time is expressed in more products, or more products expressed in labor time, is needed if the goal of capitalist production, the growth of capital, is to be attained. Every capitalist firm attempts to expand production in order to make the maximum profit, and the general result of these attempts is the accelerating accumulation that overcomes the decline of exchange values by the more rapid growth of the mass of use values.

The increase in the productivity of labor implies that the use value-for the capitalists-of the commodity labor power rises more rapidly than its exchange value. In other words, productivity races ahead wages. Expressed in terms of labor time, this means that a growing part of the total labor time-in any particular enterprise or in the society as a whole - must serve the ends of accumulation, while a decreasing part appears as the exchange value of labor power. In practical terms this implies that less labor must valorize (expand) a greater capital, i.e., that the organic composition of capital changes in favor of constant relative to variable capital. In this sense capital is only continuing the general development of society, insofar as this can be described as the improvement of the forces of production and the increase of production with less labor, although on the basis of a set of social relations compelling accumulation this is occurring at a previously unknown tempo and to a previously unknown extent.

In the change of the organic composition of capital, which is only another expression for the growing productivity of labor, the contradictory movement of exchange value and use value manifests itself as a contradictory movement of accumulation and profit. The increasing use value of labor power, or the rise in the rate of surplus value, confronts the tendency of the rate of profit to fall or the tendency of exchange value to decline relative to use value. But this too is a matter, at first, of mutually counteracting tendencies. So long as the rate of surplus value can be increased more rapidly than the rate of profit falls, these tendencies are factors stimulating accumulation without being distinguishably visible in it.

Aside from the fact that the price mechanism of the market economy, together with the competition-enforced tendency to the formation of an average rate of profit, makes exact observation of changes in the labor-time relations underlying this process impossible, capitalism's economic data are produced from the viewpoint of capital, not from that of Marx's theory of value. These data cannot be translated directly into Marxian categories, although the latter are embodied in market events and find in such phenomena as the fall of prices of production and of the level of the average rate of profit in the course of capitalist accumulation some confirmation of their relevance. Even if it were possible to transform all the available data into the terms of the labor theory of value, however, this would still lead only to the discovery that with sufficient surplus value, capital accumulates, and that with less it does not a piece of knowledge that can be ascertained directly from the data of the bourgeoisie and of which everyone becomes aware in the course of the actual crisis cycle, without any need of further investigation.

The demonstration that commodity prices must be derived from labor-time values is not the goal of Marx's theory of value but its starting point. The aim of the value theory is rather to gain insight into capital's laws of motion. All price relationships only mirror the exchange relations, not the production relations which underlie them. In a system like the capitalist one, continuous and accelerating accumulation is the prerequisite for progressive development. If the level of exploitation cannot be increased more than the rate of profit falls, the capitalist dynamic turns to stasis, thus destroying the essence of the capitalist mode of production, the production of capital. The exchange value of labor power is necessarily the equivalent of the labor time, embodied in products, required to produce and reproduce it; this is not contradicted by occasional and partial departures from the norm. The use value of labor power yields profit, the capitalist share of the total labor time, likewise in the form of products. Given a constant number of workers, the process of accumulation would require a continuous increase in their exploitation, which can be accomplished either by lengthening the absolute labor time or by shortening the labor time necessary to secure the workers' existence. If the possibilities of the first method are exhausted in the course of accumulation, those of the second will also be exhausted, since the necessary labor time is not reducible to zero. If exploitation can no longer be increased, accumulation will come to an end. The number of workers must therefore increase absolutely if the process of accumulation is to continue. And of course the accumulating capital requires further growth in the number of workers, while at the same time the potential for exploitation of these workers is progressively diminished. This narrowing of the basis of accumulation appears in the changing organic composition of capital. While more and more workers are involved in the production process, the number of workers falls relative to the growing mass of capital (which is only another way of saying that less labor is used to produce more commodities). As a result the production of surplus value tends to decline, as the use value of labor power its production for capital cannot be extended to fill the total labor time but must stop at the point where the exchange value of labor power would fall below its reproduction requirements. The contradiction of capitalist accumulation, then, lies in the fact that the very process that increases the number of workers exploited, and with this the mass of profit, at the same time calls the continuation of accumulation into question. The increasing productivity of labor decreases the quantity of labor time employed, and therefore the surplus value produced, in relation to the growing mass of capital. This is manifested in the fall in the rate of profit (which is the ratio of surplus value to the total capital).

The rate of accumulation at any moment determines both the growth of labor power and its displacement by the extension of production and the increase of exploitation. The increase of exploitation, however, is the prerequisite for the extension of production; and so long as the latter does not come up against objective limits, the former has an unobstructed path. These objective limits are set by labor-time relations, specifically by the relation between value and surplus value, between wages and profits. If the surplus value produced by a given quantity of labor power cannot be increased, it becomes impossible to exploit additional labor power, since this would require additional means of production, made available by accumulation. The complex interrelationship of all these factors should be enough to show that the consequences of the process of capitalist accumulation can only be represented abstractly, by an analogical model based on the fundamental capitalist social relations. Although, according to the logic of the theory of value, the whole development of capitalism is to be explained in terms of the capital-labor relation, the incredible complexity of the real capitalist world forms an impenetrable agglomeration of apparently unconnected factors, which in practice cannot be made use of to provide empirical proof for the abstract theory. (It should be noted that if this is a "deficiency," Marx's theory shares it with bourgeois "economic science," which, despite its exclusive concern with prices, is also compelled to construct models if it is to become comprehensible a state of affairs in no way altered by either the theoretical or the practical use of the modern apparatus of econometrics.) It is thus an essential feature of capitalism that the quantitative linking of market phenomena to Marx's basic categories, which Mandel claims he is attempting (p.21), is quite impossible to achieve. Even apart from this, what data there are for market phenomena are quite inaccurate. Although economic statistics has come a long way, it is still largely a matter of unreliable and inadequate indices that can hardly be taken' seriously as a basis for conclusions about the laws of motion of capital. What partial notice has been taken of the development of production prices and commodity prices, of investment and employment, of income and its distribution, of trade relations, etc., provides no understanding of capitalist accumulation that can be correlated with Marx's basic categories.

Capital produces for the market, to which it abandons the regulation of social production within the framework of the production of surplus value. Its representatives can therefore understand neither the allocation of the total labor time necessary for the satisfaction of the social needs peculiar to capitalism nor the valorization difficulties that arise from the accumulation process. Without regard for social consequences, unknowable in any case, each firm seeks to maximize the profit it can realize on the market, and in accordance with this goal it seeks to reduce its costs of production to the minimum. This general effort alters the relation of social surplus value to the mass of the existing capital, influencing the continuation of the accumulation process in a positive or negative way. This influence is negative when the organic composition of capital does not permit an increase in profits sufficient to continue accumulation under the given conditions of production. The slowdown in accumulation itself indicates that not enough surplus value is being produced or, to put the same thing in other words, that too much capital has been accumulated in relation to the going rate of exploitation.

This state of affairs, engendered by changes in labor-time relations, appears from the capitalist viewpoint not as a problem of surplus-value production but as a phenomenon of the market, since the latter is not only viewed as the regulator of the economy but actually is its only regulator. It must be demonstrated in the market whether or not the preceding production was adequate to "social needs," and whether or not this production has yielded a surplus value sufficient for a profitable expansion of capital. Were it possible to explain market processes in terms of the law of value, it could be shown, in the negative case, that the relationship of labor to surplus labor does not meet the valorization requirements of capital, and (since the needs of society in general are defined within the framework set by these valorization requirements) that the discrepancy between surplus value and capital's need to expand affects all economic relations. Since the market is the actual regulator of the capitalist economy, the changes in labor-time relations occurring in the sphere of production work their way through the system in the form of market processes, although in truth it is the value relations at the point of production that govern the market. The power of the law of value over social production manifests itself above all in economic crisis, which is experienced in the market, not directly as the over-accumulation of capital but in the form of insufficient demand and the overproduction of commodities. The fact that the reality of the law of value is demonstrated in the capitalist crisis indicates that this law had been infringed throughout the previous production period, to the point where the labor-time relations governing the production of surplus value and so the process of capital's self-expansion, together with the allocation of the total social labor time bound up with it, objectively excluded an unlimited continuation of accumulation. Just as the law of value works its way through crisis, the overcoming of crisis is nothing but the restoration -realized in the market but essentially concerning the sphere of production -of labor-time relations yielding a mass of profit adequate for further accumulation.

2

Instead of explaining the crisis cycle and capitalist development as governed by the law of value, Mandel does the reverse: he seeks confirmation of the law of value in the surface appearances of capitalist accumulation. He bases this attempt on the idea t; history cannot be reduced to theory. Although there is without doubt more to the history of capitalism than is covered by the theory of value, the latter is nonetheless necessary if the general developmental trend of the history is to be recognized. According to Mandel, however, all previous Marxist theories of capitalist development led to no useful result, since they illegitimately attempt "to reduce this problem to a single factor" (p. 34), while in his view, reference to "the interplay of all the laws of motion of capital" is necessary in order to explain a particular result of this development (p. 42). His understanding of this leads Mandel to oppose, to begin with, Rosa Luxemburg, Henryk Grossmann, Nikolai Bukharin, and Rudolf Hilferding, all of whom are supposed to have derived their theories of accumulation exclusively from the reproduction schemas of the second volume of Capital, thanks to which their work must be judged a failure.

While this criticism may tell against Luxemburg, Bukharin, and Hilferding, it does not bear on Grossmann, who explained capitalism's tendency to breakdown on the basis of the law of value and accumulation. Although Mandel's rejection of the theories of development based on the reproduction schemes must be seconded, his performance in this regard indicates insufficient knowledge of the material, something that cannot be made up for by appealing to the writings of Roman Rosdolsky. It did not occur to Marx, as Mandel peculiarly maintains it did, to prove by means of the reproduction schemas "that it is possible for the capitalist mode of production to exist at all" (p. 25). (It could not have occurred to him simply because no one doubted the existence of capitalism.) According to Mandel Marx saw capitalism's existence as dependent on an equilibrium of the relations of exchange between the production of producer goods and that of consumer goods, although the reality of capitalism is "a dialectical unity of periods of equilibrium and periods of disequilibrium" (p. 26). Thus for Mandel Marx's reproduction schemas represent a one-sided, undialectical view of capitalist reproduction, incapable of yielding insight into capital's laws of motion. Mandel would like to correct this by proposing an outline which of course remains unrealized of "other schemes which incorporate from the start this tendency for the two Departments [of production] and all that corresponds to them to develop unevenly." Of these schemes "Marx's reproduction schemas will only constitute a special case just as economic equilibrium is only a special case . . ." (p.27). Now Rosa

Luxemburg, unlike Bukharin and Hilferding, had, to be sure, seen Marx's reproduction schemas as implying a perpetual disturbance of equilibrium; but this, according to Mandel, is also wrong, since capitalism is really a dialectical unity of equilibrium and disequilibrium. For Mandel the one arises from the other, both concepts referring to actual states of the economy.

For Marx, in contrast, any equilibrium, whether in the relations between departments of production or in the market generally, was a pure accident, obstructed as a rule by disproportionality. This did not prevent him from starting from the assumption of equilibrium in order to expose the essential traits of capita production and accumulation. Thus, for example, he used the assumption of an equilibrium of supply and demand in order to lay bare the laws of motion underlying competition. In the same way the reproduction schemas represent assumptions that certain contradict reality but can nevertheless help in explaining it. T production process is at the same time a process of reproduction that requires circulation for its completion. For the demonstration of this process it is sufficient to analyze total social production into two departments in order to represent the conditions of imaginary frictionless exchange. Although capitalist production essentially the creation of exchange value, it nevertheless remained tied to use value. While the individual capitalist strives only to enlarge his capital as accumulated surplus value, he can do this only within the framework of social metabolism, which is also a social metabolism operating on use values. In the social context the theoretically conceivable equilibrium of capitalist exchange presupposes an equilibrium of the use values necessary for reproduction.

Just as competition cannot be explained by competition, the circulation process cannot be explained in terms of circulation. The possibility of reproduction, simple or expanded, depends on the circulation of goods containing definite quantities of labor time, represented in the form of values and use values and distributed in a definite way. To show this is the sole task of the reproduction schemas. They are depictions not of the real process of reproduction but of the necessities underlying this process. Since they make themselves felt only through capitalist categories, these necessities are unnoticed, but nevertheless must be respected, behind the backs of the producers if the accumulation of capital is to be possible. The reproduction schemas are a further illustration of the working of the law of value in the capitalist production and reproduction process. This means that the process represented abstractly in the schemas is in reality shot through with disproportionalities and crises.

The reproduction schemas constitute neither an equilibrium nor a disequilibrium model but simply the demonstration that accumulation depends on a certain proportionality between the departments of production, which must be established in the market but is determined by the law of value. For Mandel, however, the reproduction schemas are a method of equilibrium analysis to which he wants to add an apparatus of disequilibrium analysis. In this he follows in the footsteps of Rosdolsky, for whom the reproduction schemas on the one hand represent a "heuristic device" but on the other picture a real state of the economy. Thus Rosdolsky writes, for example, that in the capitalist mode of production

the proportional development of the various branches of production, and the equilibrium between production and consumption, can only be obtained.. . in the midst of continuous difficulty and disturbances. Naturally, this equilibrium must at least be attained for short periods of time, or else the capitalist system would not function at all. In this sense, however, Marx's schemes of reproduction are in no way a mere abstraction, but a piece of economic reality, although the proportionality of the branches of production postulated by these schemes can only be temporary, and "spring as a continual process from disproportionality."

There are thus, according to Rosdolsky and Mandel, periods of equilibrium and periods of disequilibrium, without the first of which capital cannot survive. The contradictions intrinsic to capital thus only appear from time to time, which suggests the question, why they are sometimes there and at other times not. Rosdolsky answers, citing Marx, with the observation that accumulation is broken by "pauses," namely "periods of rest, during which there is a mere quantitative extension. . . on the existing technical basis," for which the reproduction schemas are valid, since they show "the possibility of extended reproduction through the mutual adjustment of the production-goods and consumption-goods industries, and hence also the possibility of the realisation of surplus-value."" This of course implies that the capitalist system can only function when accumulation is very slow and that any quickening of the pace must lead to crisis. And Rosdolsky actually explains that with the introduction of technological progress into the reproduction schemes, "the conditions for equilibrium of production turn into conditions for the disturbance of equilibrium," so that the equilibrium schemas must be supplemented by Marx's theory of crisis and collapse.

Of course, it is correct that capital can accumulate even without technological progress simply by the expansion of production. Only then it reaches the limits of accumulation more quickly, since under such circumstances it has only the resources of absolute surplus value (derived from lengthening the working day) to draw on. But apart from this it is obvious, according to Marx-and also aside from him-that the capitalist mode of production, under the compulsion of accumulation, increases the productive forces to an extent undreamed of earlier by concentrating on relative surplus value and only in this way develops its full potential. It is the acceleration of the rate of accumulation, not its retardation, that keeps capitalism viable by allowing it temporarily to overcome its immanent contradictions, only to bring them forth again at a higher level of accumulation.

Rosdolsky's, and so Mandel's, strange conception of the reproduction schemas can be accounted for by reference to their theory of crisis. Although Mandel is of the opinion that no crisis theory can be derived from equilibrium analysis, the reverse seems possible to him. Both, Rosdolsky and latterly also Mandel, are adherents of an underconsumption theory of crisis, namely the primitive idea that the realization of the surplus value is difficult because the workers cannot buy back their surplus product. Given this idea it is understandable, if incorrect, to hypothesize that capital accumulates best when it accumulates least, and that when accumulation is restricted, it approaches a state of equilibrium in which consumption equals production; for, says Rosdolsky, "as long as accumulation progresses, and a portion of accumulated sun plus-value is used to employ additional labor-power, i.e., workers, then these will help to realise the surplus-value created in the previous period of production by spending their wages." And Rosdolsky says this even though he also sees that the surplus value is the part of the social product that is taken from the workers and whose value can therefore only be realized through accumulation and capitalists' consumption. How the realization of the surplus value through accumulation can decrease the gap between production and consumption remains his secret.

Although capitalism's susceptibility to crisis can be neither denied nor affirmed by reference to the reproduction schemas, the latter are still based on the law of value, which represents the contradiction intrinsic to capitalist production and accumulation. The schemas are not needed to prove the contradictory movements of capital, for they are already given in the theory of value. On the basis of this theory it is quite the same if accumulation proceeds quickly or slowly, if capital finds itself in a "period of rest" or in a state of hectic expansion, since under all circumstances an adequate part of the total product must be claimed as surplus value if accumulation is to take place. Otherwise there would be only simple reproduction, which is contrary to the capitalist mode of production and implies a state of crisis. It is of course true that accumulation requires additional labor power and thus additional consumption, without thereby affecting the realization of surplus value. The absolute increase in consumption through accumulation is at the same time its decrease relative to the expanded production.

What Mandel and Rosdolsky have in mind is of course the rapid rise in the organic composition of capital attendant on technological change, which, together with the displacement of workers by machinery, decreases consumption. But since accumulation can take place only with a relative reduction of consumption, this has nothing to do with the problem of the realization of surplus value but is simply the condition that has characterized capitalism from the start and from which it cannot escape without abolishing itself. Thus it is Rosdolsky's and Mandel's underconsumption theory that lead them to project a provisional theoretical assumption, used by Marx to analyze the process of reproduction, onto the real process of circulation. This misunderstanding would have been spared them had they analyzed accumulation with the help of the theory of value.

3

While Marx explained all the fundamental phenomena of capitalism on the basis of the law of value, Mandel takes as his starting point six distinct developmental tendencies, or "basic variables of the capitalist system. He emphasizes "that up to a certain point all the basic variables of this mode of production can partially and periodically perform the role of autonomous variables naturally not to the point of complete independence but in an interplay constantly articulated through the laws of development of the whole capitalist mode of production" (p.39). By "basic variables" Mandel means: the organic composition of capital in general and of the two departments (of producer goods and of consumer goods, as in the reproduction schema) in particular; the division of constant capital between fixed and circulating capital, again in general and for the two departments separately; the development of the rate of surplus value; the development of the rate of accumulation; the development of the turnover time of capital; and the exchange relations linking the two departments of production.

The history of capitalism, and its law-governed regularity, can, according to Mandel, "only be explained and understood as a function of the interplay of these six variables" (p 39). It does not occur to him that with this he is saying that the history and inner regularity of capital can only be understood by reference to the history and inner regularity of capital. The consequences of the production of value and surplus value show themselves, among other ways, in the phenomena of accumulation picked out by Mandel, all of which are governed by the law of value and in accordance with it are manifested by fluctuations in the rate of profit. For Mandel, however, these fluctuations "are only results which must themselves be explained by the interplay of the variables" (p. 39). Again, it does not occur to him that he is explaining the profit rate by the rate of profit when he explains the history and inner regularity of capital by its history and inner regularity.

It is in this way that Mandel wishes to bridge the gap between theory and reality. Abstractly considered, all the fundamental phenomena of capital follow from the postulates of the value theory. But in reality, Mandel assumes, the various aspects of capitalist accumulation resulting from the law of value have autonomous functions, at least at times, and independently influence the process as a whole. Therefore special attention must be devoted to these aspects, and their effects must be empirically investigated. This naturally presupposes a criterion by which the empirically determined facts can be made comprehensible and their connections with other such facts exhibited. For capitalism the theory of value is this criterion, as it deals with the basic production relations of this system. The value analysis makes it possible to discover the general tendency of capitalist development from any particular set of changes in Mandel's variables, while the observation of these variables, without application of the value analysis, permits no conclusion about the trend of development but remains the mere description of given circumstances.

Mandel gives a few examples to demonstrate the correctness of his thesis. He shows that the rate of surplus value is at all times a function of the class struggle. "To see it as a mechanical function of the rate of accumulation, . . . is to confuse objective conditions which can lead to a particular result . . . with the result itself. Whether or not the rate of surplus-value does in actual fact rise depends among other things on the degree of resistance displayed by the working class to capital's efforts to increase it" (p. 40). "Other things" refers to the influence on the rate of surplus value of the industrial reserve army of the unemployed. Thus for Mandel there are "numerous variations" in the determination of the rate of surplus value, as "can readily be seen from the history of the working class and the labor movement over the past 150 years." But this history also shows that accumulation, despite its interruption by crisis, was a continuous process that presupposed an adequate rate of surplus value and thus confirmed Marx's dictum that "the rate of accumulation is the independent, not the dependent variable; the rate of wages is the dependent, not the independent variable." Since capitalism still exists today, the "numerous variations" in the determination of surplus value have done it no apparent harm during the last 150 years, in any case not with respect to its developmental tendency. Despite all class struggles the rate of surplus value has remained sufficient for accumulation. As a "partially autonomous basic variable," the development of the rate of surplus value has had no effect. All that Mandel's approach allows him is to follow the history of the class struggle in the context of surplus-value production a history that points not to the limits of accumulation but to the limits of the class struggle within the capitalist system. It was not only because the opacity of the market economy makes it impossible to follow the quantitative changes in the rate of surplus value and their empirical consequences for the process of accumulation that Marx developed his theory of accumulation on the assumption that the value of labor power is always determined by its costs of production and reproduction. While in reality the wage can lie above or below the value of labor power, it can never without calling capitalist society itself into question depress the surplus value below the level required for capital accumulation. This limit of wage formation is not only determined by the supply and demand of labor power, and thus regulated by accumulation, but is also determined by the fact of capitalist control of the means of production. Thus the "numerous variations" in the formation of surplus value produced by the class struggle can be abstracted from in describing the accumulation process without the description thereby losing its realism.

To go into one more of the examples Mandel offers, "the rate of growth of the organic composition of capital" cannot, according to Mandel,

“be regarded simply as a function of technological progress arising from competition. This technical progress does admittedly cause living labor to be replaced by dead labor in order to reduce costs.. .. But.. . constant capital is comprised of two parts: a fixed part . . . and a circulating part. . .. The rapid growth of fixed capital and the rapid increase in the social productivity of labor that results from it, still tell us nothing definite about the tendencies of the development of the organic composition of capital. For if the productivity of labor grows more rapidly in the sector that produces raw materials than in the sector producing consumer goods, then circulating constant capital will become relatively cheaper than variable capital, and this will ultimately lead to a situation in which the organic composition of capital despite accelerated technological progress and despite accelerated accumulation of surplus-value in fixed capital will grow more slowly and not more rapidly than before (p. 41, translation corrected).”

What, really, is Mandel saying here? "Constant capital" includes both fixed and circulating capital. The organic composition of capital, according to Marx, is "the value-composition of capital, in so far as it is determined by its technical composition and mirrors the changes in the latter." It is clear that the cheapening of the raw materials entering into constant capital, accomplished by an increase in the productivity of labor, can alter the value relation between constant and variable capital and thereby slow down the growth of the organic composition. This, however, does not make the organic composition a "partially autonomous variable" but only means that capital can accumulate with a more advantageous organic composition. Since this is the case in general whenever capital is accumulating, Mandrel in reality is saying nothing at all.

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These meaningless exercises are necessary, according to Mandel, to deal adequately with the "third phase" of capitalist development, or "late capitalism." Only study of the "independent variations of the major variables of Marx's system" (p. 42, translation corrected) will make it possible to understand the successive phases of the history of capitalism.

For Mandel "the capitalist world system is to a significant degree precisely a function of the universal validity of the law of unequal and combined development" (p. 23). It is true, of course, that capitalism developed first in certain countries and that this subjected the world economy to an unequal development. The capitalist "international division of labor," together with the concentration and centralization of capital that accompany accumulation, have divided the world into capitalistically developed and underdeveloped countries. But to say this is only to say that the "law of unequal and combined development" signifies no more than the development of capitalism

Following a survey of the earlier development of world capital, which was consecrated to the blocking of capitalist development in the dominated countries and to the satisfaction of the profit and accumulation needs of the imperialist countries, Mandel concludes that present-day capitalism has seen "a change in the forms of juxtaposition of development and underdevelopment," and that "new differential levels of capital accumulation, productivity and surplus extraction are emerging, which although not of the same nature, are still more pronounced than those of the 'classic imperialist epoch" (p. 65). In late capitalism the share of the underdeveloped countries in world trade is declining, so that they are becoming poorer in comparison with the imperialist nations. As Mandel explains it, the imperialist countries depend on the raw materials of the underdeveloped countries and on the decline in their prices, which leads to a relative decline in the value of those raw materials. But since, according to Mandel, the share of the underdeveloped countries in world trade is diminishing, this must express imperialism's decreasing dependence on the raw materials of the poor nations, which leads to the drop in their prices. Mandel is however not satisfied with this observation; he wants to bring it into connection with the workings of the law of value on the world market, particularly because Marx "did not analyze it systematically in Capital" (p. 71). On the basis of the logic of Marx's theory, as Mandel enlarges on it, "under the conditions of the capitalist relations of production, uniform prices of production (i.e., a wide-ranging equalisation of rates of profit) only emerge within national markets. And "the law of value would only lead to uniform prices all over the world if there had been a general international equalisation of the rate of profit as a result of the complete international mobility of capital and the distribution of capital over all parts of the world . . ." (p. 71). Now Marx's theoretical transformation of values into prices of production concerns not an actual market, whether national or international, but his abstract model of a closed capitalist economy. It represents his solution to the question of how the law of value operates despite the fact that goods are not exchanged in ratios determined by their values. Capitalists confront not values but cost prices, which refer to the unknown labor-time quantities contained in them. The price of production deviates from the value, since it is determined only by the paid labor, thus by the cost price, plus the socially average rate of profit. A further complication-the fact that the cost prices contain already realized profit, so that the price of production of one branch of industry enters into the cost price of another branch has the result that the determination of price by value is even more obscured. if we nevertheless want to prove that price is governed by value, this requires a mental experiment reducing the tangle of price relations to the division of total production into value and surplus value. For the analysis of social production as a whole, the different organic compositions, rates of surplus value, and profit rates of the individual capitals and branches of industry are irrelevant. Total production has a definite magnitude that is determined by the total labor time. It has reproduced the value it has consumed and has yielded a certain quantity of surplus value. The distribution of this surplus value among the different capitals can neither enlarge nor diminish it. The level of the rate of profit depends on the ratio of the total surplus value to the total capital and thus depends on the organic composition of the total capital. This in turn is equal to the average of the various organic compositions of the different capitals. If the organic composition of a particular capital is the same as the average composition of the total capital, its profit will be equivalent to its surplus value. Where this is not the case, profit and surplus value must differ from each other.

Since profit governs the movement of capital, capitalist competition effects the migration of capital from branches of industry poor in profit to those rich in profit (whence arises the tendency to the formation of an average rate of profit). This means in practice that some commodities are sold at prices over and others at prices under the value they contain. This in no way alters the determination of the value of every commodity by the labor time socially necessary for its production. But the distribution of the total value effected by the market mechanism, which produces the average profit rate, changes these labor-time values into prices of production. Without going more deeply into the complicated question of the formation of an average profit rate, it should nonetheless be said that in the real world the process depicted in Marx's model "acts as the prevailing tendency only in a very complicated and approximate manner, as a never ascertainable average of ceaseless fluctuations."

The deviations from value expressed in the production price cancel each other, so that for the total capital the sum of the production prices equals the total value. The intermixture of prices of production with the cost prices can also not affect this equality of the aggregates. The conceptual separation of the cost prices from the prices of production that have entered into them yields the total cost price, which can then be compared with the total profit. While this is in practice impossible, it is a theoretical possibility, just because the prices of production are constituted of two distinct elements, the cost prices plus the average rate of profit. In any case, however the total surplus value produced by the total social capital may be divided up, it can be dissociated no more from the labor-time relations of surplus-value production than from the process of production governed by labor time in general.

Capital, in Marx's words,

“is in and for itself indifferent to the particular nature of every sphere of production. where it is invested, how it is invested, and to what extent it is transferred from one sphere of production to another or redistributed among the various sphere of production-all this is determined only by the greater ease or difficulty of selling the commodities manufactured."

Through these migrations the average rate of profit is formed behind the backs of the capitalists, as a function of the total production, of which they are ignorant, and of the total surplus value they have produced. Although the law of value does not operate directly on the level of individual commodities, it nevertheless continues to govern production and exchange, if in an indirect manner, through the social character of surplus-value production. Capital experiences its reality in the fall in the average rate of profit, when the social surplus value no longer meets the requirements of accumulation. It is manifested in the fall and rise in the general level of the prices of production due to the increasing or decreasing productivity of labor. It appears, furthermore, on the terrain of the market in the superficial form of the interplay of supply and demand, and capitalist reactions to these market phenomena must, however blindly, reduce this interplay to the value relations underlying it in order to have any effect on the world of appearance. Although Marx's model of the formation of the general rate of profit corresponds to reality, this is only because every capital must strive to increase its capital in order to maintain it; to this end it must seek to reach at least the average profit rate. The average rate of profit presupposes the existence of different rates of profit, which appear in practice as excess profits or as below-average profits. In the course of development the excess profits are lost through competition, and capitals that prove to be unprofitable disappear, only to leave the field to capitals with new differential rates of profit, which in turn succumb to the tendency to their equalization. There are also "pauses" during which the average profit rates stabilize, more or less, and appear to have definite magnitude.

The foregoing should be enough to indicate that the formation of the average rate of profit and production prices are not processes specific to the "national" or the "international" market but are features of the capitalist mode of production as such. For Mandel, however, it is a "fact that no equalization of the rates of profit occurs on the world market, where different national prices of production (average rates of profit) exist side by side and are articulated with one another by means of the world market in a particular manner. . ." (p. 351, translation corrected). These prices of production, uniform only within "national" markets, represent, according to Mandel, the "specific effect of the law of value on the international level," as "it is based on nationally differentiated levels of the productivity or intensity of labor. . . nationally differentiated organic compositions of capital, nationally differentiated rates of surplus-value, and so on" (p. 71).

Since the capitalist market is the world market, it is incomprehensible why the formation of the average rate of profit should call a halt at national borders, with every nation forming its own average rate of profit. The fact that the national compositions of capital, their rates of exploitation, etc., are different in no way alters the fact that the surplus value of world production is div up through world market relations exactly like that of the national economy, namely by way of the competitively determined formation of prices, which are ultimately regulated by the unknown quantity of total surplus value produced. And exactly as in the national framework it is possible for a while to avoid a low or falling average rate of profit by a monopolistic withdrawal from competition, it is also possible in the international context to take steps against the determination of prices by competition by bailing out of international competition. Both cases, however, involve measures that in themselves indicate the tendency to formation of an international average rate of profit. In his critique of the classical theory of value, Marx ask how it is possible to make profits despite the exchange of equal values. He answered this question by pointing to the double character of labor power as having at once use value and exchange value. Given this he could show that profit arises not from circulation or trade but from production on the basis of capitalist relations of production. This must hold for the world market as well. The profits won here must objectively be derived from labor-time relations. Just as in the "national" framework profit arises from surplus value, the profit of world trade can only arise from the surplus value of world production. But how is it possible, despite the lower productivity of labor in the capitalistically underdeveloped countries, to extract from them the same or a larger surplus value than is created in the capitalistically developed countries, with their higher productivity of labor?

The answer is that in this case more labor is exchanged for less, the developed country handing over a smaller value for a greater one from the underdeveloped nation. This is Mandel's explanation also, but he writes as though the unequal exchange operates directly on the level of labor time. In reality, of course, it can only be accomplished by the detour of the market and is thereby subordinated to international competition and the formation of an international average rate of profit. The average rate of profit, into which all profits enter, regulates the prices of production formed by competition. In this way the total surplus value is distributed without regard for particular spheres of production in the "national" framework or within the world economy, not in the proportions in which it has been produced by the individual capitals but in proportions determined by the existence and accumulation of capital as a whole. Just because the tendency to the formation of an average rate of profit operates on the world market, the unequal distribution of surplus value, or unequal exchange, arises within each national economy and on the global level.

According to Mandel the law of value is modified on the world market because of the difference in commodity values resulting from the differential productivity of labor. Countries with lower labor productivity yield other commodity values and other average rates of profit than countries with higher labor productivity and allow the latter to win surplus profits in trade with the former. This particular form of exploitation, to follow Mandel,

is based on the difference in commodity values, as a result of which the product of a day's work in a developed nation "is exchanged for the product of more than a day's work in an underdeveloped country" (p.72). But since the productivity is different in the two countries, it is obvious that if a working day of one were exchanged against a working day of the other, the less productive country would exploit the more productive. If capital penetrates capitalistically backward countries, then products of lower labor productivity will be exchanged for products of higher labor productivity, which can only mean that more living labor must be given up in exchange for less living labor, if the exchange is to be equitable to both parties. But such an exchange does not mean that the developed country has exploited the underdeveloped one.
It means only that relative surplus value is not the same as absolute surplus value since it permits the production of a greater surplus value with less direct labor time. This higher surplus value is precipitated in the prices of production and determines the labor-time equivalents, expressed in absolute surplus value, against which they must be exchanged. But since the productivity of the developed countries is many times greater than that of the under-developed countries, the former can use the channels of trade to crush any attempt of the latter to compete against them, which can be seen in the destruction of the minor industries and artisanry existing in the underdeveloped world. Even this does not imply exploitation of the underdeveloped by the developed countries but heightened exploitation within the developed countries, whose high rates of surplus value allow their capitalists to push aside the competition of the underdeveloped countries, or prevent it from V arising, and thus create additional markets for themselves.
0Since the determination of value by socially necessary labor time operates on the world market, the underdeveloped countries must, when they exchange with the developed countries, give more use value for less exchange value, more products for fewer products, or more labor time for less labor time. The commodities of the countries with a lower productivity of labor contain labor time in excess of that socially necessary, but which nonetheless enters into exchange. To explain unequal commodity exchange, therefore, does not require reference to "national commodity values, average rates of profit, and prices of production," since on the basis of the law of value no other sort of exchange can take place.
Because the backward countries possessed no industries, their exchange with each other and with the industrial nations of the West was limited from the start to foodstuffs and raw materials. The entrance of developed industry into the underdeveloped countries excluded for the latter the development of their own industries and thus preserved their precapitalist social relations. The competition between capitalist nations is pursued by reducing production costs, so that they are all interested in cheap raw materials and foodstuffs. Although agricultural productivity in the backward countries is also lower than in the capitalist countries, the "price scissors" between finished goods and raw materials still makes it profitable for the capitalist countries to obtain a large part of the food and raw material they need from their colonies or semi-colonies Insofar as the imported raw materials and foodstuffs lower the developed countries' costs of production, this situation contributes to the accumulation of capital.
Since the use-value aspect of production cannot be ignored, capital will go to the backward countries for foodstuffs and raw materials even when they are more expensive than those produced in its own country. With the growth of industry agricultural production declines, and there are countries that could not exist without imports of raw materials and food. Since capitalist demand can raise the prices for these commodities, the extension of the world market appears also as a process of colonization pursued in order to subject price formation to monopolistic control. The colonizing nations seek not only to protect their own export markets from international competition, but also to accommodate the formation of the prices of colonial export goods to their own accumulation requirements. Thus they must on the one hand hinder the industrial development of the colonies and on the other seek to make the monopolistic exchange as profitable as possible by cheapening the goods produced in the colonies.
They thus interfere in the capitalist market mechanism in order to keep a portion of the total surplus value out of competition. But the surplus value extracted from the colonies enters into the profit rates of the imperialistic countries and there becomes a factor in the formation of the average rate of profit. It is only by this detour through the economic relations of the developed countries that the underdeveloped lands are drawn into the world market and thereby into capitalist competition. This is already apparent in the fact that the greater part of production in the underdeveloped countries was done outside of the capitalist system and was directly consumed. This subsistence economy had little to do with the market and money economy. But where no surplus value is produced, we cannot speak of the formation of an average rate of profit. These countries are only slowly drawn by imperialism into the machinery of the world market; but insofar as they are, they also submit to the conditions of the development of capital as a whole and to capitalist competition.
Apart from the imperialist countries' plundering of the colonies, accomplished by simple robbery, the proceeds of which entered into capitalist accumulation, the transfer of value, bewailed by Mandel, from the colonies to the capitalist countries was of necessity very limited due to the low productivity of labor prevailing in the colonies. Capital sought to remedy this by introducing capitalistic methods of production, developing the plantation economy, introducing wage labor, and modernizing the extraction of raw materials, all of which required the export of capital to the colonies. But such enterprises remained enclaves within the colonial economy as a whole and thereby demonstrated that it was not worth capital's while to carry out a thorough capitalization of its colonial possessions, and that investments in one's own or other capitalist countries were

more profitable. This fact also shows that the surplus value available for capitalization was insufficient to extend accumulation beyond the limits reached at any particular time.
On the other hand, "small animals also produce manure," as the proverb says, and the lower rate of exploitation in the backward countries did not prevent capital from exploiting them too. While this reduced the limited accumulation possibilities in the dominant countries, it also made possible a slowing of the decline of the rate of profit by raising the productivity of the world economy. Since the fall in the rate of profit is a consequence of the higher organic composition of capital, the inclusion in the world 'market of capitals with lower organic compositions arrests this fall. In practical terms this means that insofar as surplus value can be transferred from spheres of production with lower organic compositions to those with higher compositions, the composition of the total capital will allow for a more favorable rate of profit. Whether this better rate will be sufficient to valorize the total capital cannot be calculated but can be seen in the actual accumulation of capital. A fall in the rate of accumulation shows that the organic composition of the total capital despite the different compositions of the capitals entering into it permits only a rate of profit unfavourable to further accumulation. This situation can only be remedied, in a contradictory way, by a further rise in the organic composition of capital or, in other words, by a further rise in the productivity of labor not only in the developed but also in the underdeveloped countries, and also by the destruction of capital within the world economy as a whole, which reduces the total capital within which the given mass of surplus value is distributed. Although neither of these processes can be consciously organized, they are nonetheless carried out by means of the peaceful and military competition between individual capitals and between capitalist nations. In this sense the law of value governs the capitalist world economy, since the extension of the economy depends on what happens in the spheres of production and this, in turn, on the relation of value to surplus value and of surplus value to the total capital.
Capital thus has a direct interest in the enlargement of the total surplus value; at the same time, this need can only be satisfied through the expansion of the individual capitals. Each capital strives for the lowest cost price and the highest profit, without concern for the social consequences on the national or the international scale. That the accumulation of one capital hinders that of another, or that the expansion of one capitalist nation limits that of another, in no way alters the fact that capital, in the sense of capital as a whole, nevertheless continues to develop with an increasing productivity of labor. The expansion of capital confirms the existence of the average rate of profit through which the capitalist economy reproduces itself in conformity to its needs by means of the market mechanism; but at the same time, it increasingly destroys the necessary prerequisites of this process.
While capital was able to accelerate its accumulation somewhat by means of the surplus value extracted from the backward countries, and while this additional surplus value was made possible by the formation of prices favorable to the industrial nations, this was only at the cost of a slow destruction of this already meagre source of surplus value. To keep the source flowing it would be necessary to raise the productivity of labor in the backward countries through their industrialization, which would require a corresponding restriction of accumulation in the developed countries. But this contradicts the principle of capitalism. The falling profit rate of the countries with a higher organic composition goes hand in hand with falling profits in the countries with a lower organic composition. But what in the developed countries leads to the relative stagnation of capital, in the underdeveloped nations induces a runaway process of absolute pauperization. Although this pauperization is a fact, this does not mean that there is a simultaneous enrichment of the capitalist nations, as Mandel wishes us to believe. Without any proof at his disposal, he maintains that "the average rate of surplus-value in the colonies often exceeds that of the metropolitan countries, especially since the production of absolute surplus-value in colonial territories can be extended beyond the limits encountered in metropolitan countries," and since as a result of a gigantic industrial reserve army- "the value of labor-power in the colonies falls, in the long run, not only relatively, but even absolutely" (pp. 343-44, translation corrected). Now, the value of labor power in the backward countries has for a long time been so low that a "long-run fall" is excluded, since this would lead to the extinction of the work force, and the productivity of labor is so limited that even lengthening the working day would not enlarge the absolute surplus value. The lengthening of the working day in itself yields no additional surplus value when the physical limit of exploitation has already been reached. Without a doubt great extra profits are made in the countries of the "Third World," but they derive from the extraction of particular raw materials that enter into the production of the capitalist nations and whose value is realized in them. But to conclude from these particular sources of profit that there is a higher "average rate of surplus value in the colonies" is so obviously wrong that there is no need to deplore the absence of relevant data.
The idea that the transfer of surplus value from the underdeveloped to the capitalist countries, achieved by unequal exchange, is destined to disappear and cannot be maintained by the increase of absolute surplus value also occurs to Mandel, who perceives this as a change in the form of imperialist exploitation. This transformation has two aspects;
in the first place the share of colonial surplus profits has undergone a decline relative to the transfer of value via "unequal exchange;" in the second place, the international division of labor is slowly moving towards the exchange of light industrial goods for machines, equipment, and vehicles, in addition to the "classical" unequal exchange of food. stuffs and raw materials for industrial consumer goods (p. 368).

But since the transfer of value is not tied to a particular form of material production, "but to a difference in the respective levels of capital accumulation, labor productivity, and the rate of surplus-value," only the form of underdevelopment is changing and not its content, and "the sources of metropolitan imperialist exploitation of the semi-colonies today flow more abundantly than ever" (p. 368). This change of form means that many "Third World" countries are beginning to industrialize, to produce additional surplus value, and to have more to exchange than just foodstuffs and raw material-, if also less of the latter. Since this changes the compositions of their capitals, their condition comes somewhat closer to that of the developed countries. To the extent that this happens, however, it influences the transfer of value to the imperialist countries, since a growing part of the surplus value must be capitalized, which had not previously been the case. Through the simultaneous diminution of the production of raw materials and foodstuffs, the "unequal exchange" is reduced by way of price formation under conditions of international competition and leads the developed countries to export capital to the underdeveloped countries in order to share in their surplus value. That this directly invested surplus value is still of relatively little importance can be seen in the fact that the great mass of capital exports still goes to the capitalistically developed countries.

According to Mandel, the head start made by the imperialist nations cannot be overcome, so that despite the slow industrialization of the "Third World" countries, the difference between the rates of surplus value in the two groups remains, which makes it possible for imperialism to continue to extract surplus value, in even greater amounts, from the backward countries and to accumulate at their expense. "Only if there were a general homogenisation of capitalist production on a world scale," he writes, "would the sources of surplus-profit dry up" (p.368). Since this "general homogenization," the total worldwide mobility of capital and labor, is not really conceivable, Mandel comes to the conclusion that capitalism cannot eliminate its combination of development and underdevelopment, and with it the exploitation of the "Third World." The only solution to this dilemma remains a social revolution that would put an end to the domination of the capitalist world market by socializing the means of production. In this way Mandel believes he has used the theory of value to explain both imperialism and the social revolutions expectable in the underdeveloped countries. Since value relations are concealed behind price relations, unequal exchange is the normal case both nationally and internationally, but must have different effects due to the differences between the countries included in the world market. These differences with respect to commodity values and rates of surplus value lead, for Mandel, to nationally differentiated average rates of profit and prices of production, which first make unequal exchange possible. But Mandel's abstraction from the world market lead him to no conclusion that he could not have drawn without abstracting from it. Not only is Mandel's explanation of unequal exchange and value transfer incorrect, even if it were correct it would be superfluous. In every country the capitalists deal only with cost prices and market prices, which they experience givens. The difference between these prices is the profit. The cost price consists of what the capitalist must pay his workers plus the cost of the means of production and raw materials they use. The price of production consists of these outlays plus the profit won on the market. It is all the same to the capitalists whether they make this profit at home or on the world market. This holds both for the capitalists in the underdeveloped and for those in the developed countries. The difference between them consists in the fact that for one the cost price includes less for means of production and more in wages, while for the other these proportions are reversed. But a higher rate of profit with a lower organic composition may yield a lower mass of surplus value than the lower profit that goes with a high organic composition. The productivity of capitals of higher organic composition is greater by far than that of capitals of lower composition, so that the loss of value that results for the total capital from the relative decrease in living labor is compensated for. This is the point of accumulation and the difference between developed and underdeveloped countries. Surplus value grows with accumulation, while it stagnates without accumulation and so makes extended reproduction impossible. As a result, the difference between countries with a higher and those with a lower organic composition must, as the former accumulate, continually increase to the disadvantage of the latter so long, that is, as accumulation leads to an increase in the mass of profit more rapid than the fall in the profit rate due to the increase in the organic composition of capital.

The increasing mass of profit is embodied in products that individually contain less value and less surplus value, but the increased quantity of which compensates for this decline in individual value. The commodity produced with a higher productivity is cheaper than that requiring a great expenditure of labor. This cheapening is manifested in falling prices of production, something which at first sight appears to confirm Mandel's conception of the different average profit rates and prices of production. This cheapening, however, extends more or less to all commodities. Since foodstuffs and raw materials are produced not only in the colonies and semi-colonies but also in the developed countries, the world market price of these products is affected by the general rise in productivity. In connection with the world's requirements for these products, their prices are determined not by national value relations but by the relationship between world supply and world demand. Thus the world market price for these products rises as soon as the demand for them rises, as for instance in a period of rapid accumulation in the capitalist countries or in the case of war. On the other hand, the world market price falls with capitalist stagnation and any reduction of production. The prices of the products of the "Third World" are formed in a context determined by the movement of the total capital on the global level.

The production prices of products of the underdeveloped countries are constituted by their cost prices and the profit determined by world market conditions. As far as their own production goes, their rates of profit result neither from the organic composition of their own capitals nor from those of the developed countries but from the supply-and-demand relations of the world market. They are thus subordinate to the movements of the total capital, which determine the formation of the average rate of profit and its magnitude. In other words, because the world market exists there can be no national average profit rates and no price relations reflecting national value relations. With respect to production in general price formation in the underdeveloped countries is from the start determined by that in the developed nations, since the absence of modern industry rules out any ability to compete. Thus they must restrict themselves to the production of raw materials and foodstuffs in order to realize their profits in the prices of production dictated by the world market.

The introduction of industry into the underdeveloped countries cannot eliminate unequal exchange so long as the productivity in these countries is lower than the worldwide average socially necessary labor time. This disadvantage is to an extent offset by the low valuation of labor power, which at the same time hinders their further development. Of course, the lack of capital can be somewhat mitigated by investments from the developed countries. However, since most of the profits on these investments flow back to the capital-exporting countries, this has only a minor influence on the accumulation process in the underdeveloped countries. Since the export of capital is determined by profitability, it goes to those industries and countries that appear to yield the greatest return, and not only from some developed countries to others of higher productivity-but also from the countries with lower productivity into those with a higher one. Surplus value flows not just under pressure but also freely from the backward to the developed countries. From this, however, it cannot be concluded that the exploitation of underdeveloped countries is what keeps the imperialist nations on their feet. The end of colonialism was brought about not only by the revolutionary nationalist movements growing out of impoverishment but also by the dwindling profitability of the colonies, which made it easier for their possessors to give them up. It was also influenced by the appearance of new imperialist powers, in the world market or outside of the monopolistically controlled world market, with their own claims on the "Third World," either in the form of their own imperialistic conquests or in that of neo-colonialism, which understood how to combine national self-determination with economic imperialist control. This process, which has already involved two world wars and many local wars, has not yet come to an end and cannot do so, as this would presuppose the abolition of competition and thus that of the capitalist relations of production. But all these endeavors reflect the desire to break the fetters of a low productivity of labor. The greatest efforts of both the bourgeoisie and the state-capitalist authorities are dedicated to economic development, i.e., to the increase of surplus value-an effort that is not completely without success. It is the desire for additional surplus value that leads to the attempt to hasten the palpable though slow capitalization of the backward countries, of which even Mandel is aware. And it is this same creeping capitalization that gives the revolutionary nationalist movement its incentive to achieve the same goal by political methods that transcend the limited framework of private capitalist initiative. Whether the combination of these methods will suffice to squeeze out of the workers the mass of surplus value necessary for a simultaneous expansion and geographical extension of capital cannot be theoretically determined, although it is of decisive importance for the near future. What is evident from all efforts, however, is the continuing force of the tendency, inherent in capitalist production, of the rate of profit to fall, which leads to frantic exertions to raise the productivity of labor throughout the world.

Even Mandel realizes that the exploitation of the "Third World" cannot go on forever but must eventually come to an end. What is so remarkable about Mandel's economic theory is precisely that it is couched in such terms that everything and nothing can be drawn from it, which makes it easy for Mandel to evade any embarrassing difficulty. Through his principled rejection of any "monocausal" explanation of capitalist development he is in a position to appropriate all existing theories and use them for his own purposes; at the same time, by means of the "mono causal" theory of value he can demonstrate their inadequacy. Hardly has he done this than he rearranges the insights won with the help of the theory of value in a series of relatively independent variables in order to dispute the "monocausal" account of the course of history by reference to one or another of the developmental tendencies that follow from the value theory. Thus he finally succeeds, in his own estimation, in showing the inadequacy of bourgeois and all Marxist theories, and so in presenting himself as the man who, because of his correct understanding of Marxism, has for the first time explained "late capitalism" on the basis of the law of value.

5

We can agree with Mandel on one thing; it is certainly true that capital exploits the world and nevertheless has no future.

However, according to Mandel, the abolition of the capitalist system cannot be deduced from the capitalist relations of production alone, for there is also the problem of the realization of surplus value to consider. In this way Mandel adheres to two distinct theories of crisis at once: the over-accumulation theory, which is based on the relations of production, and the overproduction theory, which is based on the difficulties of realizing surplus value due to an insufficient demand for consumer goods. Now, the over-accumulation theory includes the overproduction theory, since the difficulties of realization arise directly from an insufficient accumulation of capital. The realization-problem theory, in contrast, cannot include the over-accumulation approach, as it implies a barrier to the appearance of this state of affairs.

The disproportionality between production and consumption is a constant feature of the system, being no more or less than surplus-value production itself while over-accumulation, as a discrepancy between exploitation and the organic composition of capital, appears only from time to time. The rising organic composition of capital presupposes a growing disproportionality between social production and consumption, and by itself that is to say, by accumulation overcomes the realization problem. This problem only arises again with the suspension of accumulation, appearing then as insufficient demand, including the demand for consumer goods. "We mean by the concept of over-accumulation," writes Mandel, "a situation in which a portion of the accumulated capital can only be invested at an inadequate rate of profit . . ." (p. 109, translation corrected). Since it is not invested under these circumstances, the interruption of accumulation appears on the market as a lack of demand for producer goods and thus for consumer goods, in other words, as a crisis of overproduction. This is how it appears to Mandel, too, but he would nevertheless like to adhere "in the long-run" to the idea of over-accumulation in order to prove the necessary decline of capitalism. However, he does not want to do this in so "mechanical" a way as, for instance, Grossmann did; over-accumulation is to be shown to follow not from the assumption of a constantly rising organic composition of capital but from the continuous automatization of production and the displacement of living labor. Against Grossmann Mandel argues that the rise in the organic composition of capital can always be counteracted by equivalent depreciation of capital. It does not occur to him that by the same logic, automatization could also be halted as soon as it affects profits. He is also not aware that he is only repeating Grossmann, although in different words. Continuous automatization is of course identical with a continuous growth of the organic composition of capital. But hardly has Mandel the "dialectician" pronounced his withering judgement on Grossmann the "mechanist" than he immediately takes it back, with the further insight that capital cannot automate for long without destroying itself.

Slippery as eels, the contradictions in Mandel's writing cannot easily be turned against him, since he calls attention to them himself, perhaps hoping in this way to disarm all possible adversaries. Thus he readily concedes "that the difficulty of simultaneously realizing surplus-value and raising the rate of surplus-value, is anchored in the capitalist mode of production as such. . . (p.272). But anchors can be raised and the voyage can continue as soon as one of the variables declares its independence. On the one hand, capital accumulates, according to Mandel, at the expense of the underdeveloped countries; on the other, in the course of this process "capital itself creates an insuperable limit to its own extension" (p.85). Since meanwhile the problem of surplus profits, national and international,

“can be reduced to the question of the transfer of value or of surplus-value, there is no limit whatsoever in purely economic terms to this process of the growth of capital accumulation at the expense of other capitals, the extension of capital through the combination of accumulation and devaluation of capitals, through the dialectical unity and contradiction of competition and concentration. Limits to the process of capitalist growth are-from a purely economic point of view-in this sense always merely temporary, because while they proceed out of the very conditions of a difference in the level of productivity, they can reverse these conditions (p.104, translation corrected).”

In short, it is like this but also different; it depends entirely on with whomever Mandel is arguing at the moment. It would take a new book to trace Mandel's inanities in detail if one wanted to show that his work represents not dialectics but ordinary inconsistencies. Perceptive readers of his book will see this for themselves. We therefore prefer to turn after a look at Mandel's apologetic renovation of Lenin's theory of imperialism to his analysis of "late capitalism." But since according to Mandel the current phase of capitalism must be explained not only theoretically but also in terms of history, we must take another look at the past.

Mandel distinguishes three main phases of capitalist development. "The early capitalist era of free competition" was "characterised by a relative international immobility of capital . . . above all because there were not as yet any critical limits to the expansion of capital accumulation on the home market . . ." (pp. 312-13). Then followed "the classical era of imperialism," in which "the concentration of capital became increasingly international in character" (p.313). This was replaced by "late capitalism," in which "the multinational company becomes the determinant organisational form of big capital" (p. 316). In this we see "that contemporary forces of production are bursting through the framework of the nation state, for the minimum threshold of profitability involves output series commensurate with the markets of several countries" (p. 316).

Now, it is a fact that the growth of the productive forces coincided from the start with the formation of the world market, which led to imperialism and the international concentration of capital as an expression of imperialist competition. According to Mandel, abstractly put, "in the final analysis the manifestations of imperialism are to be explained by the lack of homogeneity of the capitalist world economy" (p. 84). From this it should follow that the increasing homogenization of the world economy must weaken imperialism. But, Mandel says, this is simply not possible because "the accumulation of capital itself produces development and underdevelopment as mutually determining moments of the uneven and combined movement of capital" (p. 85).

According to Hilferding and Lenin, the competition-induced concentration and centralization of capital lead to an organized capitalism tending toward a single world trust-a development that can be prevented only by a prior proletarian revolution. Mandel still accepts this theory today and concludes from it "that en route to the 'single world trust,' the postponement of the proletarian revolution in the imperialist metropolitan countries has rendered possible, if not actually probable, the simplification of the pattern of multiple imperialist powers into three 'super powers'" (p. 334, translation corrected). In opposition to Kautsky, the originator of this idea, Mandel sees in this development not a weakening but "an intensification in the age of late capitalism of all the contradictions inherent in imperialism" (p. a world scale but for several imperialist formations to harden in their mutual antagonism" (p. 338). Thus the "determinant organizational form of big capital" in "late capitalism" is in the final analysis only a secondary tendency, which is in turn overruled by the "main tendency" But the secondary tendency, the international centralization of capital, must according to Mandel be understood as "capital's attempt to break through the historical barriers of the nation-state, just as national (and tomorrow perhaps supra-national) economic programming represents an attempt partially to overcome the barriers of private ownership and private appropriation for the further development of the forces of production" (p. 342). The true character of "late capitalism" here revealed has not been previously recognized either on the bourgeois or on the Marxist side. With respect to the latter, this lack is due to previous Marxists' neglect of "the interlinkage between 'organized capitalism' and generalized commodity production" (p. 523). Thus they have failed to comprehend "the famous formula applied to joint-stock companies by Marx in Capital" that describes them as representing "the abolition of the capitalist mode of production within the capitalist mode of production itself" (p. 532). Since Marx wrote this more than a hundred years ago, it seems that without knowing it, we have been in the era of late capitalism for a very long time. The appearance of joint-stock companies, which even preceded capitalism, was described by Marx as "private production without the control of private property," as capitalist production that is subjected to collective control. Far from seeing in this an "organizing" element of capitalism, Marx saw this type of capital as leading to the system's further disorganization and collapse.
It establishes monopoly in certain spheres and thereby requires state interference. It reproduces a new financial aristocracy, a new variety of parasites in the shape of promoters, speculators, and purely nominal directors; a whole system of swindling and cheating by means of corporation promotion, stock issuance, and stock speculation.
Marx was clearly not concerned here with the question later raised by Engels, whether there was not also a positive side to the creation of joint-stock companies, since they can be seen also as a sort of "reaction of the productive forces, in their mighty growth, against their character as capital." Marx viewed the stock companies rather as one more sign of the contradictions developing within capitalism, which engender both its rise and its decline. The material forces of production that can develop in capitalism are governed and limited by its accumulation; they cannot become independent of it and turn against their character as capital. The only force of production that can do this is the working class. It is therefore nonsense to suppose that capital is attempting to break through the barriers of the nation-state and private property for the further development of the productive forces. On the contrary, its "internationalism" exclusively serves the national capitals and private property, with or without private control.
The world market is also a capital market, and it goes without saying that with capitalist expansion, national firms become international ones. Two world wars have in addition demonstrated that the fronts on which imperialist competition is fought out are structured not by nation-states but by supranational imperialist combines. The world economy makes every crisis a world crisis and every war a world war. Even where war remains localized as a result of the momentarily superior strength of a particular state or combination of states, it nevertheless involves the whole world economy. Supranational combinations of capitalist powers have existed for a long time on the level of power politics as well as on the economic level, and they did not wait for the advent of "late capitalism."
The Second World War created favorable conditions not only for an accelerating accumulation but, in connection with this, for the multinational growth of large corporations. The adaptation of the market to growing production and the new capital relations made the realization of profits easier, and the whole process led to an unequally distributed but general increase in profit production. This process, which can be understood as the internationalisation of capital and of production, is, however, like every previous phase of capitalist development, limited in its evolution. It can collapse with any new world crisis or even with a decline in the rate of accumulation. Just as the world market fell apart at an earlier time as a result of sharpening competition, multinational capitalism too can come to an end in new competitive conflicts. But even at this point the increasing internationalization of capital cannot be construed as a growing susceptibility to organization but only as the present-day form of the disorganized capitalist competition that results from value and surplus-value relations. Now as before, it is the law of value that defines the possible organisational forms of capital, and therefore also the impossibility of an "organized capitalism."
The multinational corporations have not violated the national, and therefore imperialist, character of capital. Despite all their complex interrelations, the control of these corporations lies in the hands of definite national capitals, often directly connected with the national state, and the profits they make flow back to the nations from which the corporations start out. Stateless multinational concerns, as a true internationalization of

capitalist production, may be a dream of the capitalists; this dream has no chance to become reality in the context of capital accumulation. Deeply influenced by the "multinational form of big capital" and alarmed by the "apparent" formation of three big imperialist powers grappling for control of the world economy, Mandel first evokes the gruesome perspectives this opens up, only to end with the more sober statement that "the survival of the national state is inseparable from capitalist or imperialist competition . . ." (p. 589, translation corrected).

But the "interlinkage between 'organized capitalism' and generalised commodity production" is for Mandel at once an international and a national phenomenon. On the national level it takes the form of state intervention in the economic mechanism to aid capitalist accumulation. Here it is to Mandel's advantage that he distinguishes the production of profit from its realization, since state intervention enlarges production by way of the realization of surplus value. From this it follows for Mandel that capital is attempting to break through the limits set to capitalist production by private property. This is accomplished by means of the arms industry and the war economy. However,

“in the long run an arms economy is functional for the accumulation of capital only if it absorbs surplus capitals without also deflecting into the armaments industry capitals needed for the extended reproduction of Departments I and II [of the reproduction schemas]. An arms and war economy carried beyond this point increasingly annihilates the material conditions for extended reproduction and thus in the long term hampers the accumulation of capital instead of promoting it” (p.168).

In other words, armaments are good for accumulation but bad when overdone. If the rate of accumulation falls despite the arms industry, this does not contradict Mandel's theory, for it only indicates that arms production has been pushed too far. To demonstrate his theory Mandel offers a reproduction schema of his own, with three departments, including one for the arms industry (along with those for producer and consumer goods) whose production does not enter into the material process of reproduction but nevertheless, as a part of total production, promotes accumulation. We can easily ignore these little games, as they only say in numbers what has already been said in words. All three departments in Mandel's schema produce commodities and therefore surplus value. Armaments are financed out of surplus value, "which serves neither for the maintenance of the capitalist class nor for that of the working class, and in which capital finds new opportunities for creating and realizing surplus-value" (p. 282, translation amended). It is necessary at this point to examine Mandel's conception of the law of value. For him "it has the function of regulating, through the exchange of medium-term equivalent quantities of labor, the distribution of the economic resources at the disposal of society into the various spheres of production, according to the fluctuations of socially effective demand, i.e., according to the structure of consumption" (p. 70). It is thus an equilibrium mechanism, which brings production and consumption into harmony. Accordingly, Mandel maintains, following Rosdolsky and citing Marx, that "the production of constant capital never occurs for its own sake but only because more of it is needed in the spheres of production whose products enter individual consumption" (p. 279 n.). Since the rising organic composition of capital means that always relatively fewer workers are newly hired, social consumption cannot increase sufficiently to absorb all the commodities produced for consumption. Thus the growing organic composition of capital engenders the realization problem, although it is not easy to see how the law of value, which is supposedly adjusting production to consumption, can permit such a growth of the organic composition of capital. When the constant capital can only grow provided that it is invested in the spheres of production serving consumption, then not the valorization of capital but social consumption is governing production. Still, there is the quotation from Marx only it has been incorrectly understood.

6

To produce capital the capitalist must have commodities produced that have exchange value for him and use value for others. The use value is realized in consumption. Just as the capitalist productively consumes the use value of labor power, the resulting commodities enter in one form or another into social consumption and there disappear. What does not disappear is the part of the surplus value, or surplus product, which serves as constant capital in the expanded reproduction of the relations of exploitation.

For capital to be accumulated, use values must be produced and find a corresponding demand on the part of those whom Mandel calls the "final consumers." It should not be concluded from this however, that the "final consumer" actually determines the movement of capital. In other words, the "final consumer" has nothing to do with the "too slowly growing sum of wages for consumer goods," as Mandel imagines. For each capitalist, regardless of the kind of goods he produces, the exchange value of his workers is a cost price that he attempts to keep as far as possible below its use value. But for the capitalists producing consumer goods, all workers are also consumers to whose demand they are responding. The higher the wages paid to other capitalists' workers, and the lower those he pays his own employees, the better can his profit be realized on the market. But as this holds for every capitalist, the workers as a class receive only their exchange value, which is the equivalent of a smaller or greater quantity of commodities, while the capitalists receive the share of production, also represented in products, that corresponds to surplus value, which certainly also requires a "final consumer" but cannot find him in the working class. The realization of surplus value thus has nothing to do with working-class consumers but must be accomplished by capital itself.

If the workers produced no surplus value, there would be no capitalist economy; if the capitalists ate up the entire surplus value, we would indeed have capitalist production, but not the production of capital. The latter presupposes the accumulation of a portion of the surplus value. This portion must from the start have the form of new means of production, even if they are used in turn to produce commodities entering into consumption. Capital produces in principle neither means of production for the production of means of production nor means of production for the production of consumer goods. Both are only means to the end of transforming a given capital into a larger one. Since the production of consumer goods is tied to that of producer goods and vice versa, the demand for either depends on the general movement of capital. With accelerating accumulation the demand for means of production will increase relative to that for consumer goods, since the mass of surplus value at any given moment has a fixed magnitude. What is accumulated cannot be consumed, although accumulation, through the growth and improvement of the means of production, throws more consumer goods into circulation. The process of accumulation must therefore be at the same time a process extending the capitalist mode of production; the world market is from the start the condition of capitalist expansion. The growth of the means of production through accumulation and the higher productivity of labor leads to the production of a constantly growing mass of commodities, and the accumulation of capital proceeds via the realization of this mass of commodities.

The increase in labor productivity has in itself nothing to do with capitalism. Productivity grew in precapitalist times, although very slowly, and will also grow after the abolition of capitalism. The whole development of society is based on the increasing productivity of labor. This general process is accomplished under the capitalist relations of production in the specific form of capitalist competition. It is however not competition that engenders the development of the productive forces but the development of the productive forces that leads to capitalist competition. Once this process has begun, capitalist competition enormously stimulates the growth of the productivity of labor. Every capital, if it is to remain a capital, must increase its productivity and thus accumulate capital. This requires an increasing share of the surplus value and leaves a relatively diminishing share for capitalist consumption. Although the quantity of consumer goods to be realized increases and allows the capitalist an ever more luxurious existence, an increasing part of the surplus value, its quantity determined by the previous level of accumulation, is capitalized. More means of production and fewer articles of consumption are required. The production of commodities shifts in response to the changed demand. With respect to the realization of surplus value-and from the standpoint of the total capital the realization problem concerns only the surplus value-this is accomplished through capitalists' consumption and the accumulation of capital.

Supply and demand adapt themselves to the accumulation needs of capital. It is of course true that in the final analysis, the increased means of production are used to produce consumer goods and that these must find a market if they are to be transformed back again into capital. But this market arises from the dynamic of capital, from its continuing and broadening accumulation in the course of which a growing quantity of surplus value is invested in means of production. Capital thus creates its own market and realizes its profit in accumulation and in growing capitalist consumption. This process is only possible because the workers are excluded from the realization process of capital. If the realization of surplus value were to hinge on its increasing consumption, this would mean a corresponding loss of profit for capital and would therefore be accompanied by a lower rate of accumulation and decreased capitalist consumption. But the value character of labor power excludes this possibility and reserves the surplus value for capital as its "final consumer." The idea that capital could be unable to use its surplus value and so realize it is hard to understand. Even aside from the compulsion to accumulate, the desire to accumulate is generally unlimited. No capitalist ever finds himself "too rich," and his wealth represents capital for him. Accumulation brings him a larger mass of profit, which makes possible his continued accumulation. The use of additional labor power, his own increased consumption, and the extension of the world market make it possible for the capitalist to transform the unconsumed portion of surplus value directly into additional capital in the expectation of further expansion and irrespective of the actual market situation. Since production must precede consumption in any case, the production of means of production is not limited by the current market demand for consumer goods. So long as the rate of surplus value keeps step with accumulation or exceeds it, the accumulation of capital means no more than the extension of the capitalist mode of production itself: capital's conquest of the world. It continuously creates new prerequisites for capitalist production, long before the old ones have completed the metamorphosis from the commodity form of capital into the capital form, so that the accumulation of capital always outstrips consumption and determines its extent.

Capital would have had a different history if its accumulation had really depended on the realization of surplus value by those whom Mandel calls the "final consumers." In reality accumulation has always proceeded at the cost of consumption, which, while growing, lagged behind the expansion of capital. While the production of constant capital must ultimately lead to the production of consumer goods, this does not mean that it is only employed when there is a corresponding demand for consumer goods. "Since the aim of capital is not to minister to certain wants, but to produce profit, and since it accomplishes this purpose by methods which adapt the mass of production to the scale of production, not vice versa, a rift must continually ensue between the limited dimensions of production under capitalism and a production which forever tends to exceed this immanent barrier. " Thus, according to Marx, actually “too many means of labor and necessities of life are produced at times to permit of their serving as means for the exploitation of laborers at a certain rate of profit. Too many commodities are produced to permit of a realization and conversion into new capital of the value and surplus value contained in them under the conditions of distribution and consumption peculiar to capitalist production, i.e., too many to permit of the consummation of this process without constantly recurring explosions”

But these contradictions and the explosions fuelled by them are always the consequence of a successful period of accumulation during which the same contradictions have provided an impetus for accumulation. The limit of the capitalist mode of production is, according to Marx, to be seen in the fact that

“the development of the productivity of labor creates in the falling rate of profit a law which at a certain point comes into antagonistic conflict with this development and must be overcome constantly through crises ...[and] that the expansion or contraction of production are determined by the appropriation of unpaid labor and the proportion of this unpaid labor to materialized labor in general, or, to speak the language of capital, by profit and the proportion of this profit to the employed capital, thus by a definite rate of profit...”

Only at the point where the organic composition of capital, rising as a result of accumulation, lowers the rate of profit is this over-accumulation accompanied by the overproduction of commodities, the discrepancy between production and consumption, and the realization problem. These difficulties are always immanent in capitalist production, without thereby being an obstacle to accumulation, until the latter itself becomes an obstacle.

The cessation of accumulation indicates that it was dependent not only on the profitability of capital but also on the restriction of consumption this involves, which appears on the market as a problem of realization. This does not mean that the capitalist crisis that appears as overproduction can be overcome by an increase in consumption. The difficulties of realization of surplus value must be overcome by the continuation of the accumulation process. The solution must be found in production and not in the market. Surplus value must be increased so that the mass of profit can be adjusted to capitalist expansion despite the continuing relative decline of social consumption. The crisis of overproduction itself becomes a means to this end, on the one hand through the devaluation of capital, and on the other through the continuing concentration of capital and the alteration of the capital structure connected with it, which lead to a rise in the rate of profit. It is therefore possible to show abstractly, without introducing the realization problem, that the limits of capitalist production are a direct consequence of value production. Even on the assumption that capital can sell all its commodities and realize their full surplus value, while the worker receives the value of his labor power, with the rising organic composition of capital profit must dry up at that point of accumulation at which the rate Of exploitation of the labor force employed by capital can no longer be increased. In reality this decisive contradiction of capitalist production appears in the form of a series of contradictions flowing from it, such as the actual difficulty of realizing surplus value, the difference between production and consumption, and the various disproportionalities of the economy, which are all specific to this system and cannot be overcome within it. Thus the realization problem appears in reality not in the form in which it arises from the capitalist relations of production namely as a problem exclusively of the realization of surplus value-but as a problem of the realization of commodity values, including both value and surplus value. If a part of the surplus value cannot be realized as profit, a part of the value can also not be realized, so that the problem of realization appears as general overproduction. If it were true that, as Mandel says, "the difficulty of realization can ultimately be resolved only by increasing the monetarily effective demand for consumer goods" (p. 281), it could never be resolved, but at most hidden temporarily by an acceleration of accumulation. Mandel also knows this. This "ultimate" case cannot be realized, since "this runs counter to the whole logic of the capitalist mode of production" (p.28 1). But this "ultimate" case contains the key to Mandel's theory of the realization of surplus value by the armaments industry. What cannot be accomplished by the "final consumers" appears to him to be taken care of by the arms industry.

7

According to Mandel, it makes no difference with respect to the creation of value whether a commodity is produced for the consumption of the workers, the capitalists, or the state. "For Marx," Mandel explains, "it is abstract labor that creates value, i.e., labor which as a part of the total social labor capacity, produces a commodity which, irrespective of its use-value, finds its equivalent on the market because it fulfils a social need" (p. 292, translation corrected). Thus the domain of value production is the same as that of commodity production, so that the rate of profit depends on the mass of surplus labor "set in motion in the production of commodities by social capital, irrespective of the sector" including, e.g., the armaments sector-"in which this occurs" (p. 292).

We can ignore Mandel's reflections on whether the arms sector, as the third department of his reproduction schema, has a higher or lower organic composition of capital and on the positive or negative influence of this on the average rate of profit. For in reality the arms industry does not represent a particular sector but exists within capitalist production in general. What is important to us are the questions of whether the armaments industry is really a case of commodity production, whether these commodities are exchanged for others, and whether their putative value enters into the total value.

Mandel answers these questions in the affirmative, but with the qualification that this holds only under certain conditions, from which it actually would follow that the arms industry is not an ordinary case of commodity trafficking at all. The qualification asserts that Mandel's answer holds only "so long as there are unused reserves available in the economy," and since "this is the starting point of the 'permanent arms industry' no particular problems are created by the specific use-value of the additional production . . ." (p. 294, translation corrected). Then follows a further qualification, namely that the acceleration of capital accumulation made possible by arms production is only successful when the entire surplus capital (the unused reserves) is switched into weapons production "gradually rather than suddenly" (p.295). When this is the case, previously idle capital can be valorized by the arms industry.

The concept of "abstract labor" refers to the total social labor time, into which all particular labor times enter and in which they are dissolved. It does not refer to the distribution of value or surplus value, which depends on the concrete relations of capitalist production, determined by the use values of the commodities. Under the assumption that all labor produces value, the total labor time equals the total value, which is divided into value and surplus value. Since the value of a commodity must be realized on the market, every commodity must find a buyer, so that in constantly changing forms -labor-time quantities can exchange against labor-time quantities. The "commodities" produced in the arms industry, however, are exchanged neither against the labor-time values of the working class nor against the surplus value of the capitalists. Apart from the insignificant portion of weapons production that enters into private consumption, the state is the buyer of these commodities. Of course, the state cannot exchange its own "abstract labor" for the "abstract labor" contained in armaments because it produces nothing at all. Its income is derived from taxation of the social income yielded by the production of value and surplus value.

Even Mandel knows that state spending (including the purchase of weaponry) represents a deduction from wages and profits for which there is no value counterpart, and that it thus diminishes wages and profits and therefore cannot change the total value. But in his eyes this is true only in the case of full employment and the utilization of all productive resources. So long as some of them are idle, value and surplus value will be enlarged and accumulation encouraged by the additional production for military purposes. The additional "commodity value" will be realized by state purchases. But then as before the state has only taxes and borrowed funds at its disposal, which gives rise to a growing national debt, which in turn can be financed and paid off only through taxes. Although production is increased by military spending the total "newly created value" must be counted as a deduction from the proceeds of capitalist commodity production as there is no market for the products of the armaments industry In opposition to this Mandel speaks of "the growing significance of the arms traffic in world trade-a business which, incidentally, shows how nonsensical it is not to treat the production of weapons as commodity production and not to see the investments in this sector as accumulation of capital" (p. 308). It escapes him that this alters nothing in the case: in international trade too it is governments who buy the weapons, paying for them out of taxes, so that here too for capital as a whole arms production is not matched by revenue created in production.

Mandel imagines that production, just because it is carried on in capitalism, must be capitalist production and the production of surplus value. It is certainly true that the arms industry makes profits and accumulates capital and appears in no way different from other businesses. But its profits and new investments derive not from commodity circulation but from state expenditures, which are drawn from a part of the realized value and surplus value of other capitals. This is not so obvious a larger part of weapons production is financed by loans rather than directly by taxation, so that the burden on private capital is spread over a long period of time. Capital gives the government credit which can indeed enlarge production but can yield no additional surplus value since the goods of the arms industry must be paid for out of the surplus value of the creditors If, according to Mandel the arms industry means a deduction from wages and profits under conditions of full employment and the full utilization of productive resources, this is only to say that it produces no value and surplus value of its own and so cannot be described as commodity production. This cannot change just because a portion of capital is idle. Just as the capitalist valorization and realization problem cannot be overcome by the increase in consumption, it can also not be vanquished by means of the arms industry, whose products, exactly as in the case of increased consumption, are not transformed into new capital but simply disappear. The arms industry, like all other state expenditures that are not covered by the state's own production, falls, from the social point of view, exclusively into the sphere of consumption and not into that of accumulation.

Notwithstanding the "value and surplus-value-producing" character of the armaments industry as "one of the most important levers for the solution of the problem of surplus capital," Mandel comes most amazingly to the conclusion that "the more the development of the arms economy threatens to reduce the gross profit of the major corporations (in other words, the higher the tax rate it determines) the stronger will be the resistance of these companies to any further extension of it" (p. 303). Now it is no longer true that it is all the same from the viewpoint of value formation which kind of commodity is produced, that arms production involves "abstract labor" which creates value and accumulates capital. If it were so, then it would be all the same to capital how far the arms business developed, since this would be equivalent to the development of value production. But we can conclude discussion of this theme here, since Mandel, as is proper for a revolutionary, explains after all that the arms industry, like capitalism in general, has objective social limits.

And since according to Mandel the long period of prosperity, for which the arms industry is partly responsible is nearing an end, the problem can in any case be left aside as a matter of the past. What is important today is the crisis cycle, which must work itself out in "late capitalism," as at any previous time. In his earlier book, Marxist Economic Theory, Mandel was still strongly under the influence of Keynes's theory of capitalist economic management and under the spell of the long postwar period of prosperity. It seemed to him then that capital had succeeded, in comparison with the past, in bridging the great contradiction between surplus capital and effective demand in such a way as to stabilize the system. In his new book this holds only for the recent past but not for its future development. But a Marxist explanation of the unexpectedly long phase of prosperity must nonetheless be furnished, and Mandel believes that he has found it in the theory of "long waves."

As for everybody else so also for Mandel the industrial cycle represents "the successive acceleration and deceleration of accumulation" (p. 109). He asks, however, whether there is "a peculiar inner dynamic to the succession of industrial cycles over longer periods of time" (p. 110). According to Marx, Mandel explains, the "renewal of fixed capital explains not only the length of the business cycle but also the decisive moment underlying extended reproduction as a whole, the upswing and acceleration of capital accumulation" (p. 110). Now it is true that Marx attempted to bring the business cycle into connection with the turnover time of capital, which, just like the cycle, had an average span of ten years. Of course, the lifetime of capital can lengthen or shorten. However, according to Marx, what is important is not a particular number of years. This seemed evident to him;

the cycles of interconnected turnovers embracing a number of years, in which capital is held fast by its fixed constituent part, furnish a material basis for the periodic crises. During this cycle business undergoes successive periods of depression, medium activity, precipitancy, crisis. True, periods in which capital is invested differ greatly and far from coincide in time. But a crisis always forms the starting point of large new investments. Therefore, from the point of view of society as a whole, more or less, a new material basis for the next turnover cycle.

Marx never followed up this vague hypothesis, if only because the lifetimes of different capitals are different, and because they are renewed not at the same time but according to their individual starting points, while the business cycle is a matter affecting the whole society at one particular moment. Certainly crisis leads to a concentration of new investments at one time and thus to a sort of "material basis for the next turnover cycle." And doubtless capital finds itself "under the spell of its fixed component," since the latter, in accordance with its reproduction Time, must be renewed in order to be a basis for new investments. The shorter the turnover time, the sooner the renewals and new investments participate in the improved productivity due to the "perpetual revolutionizing of the means of production," and the lower are the costs of the "moral depreciation" that precedes the physical end of capital. But in the final analysis all of this only means that "the crisis always forms the starting point of large new investments," i.e., that the productivity of capital is sufficiently improved to recommence the process of accumulation.

But according to Mandel it must be explained "why at a particular point in time this additional capital is expended on a massive scale, after lying idle for a long period." For him "the answer is obvious: only a sudden increase in the rate of profit can explain the massive investment of surplus capitals-just as a prolonged fall in the rate of profit ... can explain the idleness of the same capital over many years" (p. 114). According to Mandel the rate of profit grows as the result of a sudden fall in the average organic composition of capital; a sudden rise in the rate of surplus value; a sudden cheapening of elements of constant capital; and a sudden shortening of the turnover time of the circulating capital (p. 115). In this way arises the possibility of achieving "not only a partial and moderate, but a massive and general revolution in production technology," particularly "if several factors are simultaneously and cumulatively contributing to a rise in the average rate of profit" (pp. 115-16). In short, it is absolutely clear that accumulation is a consequence of the sudden rise in profitability.

These new investments revolutionizing production techniques, which are at once results and causes of the sudden rise of the rate of profit, lead to further growth of the organic composition of capital, which leads in a "second phase" of development to new valorization difficulties and new idle capital. "Only if a combination of specific conditions generates a sudden rise in the average rate of profit," continues Mandel, "will this idle capital, which has slowly gathered over several decades, be drawn on a massive scale into the new spheres of production capable of developing the new basic technology" (p. 120). On the basis of this "development of basic production technology," "the history of capitalism on the international plane" must be understood "not only as a succession of cyclical movements every seven or ten years, but also as a succession of long periods, of approximately fifty years. - ." (p. 120). These "long waves," although noted by a number of people, were most notably discussed by Kondratiev, who attempted to prove their existence statistically. They impressed Mandel's mentor, Leon Trotsky, strongly enough for him to investigate them critically but sympathetically. The moment was particularly opportune, as the New Course announced at the Third World Congress of the Communist International was based on the hypothesis of a stabilization of the capitalist system postponing the world revolution. Trotsky's argument was directed against so-called "economism" and

against "the purely mechanical conception of capitalist breakdown," which was attributed to those who still maintained a world-revolutionary perspective. The theory of the "long waves" was a godsend in this connection, since it could not be foreseen whether an end or a beginning of one of these waves had been reached.
According to Kondratiev and Trotsky, the economic curves have different characteristics at different times. In order for capitalist development to take place, the new prosperity released by the crisis must surpass the prosperity preceding the crisis. One can identify epochs of capitalist development that, apart from their economic curves, exhibit a general upswing tendency and other epochs that have a more static character. But these long, epochal waves of slower or more rapid accumulation should, according to Trotsky, be viewed not in the same way as the phenomena of crisis Marx brought to light, which are inherent in capitalism, but as the results of the influence of external causes on capital accumulation, such as "the capitalist conquest of other lands, the discovery of new sources of raw materials, and the accompanying superstructural phenomena, like war and revolution, which determine the character and change of rising, stagnating, or collapsing epochs of capitalist development. "
Mandel goes farther than Trotsky, who obviously has said only that capitalism exists not in a vacuum but in the real world. While Trotsky attacked any "monocausal" or "purely economic" explanation of capitalist development, Mandel's "long waves" are again seen as "monocausal" and "purely economic" phenomena, since, although the average rate of profit "must be explained by a series of social changes" (p. 129), it is nevertheless the movement of the profit rate that determines both short and long waves. Since this whole discussion turns more or less around a pseudo problem, Mandel can also rest undisturbed by the fact that the existence of "long waves" cannot be convincingly proved by statistics; he regards "the main problem not as one of statistical verification, but of theoretical explanation, although it goes without saying that, if the theory of 'long waves' could not be confirmed empirically, it would be an unfounded working hypothesis and ultimately a mystification" (p. 140).
Mandel nonetheless believes that his own contribution has been to explain the "long waves" in terms of "the inner logic of the process of long-term accumulation and valorization of capital" (p. 145), and thus he refers without further ceremony to the existence of the "long waves" in order to shed light upon the previous history of capitalism as well as on "late capitalism." This is what he comes up with: Accumulation leads to the fall in the rate of profit; the profit rate can be raised in order to continue accumulation. As the world changes, this is at one time easier and at another time harder to do, not only in relation to a particular reproduction cycle but also historically. By linking theory with history we can distinguish between different but overlapping epochs of capitalist production. In an extended period of depression, in which a series of cyclical movements takes place without leading to a noticeable upswing, we are dealing with a declining long wave of capitalist production, while in an epoch of capitalist development in which shorter cyclical movements do not counteract a generally upward trend, we can speak of a long wave of prosperity. Thus for Mandel the accelerated accumulation, without serious crisis situations, characteristic of "late capitalism" is explained as a "long wave with an undertone of expansion" (p.194), made possible not only by the arms industry but also, and more importantly, by structural changes in capital and new conditions of production.
The "long wave with an undertone of expansion" that lasted from 1940 to 1965 and formed the basis for a "third technological revolution" was, however, according to Mandel,
“by no means "purely" the product of economic development, proof of the alleged vitality of the capitalist mode of production or a justification for its existence. All it proved was that in the imperialist countries, given existing technology and forces of production, there are no "absolutely hopeless situations" in a purely economic sense for capital, and that the long-term failure to accomplish a socialist revolution can ultimately give the capitalist mode of production a new lease on life, which the latter will then exploit in accordance with its inherent logic...”(p. 221).
Thus capital succeeded once more in enlarging the productive forces. But the "third technological revolution" indicates also the historical limits of capital, for "who is supposed to buy a doubled volume of durable consumer goods if, with a constant selling price, the nominal income of the population is reduced by half?" (p. 205). Here we have arrived with Mandel "at the absolute inner limit of the capitalist mode of production. . . . It lies in the fact that the mass of surplus-value itself necessarily diminishes as a result of the elimination of living labor from the production process in the course of' the final stage of' mechanization-automation" (p. 207).
The "absolute inner limit" of the capitalist mode of production, however, according to Mandel, confronts the fact that "there are no absolutely hopeless situations" for capital, since it depends exclusively on the proletariat whether it can muddle on further even without "a justification for its existence." It does not exist on the basis of its own "vitality" but because of the proletariat's readiness to give it a new "lease on life," thus because of the vitality of the non-revolutionary working class. If we therefore have the working class or, more precisely, its incorrect leadership to thank for the "long wave with an undertone of expansion," the new "long wave with an undertone of stagnation" (p. 459) will demonstrate "the increasing liability of the social system to explosive social crises" that compel capital to give precedence to the task of "the destruction of proletarian class consciousness particularly in its socialist form" (p. 437, German edition; compare English translation, pp. 485-86). Meanwhile, and despite the lack of vitality, it has turned out that "far from representing a 'post-

industrial society,' late capitalism thus constitutes generalized universal industrialisation for the first time in history. Mechanization, standardisation, overspecialization and parcellization of labor. . now penetrate into all sectors of social life" (p. 387). By this its abolition is assured.

The characteristics of "late capitalism" appear for Mandel to be the shortening of the turnover time of fixed capital; the cheapening of constant capital; the increase in the rate of surplus value; capital's entry into the circulation and service sectors; and economic programming in order "to bridge over, at least partially, the contradiction between the anarchy of capitalist production inherent in the private ownership of the means of production and the growing objective pressure to plan amortization and investments" (p. 231). All these properties, which have characterized capital from time immemorial, lead in "late capitalism" to a "permanent inflation," which is at the service of the "long-term protection of the expanded reproduction" of capital. The permanent inflation is in Mandel's eyes a permanent credit inflation or the specific accommodation of the banking system and money creation to the interests of monopoly capital. Through the expansion of credit demand is increased, which leads to the employment of surplus capital in additional production. In view of the underutilization of productive forces, the inflationary creation of money and credit are able to push the development of the productive forces beyond the limits set by private property. Behind the inflation lies the "conversion of idle capital into productive capital" (p. 443). Like the arms industry, credit inflation leads to an increased production of value and surplus value. It slows down the decline in sales of consumer goods. The expansion of credit can stimulate prosperity "up to the point beyond which it risks jeopardizing the share of the world market controlled by the country in question" (p. 455). The "long-term diminution of the industrial reserve army, which was the corollary of the substantial growth in the accumulation of capital, enabled the working class periodically to chip away at the rate of surplus-value somewhat" (p. 457). Thus according to Mandel everything indicates "a decline in the relative autonomy of the credit cycle, and hence the ability of creeping inflation to restrict the cumulative effect of crises of over-production" (p. 459).

Why the extension of private credit should have inflationary consequences is hard to see in light of unused productive capacity and accumulated surplus capital; and this all the more since, according to Mandel, the increase in demand is closely connected with a corresponding production of value and surplus value. With respect to manufacturing industry, he himself says that "if substantial over-capacity already exists, even the most abundant injections of credit money. . . will not lead to a stimulation of private investments. . ." (pp. 457-58). But was it not the function of credit injections to overcome overcapacity by means of increased demand? The "stimulating impact of inflationary creation of credit ceases to be effective," according to Mandel, "when a rising debt-burden begins to restrict current purchasing power" (p. 459). But why should the debt burden rise when the process released by "credit inflation" leads to new additional value and surplus value? It makes little sense to go into Mandel's theory of inflation seriously, since it consists of no more than the assertion, pulled out of thin air, that credit must in itself lead to permanent inflation.

Mandel comes somewhat closer to the heart of the matter as soon as he deals with the credit-supported interventions of the state into the economy. "If such state outlays," he writes,

“are wholly financed by taxation, then once again there will be no change in global demand. . . . Only if these investments at least to some extent result in a direct nominal increase in purchasing power-i.e., bring additional means of payment into circulation will they have a stimulating effect of the economy. . .. But since such investments do not increase the quantity of commodities in circulation to the same extent as they create additional means of payment, they inevitably contain an inflationary bias” (p. 552).

The state's creation of credit by way of deficit financing is here a means to induce an additional production not achieved through the private credit mechanism. It becomes a necessity just because the expansion of private credit does not increase demand, and thus production, sufficiently to keep unemployment and overcapacity in socially manageable proportions.

The policy of inflation, which according to Mandel does "not increase the quantity of commodities in circulation to the same extent as it creates additional means of payment" and thereby drives up prices, expresses the simple fact that the production thereby made possible is not production of commodities in the usual sense of the term. It does not yield value and surplus value but must nevertheless yield profit for the capitals participating in this production. The quantity of commodities has not really increased along with the expansion of production, since the final products of the state-induced production do not enter the market. Production has increased, but without a corresponding increase in profit. The "profit" made in state-induced production must be taken in the form of taxes from the unenlarged mass of profit of capital as a whole. This pressure on capitalist revenue is fought by price increases, so that the costs of unprofitable production are paid by Mandel's "final consumers."

The demand determined by the "final consumers" which, to believe Mandel, in the final analysis determines the movement of capital and thereby denies it a secure future-continues to be reduced, relative to increasing production, in order to avoid social upheavals. With this is connected the insubstantial hope that it represents a transitory situation that will sooner or later be overcome by a general upswing of capitalist production. In accordance with this goal capital now, as before, continues down the one-way street of profit expansion. The fate of the "final consumers" appears first as the fate of the working class: increased exploitation through inflation. With the more rapid increase in commodity prices relative to wages, a profit can be made in circulation whose extraction at the point of production would lead to greater opposition. Inflation is above all a wages policy meant to secure capitalist surplus value and, when possible, to increase it; it is also a method of decreasing the expenses of the non-capitalist but also unproductive strata of society. But since steadily increasing inflation can also damage the interests of capital, it represents a policy forced on capital that it would gladly be done with but cannot do without.

Mandel's "long wave with an undertone of expansion" differs from his "long wave with an undertone of stagnation" only in the circumstance that the instruments used by the state to combat crisis, "discovered" during the last great world crisis, are on the point of losing their effectiveness. They encounter definite limits in capitalist production that cannot be infringed without destroy-mg the system. The long period of prosperity after the Second World War encompassed only the great capitalist powers. But despite the enormous destruction of capital, despite the further extension of the concentration of capital on an international scale, despite the "third technological revolution" and all the other structural changes in capital, even these nations remained tied to the contradictory pursuit of unprofitable production. Even the economic programming so emphasized by Mandel remains a matter of blind reactions to the still uncontrollable laws of motion of capital. The crisis, always latent, is becoming acute again, and it is no longer possible to counteract it by the state interventions used in the past. Inflation, which was supposed to combat unemployment, becomes inflation with growing unemployment; the international planning of investments becomes the ruthless competitive struggle of national capitals; "late capitalism" shows itself to be the same capitalism that all along moved only in one direction, that of its final abolition.