

The Globalisation of Capital, Crisis and Class Struggle

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The relation between capital accumulation, crisis and class struggle has been a central theme of CSE since its foundation, indeed it has been central to Marxism since Marx and Engels first addressed the issue in *The Communist Manifesto* in 1848. In the wake of the East Asia crisis, and perhaps on the eve of another wave of crises of global capitalism, it is worth returning to the ideas that Marx and Engels developed in addressing the first crises of global capital.¹

Marx and Engels were commissioned to write *The Communist Manifesto* in November 1847, although the Manifesto was based on drafts already written by Engels in June and October 1847, and the Manifesto was published in January 1848, just before the French revolution which broke out at the end of February. The *Manifesto* seeks for the first time to make a direct connection between Marx's and Engels's analysis of the dynamics of the capitalist mode of production and the political development of the class struggle.

Marx had identified the proletariat as the universal class, whose interest is opposed to all class interests, in his *Introduction to the Critique of Hegel's Philosophy of Right*. He had identified alienated labour as the basis of private property and of his critique of political economy in his *1844 Manuscripts*. He had noted in his *Theses on Feuerbach* that the point was not to understand the world but to change it, but however well he might understand the world, it fell not to him but to the proletariat to change it. The problem was, how would the proletariat come to realise its historical mission? This was not an abstract theoretical question, but a problem of identifying the historical tendencies of capitalist development.

It was not Marx but Engels who had originally developed an analysis of the historical tendencies of the capitalist mode of production. In his *Outlines of a Critique of Political Economy* (1843) he had identified the source of the capitalist tendency to over-production in the incessant competition of capitalists with one another, which drove capitalists to increase production without regard to the limits of the market. Overproduction leads to the elimination of petty producers and the weaker capitalists, and so to the centralisation of capital, the coexistence of superabundance and want, of overwork and unemployment and to the alternation of boom and crisis. In his *Condition of the English Working Class* (1844-5) Engels had already argued that the cyclical fluctuations in employment, and the regular augmentation of the 'reserve army' of labour by technological innovation (CW4, 384, 429), foster the growth of an organised working class, so that Engels refers to commercial crises as 'the mightiest levers for all independent development of the proletariat' (CW4, 580).

It was only in 1847, by which time Marx had established direct contact with the emerging revolutionary working class movement, that he turned his attention to the problem of the dynamics of the capitalist mode of production. In *The Poverty of Philosophy*, written in the first half of 1847, Marx explained 'overproduction and many other features of industrial anarchy' (CW6, 136) not simply as the result of competition, as Engels had done, but more fundamentally as the result of the 'evaluation of commodities by labour time', of which competition is only the superficial expression.

¹ This is a revised version of a paper that was first written for a conference at the University of Warwick to celebrate the 150th anniversary of *The Communist Manifesto*. The original paper has been published in *Papers in Social Theory*, 4, 1999, published by the Social Theory Centre at the University of Warwick. A Spanish translation has been published in *Doxa*, Buenos Aires, 19, October-November, 1998, pp. 43-50. I have examined the development of Marx's theory of crisis in some detail in *Marx's Theory of Crisis*, published by Macmillan in 1994.

In the capitalist mode of production every producer seeks to reduce the labour time necessary for production by developing the forces of production, and correspondingly increasing the scale of production. This leads to an increase in the quantity of commodities produced, and a fall in their price, which is the means by which the more advanced producers displace those who have been less successful. Competition from more advanced producers depreciates the existing product, produced by older methods, breaking down the proportionality of production and consumption so that 'production is inevitably compelled to pass in continuous succession through the vicissitudes of prosperity, depression, crises, stagnation, renewed prosperity, and so on' (CW6, 137). Thus it is not just the anarchy of capitalist competition that gives rise to crises, but the conditions of capitalist production. Overproduction is the means by which backward producers are forced out of the market, and so is not just an accident of competition, but is its essential form in a capitalist society. Overproduction is the price that has to be paid for the development of the forces of production. This implies that crises are not features of the *market* economy, but of the developed *capitalist* mode of production, whose driving force is the development of the forces of production. This analysis was developed in the series of lectures that Marx gave to workers in Brussels in December 1847, later published in revised form as *Wage Labour and Capital*, in which Marx developed this account of the capitalist tendency to overproduction as the basis of the account of the dynamics of the capitalist mode of production that underlies the exposition of the *Communist Manifesto*, written at the same time as these lectures.

The originality and importance of this analysis of the dynamics of capitalist production cannot be emphasised too strongly. The whole of bourgeois economics rests on the fragile assumption that capitalist production tends to adjust to the limits of the market, the failure of such an adjustment being treated as a superficial imperfection, resulting from the subjective ignorance, uncertainty or misjudgement of individual capitalists. This is only an expression of its fundamental assumption, derived from Adam Smith that 'consumption is the sole end and purpose of all production', with profit as no more than the contingent reward for virtue which falls to the capitalist. Smith claimed that this maxim is 'so self-evident that it would be absurd to attempt to prove it' (Smith, 1910, Vol. 1, 385), despite the fact that it is transparently false and patently absurd, immediately contradicted by the very existence of capitalism.

The purpose of capitalist production is not consumption, but the appropriation of profit and the accumulation of capital. The means to the accumulation of capital is not the satisfaction of consumer need, the limit of which is only an unfortunate barrier that the capitalist has to overcome, but the development of the forces of production in order to increase the productivity of the labour commanded by the capitalist, whose product the capitalist appropriates as his own. The need to develop the forces of production is not merely an expression of the subjective motivation of the capitalist, but is imposed on the capitalist by the pressure of competition, which is no more and no less than the pressure of the immanent and self-reproducing tendency to overproduction, which compels every capitalist to expand production by developing the forces of production *without regard to the limits of the market*. The tendency to overproduction is not the result of ignorance or misjudgement of the limits of the market, since the innovating capitalist is able to dispose profitably of the whole of his expanded product, while the limits of the market only impose themselves on other capitalists *as a result* of the overproduction of commodities.

The tendency to overproduction and crisis is both the cause and the consequence of the capitalists' revolutionising of the means of production. It is the form through which new methods of production displace the old. 'We see how in this way the mode of production and the means of production are continually transformed, revolutionised, how *the division of labour is necessarily followed by greater division of labour, the application of machinery by still greater application of machinery, work on a large scale by work on a still larger scale*' (CW9, 224). For the workers this means the

deskilling of labour, growing competition in the labour market, falling wages and widespread redundancy as the capitalists '*compete with one another as to who can discharge most soldiers of industry*' (CW9, 226). Thus overproduction and crisis are inseparable, on the one hand, from the development of the forces of production, and, on the other hand, from the destruction of backward producers and the impoverishment and deskilling of the worker.

The connection between the crisis tendencies of capitalism and the proletariat's realisation of its historical mission is not really explicitly drawn out in the *Manifesto*. This is perhaps surprising because the *Manifesto* was written against the background of the greatest crisis which had ever engulfed world capitalism, and this seems to have been the reason for the urgency of preparing the *Manifesto* at that time. The first draft of *The Communist Manifesto*, written by Engels in June 1847, contained no reference to the significance of crises in the development of capitalism. By the time of the second draft, written in October 1847, the crisis had broken, and Engels inserted a section in which, he argued, crises '*entailed the greatest misery for the workers, general revolutionary ferment, and the greatest danger to the entire existing system*'. In Engels's draft the tendency to crisis is related to '*competition and in general the carrying on of industrial production by individuals*', and the new social order will accordingly remove the tendency to crisis inherent in competition by ensuring that all '*branches of production are run by society as a whole*'. It is *because* '*private ownership cannot be separated from the individual running of industry and competition*' that '*private ownership will also have to be abolished*' (CW6, 347–8). However, in the final version, written by Marx, the tendency to crisis is not related to competition, but is related *immediately* to the narrowness of the '*conditions of bourgeois property*' in relation to the constant revolutionising of the methods of production (CW6, 490), although the final version does contain a reference to competition as the cause of crises in referring to '*the growing competition among the bourgeoisie, and the resulting commercial crises*' (CW6, 492).

The analysis of the historical dynamics of the capitalist mode of production rests on the earlier account of the tendency to overproduction that drives capital incessantly to revolutionise the forces of production and to develop the world market, but at the cost of periodic crises of overproduction. The crisis-tendencies of capitalist accumulation define the '*weapon*' with which the bourgeoisie will '*bring death to itself*', but it is the proletariat which will '*wield those weapons*' (CW6, 490), but how will the proletariat be induced to wield those weapons?

Marx's and Engels's account of the development of the proletariat in the *Communist Manifesto* follows immediately on from the account of the crisis tendencies of capitalism, but is not explicitly related to it. The development of capitalist production develops the proletariat, reducing the worker to '*an appendage of the machine*', driving wages down to the subsistence minimum, intensifying labour and extending the working day. The generalisation of capitalist production destroys artisanal petty production, while small capitalists cannot withstand the competition of the large, so that '*the lower strata of the middle class ... sink gradually into the proletariat*' (CW6, 491), leading to a progressive polarisation of society into two social classes.

'*With the development of industry the proletariat not only increases in number; it becomes concentrated in greater masses, its strength grows, and it feels that strength more*' (CW6, 492). Sectional and cultural divisions within the proletariat are broken down '*in proportion as machinery obliterates all distinctions of labour, and nearly everywhere reduces wages to the same low level*', while commercial crises '*make the wages of the workers ever more fluctuating*' and '*the unceasing improvement of machinery ... makes their livelihood more and more precarious*' (CW6, 492). These are the conditions under which workers begin to form trades unions and the workers direct their struggle against the employers. The workers are not immediately victorious, because at this stage Marx seems to have believed that workers could not increase their wages through trade union

struggles, but 'the real fruit of their battles' is 'the ever-expanding union of the workers'. As the struggle expands to the national scale it assumes the character of a class struggle and necessarily takes on a political form.

Marx and Engels were expecting the crisis of 1847 to precipitate a wave of revolutionary struggle, on the eve of which the *Manifesto* was published, but they did not expect the proletariat to emerge victorious from the revolutions of 1848. Nevertheless, these were heady days and at that time Marx and Engels did expect the revolution to occur within the next five years. They were not to know that the crisis of 1847 would inaugurate the mid-Victorian boom, the first world boom in the history of capitalism. Nevertheless, it has to be acknowledged that their account of the progressive development of the proletariat rests on a naïve sociological analysis driven by an optimism of the will hardly tempered by any pessimism of the intellect.

The optimism of the account presented by Marx and Engels is also undermined by their own writings. In the *Manifesto* itself Marx and Engels note that the organisation of the proletariat 'is continually being upset again by the competition between the workers themselves', such intensified competition being a feature of the crisis and depression. On the other hand, Engels wrote to Bernstein (25.01.82): 'The fact that these crises are one of the most powerful levers in political upheavals has already been stated in the *Communist Manifesto* ..., but it is also explained that returning prosperity also breaks revolutions and lays the foundations for the victory of reaction.' (*Letters on Capital*, 209–10).² Thus we see, and we find repeated frequently in later writings of Marx and Engels, that the recession undermines unity by sharpening competition between the workers, while the returning prosperity breaks their revolution by dampening their revolutionary appetite. Perhaps the revolution can only succeed at the moment of crisis, before the unity achieved in conditions of prosperity has been dissolved by the pressure of competition which follows the crisis. As Marx wrote in *The Class Struggles in France* (1850): 'With this general prosperity ... there can be no talk of a real revolution. Such a revolution is only possible in the periods when *both these factors*, the *modern productive forces* and the *bourgeois forms of production*, come in *collision* with each other. ... *A new revolution is possible only in consequence of a new crisis. It is, however, just as certain as this crisis.*' (CW10, 135; c.f. CW39, 96.)

This is familiar ground, and I do not want to explore it further for now, except to stress that the failure of the proletariat to fulfil its historic role (yet), far from invalidating Marx's analysis of the historical tendencies of the capitalist mode of production, is quite adequately explained by it.

What I would like to note in conclusion is a rather different issue, which provided the main focus of Marx's theoretical work throughout the 1850s, which is that of the relation between the causes of the crisis and its form. This is a complicated theoretical issue, but it also has critical political consequences both in 1848 and today. The problem is that the roots of the crisis of 1847 lay in the massive overaccumulation of capital in Britain, the country in which the capitalist mode of production and the organised working class were most highly developed, but the impact of the crisis was felt much more strongly on the Continent, in particular in France. The repercussions of the English commercial and industrial crisis on France were so devastating because it brought the conflict between the industrial bourgeoisie and the finance aristocracy in that country to a head –

² At the end of 1850 Marx and Engels were arguing that when the next crisis strikes in England 'for the first time the industrial and commercial crisis will coincide with a crisis in agriculture', but instead of arguing that this will unite the rural and industrial proletariat, they indicated that this would be the basis of sectional divisions as 'in all questions in which town and country, manufacturers and landowners are opposed to one another, both parties will be supported by two great armies; the manufacturers by the mass of industrial workers, the landowners by the mass of agricultural workers' (CW10, 503).

the decisive struggles unleashed by the crisis were not the class struggles between the English operatives and their employers, but struggles between the industrial bourgeoisie, the financial and landed aristocracy and state dependants in France.

The means by which this happened was the mechanism through which a crisis of overproduction was transformed into a financial crisis. In this case, the crisis followed a long period of overaccumulation of British industrial capital, but was actually precipitated by poor harvests which set off commercial and financial speculation. The Bank of England had resolved the crisis by suspending the 1844 Bank Act, which curbed speculation against the Bank, while increased interest rates eased the pressure on the financial system by attracting gold from the Continent. However, the drain of gold in turn spread the financial crisis to the Continent, playing its part in precipitating the revolutions of 1848, which further relieved the pressure on England as gold flowed to London for safety. The consequent European recession left world markets open to English produce and the renewed accumulation of English capital inaugurated the mid-Victorian boom which soon spread to Europe, stabilising the reactionary regimes installed by the counter-revolutions.

As the crisis which Marx and Engels expected in 1852 did not arrive they became not less but more optimistic, for the longer the crisis was delayed the more severe it would be and, more to the point, the more likely it would reflect back to England: the fact that surplus capital was continuing to be diverted into production and not financial and commercial speculation indicated that the crisis 'will take on a far more dangerous character than in 1847, when it was more commercial and monetary than industrial' (CW11, 361).

The key question that this analysis raises is how is the revolution to succeed if the country in which the crisis strikes is not that in which the contradictions which the crisis expresses have reached maturity?

Marx argued that the dynamic of crisis and revolution unfolds on a world scale, with its epicentre in England: 'Just as the period of crisis occurs later on the Continent than in England, so does that of prosperity. The original process always takes place in England; it is the demiurge of the bourgeois cosmos... While, therefore, the crises first produce revolutions on the Continent, the foundation for these is, nevertheless, always laid in England. Violent outbreaks must naturally occur rather in the extremities of the bourgeois body than in its heart, since the possibility of adjustment is greater here than there. On the other hand, the degree to which Continental revolutions react on England is at the same time the barometer which indicates how far these revolutions really call in question the bourgeois conditions of life, or how far they only hit their political formations' (CW10, 509–10). The Continent is the site of political revolutions, but the social revolution will occur in England. But what does the rest of the world do if that social revolution does not come? This is the problem which has been posed by every revolution of the twentieth century, all of which have been to some degree or another precipitated by the contradictions of a global capitalist system, but none of which has taken place in the capitalist heartland in which those contradictions have come to maturity. And it is a problem posed by the East Asian crises today. The roots of the crisis which has struck East Asia lie in the overaccumulation of global capital, whose seat is to be found in Western Europe, Japan and the US, but this crisis is manifested not in those imperialist heartlands but in the periphery. How is the Indonesian or the Korean proletariat to 'use its political supremacy to wrest, by degrees, all capital from the bourgeoisie', when that capital has melted into air, at best leaving behind means of production which have lost all value as capital, but which cannot serve to meet the needs of the Indonesian or Korean people? The political problem of the globalisation of capital which faces us today was the problem that Marx confronted in the immediate aftermath of 1848.