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After the Golden Age

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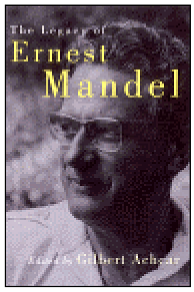

The new French edition of Ernest Mandel's book *Late Capitalism*[2] provides an occasion for an overview of contemporary debates. Nonetheless, the commentary that we give here does not aim to be a systematic discussion. It is rather the fruit of a self-interested undertaking, which has consisted in plunging into Mandel's magnum opus, not for purposes of posthumous defense and illustration, but as an invitation to critical evaluations and advances. This seems to us the best way to carry on the tradition and method of open Marxism to which Mandel was so committed.

The central thesis of *Late Capitalism* is summed up in this way at the very beginning of its last chapter:

> Late capitalism is the epoch in history of the development of the capitalist mode of production in which the contradiction between the growth of the forces of production and the survival of the capitalist relations of production assumes an explosive form. This contradiction leads to a spreading crisis of these relations of production.[3]

Mandel's work was written between 1970 and 1972, and this thesis must therefore be situated in the context of that time. The social explosion of 1968 had already occurred, but the first generalized recession of 1974-75 was still to come. Mandel's proposition was thus not a simple observation but in large part an anticipation. True, there was talk of a crisis of capitalism, but more often in the form of a general crisis of civilization. The United States had entered a crisis of domination, with a very marked cyclical turning point in 1967, the end of the dollar's convertibility announced by Nixon in 1971, and of course the war of imperialist intervention in Vietnam. But the end of the years of expansion and the transition to a long period of weak growth and rise of mass unemployment were not part of the economic forecasts. The critique of capital was directly social and political, and for the rest it sufficed to proclaim, 'The bosses can pay.' The actuality of socialism was once more on the agenda, but in a certain sense it was capitalism's economic successes that made the transition to another way of organizing society seem plausible. So the fact that anti-capitalist attitudes later declined as growth rates did is not completely paradoxical.

Prophecies

The prophetic dimension of Mandel's work supplies a first guiding thread for this rereading. His adversaries liked to joke that if you were always predicting a crisis, then you would obviously be proved right in the end. This good-humoured jibe is nevertheless not perfectly reversible: well-meaning souls have been promising the end of the crisis for a quarter of a century now, but time continues to pass and reality has failed to bear out their lovely optimism. But what we are trying to do, strictly speaking, is reconstitute the intellectual and political climate of a epoch separated from our own by a generation. It is thus not besides the point to recall how self-evident the affirmation of

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[1] Economist and author of *Misère du capital: Une critique du néolibéralisme,* Paris 1996.

[2] In French, *Le troisième age du capitalisme*, Paris 1997. In English, *Late Capitalism,* London 1978.

[3] *Late Capitalism,* p. 562.

capitalism's superiority, its ability to master its contradictions, was supposed to be at the time. In his book on the crisis, Mandel has fun citing various authorities of the time, like Samuelson: 'by means of appropriately reinforcing monetary and fiscal policies, our mixed-enterprise system can avoid the excesses of boom and slump and look forward to healthy progressive growth'. In 1969, Harrod wrote in his manual *Money* that fairly 'full employment should now be regarded as an institutional feature of the British economy'.[4] In 1970, in *L'équilibre et la croissance économique* ('Equilbrium and Economic Growth'), Stoleru went him one better: 'It has often been said that a crisis such as the Great Depression could no longer take place today, given the progress made in techniques of state countercyclical intervention. These claims, presumptuous as they may seem, are not without foundation.'[5]

We cannot separate predictions either from the method they rely on or from the hypotheses that they start from. Mandel's predictions, unfashionable as they were, were not made by accident, nor did they result from a systematic catastrophism. This is why it is useful to go back a bit further in time, as Mandel himself invites us to do when he explains in his preface to the German edition that the project of writing *Late Capitalism* resulted from his dissatisfaction with chapter 14 of his *Marxist Economic Theory.*

This chapter, composed in 1961, is called 'The Epoch of Capitalist Decline', and merits some commentary. It puts forward an analysis of postwar monopoly capitalism, with a particular emphasis on the state, inflation and their role in financing accumulation. (Mandel even speaks of 'overcapitalization'.) State intervention makes it possible to reduce 'the size of cyclical fluctuations', but this result is contradictory since it results in inflation. As for the welfare state, its development is limited by its effect on the rate of profit, inasmuch as a policy of income redistribution in favour of wage-earners

> would tend to increase considerably the minimum subsistence wage, the 'elements historically regarded as necessary' in this wage, and this not as a result of an increase in the productivity of labour but through a *real* redistribution of social income, that is, through a *considerable reduction in the rate of profit.*[6]

Neo-capitalism

So it was as early as the early 1960s that Mandel took account of the achievements of postwar capitalism. This observation led him to introduce the term 'neo-capitalism'. The most didactic exposition of its concepts is to be found in the lectures he gave in 1963 for a school of the French Unified Socialist Party. Mandel refers to Kondratief, then emphasizes, 'The long-term cycle which began with the second world war, and in which we still remain—let us call it the 1940-1965 or 1940-1970 cycle—has, on the contrary, been characterized by expansion'. This makes possible 'a rising trend in the standard of living of the workers'. This relatively unprecedented functioning of capitalism derives from a specific configuration, which takes the form notably of increasing government intervention into economic life. Its necessity results to a large extent from the Cold War

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[4] Paul Samuelson, *Economics,* New York 1958, p. 360, and Roy Harrod, *Money,* London 1969, p. 188, both cited in Mandel, *The Second Slump: A Marxist Analysis of Recession in the Seventies,* London 1978, p. 9n.
[5] This citation does not appear in the English edition. L. Stoleru, *L'équilibre et la croissance économique,* Paris 1970, cited in Mandel, *La crise,* Paris 1985, p. 10n.
[6] *Marxist Economic Theory,* London 1962, 1968, pp. 531, 533.

and, more generally, from the challenge to capitalism launched by 'the totality of anticapitalist forces'.[7]

This continuous expansion also has a material basis, which must be sought in the effects of a 'permanent technological revolution', which is no longer governed by the cyclical rhythm of development described by Schumpeter because of the disproportionate role of military R&D. The arms race constitutes from this point of view 'a real stimulus for permanent research, uninterrupted and practically without any economic consideration'. This technological revolution has the effect of reducing 'the renewal period of fixed capital' and shortening the length as well as severity of cycles. Mandel also mentions, among the available countercyclical policy instruments, the increased share of social spending in national income. This deferred wage 'plays the role of a shock-absorbing cushion by preventing too sudden and too violent a drop in the national income in the event of a crisis'.[8]

A tendency to permanent inflation is the consequence of these new arrangements, mainly of military spending. It also results from the behaviour of monopolies, which creates a rigidity blocking price decreases. Economic concertation and incomes policy also contribute to reducing cyclical fluctuations and avoiding wage demands during '*the only phase of the cycle in which the relationship of class forces favors the working class*', so that the end result is a cycle 'in which the relative portion of wages in the national income will have a permanent tendency to fall'. [9]

The stage was thus set. The action would unfold in a more systematic way in an article in 1964 in *Les Temps Modernes.*[10]

These various elements allowed Mandel to analyze the foundations of the 'long wave' and at the same time to forecast its imminent end. The notion of neo-capitalism is from this standpoint the opposite of a theorization of the end of capitalist contradictions. The text that doubtless synthesizes the logic of this prognosis best is to be found in the theses on the 'new rise of the world revolution' adopted in April 1969 by the ninth congress of the Fourth International:

> [R]evolutionary Marxists ... have provided an overall analysis of the causes of the long period of imperialist expansion consistent with general Marxist theory....
>
> This Marxist analysis reached three conclusions: first, that the essential motor forces of this long-term expansion would progressively exhaust themselves, in this way setting off a more and more marked intensification of interimperialist competition; secondly, that the deliberate application of Keynesian antirecessionary techniques would step up the worldwide inflation and constant erosion of the buying power of currencies, finally producing a very grave crisis in the international monetary system; thirdly, that these two factors in conjunction wuld give rise to increasing limited recessions, inclining the course of economic development toward a general recession of the imperialist economy. This general recession would certainly differ from the great depression of 1929-32 both in extent and duration. Nonetheless, it would strike all the imperialist countries and considerably exceed the recessions of the last twenty years. Two of these predictions have come true. The third promises to do so in the seventies.[11]

[7] Mandel, *An Introduction to Marxist Economic Theory,* New York 1973, pp. 55, 56.
[8] Ibid., 57, 58, 59, 65.
[9] Ibid., pp. 74, 75.
[10] Mandel, 'L'apogée du néocapitalisme et ses lendemains', *Les Temps Modernes* no. 219-20, Aug.-Sept. 1964.
[11] *World Congress of the Fourth International: Documents, Intercontinental Press* vol. 7 no. 26, 14 July 1969, p. 673.

This text commands our admiration, if we remember once more that it preceded the 1974-75 recession. We can see that it was part of a long series of works devoted to studying concrete capitalism, so that it cannot be accused of permanent catastrophism. On the contrary, Mandel's thinking about neo-capitalism could seem not very orthodox to advocates of a dogmatic version of Marxism, which stopped them from taking account of transformations in capitalism and, consequently, from simply citing Mandel.

Wages

The analysis of the postwar long wave leads us to raise the issue of the rise in real wages. How can this be incorporated into a Marxist reading? In Mandel's work, the starting point is a critique of the 'theory' of absolute impoverishment developed in particular by Stalinist economists during the 1950s. Then the question becomes whether capitalism can raise workers' real wages in a lasting way or, more accurately, to what extent it can give wage earners back all or part of the gains from increased productivity. This question is obviously absolutely central, and postwar experience shows that the answer must be yes, as illustrated in Table 1 (put together out of French data, which are in no way exceptional). The period 1946-76 saw an average annual real wage increase of 4.5%, which thus went up 280% in 30 years, while there were only average annual real wage increases of 1.7% in the rest of the last century.

Table 1
Wages and productivity[12]

Period	Growth of real wages	Productivity growth
1896-1938 (42 years)	30 % (0.6 %/year)	100 % (1.6 %/year)
1946-1976 (30 years)	280 % (4.5 %/year)	400 % (5.5 %/year)
1976-1996 (20 years)	40 % (1.5 %/year)	60 % (2.5 %/year)
1896-1996 (100 years)	530 % (1.9 %/year)	1250 % (2.6 %/year)

This is why Mandel rightly emphasizes the existence of a 'tendency of workers' living standards to rise'. Must this be seen as a flagrant falsification of Marxist theory by postwar capitalism? If we go back to Marx himself, this question proves not to be inapposite. We find for example in *Capital* the following categorical statement: 'But the increasing productivity of labour is accompanied by a cheapening of the worker, as we have seen, and it is therefore accompanied by a higher rate of surplus-value, even when real wages are rising. The latter never rises in proportion to the productivity of labour.'[13]

This is not pure Marxology. Marx's hesitation raises essentially the question of whether the Regulation School's concept of 'Fordism' is antithetical to the Marxist conception on this point or not. There are many reasons to think that this is in fact the schema that Marx had in mind: in other words, that he usually reasoned from a model of capitalism incompatible with a rise of real wages parallel to the increase in labour productivity. If this is so, he was mistaken, though this error would not put in question the overall coherence of his theory. In fact, Marx's most profound discussion is to be found in the text described as an unpublished chapter of *Capital.* Here we find a comparable proposition:

[12] Source: Pierre Villa, *Un siècle de données macroéconomiques, INSEE Résultats* no. 303-04, Apr. 1994.
[13] Karl Marx, *Capital* vol. 1, Harmondsworth 1976, p. 753.

> It is perfectly true, however, as our examination of the capitalist process of production has shown, that—quite apart from the prolongation of the working day—there is a definite tendency for labour-power itself to become cheaper. This stems from the fall in the prices of the goods that determine the value of labour-power and enter into the necessary consumption of the labourer. Hence also there is at the same time a trend towards curtailing the *paid* part of his work and extending the *unpaid* part....[14]

This argument is half-macro-economic and rather static. It does show that gains in productivity make the value of labour-power fall, but what is the dynamic set in motion? Inasmuch as Marx rejects the 'iron law of wages', there is always a possibility that the make-up of the value of labour-power can increase through the inclusion of additional use-values. The question of realization also immediately arises. If the rate of surplus-value increases uniformly with the growth of productivity, than the share of wages must fall steadily, as the markets that they consitute must as well at the same time. And it is on this issue that, in the same passage, Marx polemicizes with Proudhon: 'How then is it possible for the working class to use its weekly income, which consists just of "*salaire*" [wages], to buy a quantity of goods that consists of "*salaire*" + surplus-value?'[15] His classic answer is that workers only buy part of the social product. Nonetheless he was raising a different question in this context: who buys the share of the social product that corresponds to the increased surplus-value?

There are many postwar Marxist writings that can be read essentially as attempts to answer this question while ruling out, at least in theory, the possibility of rising real wages. Mandel clearly criticizes the theory of absolute impoverishment, and adopts in *Late Capitalism* a position of principled indecision:

> If, in the long term, the industrial reserve army remains stable or diminishes, then a rise in the productivity of labour will have a two-fold and contradictory effect on the level of wages. On the one hand the value of commodity of labour-power will be reduced, because the commodities traditionally needed for the reproduction of labour-power now lose some of their value. On the other, the value of the commodity of labour-power will be raised through the incorporation of new commodities into the necessary minimum of life (for example, the so-called durable consumer goods, the purchasing price of which has gradually found its way into the average wage.[16]

Chapter 5 on the rate of surplus-value then slips off in another direction, leaving aside the question of the relative rates of productivity growth and real wages growth. None of the figures cited examines the development of productivity growth. The discussion bears directly on the indicators, which besides are often open to question, of the rate of surplus-value.

Mandel rightly emphasizes that this fundamental relationship depends very much on the rate of unemployment, taken as an indication of the social relationship of forces and only secondarily of the rate of accumulation. In addition, he attributes a key role to what one might call 'the primitive elevation of surplus-value' in the immediate aftermath of the Second World War, which made it possible to stock up on reserves of profitability. None of this is really subject to debate. But once more the question of real wages in relation to productivity has disappeared. This is a blind spot in

[14] *Capital* vol. 1, p. 970.
[15] *Capital* vol. 1, pp. 971-72.
[16] *Late Capitalism,* p. 148.

Mandel's analysis, which leads him to neglect the absolutely exceptional postwar productivity growth as a possible basis for rising real wages (again, see Table 1).

With hindsight this is doubtless what the Regulationist contribution amounts to, a contribution that Mandel's in some ways orthodox approach prevented him from fully appreciating. We can in fact identify two essential characteristics of his 'model'. The first is an approach to the reproduction schemas that is disconnected from the concrete mode of satisfaction of social needs. The second is, without any use of notions foreign to Marxist theory, a conception of technical progress strongly biassed towards more and more capital-intensive uses of capital. These two aspects are obviously linked.

The reproduction schemas

The reproduction schemas have often given rise in the Marxist tradition to inappropriate uses. This is what Mandel says in the very first pages of *Late Capitalism*: 'In our opinion, the reproduction schemes that Marx developed ... cannot be used in the investigation of the laws of motion of capital or the history of capitalism.'[17] This is a methodological position that it is important to remember, all the more so because Mandel infringes it on more than one occasion. On an initial level, it reminds us that there are too many parameters, so that the trends in fundamental variables are relatively indeterminate. It is thus very tempting to try to reduce the number of 'degrees of indeterminacy' by imposing supplementary presuppositions so as to generate a determinist model of capitalist development, for example by imposing a rule of proportionality between the two sectors of the economy. Such contraints have no real justification, and this type of theorization of the dynamic of capital and of its crises (even of its final collapse) depend on not very interesting, ad hoc formulations.

Similarly, we cannot avail ourselves of arithmetical simulations in order to prove that harmonious growth is compatible with the laws of capitalist accumulation. These counterposed versions, catastrophist or on the contrary harmonicist, run athwart of the identical problem, which is the difficulty of understanding the alternation of expansive and recessive long waves. In one case it is the crises that seem incomprehensible; in the other case, on the contrary, it is the system's failure to collapse that becomes inexplicable.

The second level of criticism of the usual use of the reproduction schemas requires a detour. This time we need to clear out of the way a simplistic vision, which counterposes a Marxism interested only in exchange-value to a neoclassical theory that attributes a central role to utility. In fact use-values come first, even within Marxism, and the concrete linkages of the reproduction schemas presuppose a certain correspondence between what is produced and what is consumed. Marx wrote for example,'If a commodity is to be sold at its market value, i.e. in proportion to the socially necessary labour contained in it, the total quantity of social labour which is applied to produce the overall amount of this kind of commodity must correspond to the quantity of social need for it, i.e. to the social need with money to back it.'[18] This necessary matching up of production with the concrete goods that give material form to social needs is even more compelling if we reason dynamically. It is then necessary that the structure of (effective) aggregate demand correspond over time to supply, and not only just from the standpoint of the mass of value, but also from the standpoint of the use-values that are the 'bearers' of this total exchange-value. In other words, the

[17] *Late Capitalism*, p. 24.
[18] *Capital*, vol. 3, Harmondsworth 1981, p. 294.

structure of consumption must be compatible with the orientation of accumulation, and consequently overall reproduction involves a dialectic between production and consumption that Marx stressed on occasion:

> Hunger is hunger, but the hunger gratified by cooked meat eaten with a knife and fork is a different hunger from that which bolts down raw meat with the aid of hand, nail and tooth. Production thus produces not only the object but also the manner of consumption, not only objectively but subjectively.... Thus production produces consumption (1) by creating the material for it; (2) by determining the manner of consumption; and (3) by creating the products, initially posited by it as objects, in the form of a need felt by the consumer.[19]

This is something other than a very global condition of proportionality between major departments or between accumulation and consumption. This structural matching up must be reproduced within each of these dimensions. From this point of view, we can discern in Mandel's work a certain reluctance to tackle the question, to take into account new elements that might exist in the mass consumption of manufactured goods. His neglect of this central idea introduced by the Regulationists, which in our eyes constitutes a deepening of Marx's analysis, leads Mandel to his first underestimation of the exceptional characteristics of the postwar period.

The organic composition of capital

On the side of production, there is a guiding thread that has an important place in Mandel's analysis. It is the idea that a permanent technological revolution leads necessarily to a rising organic composition of capital: an approach that involves a rather orthodox reading of the falling tendency of the rate of profit. In the very interesting text appended to the new French edition of *Late Capitalism,* Mandel synthesizes his main theses and puts forward the following summary:

> The rise in the 'organic composition of capital' leads to a tendency for the average rate of profit to decline. This can be partially compensated by various counter-forces, the most important of which is the tendency for the rate of surplus-value (the rate of exploitation of the working class) to increase, independently from the level of real wages (which can rise under the same circumstances, given a sufficient rate [of] increase in productivity of labour). However, in the long run, the rate of surplus-value cannot rise proportionally to the rate of increase in the organic composition of capital, and most of the 'countervailing forces' tend to be superseded in their turn, at least periodically (and also in the very long run).[20]

This formulation, incidentally a classical one, is not really satisfactory, for several reasons. Once more the formulation concerning the rate of surplus-value is not clear. The rate of surplus-value is determined by the development of real wages and of the productivity of labour in relation to each other. A rising productivity of labour lowers the value of labour-power at a given real wage, but it can also compensate for an improvement in workers' living standards without leading to a lower rate of exploitation. There is no general law according to which the rate of exploitation should go up or not: that depends on the rhythm of the productivity of labour and the relationship of forces between capital and labour. So we see that we must distinguish between the two different components of the

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[19] Karl Marx, *Grundrisse,* Harmondsworth 1973, p. 92.

[20] Ernest Mandel, 'Partially independent variables and internal logic in classical Marxist economic analysis', in *Social Science Information* vol. 24 no. 3 (1985), pp. 487-88 (reprinted in Ulf Himmelstrand, *Interfaces in Economic & Social Analysis,* London 1992).

rate of surplus-value (real wages and productivity of labour), barring a very specific case of middle-term stability of real wages. But from the moment that this distinction is made, the same holds true for the organic composition of capital.

Nor does the relationship in value terms between constant and variable capital obey any general rising tendency resulting from a growing mass of dead capital relative to living capital. There are three reasons for this. First, dead capital transmits its value little by little to commodities that are produced. Constant capital increases with accumulation, but declines with this transfer of value that we can call depreciation, in such a way that the organic composition tends in fact to stabilize. In order to illustrate this statement, we can imagine an economy where the expenditure of labour, and thus the total value created each year, is constant, the rate of surplus-value is constant, and all surplus-value is accumulated. If the rate of depreciation is constant, then the organic composition of capital tends towards a constant.[21]

This result is rather easy to grasp. In value terms, the increase in depreciation is proportional to capital, while accumulated new value is a constant. The first amount increases until it progressively equals the (constant) surplus of accumulated capital, and at this point constant capital is no longer increasing in value, because the quantity of value being added (accumulation) is equal to the quantity being taken away (depreciation). True, it is possible to construct examples in which the organic composition increases without limit, but this tendency is obtained as a by-product of other tendencies that we cannot consider representative of the normal functioning of capitalism, for example an increase in the proportion of the social product that is accumulated, or a continual prolongation of the life span of capital, etc.

This outcome seems nonetheless to clash with our intuition, which says that accumulation increases the weight of capital relative to labour. This weighing down of productive combinations is an established fact, but it concerns the technical composition of capital, whose growth does not necessarily imply a higher composition in value terms. The simplest indicator is the capital per head which compares the stock of capital—say the number of machines—to the total labour force (or to the total number of hours worked). But, someone may object, such a concept of 'capital', defined as a stock of means of production, is foreign to Marxist theory and only makes sense in the context of neoclassical theory. This objection is not valid, however, because it confuses problems of measurement with the critique of a concept.

The concept of capital in marginalist theory is indeed open to criticism, because it is supposed to exist prior to relative prices. In other words, it is supposed to be theoretically possible to determine the quantity of this specific substance, of this 'factor of production'—capital in general—independently of prices and thus of income distribution. This requirement follows logically from the fact that neoclassical economists then proceed to construct a theory of income distribution purporting to show that profits are determined by the marginal productivity of capital, while wages in a parallel way reflect the marginal productivity of labour. The so-called 'Cambridge' critique of this theory of capital consists in saying that it is a circular theory, and that no measurement of physical capital can exist prior to a system of pricing.[22] All this is perfectly true, but it has nothing to do with the possibility of constructing an aggregate called fixed capital.

[21] If we call the rate of amortization d, and the accumulated part of new value m, then the rate of organic composition tends towards the finite limit m/d. With a rate of amortization of 10 percent and a rate of accumulation of 20 percent of produced value, the rate of organic composition tends towards 2.

[22] For a classical presentation, see G.C. Harcourt, *Some Cambridge Controversies in the Theory of Capital,* Cambridge 1972.

Nobody denies the validity of the notion of productivity of labour, which depends on measuring a 'physical' product as an aggregate, a 'basket' of use-values which cannot be added up without the help of a system of pricing. As for a stock of capital, it too sums up several generations of investments and is entitled to similar conventions, to which we have just added a reasonable law of depreciation.

Capital per head thus goes up: this is an empirical fact that no one questions. Then why can we not deduce from this a rising tendency of the organic composition of capital? This impossibility results essentially from the effects of the productivity of labour, which a minimal formalization enables us to see.[23] The passage from technical composition of capital to organic composition of capital depends on the development of productivity and of real wages. Given a constant rate of surplus-value, the organic composition of capital increases only if the technical composition of capital grows more quickly than the productivity of labour. In other words, an identity between a rising technical composition of capital and a rising composition of capital in value terms cannot be posited as a general rule.

The rate of profit

These considerations give rise to a hypothetical case in which everything—real wages, the productivity of labour, and capital per head—grows at the same rate. This is what Joan Robinson called 'a 'golden age' and defined as follows:

> When technical progress is neutral, and proceeding steadily, without any change in the time pattern of production, the competitive mechanism working freely, population growing (if at all) at a steady rate and accumulation going on fast enough to supply productive capacity for all available labour, the rate of profit tends to be constant and the level of real wages to rise with output per man. There are then no internal contradictions in the system.... We may describe these conditions as a *golden age* (thus indicating that it represents a mythical state of affairs not likely to obtain in any actual economy).[24]

In this case, the organic composition of capital, the rate of surplus-value and the rate of profit are constants. Demonstrating a falling tendency of the rate of profit means showing why this configuration is impossible (the strong version) or untenable in the long term (the weak version). The strong version must be rejected in both its variants. The first variant depends on a hypothesis of a technical nature, according to which capital per head always increases more quickly than the productivity of labour. But we have just seen that such a hypothesis is untenable. The second variant stipulates that wages can never rise as quickly as productivity, so that there exists a universal law that the share of wages must fall, which in its turn would contribute to a rising organic composition of

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[23] In order to calculate the number of hours of labour crystallized in the fixed capital invested, we divide the volume of capital (K) by the average productivity of labour in the production of capital goods. Since we are dealing with a conglomeration of goods produced at different times, we must therefore apply, not the current productivity of labour, but the average productivity of these different generations. If the life span of capital is T years, its average age is roughly T/2, so that we can as a first approximation apply the productivity (prod) of T/2 years ago. The value of constant capital is thus $K/prod_{t-T/2}$. The value of the variable capital equals $wN/prod_t$, where w is real wages, N the labour force, and prod is current productivity. The organic composition of capital (O) can be calculated, finally, by the equation $O = [(K/N)/prod_{t-T/2}]/[w/prod_t]$. If the rate of surplus-value $[w/prod_t]$ is a constant, then the organic composition of capital (O) increases only if the technical composition of capital (K/N) grows more quickly than the average productivity of labour over the period, or $prod_{t-T/2}$.

[24] Joan Robinson, *The Accumulation of Capital,* London 1969, p. 99.

capital. But the development of real wages is a product of the class struggle and, here again, nothing allows us to assume that they rise more slowly than productivity.

What we see here is in the last analysis an underestimation of the achievements of Fordism, which by the way were historically short-lived. Mandel addresses this point indirectly when he analyzes the four main elements that in general enable capitalism to surmount the problem of outlets for its products. First, there is the self-development of the department of means of production, which has obvious limits since in the last analysis the demand for machines is a result of the demand for consumer goods. The second element is demand coming from other social classes besides wage-earners. These two factors played a relatively secondary role during the postwar expansion. Mandel adds the fact that 'it can sell an increasing portion of consumer goods on credit rather than in exchange for income', but we are obliged to admit that this formulation is not correct, since the realization of value is always carried out by exchange 'for income' and the function of credit is to reallocate current income; it cannot constitute an autonomous market. Finally, the last factor has to do with 'mass consumption', notably by wage-earners; but Mandel adds immediately that its growth 'is proportionately less than that of total commodity values, so that the production of relative surplus-value increases'.[25] So we come back to a 'classical' expression of the falling tendency:

> An increase in the social average rate of surplus-value has two contradictory consequences, which must ultimately generate a reduction of the social rate of profit—in other words, of the relation between the total social capital and the total quantity of social surplus-value. It leads, on the one hand, to a growth in the accumulation of capital; on the other, to a fall in the share of living labour in the total social expenditure of labour. Since only living labour produces surplus-value, however, it is only a matter of time before the increase of the organic composition of capital caused by accelerated accumulation surpasses the increase in the rate of surplus-value. At that point, the rate of profit—including that of monopolies—begins to fall once more.[26]

The weak version of the falling tendency of the rate of profit comes down for its part to the overall dynamic of capitalism and to two of its essential characteristics: competition among capitalists and class struggle. The former pushes capitalists to look incessantly for productivity gains by means of increasing capital per head: the goal is to gain ground over the competition, but also over wage-earners, by cutting back the workforce. Class struggle, at various different levels, is aimed for its part at keeping wage increases below the growth of productvity. The lack of social control over this process leads to the idea that the exceptionally complex, fragile conditions that make possible the system's harmonious progress can only be established relatively briefly in historical terms. After a certain period of time, the contradictions triumph over the best regulations. Resistance to wage increases and substitute over-investment end up undermining profitability.

Stagnation, monopolies, inflation

Despite what we just said about his orthodoxy, Mandel's work clearly cannot be classed among the dogmatic versions of Marxism. Two essential aspects of his method preserve him completely from this: first his historical perspective, and second his analysis of the capitalist system as a whole, which thus appears 'as a hierarchical structure of different levels of productivity, and as the outcome of the uneven and combined development of states, regions, branches of industry and firms, unleashed by

[25] *Late Capitalism*, p. 572.
[26] *Late Capitalism*, p. 531.

the quest for surplus-profit'.[27] The three main sources of this surplus profit are transfers of value originating in: agrarian regions; colonies or semi-colonies; or less technically developed industries. Mandel proposes a periodization marked by a progressive displacement of the dynamic of capitalism. The center of gravity of laissez-faire capitalism 'lay in the regional juxtaposition of development and underdevelopment'. In classical imperialism, the main dynamic factor was to be found in the 'international juxtaposition of development in the imperialist states and underdevelopment in the colonial and semi-colonial countries'. As for late capitalism, its dynamism is more internal and takes the form of an 'overall industrial juxtaposition of development in growth sectors and underdevelopment in others, primarily in the imperialist countries but also in the semi-colonies in a secondary way'.[28]

This historicized approach goes together with a consistant project aiming to show how capitalism's fundamental contradictions, what one could call its classical contradictions, reproduce themselves through new forms that only displace them. At the time three themes dominated heterodox debates: monopolies, inflation and military spending. On each of these points Mandel takes a theoretical middle position between 'modernists' and 'conservatives', in other words between two ways of looking at transformations of capitalism. Modernists stressed the functional side of these transformations, which supposedly enabled the system to overcome its contradictions and proceed in a a radically new key. The notion of 'organized capitalism' was dominant at the time. The task of Marxist critique was to challenge this harmonicist vision, without falling into a catastrophist dogmatism that would bear little relation to reality. The 'conservatives' sought on the contrary to show that nothing had changed and that the same contradictions were at work as always.

On the subject of monopolies, Mandel never subscribed to stagnationist theses either of Keynesian inspiration (like Steindl's) or of Marxist inspiration (like Baran and Sweezy's).[29] Concentration of capital did not mean for him the end of competition. Mandel adopted as his own a thought of Marx's—'if capital formation were to fall exclusively in the hands of a few existing big capitals, for whom the mass of profit outweighs the rate, the animating fire of production would be totally extinguished'—and presented as self-evident the fact that 'capitalism without competition is capitalism without growth'.[30] But taking up an idea already put forward in his *Marxist Economic Theory,* he tries to theorize its mode of functioning under monopoly capitalism: 'A tendency equivalent to the equalization of surplus-profits thus arises i.e., two average rates of profit come into existence side by side, one in the monopolized and the other in the non-monopolized sector of the imperialist countries.'[31] This transfer of value allows him to reconcile the price-fixing ability attributed to monopolies and the phenomenon of permanent inflation with the law of value.

Much of the debate among Marxist economists concerned in fact this issue of prices and profits. Many rough positions emphasized the point that inflation was a means of guaranteeing the rate of profit, even if this meant admitting that there was a certain disconnection between the price and value of commodities. One of the founding works of the Regulationist school focussed in fact on the analysis of inflation, supposedly made possible by the transition to 'monopolist regulation'.[32] This

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[27] *Late Capitalism,* p. 102.
[28] *Late Capitalism,* p. 103.
[29] Josef Steindl, *Maturity and Stagnation in American Capitalism,* New York 1976; Paul A. Baran & Paul M. Sweezy, *Monopoly Capital,* New York 1966.
[30] Marx, *Capital,* vol. 3, p. 368; *Late Capitalism,* p. 31.
[31] *Late Capitalism,* p. 95.
[32] Robert Boyer, Alain Lipietz et al., *Approches de l'Inflation: L'Exemple Français*, Paris 1977.

discussion was also linked to a more theoretical debate over the transformation of values into prices, opened up by the Neo-Ricardian critique of Marxist theory, starting in particular from Sraffa's work. The double equalization of profit rates and the analysis of permanent inflation put forward by Mandel provided the elements of a generally correct response to this challenge to the law of value. The central idea is that no arrangement, even one as permissive as credit expansion, can lead to the creation of value going beyond the surplus-value engendered by the exploitation of wage labour, or compensate lastingly for the fundamental mechanisms that hold down profitability.

Mandel's treatment of the arms economy fits within the same logic. For a whole stagnationist Marxist current, military spending plays an absolutely central role in postwar capitalism. Baran and Sweezy write, for example, 'Here at last monopoly capitalism seemingly found the answer to the "on what" question: On what could the government spend enough to keep the system from sinking into the mire of stagnation? On arms, more arms, and ever more arms.'[33] For Mandel, military spending does not constitute a lasting response to the falling tendency of the rate of profit, because it draws on social surplus-value and contributes, in the same way as other industries, to a rise in the organic composition of capital.

The watershed

What accounts for the end of the long expansion? We have here a major theoretical problem. Concrete history has to be made compatible with theoretical schemas integrating both the possibility of phases of extension and the ineluctability of crises. This articulation is extremely complex, since our theories must not 'explain too well'. There are 'catastrophist' readings for example that explain the crisis so well that it becomes difficult to understand why the crisis is not permanent. On the other hand, 'harmonicist' approaches lead us to ask how such a well-oiled machine could have ever derailed. Nor can we demand that theoretical formulations provide a universal, timeless interpretative matrix, applicable to all crisis situations: this would mean denying their historic dimension.

Another way of expressing the same difficulty is to emphasize the contradiction that exists between the structural causes of the crisis and the forms in which it suddenly appears. We can easily show that the spot where the crisis erupts always points towards a 'unjustly accused' factor, a superficial causality. In 1973-74 economists spoke immediately about the oil crisis, merrily confounding a factor that directly triggered the recession with its underlying causes. The stock exchanges are the favourite place for crises to emerge, not because the financial dimension is primary, but because they are the natural place for the necessity of a violent devalorization of capital to be revealed. This interpretative problem also exists within the most traditional Marxism: how, and under what conditions, can a tendency such as the falling tendency of the rate of profit in fact engender periodic crashes? A comparable difficulty is revealed by the various different meanings of the term 'crisis', which is applied both to the sudden shock of a crash and to the slide into a longer-term crisis. Three theoretical tropes enable us to move forward in these areas: accumulating contradictions; the reversal of virtuous circles; and the distinction between long-term and short-term variables.

The first useful metaphor in interpreting the crisis is that of accumulated tensions. We can use the image of a dam giving way: the catstrophe itself takes place very quickly, but it is the result of a slow wearing away. The first breach may be minuscule, but it unleashes a process of qualitative transformation and creates a disequilibrium that becomes a break. It does not matter where the first

[33] Paul Baran & Paul Sweezy, *Monopoly Capital,* p. 213.

fissure opens up: spotting it gives no indication of any kind of causality. To stretch out the metaphor, Mandel's standpoint consists in observing the dam before it has given way and showing why it has held up until this moment and why it cannot resist the accumulating pressures. Forgetting either side of the prediction leads to a one-sided discourse that is easy to criticize. This explains incidentally why Mandel was caught between mutually contradictory critiques. Defenders of dogma attributed to him the thesis that capitalism had overcome its contradictions. But others, from the opposite side, reproached him with always predicting the system's collapse.

A second conceptual tool leads us to observe how stabilizing arrangements can gradually be transformed into their opposite, thus becoming in a sense accelerators of contradiction. Inflation for example has many advantages for financing capital, but it only draws out contradictions in time, to the point where it is transformed into its opposite, that is an obstacle to capitalist crisis management. We have seen that inflation plays a central role in analyses of postwar capitalism, and Mandel was undoubtedly the best in showing its dual role. But the neoliberal turn also took place around the rallying cry of the fight against inflation, the real objective obviously being to impose wage restrainst as a new norm. To this end it was necessary to put a brake on inflation, an earlier regulatory tool that was becoming an obstacle to deploying policies to get out of the crisis. The same reasoning can be applied to social spending or, more recently, to military spending. Everyone agreed that they had an anti-recessionary effect, but Mandel was one of the few economists to grasp their contradictory dimension, that is, the growing drain that they constituted on profits.

Finally, one last distinction needs to be made, between long-term and short-term variables. The transition from an expansive long wave to a recessive long wave can only be understood as a modification of the overall capitalist configuration, which Mandel proposes to analyze starting from what he calls 'partially independent variables'. The main such variables are: (1) the organic composition of capital in general and in the two departments; (2) the division of constant capital between fixed and variable capital; (3) the development of the rate of surplus-value; (4) the development of the rate of accumulation (the relationship between productively and unproductively consumed surplus-value); (5) the duration of the capital renewal cycle; and (6) the terms of exchange between the two departments. The thesis that Mandel upholds is that 'the history of capitalism, and at the same time the history of its inner regularities and unfolding contradictions, can only be explained and understood as a function of the interplay of these six variables. Fluctuations in the rate of profit are the seismograph of this history, since they express most clearly the result of this interplay.'[34]

Nevertheless these variables on their own are not enough to make conjunctural turnarounds intelligible. The generalized recession of 1974-75, which closed the period of expansion, cannot be explained directly by tendential variations in productivity rates, and still less by the slow development of aggregate demand. It is nonetheless these slow, underground tectonic shifts that lead to crises (and then to the failure to get out of crises), even if crises take form concretely as eruptions, earthquakes or tidal waves. Accounting for crises and giving an historical analysis of long waves thus requires a mastery of the various 'times out of joint', to borrow Daniel Bensaïd's elegant (and not merely metaphorical) expression.[35]

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[34] *Late Capitalism,* p. 39.

[35] Daniel Bensaïd, *La discordance des temps,* Paris 1995. This whole part is strongly influenced by the works of Francisco Louçã, to which Mandel refers in the last edition of his *Long Waves.* Besides Louçã's contribution to this volume, see his masterful work *Turbulence in Economics,* London 1997.

Why the crisis?

Despite the critical reservations that we have just expressed, the explanation of the crisis that flows from Mandel's analysis seems much more coherent than the Regulationist account, even if it rests on incomplete premises. What in fact do the Regulationists say? In their eyes the crisis is linked to the exhaustion of productivity increases, which is essentially right. But what is the cause of this slowdown? Here the Regulationists swing back and forth among several different accounts, which can be classified under three headings. The first kind of explanation is technological: everything that could be gotten out of a 'Taylorist paradigm' had been gotten out of it, the assembly lines were running at top speed, and Taylorism had begun to deliver diminishing returns. The second explanation is more 'workerist', foregrounding resistance to intensification of work rhythms. The third explanation, finally, is classically Keynesian, stressing the exhaustion of mass markets through their progressive saturation.

Each of these explanations has a certain measure of validity, but all of them contradict the original Regulationist theoretical contribution. Inside this theory, paradoxicaly, it is difficult to understand why a well-regulated capitalism could not carry out the necessary shifts towards new forms of organization of labour, a transitional adjustment of wages, and the satisfaction of new social needs. In keeping with their own logic, the Regulationists have also sought since the early 1980s to sktech the outlines of a 'post-Fordist' system of regulation, but have not managed to construct a scenario that would be an alternative to the neoliberal steamroller.

Mandel gets the better of the argument with the Regulationists, because his analysis and predictions take account of the contradictory nature of the capitalist mode of production and the fact that it is not oriented towards optimal satisfaction of human needs. The Fordist system of regulation was to a large extent imposed on capitalism. Its inner logic came into contradiction with the direction in which the expansive long wave was headed, a direction leading in effect to a progressive socialization and reorientation of aggregate demand towards collective services. Here we have to establish a hierarchy of determinations, and distinguish well among the crisis's igniting factors and profound modalities. Mandel rightly polemicized against all monocausal interpretations of the crisis, including the symmetrical theories of a 'profit squeeze'[36] and of the difficulty of surplus absorption à la Sweezy. An analysis of the crisis must combine these explanatory elements—falling rate of surplus-value, overaccumulation, and later falls in productivity rates—in a reading that fits with the configuration of the expansive wave that was drawing to a close.

In hindsight, the most characteristic long-term variable was the slow shift of aggregate demand towards collective services, measured for example by the relative growth of the social wage. This was a sort of anti-Fordism, in two ways. First, workers in the market sector were no longer consuming what they were producing; instead, they were increasingly consuming the products of the non-market sector. In addition, the goods and services that were the concrete bearers of this non-market consumption did not generate large enough productivity increases. 'Fordism' was put out of whack as wages became increasingly autonomous from productivity. The wage increases won in the social struggles of the late 1960s thus lowered the rate of surplus-value. The capitalists responded with investments in productivity that did not give the results they counted on, and the rate of profit fell.

The dominant underlying factor was doubtless the exhaustion of the norms of consumption, a fact which highlights the importance of this notion. At least, this is how it looks with the advantage of

[36] Andrew Glyn & Bob Sutcliffe, *British Capitalism, Workers and the Profit Squeeze*, Harmondsworth 1972.

twenty years' hindsight, starting from a fundamental observation, which is the current restoration of the rate of profit brought about by wage restraint and capital devalorization. So what is standing in the way now of a renewal of 'Fordist'-type growth? This question is the weak point of the Regulation School. In Mandel's work we can find the method with which it can be posed correctly.

Technology

Another way of formulating this enquiry is to ask where in the long wave we are today. Are we seeing the first outlines of a new phase of expansion, notably in the US? In tackling this discussion we need to watch out for a certain number of oversimplifications, and Mandel's approach is in this respect an indispensable reference point. First, we have to beware of a mechanical conception of long waves, according to which all you have to do is wait 25 years to see the wave begin again. The only objective basis of such a periodization would be a specific cycle of innovation. But there is no such cycle; and even if there was, there is no reason why the transformation of innovations into productive forces would keep pace with it.

Mandel's approach has nonetheless too often been interpreted by reducing his long wave theory to a scarcely renewed form of Schumpeter's approach. In a founding text of the Regulation School, Boyer resurrects this amalgam for his own ends:

> We cannot accept the rather mechanical interpretation put forward by N.D. Kondratief, recently taken up by E. Mandel, which presents the history of capitalism as a succession of alternating waves of strong and weak accumulation lasting approximately a quarter-century.... There is no teleological principle that could guarantee a mechanical alternation of ascending and descending phases or an automatic transition from a mainly extensive accumulation regime to a predominantly intensive regime.[37]

This is a mistaken reading of the corresponding chapter of *Late Capitalism* (and incidentally of Kondratief as well), which the Regulation School never rectified. Dockès and Rosier emphasize by contrast that Mandel was 'one of the very first authors identifying with Marx to introduce class struggle explicitly into his explanation of long cycles'[38]—although they reproach him in an almost exactly opposite way with treating class struggle as an exogenous element, which is also a misreading, albeit of a different kind.

The new edition of *Long Waves*[39] makes short work of this criticism, which strictly speaking is applicable to Mandel's writings of the early 1960s. But—here his discovery of the *Grundrisse* made its mark—Mandel's later work attributed a growing role to the incapacity of capitalist social relations to realize the full potential of technological progress. In *Late Capitalism,* for example, Mandel cites, in order to refute, the following passage from Habermas:

[37] Robert Boyer, 'La crise actuelle: une mise en perspective historique', *Critiques de l'Economie Politique* no. 7-8, 1979.
[38] Pierre Dockès & Bernard Rosier, *Rhythmes éconiques: Crises et changement social, une perspective historique,* Paris 1983, p. 183.
[39] Ernest Mandel, *The Long Waves of Capitalist Development,* London 1995.

> So long as the organization of human nature does not change, and we have to sustain our existence by social labour and tools that are labour-substitutes, it is impossible to see how we can ever discard technology, indeed *our* technology, for a qualitatively different one.[40]

Mandel rejects completely this position, discerning in it

> the naive or apologetic belief that only the technology developed by capitalism is capable of superseding the inadequacy of simple manual labour.... It remains a mystery why men and women under different social conditions, increasingly liberated from mechanical labour and progressively unfolding their creative capacities, should be unable to develop a technology answering to the needs of a 'rich individuality'.[41]

A few years later Mandel would reaffirm this position once more:

> We have likewise to stress that any idea that present-day 'dirty', nature-destroying or directly life-threatening technology is an 'inevitable' outcome of the inner logic of natural science has to be rejected as obscurantist, a-historical and in the last analysis apologetic for capitalism.... There is nothing new in understanding that technology developing under capitalism is not the only possible technology, but *specific* technology introduced for specific reasons closely linked to the specific nature of the capitalist economy and bourgeois society.[42]

This long wave

To answer the question of the trajectory of contemporary capitalism, it is also preferable to avoid somewhat hasty historical analogies. Long wave theory must be stripped of its mechanistic tinsel. It must not lead to a vision in which historical and economic ebbs and flows occur according to some grand tide calendar drawn up somewhere in advance. In particular, each 'wave' combines the internal contradictions of capitalism in a different way, follows a specific dynamic, and leads to different conceivable outcomes. Last time the way out was war and fascism, but this scenario is not the only one possible. It was in fact another, completely different scenario which opened up a new expansive phase at the end of the nineteenth century.[43] We must, finally, stay clear of a conception in which the rate of profit is the alpha and omega, so that once a certain level of profitability is reached a new phase of expansion will take off spontaneously.

In the last quarter-century capitalism has been enmeshed in a recessive phase, and has put in place a relatively coherent neoliberal system of regulation that is rather new in its history. It is not an expansive phase, since the rates of accumulation and growth have remained modest relative to levels reached in the past. Real wages are growing slowly, and underemployment is spreading throughout the world. But the most novel trait is the restoration of the rate of profit to levels comparable to those prior to the crisis.

Graph 1 shows in detail the different phases of the relationship between these two fundamental quantities, the rate of profit and the rate of accumulation. The data are weighted averages established

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[40] Jürgen Habermas, *Technik und Wissenschaft als 'Ideologie'*,Frankfurt 1969, pp. 56-57.

[41] *Late Capitalism,* p. 503.

[42] Ernest Mandel, "Marx, the Present Crisis and the Future of Labour", in Ralph Miliband et al eds., *Socialist Register 1985/86,* London 1986, p.449.

[43] See Dockès & Rosier, ch. 4.

starting from an sample of the main industrialized countries for which OECD statistics are available: the United States, Japan, Germany, France, Italy, the United Kingdom, Belgium, Denmark, Spain, Greece, Norway, Sweden, Finland and Switzerland. During the 1960s, profit and accumulation advanced hand in hand up to an initial plateau, followed by the first generalized recession of 1974-75. A cycle of recovery then seemed to be taking shape but failed to hold together: there was a second generalized recession in the early 1980s. Starting from this watershed moment, the restoration of the rate of profit began with the generalization of neoliberal policies in all the different countries. But the rate of accumulation did not follow suit. The cycle in the late 1980s seemed to signal a catching-up, but a very clear turning point occurred at the beginning of the 1990s, so that the rate of accumulation fell back to low levels roughly comparable to the average of the last twenty years.

It is this disarticulation between profit, on the one hand, and accumulation and growth, on the other, which allows us to speak of the phase 1974-98 as the downhill slope of a long wave that world capitalism seems unable to get off of. This inability to return to rates of accumulation comparable to those of the 1960s allows us to reject the idea of a long expansive phase. Examining growth rates clearly leads us to a similar conclusion. But at the same time we must stress the specificities of this neoliberal configuration, joining dynamic profit rates with feeble accumulation. From the point of view of the system's capacity to provide a healthy return to capital, we find ourselves today in a particularly flourishing period. But the surplus-value resulting from this process is less and less able to find suitable sites for accumulation. If we look once more at the graph, the surface area bounded by the two curves represents unaccumulated surplus-value, that is, the growing area occupied by finance. We can even note here how the October 1987 crash had the effect of bursting the financial bubble and bringing the two curves back together. But the two soon diverged once more, and the gap between them has expanded and remained large since then.

In other words, the recessive phase of the long wave is perpetuating itself in the form of the installation of a regime of accumulation that associates a growing rate of surplus-value with a constant rate of accumulation. This regime is accompanied by 'financialization', which serves to redistribute unaccumulated surplus-value to social layers whose function is to consume it. Mandel had anticipated quite well this neoliberal hardening of social relations:

> The transition from a 'long wave with an undertone of expansion' to a 'long wave with an undertone of stagnation' is today intensifying the international class struggle. The main objective of bourgeois economic policy is no longer to dismantle social antagonisms but to unload the costs of improving the competitive struggle of each national capitalist industry onto the wage earners employed in it. The myth of permanent full employment fades away.... The struggle over the rate of surplus-value moves into the centre of the dynamic of economy and society, as it did in the period from the turn of the 20th century to the 30's.[44]

This picture is nonetheless incomplete, precisely because of the modalities by which the rate of profit is restored: these are not unrelated to the trajectory followed, because it implies an environment of low growth of sales outlets. True enough, this result has been reached by regressive means, in other words by holding down wages rather than by developing social productivity. But on the other hand no great defeat has been inflicted on the working class either, nor is there any qualitatively new 'exogenous factor' at work. The opening of the East Bloc countries to the world market has been carried out in an extremely selective, regressive way and has not modified the landscape.

[44] *Late Capitalism*, pp. 472-73.

Mandel in fact gradually integrated this temporal drawing-out of the cycle of class struggle into his analysis. In 1985, for example, he wrote:

> Precisely because the *organic strength* of the working class (wage labour) is so large at the outset and in the first phase of this depression, the outcome of this intensified class offensive of Capital against Labour is far from certain. The likelihood that the proletariat will suffer a crushing defeat of the type of Germany 1933, Spain 1939 or France 1940 in any of the larger capitalist key countries in a foreseeable future is limited.... So what is the most likely variant under capitalism is precisely the long duration of the present depression, with only the development of partial automation and marginal robotization both accompanied by large-scale overcapacity (and over-production of commodities), by large-scale unemployment, and large-scale pressure to extract more and more surplus-value from a number of *productive* work-days and workers tending to stagnate and decline slowly, i.e. growing pressure to overexploitation of the working class (lowering of real wages and social security payments), to weaken or destroy the free organized labour movements and to undermine democratic freedoms and human rights.[45]

Mandel's fundamental explanation of capitalism's inability to initiate a new expansive phase comes down in the end to another of his central theses, about the limits of automation.

Automation and the working day

The influence of Mandel's reading of the *Grundrisse*[46] can be seen in *Late Capitalism*, where he puts forward a central thesis whose full importance is in a certain sense only being revealed today:

> All the historical conditions of capitalism are concentrated in the twofold character of automation. On the one hand, it represents the perfected development of material forces of production, which could in themselves potentially liberate mankind from the compulsion to perform mechanical, repetitive, dull and alienating labour. On the other hand, it represents a new threat to job and income, a new intensification of anxiety, insecurity, return to chronic mass unemployment, periodic losses of consumption and income, and intellectual and moral impoverishment. Capitalist automation as the mighty development of both the productive forces of labour and the alienating and destructive forces of commodity and capital thus becomes the objectified quintessence of the antinomies inherent in the capitalist mode of production.[47]

Mandel goes even further when he speaks of impossibility:

> General automation in large industry is impossible in late capitalism. To await such generalized automation before overthrowing capitalist relations of production is thus just as incorrect to hope for the abolition of capitalist relations of production through the mere advance of automation.[48]

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[45] *Marx, the Present Crisis and the Future of Labour*, p.441 and 444.
[46] See in particular his book *The Formation of the Economic Thought of Karl Marx: 1843 to* Capital, London 1971.
[47] *Late Capitalism*, p. 216.
[48] *Late Capitalism*, p. 570.

This position allows us to underscore the primordial reason why capitalism is getting bogged down, which, as I have tried to show elsewhere,[49] reflects a dual difficulty. Besides social resistance, the defense of legitimate gains won during the years of expansion, capitalism is confronting its own incapacity to bridge the growing gap between its supply of commodities and aggregate demand. It is trying, without succeeding to a sufficient extent, to 'recommodify' a mode of satisfying needs that had been fairly extensively socialized. The many, cumulative technical innovations of the last two decades have not given rise to sufficient productivity increases, due to a lack of growing returns to scale associated with the extension of markets, and also because of the very rapid obsolescence of the various products. This is what explains 'Solow's paradox', which states that productivity gains are remaining limited despite technological innovations and transformations of the organization of labour.[50]

It is the lack of commodities suitable for mass production and consumption that stand in the way of a renewal of the 'Fordist virtuous circle'. If this reading is correct, then capitalism is, perhaps for the first time in its history, faced with a systemic crisis. This crisis is challenging capitalism's own criteria of efficiency, inasmuch as capitalism is less and less able to 'translate' the currently most pressing needs—health care, education, housing, quality of life, and above all, by definition, free time—into profitable commodities. If, to use Robert Boyer's words, bad capitalism is driving out good capitalism, this is because the good way of making profits (rapid increases in social productivity) is being supplanted by a bad way, wage restraint in all its forms. To see financialization as the chief characteristic of this configuration is to treat an effect as the cause, and also to stay on the surface, not criticizing capitalism in a way that goes to the root of its preconditions.[51] In other words, even if hypothetically the power of the financial markets was brought under control, this would in no way resolve the fundamental difficulty: that social needs, as they express themselves historically and concretely in the most developed societies, cannot be taken into account.

The response being made today to this difficulty is a regressive one. Rather than putting in place the conditions for a new expansion, capitalism's solution is to establish a

> *dual society,* which divides the present proletariat between two antagonistic groups: those who continue to be included (or are newly incorporated especially in the so-called 'third world countries') into the process of production of surplus-value, i.e. into the *capitalist process of production* (be it for tendencially declining wages); whose who are expelled from that process and survive by all kinds of other means than the sale of their labour power to the capitalists (or the bourgeois state): welfare; increase of 'independent' activities; becoming small-scale peasants and handicraftsmen; returning to domestic labour (women); 'ludic' communities, etc.… Capital wants now to reduce its wage-bill to directly paid-out wages only, which will then inevitably tend to decline as a result of a hugely inflated industrial reserve army of labour.… It puts new and formidable stumbling blocks on the *really emancipatory potential* of new technologies and of 'robotism', in as much as it tends to perpetuate in an elitist way the subdivision of society between those who receive the necessary leisure and potential to appropriate all the fruits of science and civilisation—which can only occur on the basis of the satisfaction of elementary fundamental material needs—and those who are condemned

[49] Michel Husson, *Misère du capital: Une critique du néoliberalisme,* Paris 1996.
[50] See Michel Husson, 'Du ralentissement de la productivité', *Revue de l'IRES* no. 22, fall 1996, as well as *Les ajustements de l'emploi,* forthcoming 1998.
[51] See Michel Husson, 'Contre le fétichisme de la finance', *Critique Communiste* no. 149, 1997.

(including who condemn themselves through self-chosen asceticism) to spend more and more of their time as 'beasts of burden', to quote again the eloquent formula of Marx.

The real dilemma, which is the basic historical choice with which mankind is faced today, is the following one: *either a radical reduction of work-time for all*—to begin with the half-day of labour, or the half-week of labour—or the perpetuation of the division of society between those who produce and those who administer. The radical reduction of the work time *for all*—which was Marx's grandiose emancipatory vision—is indispensable both for the appropriation of knowledge and science by all, and for self-management for all (i.e. a regime of associated producers). Without such a reduction, both are utopia.[52]

Capitalism: Late or senile?

In an article published in 1968, Mandel admitted that he was not completely won over to the term 'late capitalism': 'The German term, *Spätkapitalismus* seems interesting, but simply indicates a time sequence and is difficult to translate into several languages. So until somebody comes up with a better name—and this is a challenge to you, friends!—we will stick for the time being to "neo-capitalism".'[53] This hesitation, which would finally issue in a different decision, has something curious about it, inasmuch as the two descriptions have almost opposite connotations. The term 'neo-capitalism' seems to suggest a second youth, whereas 'late capitalism' conveys a feeling of old age. Without wishing to give a disproportionate importance to this terminological debate, it would seem more appropriate to speak of 'capitalism in its prime'. This capitalism was in fact in full possession of its faculties, and this helps remind us of the exceptional character of its performance between 1945 and 1975. But it was also a capitalism that tended to exhaust itself, to run out of breath, and to reveal its limitations. If we may stretch out the metaphor, we could also say that today it has been ambushed by senility, and that it is trying in vain to recapture the careless raptures of its twenties with the help of neoliberal quack remedies.

In the end the adjectives hardly matter. The essential thing is to understand that Mandel's conception should be resolutely distinguished from the kind of historical determinism that presents 'late capitalism' as 'the final stage', standing on the brink of inevitable collapse. What Mandel says is different. For him, the exceptional performance of postwar capitalism never meant that its contradictions had been irreversibly mastered; on the contrary, they foreshadowed a radical challenge. The successes of 'Fordism' represented the best that capitalism could achieve but, once the parenthesis was closed, the system's incapacity to perpetuate itself by any other means than a great leap backwards became all the more glaring. It is thus time, as Mandel urges us, to reappropriate the most radical Marxist critique of capitalism, and to pose in practice the question of moving beyond it.

[52] *Marx, the Present Crisis and the Future of Labour*, p.447.

[53] Ernest Mandel, 'Workers under neo-capitalism', *International Socialist Review* vol. 29 no. 6, Nov.-Dec. 1968, p. 2.