

## **Part I. The Capitalist World System**

Since human society advanced beyond the primitive communal possession of the land and the products of human labour — as a result of the creation of a permanent surplus over and above the producers' means of subsistence — struggles between exploiting and exploited classes over the disposition of the social surplus product have been the motive force of human history. These struggles have either led to the mutual ruin of the contending classes and social regression, or to social revolutions in which new social orders based on qualitative advances in the productivity of human labour displaced outlived social systems.

The capitalist social order first arose in Western Europe as a result of an extended process of revolutionary struggles against the previous feudal order beginning with the Dutch revolution in the 16th century and culminating with the American and French revolutions at the end of the 18th.

As the capitalist class gained ascendancy in one country after another it proceeded to reorganise social and political institutions according to its needs. In its quest for constantly expanding markets the capitalist class began to export its cheap, mass-produced goods to every corner of the planet, using the superior military force that its machine-based industries gave it to break down any resistance by pre-capitalist societies. As a result, the entire world was drawn into the orbit of capitalist trade and exploitation.

### **Section 1. The capitalist system, its contradictions and development**

The capitalist social order is based upon generalised commodity production, under which the labour power of the producers and the means of production become commodities (products for sale).

Under capitalism the main producing class, the working class (or proletariat), is deprived of ownership and control over the means of production. In order to live, workers are forced to sell their labour power to private owners of the means of production, to the capitalists (or bourgeoisie). The capitalists' control of the means of production enables them to dominate all other social classes, but within their own class the individual capitalists also operate in competition with each other.

Capitalist relations of production therefore involve the following processes:

- The workers, having no other means of sustaining themselves, sell their labour power to the capitalists in return for wages, with which they purchase from the capitalists their means of subsistence.
- By appropriating and selling the goods produced by the workers, the capitalists obtain money for the quantities of value created by the workers. This value includes additional value over and above the value of the labour power sold by the workers to the capitalists. This additional value is known as surplus value (the monetary form of the social surplus product).

- Due to their appropriation of the surplus value created by the workers, and its realisation through the sale of the commodities in which it is incorporated, the capitalists are able to maintain and expand production.

By these means, additional value accumulates in separate units (firms) in a process determined by the constraints of competition for private profit.

### **The contradictions of capitalism**

In their competitive drive to maximise private profits, the capitalists are forced to continually socialise the process of material production, binding the labour of an ever growing number of workers together through an expanding social division of labour. Branches of production that were previously independent from each other are transformed into a series of interdependent networks, binding companies, regions, and countries.

But this socialisation of labour, of production, occurs within the framework of private, capitalist, appropriation (ownership) of the means of production under which, through competition, smaller, weaker firms are eliminated by larger, more technically advanced firms. Capital thus becomes increasingly concentrated and centralised. Consequently, as capitalism develops, its fundamental contradiction is continually accentuated — production takes on an increasingly social, cooperative, character at the same time as society's productive wealth is concentrated in the hands of a smaller and smaller number of capitalists.

From this fundamental contradiction of the capitalist mode of production flow a series of others:

- The contradiction between the increasingly planned and conscious organisation of production within each capitalist firm resulting from the socialisation of labour, and the unplanned, anarchistic nature of capitalist production as a whole. The allocation of capitalist society's productive resources is not governed by any conscious plan but rather, by variations in the rate of profit and the competitive drive of capitalist firms to maximise their profits.
- The contradiction between the tendency towards unlimited expansion of production and the restrictions capitalism imposes on the individual and social consumption of the workers. Capitalism is obliged to impose these limits because the aim of capitalist production is to maximise surplus value, and this necessitates limiting the growth of real wages.
- The contradiction between the potential of enormous leaps in science and technology to ensure the fulfilment of social needs and the harnessing of these potential productive forces to the capitalists' drive for private enrichment (accumulation of capital).
- The contradiction between the drive by each capitalist firm to maximise its profits by increasing labour productivity through increased mechanisation, and the tendency for the average rate of profit to fall, due to growth in the organic

- composition of capital (the ratio between the amount of capital expended on machinery and raw materials and the amount of capital expended on wage labour).
- The contradiction between the internationalisation of the productive forces (creation of a world market, objective socialisation of labour on an international scale) and the division of the world into separate nation-states.

All the inherent contradictions of the capitalist mode of production explode in more or less regular crises of overproduction of commodities and over-accumulation of capital. These crises are characterised by a generalised decline in investment, production, employment, the income and purchasing power of working people, and economic activity as a whole.

The private, capitalist, form of appropriation of the socially produced wealth makes private profit the only aim and driving force of production. Production develops by leaps and bounds, not in the sectors where the most urgent real social needs are to be found, but rather in those where the highest profits can be achieved. Underproduction in one sector regularly coincides with overproduction in another. The distribution of human labour between different branches of production never corresponds exactly to the distribution of purchasing power for the products of those branches. When this disproportion becomes generalised, it is resolved by a crisis, which leads to a new equilibrium, itself temporary and ephemeral. Thus the capitalist economy expands in an uneven and disharmonious manner, through "boom and bust" cycles, through the periodic waste and destruction of part of society's accumulated productive forces.

While it is based on private ownership of the means of production, the inevitable concentration and centralisation of capital that accompanies the development of the capitalist mode of production continually reduces the proportion of the population that owns means of production. As a result, the proportion of wage workers grows continually as more and more producers are dispossessed of their means of production (subsistence) and are forced to rely on selling their labour power to the capitalists. The class structure of capitalist society becomes increasingly polarised between a small handful of capitalist magnates at one end and a growing mass of wage workers at the other.

As the unique product of the capitalist socialisation of production, the working class is trained by the system of capitalist exploitation to act cooperatively, and to see that the individual interest of each worker can only be realised through collective action. It is these qualities, plus its power to halt capitalist production, that make the working class the social force that can put an end to capitalism's contradictions and their anti-social consequences through the collective appropriation of the means of production, and their management according to a conscious plan by the associated producers themselves.

### **The stage of monopoly capitalism (imperialism)**

Throughout the first phase of its existence, from the Industrial Revolution of the latter half of the 18th century, to the end of the 19th century, the capitalist mode of production

was characterised by the existence of a large number of independent firms in every sector of industry. None of these firms was able to dominate any particular branch of production, and consequently the predominant pattern of capitalist relations was what bourgeois theorists called free competition, or laissez faire. Each firm sought to capture a larger fraction of the market by reducing the selling price of its commodities. In this period, the capitalist market was extended over the entire world through the export of industrial consumer goods to areas of the globe where pre-capitalist relations still prevailed (Asia, Africa, Latin America).

From the end of the 19th century, however, the period of free competition gave way to a historically new stage of capitalism, characterised by the monopolisation of separate branches of industry by one or a few large firms.

This transition was facilitated by a technological revolution in which the electric motor and the internal combustion engine supplanted the steam engine as the principal sources of energy for industry and for transportation. Entirely new industries developed (electricity, electrical goods, oil, motor vehicles, chemical industries), and these required greater initial capital outlays than the old industries. This radically reduced the number of potential competitors.

This new historical period was a product of the operation of capitalism's basic laws of motion. The concentration and centralisation of capital led to the formation of powerful monopolistic associations (cartels, syndicates, trusts) and to a new form of giant undertaking combining several enterprises linked together by the banks. The so-called free competition of a multitude of small capitalist firms gave way to the domination of national markets by a handful of financial groups simultaneously controlling banks, other financial institutions, big industrial and transport trusts, big retail store chains, etc.

Capitalist monopolies do not eliminate capitalist competition. In non-monopolised sectors of the capitalist economy, competition continues in the traditional form of price cutting. In the monopolised sectors, however, competition no longer normally takes the form of price cutting, except in international markets in which the various national monopolists continue to struggle against each other. In their traditional domestic markets, however, competition takes the form of struggle between monopolies for reduction of production costs.

By controlling markets and limiting price competition, the big trusts obtain monopolistic superprofits — rates of profit superior to those of companies in the non-monopolised sectors. Monopolies can control markets only by limiting growth of production, and therefore accumulation of capital, within them. On the other hand, these same monopolies are in possession of abundant capital, accumulated due to monopolistic superprofits. Monopoly capitalism is therefore characterised by the accumulation of surplus capital in the hands of the monopolies of the industrialised capitalist countries. This surplus capital must seek new fields for profitable investment. The export of capital from the industrialised countries thus becomes an essential trait of the monopoly capitalist era.

The export of capital to the non-industrialised areas of the world (and the goods bought with this capital — mainly infrastructural facilities to cheapen the export of raw materials from these areas) gave the capitalists of the industrialised countries a major interest in establishing permanent control over these areas. The rise of monopoly capitalism was therefore accompanied by a feverish drive to assert direct political control over the non-industrialised areas of the world by converting them into colonies of the major capitalist powers. Thus the monopoly capitalist era is distinguished not merely by the domination of each of the advanced capitalist countries by a small number of monopolist firms and associations, but by the creation of a world imperialist system based on the division of the globe into oppressor and oppressed nations.

The massive export of capital to the colonial and semi-colonial countries (the so-called Third World) for the organisation of capitalist production of raw materials, created and consolidated a specific mixture of pre-capitalist and capitalist relations of production which prevented the development of large-scale industry within these countries. Foreign capital's domination over the accumulation of capital in the Third World stifled the process of primitive accumulation of capital in the hands of the indigenous capitalists. Thus, while imperialism integrated the colonial and semi-colonial countries into the world capitalist market, it also consolidated a permanent gap in average labour productivity between the industrialised capitalist countries and the Third World.

The essential feature of imperialism is manipulation of the uneven development of labour productivity in different sectors of the world capitalist economy in order to extort monopoly superprofits.

The largest share of these superprofits is derived from the imperialist countries themselves. Here, in the largest and most developed capitalist markets, monopoly power (strict regulation of production, market apportionment, monopoly pricing, favourable access to credit, control of scientific research, export of capital and privileged connections with the state) drastically shifts the distribution of surplus value to the advantage of the largest corporations. But significant superprofits are also appropriated from the colonial and semi-colonial countries through the purchase of labour power at a price much lower than its value in the industrialised countries, and through unequal exchange of goods on the world market: Goods produced in conditions of higher labour productivity (principally industrial goods) are exchanged for goods produced in conditions of lower labour productivity (predominantly mineral and agricultural raw materials). As a result, the capitalists of the imperialist countries are able to appropriate a large part of the value produced in the Third World.

Monopoly capitalism not only intensifies all the classical contradictions of capitalism, but also adds new ones:

- Imperialist exploitation of the colonies and semi-colonies retards and distorts the indigenous development of capitalism in these countries, perpetuating and intensifying their economic backwardness and their dependent and subordinate relationship to the advanced capitalist countries. It creates a permanent division of

- the world into rich nations and poor nations, consigning the majority of humanity to perpetual destitution.
- Monopoly capitalism intensifies the contradiction involved in private appropriation of the output of an effectively socialised process of production. The functions of ownership and management are increasingly separated as the richest section of the capitalist class becomes transformed into rentiers (appropriating capital via large share holdings, state bonds, foreign securities, interest on capital loans, etc.). The monopoly capitalist thus appears as the purest type of capitalist, with appropriation of surplus value no longer masked in any way by payment for a managerial task in the productive process.
  - Monopoly superprofits, the condition for which is the relative limitation of production, create the contradiction of overcapitalisation. This takes the form of a mass of money capital unable to find profitable new fields of productive investment, and chronic underuse of existing productive capacity.

Monopoly capitalism seriously restricts the prodigious development of the productive forces that characterised the age of laissez-faire capitalism. With its artificial restriction of production and sharing of markets between the big corporations, monopoly capitalism becomes a fetter on the development of the productive forces, leading to a general crisis that affects all aspects of capitalist society — economic, political, cultural and moral.

This general crisis is most graphically manifested in the growing inability of capitalism to contain the development of the productive forces within the framework of private property, in a sharpening of social contradictions both within and between nations, and in the growing tendency of the productive forces to be transformed into forces of destruction that threaten the maintenance of human civilisation, and increasingly, even the survival of life on Earth.

### **The role and character of the state under capitalism**

As in all class societies, the role of the state in capitalist society is to defend the interests of the class that owns the means of production by suppressing any threat to its domination and by ideologically integrating the exploited classes.

The capitalist state differs, however, from all previous forms of class rule due to the unique character of capitalist relations of production. Because of the social conditions and the competition generated by generalised commodity production on the basis of private property, the interests of the capitalist class as a whole cannot be represented by individual capitalists, even the richest. The capitalist state therefore requires a certain autonomy in order to represent the collective interests of the capitalist class.

To the classical state functions of repression and ideological integration, the capitalist state adds the function of guaranteeing those general conditions for the development of capitalist production that do not spontaneously arise from private production and capitalist competition. These conditions include creation of a stable system of law that

applies to all capitalists, a unified national market, and a national currency and customs system.

The formation of nations and of states based on nations is an inevitable product of the capitalist era of social development. With its generalisation of commodity production, capitalism overcomes the economic disunity that characterised pre-capitalist societies, creating unified conditions of production and exchange of commodities within a common territory, merging loosely connected communities of people within this territory into a stable, coherent community with a common national language and national culture.

Because the nation-state is the most advantageous political unit for the development of the productive forces during the rise of capitalism, nationalism is a basic feature of the outlook of the capitalist class. Nationalist ideology, which propagates the idea that all classes within a given nation have common interests opposed to those of other nations, is a powerful tool for subordinating the class interests of the labouring masses to those of the capitalist class and to the maintenance of capitalist political power.

In the imperialist epoch, the struggle of the oppressed nations for national liberation is reflected in the awakening of nationalist consciousness among the working people of oppressed nations. While socialists are advocates of working-class internationalism, which is based on the recognition of the identity of interests of the workers of all nations, and are therefore opposed to all varieties of nationalist ideology, they differentiate between the nationalism of imperialist, oppressor nations and the nationalism of oppressed nations. Unlike the nationalism of the oppressor nations which is a reactionary instrument for justifying imperialist exploitation and domination, the nationalism of oppressed nations has a democratic content that is directed against imperialist oppression, and it is this democratic content that socialists unconditionally support.

The autonomy of state power in capitalist society is a result of the predominance of private property and capitalist competition, but this same predominance also makes the state's autonomy relative. While transcending the conflicting competitive interests of individual capitalists, the decisions of the capitalist state also affect capitalist competition and influence the overall social distribution of surplus value to the advantage of one or another group of capitalists. All groups of capitalists are therefore forced to be politically active, not just to articulate their own views regarding the collective interests of their class, but also to defend their particular interests. For this reason, in the era of so-called free competition the function of the parliamentary state was to embody the common class interests of the capitalists in a form that gave each group of capitalists an opportunity to defend its sectional interests. From this point of view, parliamentary democracy was the ideal form of the capitalist state. It best reflected the dialectic of unity and struggle between the particular competitive interests of each capitalist and the collective interests of the capitalist class as a whole.

The transition from laissez-faire capitalism to monopoly capitalism altered both the capitalist class's subjective attitude towards the state and the objective role of the capitalist state. In the laissez-faire era, the capitalist class sought to keep the economic

functions of the state to a minimum. Viewing the taxes needed to maintain the state as a waste of surplus value that could otherwise be used for capital accumulation, it sought to limit state expenditures. This policy was reflected in the doctrine of classical liberalism according to which unrestrained competition was the guarantee of individual liberty and social progress.

However, the emergence of monopolies generated a tendency towards permanent overaccumulation in the imperialist countries and a corresponding trend towards export of capital and division of the world into colonial empires. This led to a sharp increase in arms expenditure and the growth of militarism. These trends in turn led to a major expansion of the state apparatus, involving an increased diversion of social revenues to the state. Arms expenditure had a dual function: to provide the means to defend the special interests of each imperialist power against its rivals and against colonised peoples, and to provide an additional source of capital accumulation.

Also contributing to the expansion of the size and expenditures of the capitalist state in the era of monopoly capitalism was the development of social legislation and social expenditures as a concession to the increasing organisational strength of the labour movement. This was a defensive measure designed to buy social stability by ameliorating the worst effects of the capitalist private profit system upon the working people.

While the growth of social expenditures led to a significant redistribution of socially created value towards the state budget, it did not result in a redistribution of national income towards labour and away from capital. Social expenditures were financed by shifting the main burden of taxation onto the working class. At most, this resulted in some redistribution of income within the working class.

At the same time, the growth of social expenditures (expansion of the public health and public transport systems, universal elementary education, public housing projects, etc.) also served the general economic interests of the capitalist class by socialising some of the costs of reproducing labour power and providing workers with the basic skills needed to perform increasingly complex production tasks.

Under monopoly capitalism, the growing strength of the workers' movement in the advanced capitalist countries lent further urgency and scope to the integrative role of the capitalist state. Decisions to grant steadily wider layers of workers the right to vote in parliamentary elections reflected both the growing strength of the working class and a recognition by the capitalist rulers that parliamentary elections could perform an ideologically integrative function. To the illusion of equality of worker and capitalist under bourgeois law, the extension of the parliamentary franchise to wage earners added the illusion of equality as voters. But with the extension of the parliamentary franchise to the working class, parliament lost much of its role as the real centre of political power in capitalist society. It retained this role only so long as it was elected solely by the capitalist class.

With the extension of the franchise, real political power shifted increasingly to the unelected upper levels of the state machine — to the permanent secretaries of the state administration, the heads of the military forces and police, judges appointed for life, etc.

Its methods of recruitment, its selectivity and career structure, its hierarchical methods of organisation, all help to ensure that the state apparatus serves the interests of big capital. The capitalist state's top officials are either drawn from capitalist families or earn salaries that enable them to accumulate capital, giving them a personal interest in the defence of the private-property system and the smooth running of the capitalist economy.

The decline of parliament's role as the centre of political power in capitalist society also corresponded to the concentration of capitalist economic power in the hands of a small number of monopoly corporations with interlocking boards of directors. The major owners of capital no longer needed a representative institution to work out policies that suited their common interests. This task could henceforth be accomplished within the boardrooms of the monopolies, in business associations, in exclusive clubs, and in specialised policy-making councils.

For the working class, capitalist parliamentary democracy is the most favourable form of capitalist rule. Compared to more repressive forms of capitalist rule, the parliamentary form permits the freest development of the workers' struggle against capitalist domination. At the same time, during prolonged periods of capitalist prosperity, capitalist democracy is able to limit the development of workers' political consciousness by inculcating the liberal doctrine of reliance on gradual improvements to the workers' conditions of life achieved through parliamentary legislation and appeals to the supposedly impartial judicial system.

One of the major ideological campaigns of the capitalist class is its propagation of the myths that there can be no political freedom without capitalist parliamentary democracy, and that there can be no individual freedom without capitalist private property. Central to the socialist critique of capitalist parliamentary democracy and capitalist property is the understanding that both sharply restrict political and individual freedom for the vast majority.

In the first place, capitalist parliamentary democracy is based on exclusion of the working people from participation in the administration of the state. Under the parliamentary system working people participate as atomised and essentially passive individuals whose "power" is restricted to putting a voting paper in a ballot box every three or four years. Formally, decisions are made by a tiny number of elected persons (parliamentarians and local councillors). In reality, the actual power of administering the state is concentrated in the hands of unelected, permanent officials (the bureaucracy of the capitalist state).

Secondly, capitalist parliamentary democracy is based on formal equality in the exercise of legal and political rights. As the practical exercise of these rights presupposes access to powerful material resources, only the rich can fully enjoy them. The inequality of property under capitalism — the monopolisation of the decisive means of production and

communication by the capitalists — ensures that the wage-earning majority are denied the material resources necessary for the practical exercise of their democratic rights.

Finally, even the most advanced capitalist parliamentary democracy does not permit the masses to have a say in the most decisive areas of their lives. There is not the slightest democracy within capitalist enterprises. For the greater part of their waking lives workers are subject to the despotic power of the owners of these enterprises, their appointed managers and supervisors. Within the hierarchically structured division of labour of capitalist businesses, the bosses give orders and the workers must carry them out. A corporation has the full legal right to shut down an enterprise or shift its location without consulting its workers and without regard to the adverse social effects of such decisions. The existence and influence of the trade unions is the sole check upon the arbitrary power of the employers, who resist any encroachment on their managerial prerogatives.

The anarchic laws of the capitalist market and the fluctuations of the capitalist business cycle are far more powerful than parliamentary elections in shaping the daily lives of working people. While the capitalists run their businesses autocratically, they do not have control over their economic system, which operates blindly and convulsively. The capitalist system periodically deprives large numbers of workers of their livelihood, condemns a substantial section of the population to live in permanent poverty, and subordinates all aspects of the lives of the majority to the irrational and anti-social consequences of the capitalists' drive for private profit.

A system in which the vast majority of people have no control over the most important decisions and actions of the government, the economy, their material well-being, or the course of their lives, cannot be considered genuinely democratic. In reality, it is a dictatorship of the capitalists disguised by democratic forms.

### **Imperialism and the struggle for socialism**

Imperialist capitalism integrates the productive forces of the world economy, centralises the means of production under the command of a few hundred giant corporations, socialises labour on a gigantic scale, polarises the class structure of the advanced capitalist countries between an overwhelming majority of wage earners and a handful of super-rich monopolist families, and thus creates the economic and social prerequisites for the socialist revolution.

The class struggle loses its previous character of isolated actions by small groups of workers, and takes on national and international dimensions. To the struggle of the working people of the advanced countries against the concentrated forces of monopoly capital is added the national liberation struggle of the colonial and semi-colonial peoples against imperialist domination.

In the imperialist epoch, the national liberation movement of the oppressed peoples of the colonial and semi-colonial countries is an integral part of the international movement for socialism. While the objective tasks of the national liberation struggle (political and

economic independence and agrarian reform) reflect the needs of capitalist development in these countries, such development is blocked by imperialist domination.

Socialists support the right of oppressed, colonised nations to national self-determination, that is, to choose whatever political relations with the colonial power they believe are necessary to end their national oppression, including the formation of an independent nation-state. However, the mere winning of formal political independence by the oppressed nations cannot end their national oppression since this stems from imperialist control of their economic life.

The indigenous capitalist class, while favouring steps to improve its position in relation to imperialism, is unwilling to lead a consistent struggle against imperialist domination because of its dependence on foreign capital. The economic measures required to promote rounded capitalist development in the Third World (expansion of the domestic market and effective protection of local industry) also conflict with the interests of the semi-colonial capitalist class:

- Expansion of the domestic market requires an end to the burden of excessive debts and taxes on the peasantry and an end to hoarding and squandering by the landlord-usurers of the social surplus product created by the peasantry. This can only be achieved through a radical agrarian reform that abolishes landlordism and hands over land to the tillers. However, due to its close connections with the big landowners (often they are one and the same) the semi-colonial capitalist class is hostile to such agrarian reform.
- Effective protection of domestic industry from the competition of cheaper commodities produced in the imperialist countries requires the creation of a state monopoly of foreign trade. But the nationalisation of foreign trade is not in the interests of those sectors of the indigenous capitalist class that derive their profits from the import-export trade.

Given the failure of the indigenous capitalists to consistently carry through the tasks of the national-democratic revolution, it is not uncommon for elements drawn from the petty bourgeoisie to seize political power in Third World countries. Often this takes the form of a military coup by lower-ranking military officers. Such governments (e.g., Peron in Argentina, Nasser in Egypt, Ne Win in Burma, the Baathist regimes in Syria and Iraq, etc.) sometimes challenge imperialism quite boldly and carry out some radical reforms (e.g., nationalisation of industry and banking). However, while claiming to represent the masses such regimes fear the independent mobilisation of the workers and peasants, exclude them from any real power, and often suppress their independent class organisations.

These petty-bourgeois nationalist regimes do not dismantle the capitalist state machine, but simply restaff it with new personnel. The management of the nationalised enterprises is placed in the hands of the officers, their relatives and friends, who use their bureaucratic posts to enrich themselves through corruption and to establish private businesses. As a result, the way is paved for the emergence of a new layer of capitalists

which, while stronger than the one it suppresses, remains in a semi-colonial relationship to imperialism.

The complete and lasting attainment of the goals of national liberation in the Third World can only be carried out by an anti-imperialist movement based on an alliance of the working class and the peasantry, that transfers power to a revolutionary-democratic government and destroys the capitalist state apparatus.

While bourgeois nationalist forces may be part of such a movement, historical experience has shown that the national liberation movement will not succeed if these forces enjoy political hegemony within it, or if the revolutionary-democratic forces subordinate the mobilisation of the worker-peasant masses to the goal of maintaining bourgeois nationalists within the anti-imperialist alliance.

The creation of a revolutionary-democratic government resting on the mobilised power of the worker-peasant masses can open the possibility of bypassing the "normal" process of capitalist development through the growing over of the national-democratic revolution into a socialist revolution. The possibility of pursuing a non-capitalist path of development in a Third World country, and the pace of transition from purely national-democratic tasks to the tasks of socialist construction, is dependent on a number of factors, in particular:

- The level of consciousness, mobilisation and organisation of the working people, particularly the working class and the poor, semi-proletarian majority of the peasantry.
- The level of socio-economic development already attained in the country prior to the coming to power of the workers and peasants' government. The more backward the socio-economic structure, the longer will be the national-democratic stage, the greater will the need be to employ capitalist economic forms (free market for small commodity producers, concessions to foreign capitalist investors, etc.) while developing a state-capitalist sector (private capital operating on state contracts, joint ventures between the workers' state and foreign capital, etc.) and a strictly socialised sector (enterprises owned and operated by the workers' state).
- The amount of technical assistance, economic aid and trade that can be obtained from industrially developed socialist states.

While imperialism continues to dominate the most developed sectors of the world economy the task of constructing socialism in any underdeveloped country will be extremely difficult, being subject to the constant threat (or actuality) of imperialist military intervention, economic blockade, and counter-revolutionary pressure. The ability of a workers' state in an underdeveloped country to advance along the road of constructing socialism therefore depends on advances in the world revolutionary process, above all on victorious socialist revolutions in the more industrially developed countries. On the other hand, revolutionary victories in the underdeveloped countries can provide a

powerful impetus to the development of mass anti-capitalist movements and consciously revolutionary forces in the imperialist heartlands.

To defend its domination in the face of the growing strength of the forces arrayed against it, monopoly capital imposes increasing state control on the working-class movement in the imperialist countries. In these conditions, every significant action in the interests of the working class becomes an action against the power of the capitalist state, that is, a political act.

At the same time, monopoly capital seeks to weaken working-class consciousness and organisation by systematically granting privileges to certain sections of the working class (usually to skilled, white, males) while institutionalising discrimination against others (for example, women, non-white and young workers). Because of their position in the world market (greater technical development, the export of capital to countries with a higher rate of profit, etc.) and their plundering of the colonies and semi-colonies, the monopolists of the imperialist countries obtain colonial superprofits, a portion of which they use to grant higher than average wages and more secure conditions of employment for a small section of the working class. This relatively privileged layer of workers (what Engels and Lenin called the "aristocracy of labour") is the main social base for liberal and opportunist prejudices within the working class.

The restricted character of democracy under capitalism creates the tendency for the full-time functionaries of mass workers' organisations to become bureaucrats, that is, privileged officials divorced from the mass of working people who identify their interests with the maintenance of the social status quo, and who represent themselves as defenders of the benefits enjoyed by the labour aristocracy. The capitalist state in the imperialist countries actively promotes and seeks to consolidate this tendency by offering political privileges and sops for conservative trade-union officials and their liberal parliamentary collaborators. This systematic bribery has its most striking reflection in the class-collaborationist outlook and practice of the trade union functionaries and parliamentary representatives of the Social-Democratic "workers" parties.

Beginning with their support for their "own" imperialist governments in World War I and their active opposition to the postwar revolutionary upsurge (including supporting imperialist intervention in Soviet Russia and the murder of revolutionary leaders in Germany), the Social-Democratic parliamentary and trade union leaderships have repeatedly shown themselves to be direct agents of capitalist influence within the organised workers' movement, and stalwart supporters of the rule of the imperialist bourgeoisie.

To overthrow the imperialist ruling class it will be necessary for the working class in the advanced capitalist countries to replace the present procapitalist leaders of the labour movement with leaders genuinely committed to defending the interests of working people. How this can be done was first demonstrated by Lenin and the Russian Bolsheviks.

The prevalent view in the Social-Democratic movement prior to World War I was that a workers' party should be an all-inclusive formation embracing socialists with diverse views about the party's program and without any requirement to actively participate in its work. As later events showed, this was a formula for an amorphous movement that was susceptible to bureaucratic manipulation by opportunist trade-union and parliamentary leaders, and which was incapable of providing revolutionary leadership to the working class.

By contrast, Lenin counterposed the perspective of building a party of revolutionary activists adhering to Marxist principles, in which policy decisions were made on the democratic basis of majority rule and tested out by the united action of the entire membership. Under Lenin's leadership, the Bolsheviks created a large tested nucleus of worker-cadres that was able, in the revolutionary situation in 1917, to grow into a mass party that led the Russian working class in a successful struggle for political power.

### **From the first to the second stage of the general crisis of capitalism**

The contradictions inherent in the imperialist stage of capitalism exploded in the first inter-imperialist world war (1914-18). The outbreak of the war followed the end of a twenty-year period of accelerated capitalist economic growth, and the onset of a deep structural crisis characterised by stagnation of the world market, and a sharp decline in the average rate of profit.

Through the war, the Central European imperialist powers (Germany and Austria-Hungary) sought to compensate for the onset of the crisis by redividing colonies and spheres of influence at the expense of the Anglo-French imperialists. However, the main outcome of the war was an acceleration of the general crisis of capitalism.

The economies of the defeated Central European powers were temporarily shattered, while those of the victorious Anglo-French powers were so weakened that they became financially dependent on United States imperialism — the only power to emerge economically stronger from the global conflagration. Meanwhile, the imperialist chain was broken at its weakest link by the first successful socialist revolution — the Russian Revolution of 1917.

Under the leadership of the Bolshevik party (later renamed the Communist Party) the Russian working class overthrew the unelected Social-Democratic government of Aleksandr Kerensky on November 7, 1917, transferring power to the popularly elected councils (soviets) of workers', soldiers' and peasants' deputies that had arisen out of the mass revolutionary upsurge at the beginning of 1917. The new Soviet government immediately began to dismantle the repressive apparatus of the capitalist state (army, police, judiciary) replacing it with a new workers' and peasants' army and elected people's courts. It mobilised the Russian masses to sweep away the semi-feudal relations in the countryside, to bring the big capitalist industries and banks under the control of the workers, and to end the oppression of the non-Russian nationalities by recognising their national rights, including their right to form independent nation-states.

The deprivations caused by the First World War, combined with the hope inspired by the Russian Revolution, sharpened the class struggle in the imperialist states, and this struggle erupted into open revolutionary mass action in a number of European countries, with a substantial part of the working class seeking to emulate the Bolshevik example. However, due to the counter-revolutionary role of the Social-Democratic parties and the inexperience of the newly formed Communist parties, these revolutionary struggles were unsuccessful, leaving the Russian Revolution isolated in the face of a hostile capitalist world.

For three years the newly formed Soviet workers' state had to defend itself against a civil war unleashed by the deposed capitalists and landlords, backed up by the intervention of the major imperialist powers. With the support of the majority of the workers and peasants, and assisted by a powerful antiwar movement in the West, the Bolsheviks won the civil war in Russia, but at a tremendous cost: An already backward economy was brought to the brink of collapse and large numbers of the most politically conscious workers were killed.

Lacking any aid from victorious revolutions in the more advanced countries, in order to rehabilitate the Russian economy the Bolsheviks were forced to partially restore capitalism through the "New Economic Policy" (permitting the private buying and selling of the peasants' surplus product, leasing of nationalised enterprises to private capital, introducing competition for profit within the state-owned industries). They were also forced to rely upon the administrative and technical skills of former tsarist officials and capitalist managers (who could only be induced to serve the Soviet state by being granted high salaries and privileged access to scarce consumer goods).

Owing to the overwhelming weight of the peasantry, the numerical and cultural weakness of the working class, and the absorption of most of its leading cadres into the state apparatus, the Communist party itself became increasingly bureaucratized. The authoritarian methods and petty-bourgeois outlook of the state bureaucracy were increasingly reflected by a section of the Communist party that grouped itself around Joseph Stalin, the head of the party's administrative apparatus. In the years following Lenin's death in 1924 the Stalinist bureaucracy consolidated its control over the Communist party, strangling soviet and party democracy, imprisoning and eventually murdering the great majority of the leaders and cadres of the Bolshevik party who had served under Lenin.

The conservative and narrowly nationalistic outlook of the Stalinist bureaucracy was given expression in Stalin's theory that the construction of socialism could be completed in one country — the Soviet Union — without revolutionary victories in the more industrially developed imperialist countries.

Exploiting the prestige of the Russian Revolution and the theoretical weakness of most of the cadres of the newly formed Communist parties throughout the world, the bureaucracy in the USSR won acceptance of this theory and was able to impose its bureaucratic methods on the international Communist movement. In the eyes of the Stalinist

bureaucracy, the function of the foreign Communist parties was not to lead anti-capitalist revolutions but to act as auxiliary instruments for the bureaucracy's foreign policy goals by exerting pressure upon "their own" capitalist governments.

The revolutionary upsurge that swept central and eastern Europe between 1917 and 1923 found its clearest expression in the Russian Revolution. The ebb in the revolutionary mass movement after the failure of the German revolution in October 1923 found its expression in the victory of the Stalinist bureaucracy in the USSR.

While capitalist rule was stabilised in Europe after 1923, the postwar upsurge of labour struggles blocked the attempts of the victorious imperialist powers to resolve capitalism's structural crisis by imposing a sharp increase in the rate of exploitation of wage labour. Consequently, in the two decades after the world war, the international capitalist system was paralysed by a prolonged economic depression. Rates of profit declined, the productive forces stagnated, and mass unemployment became permanent. World trade contracted as each imperialist power sought to defend itself from foreign competitors by erecting a wall of tariffs around its shrinking domestic market. The capitalist business cycle was marked by short-term speculative booms followed by slumps of increasing scope and depth (1921-23, 1929-33, 1937-39), in which social contradictions became explosive.

In the 1930s revolutionary situations emerged in a number of imperialist countries. However, the class-collaborationist policies of the Social-Democratic labour bureaucracy, and the opportunist policies imposed on the Communist movement by the Stalinist bureaucracy in the USSR, restricted the ability of the working class to fight the capitalist counter-offensive. As a result, serious defeats were inflicted on the workers' movement.

The most devastating of these defeats was the victory of fascism in Germany in 1933. The inability of the German working class to take decisive action to resolve the capitalist crisis — due to the paralysing misleadership of the Social-Democratic and Communist parties — led to demoralisation in the working class and to a loss of confidence in working-class leadership among the urban middle classes, which had been ruined by the 1929-33 economic slump. With the backing of the big capitalist monopolies, the German fascists were able to use anti-capitalist demagogy to mobilise desperate middle-class elements, and even some demoralised sections of the working class, to destroy all mass working-class organisation and resistance.

Through physical and psychological terror, Adolf Hitler's fascist regime atomised and demoralised the German working class to such an extent that any form of collective defence became impossible. The Nazis' prohibition on changing jobs even blocked workers' individual attempts to achieve modest improvements in their wages through job mobility. In these conditions, the German capitalist class was able to significantly increase the rate of exploitation of wage labour, more than doubling its collective profit within five years of the Nazi victory.

Having employed fascist totalitarianism to impose "social peace" and austerity at home, German imperialism was driven inexorably to wage war abroad for new markets, new sources of raw materials, and new fields for investment of its abundant profits. The Nazi regime sought to break the division of the world arising out of the First World War embodied in the Versailles treaty. The aim of the Nazis was the forcible reorganisation of Europe under the hegemony of German monopoly capital as a first step towards world domination. Central to this objective was the conquest and colonial subjugation of the peoples of the Soviet Union.

The Second World War, the most destructive in human history, arose out of sharpening inter-imperialist competition, but soon became the most titanic and fiercest class conflict the world has ever witnessed, pitting Nazi Germany and its allies against the bureaucratised Soviet workers' state and the working people of Nazi-dominated Europe. The inter-imperialist struggle between Germany and the Anglo-American powers was a secondary aspect of the war, with the US imperialists subordinating their own plans for war against the USSR to the immediate objective of securing Wall Street's economic and military hegemony within the capitalist world.

The Second World War climaxed the first stage of the general crisis of capitalism and opened its second stage. The victory of the Soviet Union over fascist Germany and militarist Japan, together with the weakening of the main European colonial powers (Britain, France, the Netherlands, Belgium), dealt a major blow to the stability of the world imperialist system. This gave powerful impetus to the struggles of the oppressed nations of Asia and Africa to throw off colonial rule and imperialist exploitation. Capitalism in Europe faced imminent collapse under the combined pressures of economic chaos and mass insurgency.

In the face of the postwar social explosion, US imperialism, which had emerged from the war as the dominant capitalist power, launched a counter-offensive with three main goals:

1. To restabilise capitalism in Europe (the Marshall Plan).
2. To limit the anti-imperialist upsurge in the colonial world by accepting formal independence while maintaining imperialist economic and political domination (neo-colonialism).
3. To block new socialist revolutions and create the military and political conditions for destroying the USSR (the Cold War doctrine of "containment and rollback of communism").

This reactionary offensive met with mixed results:

- Aided by the class-collaborationist policies of the Stalinist labour leaders in Western Europe, Washington was able to block the revolutionary dynamic of the anti-fascist movement in Western Europe and stabilise capitalist rule there.

- Through covert operations, fostering of bourgeois nationalists, and use of economic and military pressure to force the European imperialist powers to make concessions, Washington limited the impact of the disintegration of the colonial system. During the first two decades after the Second World War, in most of the colonies imperialism successfully channelled the national liberation movement in neo-colonial directions.
- The overturns of capitalism in Eastern Europe under the military protection of the USSR, rapid recovery of the Soviet economy from the devastation wrought by the fascist invasion, the USSR's breaking of the United States' nuclear weapons monopoly, and the victory of the Chinese Revolution, forced Washington to postpone its plans to "roll back communism."

### **Late monopoly capitalism**

After the postwar collision of the forces of revolution and counter-revolution, capitalism found itself denied access to a third of the world's population. Nevertheless, world capitalism survived the massive postwar contraction of its market, and in fact the imperialist powers entered a prolonged period of economic expansion in which new contradictions were added to those characterising the first phase of imperialist, monopoly capitalism.

### **The third stage of the general crisis of capitalism**

The new crisis — more precisely, the third stage of the general crisis — erupted because of the exhaustion of the exceptional factors that had produced the long boom:

- The accumulation of profits during the boom had increased the organic composition of capital.
- Capitalist world markets had been saturated.
- The working class in the imperialist countries had been able in the boom period to increase its standard of living and restrain the growth of the rate of exploitation.

Today, the capitalist business cycle continues to alternate between recession and relative prosperity, but the downturns are longer and deeper, the upturns shorter and more feeble. Between corresponding phases of succeeding cycles there is a substantial, and often irreversible, increase in the level of unemployment and poverty. The general trend is one of long-term decline, with real growth rates in the world capitalist economy falling from an average 4.9% per year in the 1960s to 3.8% in the 1970s, to 2.7% in the 1980s, and to just over 1% in the 1990s.

The new depression has continued and deepened because the contradictions underlying it have not been resolved.

On an international scale, the accumulation of capitalist profits greatly exceeds the opportunities for profitable productive investment. These vast sums are therefore

employed in unproductive fields such as currency, real-estate and stockmarket speculation, leading to wild fluctuations and permanent instability in exchange rates, and real-estate and share prices.

Throughout the 1970s and '80s, the stagnation of productive investment encouraged the banks to lend billions of dollars to borrowers whose ability to repay was more and more questionable. Already overburdened countries of the Third World multiplied their debts. In imperialist countries awash with surplus capital, the average corporate debt increased steadily. The easy availability of credit allowed actually insolvent firms to avoid confronting reality by taking out new loans. Consumer credit also was steadily inflated in a deliberate policy aimed both at providing employment for excess capital and at expanding stagnant markets.

Rather than solving the problems facing the system, this accumulation of debt has multiplied them:

Firstly, the ability of less efficient companies to survive one cyclical recession weakens the following recovery by reducing demand for capital goods. It also increases the scale of overproduction in the subsequent recession. Consequently, larger and larger doses of credit inflation are required to achieve the same anticyclical effect. To bring the United States out of the 1980-82 international recession, for example, the Reagan administration had to convert that country from the world's largest creditor to the world's biggest debtor. By the time of the 1990-92 international recession the massive growth in public debt and permanent budget deficits had severely restricted the means available to imperialist governments to stimulate an economic upswing. In an attempt to overcome their financial crisis, imperialist governments have sought to find money through the privatisation of public assets. This short-term "solution" however only reduces their room for manoeuvre in the long term.

Secondly, expansion of world trade is seriously restricted by the instability of exchange rates created by differing degrees of credit inflation in the major imperialist countries. At a time when capitalist production is more internationalised than ever before, the system demands, but cannot create, a stable international currency.

Thirdly, debt itself has become a growing element of the crisis. As it becomes obvious that increasing numbers of debtors (and not only in the underdeveloped countries) are incapable of repaying loans, the banks with the greatest exposure are themselves threatened. The failure of a major bank could easily set off a chain reaction and destroy the whole international capitalist financial system.

The longer the economic depression lasts, the more it increases inter-imperialist competition and promotes the formation of international trading blocs. Increasing protectionism results from the battle to increase each country's or trading bloc's share of stagnant markets, and this further restricts markets.

Unable to increase their markets, the Third World countries sink ever deeper into debt and come under increased pressure to reduce already miserable living standards in order to protect imperialist banks. At the same time as imperialist domination becomes more unbearable, imperialism's internal contradictions restrict its ability to use military force against anti-imperialist movements. The intensification of austerity and the sharpening of social contradictions prevent the creation of the domestic social peace necessary for a prolonged colonial war. US imperialism in particular still suffers from the political constraints imposed by mass opposition to the direct use of US troops in a prolonged war in the Third World resulting from its defeat by the Vietnamese Revolution (the so-called Vietnam Syndrome). To this is added the contradiction that the militarily strongest imperialist power has lost its economic hegemony within the imperialist camp.

There is no quick and easy capitalist solution to the present long-term economic depression (which is already 20 years old), and for the working class and its allies, any capitalist solution would be catastrophic:

- In an age of nuclear weapons, any attempt to redivide the world market between the various imperialist powers through the traditional mechanism of war could devastate the entire planet. A world war is therefore not an immediate answer even for the most deranged imperialist strategists.
- A qualitative increase of technological innovation in the production of the goods and services that constitute the value of labour-power could massively increase the rate of surplus value while expanding markets (by enabling these goods to be produced and sold more cheaply). However, it would involve an equally massive devaluation of existing capital and an equally massive increase of unemployment, leading to a rapid acceleration of social and political instability throughout the capitalist world.
- A sudden, substantial increase in the rate of surplus value through brutal reductions in the direct and indirect income of working people would require a massive attack on the democratic rights of the working class in the imperialist countries. However, such a policy would, in the context of the existing balance of social forces in the imperialist countries, run the risk of provoking a deep-going social and political crisis that could seriously challenge the survival of capitalist rule.

Failing these "solutions", the only option left to the imperialist rulers is a continuation of the policy they have been pursuing for the last two decades (with some success due to the near-total capitulation of the labour bureaucracy) — slow but remorseless reductions in the direct and indirect income of working people. However, this policy is insufficient by itself to raise the rate of profit. While it boosts the total amount of surplus value being produced, at the same time it decreases the purchasing power of the working people and thus restricts the possibilities for realisation of surplus value through the sale of goods. The extra surplus value gained through austerity measures is therefore not channeled back into the production of surplus value, but rather into an enormous expansion of speculative activities (and their inevitable accompaniment — corporate and political

corruption). The result is an increase in the instability of, and a decline of public confidence in, the whole capitalist system.

The inability of the imperialist rulers to find a way out of the crisis and the increasing divisions among them lead to a growing crisis of capitalist political leadership — to a loss of confidence within the ruling class in its ability to rule and to a loss of credibility in capitalist political leadership within the general population.

The prolonged depression of the international capitalist economy precludes social and economic concessions to working people on a scale sufficient to close their minds to radical ideas. To the contrary, imperialist capitalism's real economic prospects — continuing decline, sudden shocks and unexpected breakdowns, growing chaos — make it increasingly difficult for the imperialist rulers even to maintain concessions granted in the past. In these circumstances the implementation of a program that could block the radicalisation of working people — a program of extensive and effective long-term capitalist reform — is excluded. The road ahead is one of increasing class polarisation, sharpening dissatisfaction among the working class and its potential allies, and their growing recognition of the need for radical social change.

The postwar capitalist boom — in fact an expansion largely excluding the underdeveloped capitalist countries — was the product of conditions created by the Second World War and the long depression that preceded it. The working class in the imperialist countries had suffered numerous defeats in this period. The rise of fascism in Europe was the most severe of these setbacks, but throughout the imperialist countries there had been prolonged mass unemployment, attacks on working-class gains of the past, and savage cuts in living standards. Capital thus entered the postwar period enjoying a greatly increased rate of exploitation of labour, which was the basis for a substantial rise in the average rate of profit.

Ten years of economic stagnation, followed by the physical devastation of Europe and Asia in the war, had reopened capitalist markets for both consumer and producer goods. Massive military spending, particularly by the United States, provided a vast additional market, usually with guaranteed profits.

Within the imperialist camp the dominance of the United States (a dominance based as much on its huge internal market and intact industry as on its military strength) made the US dollar the relatively stable currency required for the expansion of international trade.

Finally, the moral and physical destruction of capital during the depression and in the war had sharply reduced the total of social capital on a world scale. The resultant decline in the average organic composition of capital led to a rise in the average rate of profit.

In these circumstances, technological innovations (often byproducts of wartime and Cold War military research) could easily be adopted by capitalist industry. The resulting rises in productivity increased relative surplus value even despite gradual rises in real wages,

which in turn helped to strengthen capitalist ideological hegemony over the working class in the imperialist countries.

Technological progress also increased profit rates by reducing the value of raw materials in two ways: Through greater efficiency in the production of traditional raw materials, and by the replacement of natural raw materials with synthetics.

Increasing mechanisation of the production of raw materials initiated a process of partial industrialisation in a number of Third World countries. This, in turn, created markets for imperialist producer goods in these countries. However, by reducing the amount of immediate labour required, mechanisation began to undermine one of the main motives of imperialist investment in the Third World, namely low wages. As the cost of labour power became a smaller percentage of total costs in these industries and the required scale of fixed investment increased, wages became less important and political stability more important in imperialist calculations. Capital exports were therefore redirected to other imperialist countries.

Combined with the ongoing export of imperialist profits, this drying up of new capital investments prevented any generalised process of economic takeoff in the Third World. Even in the most fortunate of the neo-colonial economies (South Korea, Taiwan), the industrialisation that has occurred has been poorly integrated with the rest of the economy, while the profits it has generated have overwhelmingly been repatriated to the imperialist centres. Such distorted development does not generate a multiplier effect comparable to that which would follow similar investment in a developed country.

The great majority of Third World countries have not experienced industrialisation that would even reduce, let alone overcome, the vast difference in labour productivity between them and the imperialist countries. On the contrary, the productivity differential has increased, a process reflected in the worsening terms of trade for most Third World products and the increasing gulf between rich and poor nations. Some countries that borrowed heavily to purchase producer goods in the hope that these would bring development now face debts so massive that they will never be able to repay them.

These changing patterns of capital export during the 25-year postwar boom made transnational corporations an increasingly powerful sector of the world capitalist economy. With investments and production processes often scattered over dozens of countries, the transnational company gains insuperable advantages over less internationalised competitors through economies of scale, transfer pricing, knowledge of markets, access to credit and ability to circumvent national taxes, tariff policies and other forms of regulation.

The transnational monopolies' global reach makes them particularly well placed to reap the superprofits available from technological innovation. By their very nature, technological rents — a major source of superprofits in late monopoly capitalism — are transitory, lasting only so long as no significant percentage of the industry has caught up with the innovator. Through its presence in multiple national markets, the transnational

can maximise the benefits of its own innovations and reduce, or share in, the rents of competitors.

The competition for superprofits between transnational monopolies largely accounts for the fact that their rise is accompanied by a growing tendency for innovation to become an end in itself. The competitive drive within earlier, laissez-faire capitalism was to revolutionise the means of production in order to produce commodities more cheaply. The same drive reappears in late monopoly capitalism as a compulsion to increasingly irrational innovation, in which new products become technologically obsolescent even before the demand for them has been met, or in which the new product is oversupplied from the very start because the market expects it to be superseded immediately by a further innovation. Shortages, superprofits and feverish expansion in particular branches of industry thus coexist with permanent overcapacity, declining profit rates and a tendency to overall stagnation.

Continuous technological innovation accentuates the parasitic character of monopoly capitalism. Increasing application of automated production techniques — aimed at lowering the costs of production by radically increasing labour productivity — reduces the place occupied by the direct producers in important branches of industry. At the same time there is a marked growth in the proportion of social capital and labour devoted to distribution and sales, with a massive growth in selling costs (advertising, unnecessary and extravagant packaging, etc.).

Under conditions of semi-abundance created by rising labour productivity, monopoly capitalist competition becomes increasingly directed into a struggle not for producing but for realising surplus value thus pushing the contradictions of capitalism to the point of absurdity. Instead of freely distributing the wealth created by the rise in labour productivity, instead of making it the foundation for a free development of the human being, late monopoly capitalism is forced to promote an artificial organisation of want amid material plenty through manipulative advertising aimed at the dishonest creation of a feeling of dissatisfaction among consumers. Instead of freeing people from the centuries-old obsession with securing the material necessities of life, semi-abundance under late monopoly capitalism results in the increasing enslavement of people to consumer products (moreover, products of mediocre quality and dubious use-value).

The rise of transnational monopolies as the dominant form of capitalist firm in the period of late monopoly capitalism is an expression of the fact that humanity's productive forces have developed to the point that they can no longer be used efficiently within the confines of a single nation-state, even a very large one. But because capitalism has not yet been overthrown in the imperialist countries, this outgrowing of the national state has led, paradoxically, to the concentration and centralisation of the powers of the imperialist state, and to an extension of its economic functions.

In the late monopoly capitalist period, the imperialist state has become an indispensable instrument for guaranteeing the profits of the monopolies. The shortening of the turnover time of fixed capital, the acceleration of technological innovation, and the enormous

increase in the costs of major capital accumulation projects due to continuous technological innovation, increase the risks of any delay or failure in the recovery of profits from these projects. In these conditions, the realisation of profit by the monopolies — and not just the average profit, but the superprofits that they regard as their right — no longer depends on the mere working of the "laws of the market." The capitalist state's economic policy must counteract these laws when their operation threatens the profits of the monopolies (for example, by imposing wage controls during periods of high or rising employment).

This intervention of the imperialist state into the capitalist economy gives rise to state monopoly capitalism, that is, capitalism characterised by close cooperation between the monopolies and the imperialist state. This close cooperation is not at all the result of the submission of monopoly capital to the state. On the contrary, it expresses the submission of the capitalist state to the monopolies, achieved largely by increasing fusion of the leading personnel of the state and the heads of the monopoly corporations.

This personal union is most fully expressed in the growth of state capitalist enterprises, that is, so-called public sector enterprises. While formally owned by the state, these enterprises are dominated by representatives of the private sector. Their boards of directors are made up largely of directors of private monopolies.

The role of government-run enterprises is to increase the rate of profit of the private monopolies by socialising and reducing the costs to these monopolies of the supply of electric power, rail freight, telecommunications, etc.

The nationalisation of unprofitable essential sectors of the economy serves the same end. This phenomenon often goes hand in hand with the privatisation of government enterprises made profitable through enormous capital investments by the state. In both cases it is a matter of nationalising the losses and subsidising the profits of the private monopolies.

Aside from direct and indirect subsidies to the monopolies and the use of state power to curtail independent organisation of the working class, imperialist state intervention in the period of late monopoly capitalism takes the form of manipulation of the economy in the interests of big capital. While the postwar boom lasted, there was a widespread misconception (widely accepted in the working class as well as elsewhere) that the boom was the *result* of wise policies on the part of governments, which had learned (from the British economist, John Maynard Keynes) how to even out the business cycle and suppress the other fundamental contradictions of capitalism. In reality, the most that capitalist economic nostrums could achieve — even in a period of expansion prepared by nearly two decades of depression, fascism and war — was to force the eruption of capitalism's contradictions into new forms.

In the 1950s and '60s, Keynesian policies did moderate recessions, which would in any case have been relatively mild even without intervention because of the underlying factors explained above. By creating artificial markets (directly through state orders, such

as for military equipment, and/or indirectly through an increase in the supply of money or credit), the state made it possible for monopolised industries to go through the downturn without reducing prices. In weaker or more competitive branches, such artificial demand permitted the survival of companies that otherwise would have faced bankruptcy.

The cost of this, hidden at first, was permanent inflation. The longer the boom lasted and the more successful was state intervention in preventing major recessions, the more overproduction and overcapacity accumulated from one cycle to the next. At the same time, the increasing monopolisation of the capitalist economy made it easier for large corporations to absorb artificially increased purchasing power by raising prices instead of by increasing production. Larger and larger doses of money or credit became necessary to achieve even minimal anticyclical effects.

By the late 1960s, these contradictions had accumulated to the point that Keynesianism yielded only stagflation — the phenomenon of prices continuing to rise throughout a recession. The pace of inflation began to disrupt international trade, particularly after it forced the abandonment in 1971 of the postwar Bretton Woods agreement that had placed international finance on the gold exchange standard backed by the US dollar.

Fears of runaway inflation became a factor that led corporations to restrict investment and production. The arrival of the first postwar worldwide recession in 1974-75 announced the end of the long boom. Monopoly capitalism's accumulating contradictions, forced underground for a time, had resurfaced with a vengeance.

### **The third stage of the general crisis of capitalism**

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Throughout the 1970s and '80s, the stagnation of productive investment encouraged the banks to lend billions of dollars to borrowers whose ability to repay was more and more questionable. Already overburdened countries of the Third World multiplied their debts. In imperialist countries awash with surplus capital, the average corporate debt increased steadily. The easy availability of credit allowed actually insolvent firms to avoid confronting reality by taking out new loans. Consumer credit also was steadily inflated in a deliberate policy aimed both at providing employment for excess capital and at expanding stagnant markets.

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There is no quick and easy capitalist solution to the present long-term economic depression (which is already 20 years old), and for the working class and its allies, any capitalist solution would be catastrophic:

- In an age of nuclear weapons, any attempt to redivide the world market between the various imperialist powers through the traditional mechanism of war could devastate the entire planet. A world war is therefore not an immediate answer even for the most deranged imperialist strategists.
- A qualitative increase of technological innovation in the production of the goods and services that constitute the value of labour-power could massively increase the rate of surplus value while expanding markets (by enabling these goods to be produced and sold more cheaply). However, it would involve an equally massive devaluation of existing capital and an equally massive increase of unemployment, leading to a rapid acceleration of social and political instability throughout the capitalist world.
- A sudden, substantial increase in the rate of surplus value through brutal reductions in the direct and indirect income of working people would require a massive attack on the democratic rights of the working class in the imperialist countries. However, such a policy would, in the context of the existing balance of social forces in the imperialist countries, run the risk of provoking a deep-going social and political crisis that could seriously challenge the survival of capitalist rule.

Failing these "solutions," the only option left to the imperialist rulers is a continuation of the policy they have been pursuing for the last two decades (with some success due to the near-total capitulation of the labour bureaucracy) — slow but remorseless reductions in the direct and indirect income of working people. However, this policy is insufficient by itself to raise the rate of profit. While it boosts the total amount of surplus value being produced, at the same time it decreases the purchasing power of the working people and thus restricts the possibilities for realisation of surplus value through the sale of goods. The extra surplus value gained through austerity measures is therefore not channeled back into the production of surplus value, but rather into an enormous expansion of speculative activities (and their inevitable accompaniment — corporate and political

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The inability of the imperialist rulers to find a way out of the crisis and the increasing divisions among them lead to a growing crisis of capitalist political leadership — to a loss of confidence within the ruling class in its ability to rule and to a loss of credibility in capitalist political leadership within the general population.

The prolonged depression of the international capitalist economy precludes social and economic concessions to working people on a scale sufficient to close their minds to radical ideas. To the contrary, imperialist capitalism's real economic prospects — continuing decline, sudden shocks and unexpected breakdowns, growing chaos — make it increasingly difficult for the imperialist rulers even to maintain concessions granted in the past. In these circumstances the implementation of a program that could block the radicalisation of working people — a program of extensive and effective long-term capitalist reform — is excluded. The road ahead is one of increasing class polarisation, sharpening dissatisfaction among the working class and its potential allies, and their growing recognition of the need for radical social change.

## **Section 2. Capitalism and the threat to human survival**

The founders of scientific socialism, Karl Marx and Frederick Engels, pointed out that capitalism, through its direct application of scientific knowledge to production, promoted the human utilisation and control of the forces of nature far more rapidly and extensively than any previous mode of production. But they also warned that if the increasingly powerful forces of production called into existence by capitalism were not liberated from the control of the capitalist private profit system and subordinated to conscious social planning and regulation, they would be turned into increasingly powerful forces of destruction.

These contradictory results of the capitalist development of science, technology and large-scale industry — which flow from its contradictory combination of partial rationality (the subjection of productive activity within each capitalist firm to conscious planning) and overall irrationality (the regulation of overall social development and the realisation of social needs according to the blind "laws of the market," to the quest for private profit) — have reached their ultimate absurdity under late monopoly capitalism. In order to defend the existence of its world-wide system of exploitation, imperialism has amassed an arsenal of nuclear weapons capable of annihilating the entire human race. In its relentless pursuit of private profit, monopoly capitalism has harnessed the immense creative power of modern science and technology to the output of an ever-increasing mass of increasingly meaningless commodities, in the process destroying the global balance of biological and chemical processes that all life on Earth depends on for its survival.

### **War and the threat of nuclear annihilation**

War is a product of the social and economic inequality that characterises class-divided societies. Throughout the history of human civilisation, conflicts between exploiting classes or between exploiting and exploited classes over the sources of social wealth (human labour and natural resources) have led to prolonged struggles between contending armies.

In their struggle to divide and redivide the world among themselves, the imperialist ruling classes have unleashed wars of historically unparalleled scope and destructiveness. Twice in the 20th century, imperialist capitalism has plunged the entire world into a global war causing the deaths of 10 million people in the First World War, and 80 million in the Second World War. Since the end of the Second World War in 1945, there have been more than 100 "local" wars, causing more than 20 million deaths.

War and preparation for war have become a permanent feature of the imperialist epoch, wasting enormous productive resources. Despite agreements to limit and reduce the production and stockpiles of weapons of mass destruction, nearly 10% of the value of the world's annual production of goods and services and nearly a third of the world's annual expenditure on scientific research and technological development are devoted to the production of armaments and the maintenance of armed forces.

Ever since August 1945, when the United States' attack on the Japanese cities of Hiroshima and Nagasaki marked the first and, so far, only use of nuclear weapons in war, it has been clear that any new world war would be a nuclear war, which would unleash horrors even greater than those of the first and second world wars. Later scientific research into the "nuclear winter," and other likely after-effects of a global nuclear war, has confirmed the view that humanity would not survive a new world war. A war that promises self-destruction loses its main purpose — which is victory and enjoyment of the spoils of conquest.

Despite this, the US imperialists and their allies began feverish preparations for a third world war almost as soon as the Second World War ended. Their master plan for launching a nuclear war against the Soviet Union and China repeatedly reached dangerous levels — during the opening stages of the Cold War, during the US invasion of North Korea in 1950-51, during the Vietnamese people's final and decisive battle against their French colonial rulers at Dien Bien Phu in 1954, during the Anglo-French-Israeli invasion of Egypt in 1956, during the 1962 "missile crisis" in Cuba, and during the October 1973 Arab-Israeli war.

For a time, the development of nuclear weapons by the Soviet Union, and later China, acted as a necessary deterrent against the imperialists again using nuclear weapons in war. But at a certain point, the stockpiling of nuclear weapons by the Soviet Union — a result of the Stalinist bureaucracy's purely military approach to the defence of the USSR — only provided the imperialists with a political pretext to justify the maintenance and expansion of their nuclear arsenal. This undermined attempts to build a mass movement for unilateral nuclear disarmament within the imperialist countries, particularly in the US itself.

The combination of unilateral initiatives to limit the nuclear arms build-up undertaken by the Soviet Union in the late 1980s and the favourable public response these initiatives generated, forced the US imperialists to enter into agreements to reduce some categories of nuclear weapons. However, the threat of nuclear annihilation still hangs over the world.

The imperialists will not voluntarily surrender the power that nuclear weapons give them to terrorise the working people of the world. As long as nuclear weapons remain in the hands of the imperialists, the danger exists that they will once again use them, particularly if, as in 1945, they are confident there will be no nuclear retaliation, and if they judge that their gains will outweigh the price they will pay in horror and hatred by working people at home and around the world.

While a mass campaign against imperialist militarism can limit the ability of the imperialists to wage war, in the final analysis only a successful struggle for power by the working class in the imperialist countries, above all the victory of the US working class, can disarm the imperialists and thus free humanity definitively from the threat of war and nuclear annihilation. As the experience of the mass movement against the imperialist war in Vietnam in the late 1960s and early '70s showed, mass campaigns against imperialist wars can contribute to the growth of consciously anti-capitalist forces in the imperialist countries. When linked to a general upsurge in the class struggle, such campaigns can enable such forces to mobilise the working class in a successful struggle for power, as was demonstrated by the Bolshevik party in Russia in 1917.

### **The growing ecological crisis**

In addition to the permanent threat to humanity's survival posed by the existence of huge stockpiles of nuclear weapons, late monopoly capitalism is destroying the global balance of bio-chemical processes that human life depends on for its very physical survival.

As a result of the unchecked emission of greenhouse gases (particularly carbon dioxide via the burning of fossil fuels and the burning of felled forests) it is now predicted that over the next 50 years the Earth's average surface temperature will increase sufficiently to cause dramatic climatic changes, causing catastrophic effects to the world's agriculture. Moreover, predictions based on current trends indicate that these climatic changes will be combined with an increase in deadly ultraviolet rays reaching the Earth's surface — due to the depletion of the planet's upper atmosphere ozone layer caused by the accumulation of a number of pollutants. In addition to these problems, the devastation of tropical forests, the slow dying of temperate forests (due to a lethal combination of air, water and soil pollution), the poisoning of oceans, rivers and reservoirs with domestic and industrial/agricultural by-products, the poisoning of the air over urban areas due to emissions from automobiles, the massive elimination of plant and animal species at a rate 1000 times greater than would occur naturally, the accumulation of toxic substances in and progressive loss of topsoil threaten to make increasing areas of the planet uninhabitable.

These problems — and the main obstacle to their resolution — are not due to lack of scientific knowledge, but to the fact that pollution is more profitable to capitalist companies than ecologically sound alternatives. Capitalism is incapable of utilising natural resources in a way that meets not only the current needs of all members of society but those of future generations as well:

- If resources in capitalism are "freely" available, like water, air and soil, then they are treated as "external factors" whose cost of reproduction is ignored. If, however, they are incorporated into the costs of production of capitalist firms (for example through government taxes and charges on the use of these resources) the burden of these extra costs is simply passed on to the consumer.
- The compartmentalisation of production under capitalism (in which each particular natural resource is the independent object of profit-making) and the self-centered rationality of each individual capitalist firm make it "cheaper" to throw away or incinerate industrial by-products than to recycle them. Thus mountains of waste and toxic waste are the inevitable result of the capitalist version of the "affluent society."
- Rather than spending money on ways to prevent pollution, capitalists prefer anti-pollution programs that aim to repair some of the damage after it has been done. Such programs can be carried out at the ordinary taxpayers' expense and even become yet another source of profits for the polluters.
- Capitalism's need to maximise short-term profits also leads it to impose irrational patterns of consumption on the mass of consumers through the commodification of rational needs (for example, substitution of private automotive transport for mass public transport systems) and through manipulative advertising. To this extent, the behavior of individual consumers is a factor contributing to the ecological crisis. Capitalist ideology plays directly on this factor with its credo that "people are responsible for the crisis" or with the claim that it is caused by "excessive consumption" on the part of ordinary working people in the imperialist countries. Such arguments are a convenient means of diverting attention from the fundamentally anti-environmental nature of the capitalist mode of production — and the patterns of consumption it *forces* working people to adopt.

In the 19th century, Marx and Engels pointed out that the quest for short-term private enrichment by competing entrepreneurs — the driving force of the capitalist mode of production — inevitably led to the utilisation of natural resources without regard for their long-term consequences, and therefore without regard to their consequences for the natural environment. The current ecological crisis, however, is not simply a linear result of the process of capitalist industrialisation since the 19th century. It is the product of a qualitative leap in the pollution of the planet's air, water and land which came about within the framework of the long economic upswing of the 1950s and '60s in the imperialist countries — through a massive increase in the use of fossil fuels, particularly oil, and the accompanying enormous expansion of the automotive industry, and through the development of synthetic chemicals which have penetrated every sector of human activity. This qualitative leap has been reinforced since the early 1970s by the global

capitalist economic crisis, which has also led to intensified imperialist exploitation of the Third World.

For more than half of humanity, the ecological crisis is not a long-term struggle for survival of the human species or to save coming generations, but a daily struggle for personal survival. In the Third World today, 500 million people are hungry and 40 million die of hunger and related diseases each year; 1.3 billion have no reliable source of clean drinking water and 23 million die each year from a lack of drinkable water; 2.3 billion live without proper sanitation and 40 million die each year from preventable diseases; 1.7 billion live without a regular supply of electricity; 1.5 billion suffer from a serious lack of wood fuel, which is practically their only source of fuel for cooking; 825 million are illiterate and over a third of those able to work are unemployed or permanently underemployed.

By keeping the great majority of the peoples of the Third World in abject misery and in need of immediate solutions to basic problems of personal survival, and therefore unable to take the needs of future generations into account, imperialist exploitation is the fundamental driving force behind the destruction of tropical forests, agricultural/horticultural practices which contribute to desertification, and the employment of hazardous industrial processes in the Third World. Imperialist exploitation of the semi-colonial countries, and the consequent poverty it creates, is also the root cause of the demographic explosion in the Third World. Denied access to a suitable infrastructure for social protection during illness and old age, the poor are forced by necessity to rely on large families, even though this places an increasing long-term strain on these countries' natural environment. Imperialist exploitation thus forces billions of people into environmentally destructive forms of behaviour which, nevertheless, represent their only chance of personal survival under the socio-economic conditions imposed by the world capitalist system.

An effective struggle against pollution and the degradation of the world's ecology will necessitate a radical restructuring of the world's economy, including:

- The cancellation of the crushing debt owed by the Third World to imperialist governments and banks.
- Replacement of the present system of international trade based on unequal exchange between the highly industrialised countries and the Third World, with a system that promotes rather than retards the economic development of the Third World.
- A thorough-going land reform in the Third World and a massive and long-term program of ecologically sound industrialisation, funded by the industrialised countries, to eradicate poverty, hunger and mass unemployment.
- Large-scale public programs to convert military production to the production of goods for civilian use; to replace the use of fossil fuels with renewable energy sources; to develop public rather than private transport systems; and to carry out a mass conversion of industry to production processes that eliminate pollution and waste right from the start.

Implementation of such measures will require that decisions about investment and choices about production techniques be subject to overall social regulation and planning and therefore that ownership of the decisive means of production be taken out of the hands of private corporations and transferred to society as a whole.

Creation of such a system of world-wide democratic planning will not be possible as long as the capitalist class can defend its anarchic private profit system through its control of powerful national military apparatuses, armed with weapons of mass destruction. The struggle to disarm imperialism is therefore intimately connected with the struggle to defend the environment. Both threats to humanity's survival — the ever present danger of nuclear self-destruction and capitalism's on going destruction of the Earth's ecology — point to the urgent need to educate and organise working people for a revolutionary struggle to abolish capitalist rule and replace it with a world-wide federation of socialist republics.