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Changes in Modern Capitalism

Analyzing developments in modern capitalism, the writer argues that there is need for a marxist reappraisal of these new features.

THE post-war economic developments have posed a challenge to marxist thinking.

Industrial production in the capitalist world is more than three times greater than it was before World War II. In the developed industrial countries, the average annual production growth at present is double the pre-war rate.

True, there has been a considerable growth in population, and economic growth is far greater in the advanced capitalist countries than in the under-developed countries where growth rate is often counterbalanced by the high rate of growth of the population. The rate of growth of the socialist countries is larger than that of the capitalist world.

Nonetheless, the continuing expansion in the advanced capitalist countries is contrary to what marxists generally expected.

Stalin, in 1952, put forward the theory that the capitalist world market must shrink and the rate of growth of the capitalist countries decline. Many marxists expected a severe, world-wide cyclical crisis of the dimensions of 1929-33, if not worse, once the post-war reconstruction had been completed.

But there has been no cyclical crisis of the order of 1929-33; indeed there has been no world-wide cyclical crisis. The capitalist system continued to develop in cycles, but these cycles have certain new features.

Marxist analysis of these new developments and the resultant perspectives has lagged behind, due to a certain stagnation of marxist thinking in the forties and fifties—
a slowness to examine new phenomena, free from dogma and preconceived ideas.

This is the more striking because, historically, marxism placed economics on scientific foundations and was characterised by a challenging attitude free from preconceived ideas and blinding class prejudices.

The lag in marxist analysis of new economic phenomena and generalisation largely left this field to the opponents of marxism.

Broadly speaking, there are two trends, which depart from the truth in opposite directions:

1. Those who dogmatically repeat old propositions and conclusions and expect life to conform to them, wait for a repetition of the crisis of 1929-33.

2. Those supporting the theories of managed, crisis-free capitalism, who claim it has solved all, or nearly all, problems and is leading mankind to universal affluence.

The facts don’t bear out either view. Capitalism has developed new features, but it neither has solved, nor is solving, the main problems facing mankind, such as these:

• Because of the low rate of growth of the under-developed countries, the gap between them and the advanced countries is actually growing bigger.

• Automation, still in its early stages, creates a host of new problems, which demand a different social framework for their proper solution.

• Economic development continues in cycles with periods of rapid growth and periods of slack and even decline.

• Concentration of ownership and economic power has increased considerably in the post-war years. A recent world-wide survey (excluding the socialist countries) showed that less than two per cent of all companies controlled between 70 per cent and 80 per cent of global business today. This monstrous concentration of economic power is a great menace to peace and liberty and restricts the effectiveness of political democracy.

How has capitalism changed since the pre-war days? Marx showed that the underlying reason for the cyclical crises, characteristic of the capitalist system, lies in the fact that capitalist production, unplanned in the overall, has as its motive force the drive for profit.

Each capitalist tries to achieve the greatest profit by expanding production and seeking to reduce wages, or
hold them down, and to increase the degree of exploitation.

There is a tendency towards an unlimited expansion of production alongside a limited consumption. However this is not the whole story, although it has sometimes been presented in this way.

"Consuming power" should refer not ONLY to the personal consumption of the wage earners and their families as well as the personal consumption of the capitalists and others, but also includes what the early economists, including Marx, called "productive consumption", i.e. the demand for the products of the means of production sector, referred to below as Department 1.

The significance of this is particularly great at the present time when so much economic growth is based on the rapid expansion of Department 1.

The course of events up to World War II proceeded along the lines analysed by Marx. Periodic crises occurred every 8-12 years. There were four clearly discernible phases of the cycle—crisis, depression, recovery and boom.

Recession 1948-1949: Mainly in the U.S.A. (decline about 6 per cent), smaller decline in West Europe (West Germany, France, Italy, Holland about 1 per cent decline, Belgium 3.7 per cent).

Recession 1951-1953: Did not touch U.S.A. but West Europe (U.K., France, Belgium, Holland, Sweden) down between 4 per cent and 5 per cent. This recession affected Australia in 1952.

Recession 1953-1954: This was a mild recession affecting the U.S.A. only with a decline of 4 per cent.

Recession 1957-1958: Affected the U.S.A. more severely than Western Europe. U.S.A. decline was 12 per cent, France 2.6 per cent, Sweden 3.3 per cent, Italy 1.4 per cent, West Germany 0.7 per cent. This affected Australia in 1958.

Recession late 1960-1961: Hit mainly the U.S.A. with a 7 per cent to 8 per cent decline. This hit Australia in 1961.

These conclusions may be drawn:
1. The cycle is considerably shorter. The crises occur roughly every 4 or 5 years.
2. The crises are much briefer than before.
3. They are considerably less severe than pre-war crises.
4. As a consequence of the above, unemployment during crises does not reach the proportions that it did during pre-war crises.

5. There is no coincidence of crises in the majority of the capitalist countries. Some affected the U.S.A. only or mainly, not Western Europe. The 1951-1953 crisis affected Western Europe and Australia, but not the U.S.A.

6. It is not possible to clearly discern four distinct phases of the cycle. Some speak of the disappearance of the depression phases and certainly there is a shorter period of recovery and some of the classical characteristics of the boom phase ('the sky is the limit') are less marked.

7. Cyclical crises have not been accompanied by credit and money crises in the traditional form which used to aggravate them.

8. There have been no large-scale price reductions, profit drops and bankruptcies, such as were typical of cyclical crises. In fact in post-war crises profit levels of the top monopolies have generally been maintained undisturbed.

9. Formerly the crisis seemed to come like a bolt out of the blue, at the crest of the prosperity wave. This is not so now.

For some time marxists have attempted to explain away these changes as being only temporary distortions due to the prolonged effects of World War II.

It is true that the far-reaching destruction of the war necessitated capital expenditure on a level and over a period not required "normally", such as on wholesale reconstruction, housing, bridges, powerhouses, etc. It promoted the application of modern, war-time technological advances in the large-scale renewal of the means of production.

But however great the effect of the war, the changes are now part of our post-war reality.

The question is: Are there new features which have changed the pattern of cyclical development and brought an accelerated rate of growth of a transient character, or do they reflect fundamental changes in the world? Can we expect a return to the old type of crises and to a drastically reduced rate of growth, or are these new features likely to be with us for a long time, possibly for the transition period between capitalism and socialism?

It is clear that the answer to this question has a signi-
ficance extending well beyond the sphere of economics. It affects the whole strategy of the working class movement. If the former view is adopted, there will be tendencies to wait for conditions to change; if the latter, marxists have to find the way to win wide popular support in present conditions.

There are several new factors of a long term character which in their COMBINED effect influence the mode of operation of the capitalist system. They provide the means for a higher rate of growth and for a degree of control over the course, duration and severity of cyclical crises.

Perhaps five main factors can be distinguished:—

1. The impact of the world socialist system and the competition between the two systems.
2. The break-up of the colonial empires and the economic development of these predominantly agricultural regions.
3. The revolution in science and technology.
4. The growth of State monopoly capitalism.
5. The effect of the class struggle under these conditions.

There are differences among marxist economists about the respective weight of these different factors and no attempt is made here to resolve them. The five listed seem the most important factors which determine the course of post-war economic development, but it is the TOTAL effect and the INTERACTION of all these factors which have made the present degree of control over economic development and influence on the course of the cycle possible.

Sometimes the Keynesian techniques and their modern developments, the fiscal and monetary policies which are used today, are seen as the sole reason for the influence over the economy. But in fact the objective forces mentioned above determine to a considerable extent why these Keynesian techniques have the present degree of effectiveness. Indeed, were it not for the challenge of socialism, it is very doubtful whether the decisive groups of monopoly capitalism would have accepted the application of Keynesian measures which they had strongly opposed earlier as an infringement of the freedom of the individual capitalist.

Let us examine these five factore in more detail.
1. The impact of the world socialist system on the operation of capitalism is very far-reaching. Competition between the two social systems now clearly influences economic policy. In the pre-war days it was generally denied that a "free economy" could or should concern itself with a rate of growth.

The socialist alternative with its absence of cyclical crises has made the capitalists extremely sensitive to the dangers of a severe crisis with mass unemployment, destruction of goods, etc. This has assisted the growth of state monopoly regulation. Though the individual capitalist will not and cannot do much about the rate of growth which is, however, now VITAL to the monopoly capitalists as a whole, as is the avoidance of a severe cyclical crisis. So, as in wartime, an element of EXTERNAL compulsion enters to secure results not otherwise possible.

The impact of the socialist world also plays a part in forcing concessions from the capitalists. It has enabled the working people in some countries to prevent the closing of some unprofitable enterprises which, in the national interest, should be kept going (Italy).

There is also the direct effect of trade with socialist countries which, not being subject to cyclical crises, provide stable long-term markets. It is claimed that Finland's economy stability is influenced by its extensive trade relations with the USSR.

2. The break-up of the colonial empires—in the past part of the imperialist countries' home markets. Now, even in the countries still economically dominated by the imperialists, economic development, despite its slowness and difficulties, provides a market for the heavy industries of the advanced countries.

May of these countries are developing or will develop their industrial bases, and in many of them state capitalism is important in the spheres of production and trade. In the United Arab Republic, for example, more than 80 per cent of the means of production are in the hands of the state. From 1952 to 1963 total industrial output more than trebled.

The perspectives of vast agrarian regions (two-thirds of mankind languished in colonial and semi-colonial bondage in 1939) becoming transformed into modern countries over the next few decades cannot but have a big effect on the
conditions of reproduction in the advanced capitalist countries. It can provide long-term markets for the products of Department 1. Already this has been a major factor in the growth of the machine-building industry of West Germany, Japan and Britain.

The competition of the socialist countries has favorably influenced conditions of western assistance and loans that these countries have secured.

3. The revolution in science and technology. The inherent tendency of monopoly to stifle or slow down technological advance (evident before the second world war) because of its reluctance to scrap expensive but technically out-dated equipment, if it can prevent it, is now counteracted by the over-riding pressure for technological advance for military purposes. Enormous funds and human resources are spent on research, the results of which are not confined to military purposes. The concern with the high rate of growth also spurs technological advance.

This in turn, affects social reproduction. Technological progress plays a big part in the cycle. The renewal of fixed capital is, as a rule, based on technological advance. The accelerated rate of technological advance, creates both the opportunity and the necessity (moral obsolescence) for a more rapid renewal of plant, (four to five years). Apart from shortening the cycle, this further strengthens the role of Department 1 in the process of social reproduction, and makes it MUCH LESS dependent on fluctuations in Department 2. Therefore, overproduction of some consumer goods is often partial and does not have the same direct and snow-balling effect on Department 1 as previously.

Rapid technological advances have brought with them new industries, new consumer goods and also new social needs, and have led to changes in the structure of the working class. The expansion of the service industries along with the growth of parasitism, the large number of state employees, military personnel etc. have created a big group whose income is only to a small degree associated with the economic situation. As a result, the processes which transfer crises of over-production from Department 2 to Department 1 have been weakened. The rapid growth of the services industries in Australia is already having this effect.
4. The growth of state monopoly capitalism. The role the state plays in economic life has taken different forms, including a growth of direct state ownership, as well as the state acting as a large-scale buyer and investor.

In the early thirties, budgets absorbed only a negligible part of the national income; now the central bodies dispose of as much as 30 to 40 per cent.

In 1959 the UN Economic Commission for Europe stated that "in most countries of Western Europe about one third of national income is at present channelled through the public sector." ("Economic Survey of Europe", 1959, part 3, p.1.) The central bodies in the main capitalist countries control or affect directly about half of all investment. In Australia in 1963-64, of a total of 4,320 million dollars gross fixed capital expenditure, 1534 million dollars or 35 per cent was public funds.

Government buying plays a significant part in the economy. This so-called organised market amounts to one sixth to one quarter of the national product of most of the leading capitalist countries. The capitalist state has entered the market as a collective monopoly, affecting commercial transactions in a big way. This weight of government buying and investment is new. This merger of the aggregate power of the monopolies and the state has created the basis for regulating some key economic processes.

In the past, too, the capitalist state was used to hold down wages, manipulate price increases and shift the burden of economic crises on to the workers, but today the state has two new additional policy objectives:

A. to stabilise the economy, to minimise the business cycle and to attempt to eliminate or reduce its downward phase.

B. to increase the long-term rate of economic growth.

The state can prop up prices, direct investment, and secure relatively stable long-term markets. These measures, taken by the state to overcome the obstructions to the accumulation of capital inherent in the capitalist relations of distribution follow two main lines: first, measures to stimulate private investment (tax reductions, special concessions), second, the state itself becomes a
major investor mostly in spheres which are not attractive enough to private investors.

The state is able to ensure very favorable conditions and generous assistance to the monopolies. In the U.S.A., more than two thirds of all expenditure on research and development is covered by the state.

The state is able to increase public expenditure in periods of economic decline (as occurred in Australia in 1961-62). It is able to maintain high prices and high rates of profit for the big monopolies during periods of economic decline. This was the case with steel in the USA in 1960, and coal in West Germany in 1958.

Military spending has become a prime element in government expenditure used to bolster up the economy, as shown during the Korean war.

The war in Vietnam is giving the American economy a big boost. The fear of a new cyclical decline in the US economy in 1965 undoubtedly played a part in the decision to step up the military intervention in Vietnam. What moral justification can be given for the continued existence of a social system which needs the blood and bones of innocent victims to keep going?

The question today is not whether the capitalist states can influence the course of economic development, but for whose interests the intervention occurs—the monopolies or the great majority of the people?

5. Effect of the class struggle. The influence of the working class on the political and economic processes in the capitalist countries is far greater than before the war, because:

1. During and after World War II the working class won a number of democratic demands which strengthened its influence.

2. The post-war boom and labor shortages facilitated workers' gains in struggles for higher wages and conditions.

3. The impact of the socialist world on capitalist thinking has helped the working class gain such concessions as improvement in social services.

All this in turn tends to expand the home market, particularly for the new consumer goods.
Does all this mean that the case for socialism is less powerful or compelling in western countries than it was in the thirties?

In fact, the problems created by capitalism, economic, social, moral and cultural are greater and more varied than ever. Insoluble within the framework of the capitalist system, objectively they make the need for socialism ever more urgent. The complete direction of social life along lines that suit the monopolies creates a multitude of distortions, frustrations and difficulties for the people. New needs created by modern life remains unsatisfied. There is a growing gap and contradiction between what capitalist society COULD provide and what it does provide.

The neglect of social needs is inherent in a society where profit for the monopolies and their determination to maintain this social system are the dominating features.

The neglect and distortion of education and of public transport, the misuse of natural resources, the uneven distribution of wealth, the control and misuse of the mass media, the brutalisation of life—all these are the result of the operations of a system that only continues to grow and advance at a tremendous cost to society, a system that feeds on war and suppression abroad, and on greed, injustice and deception at home.