11-6 Conference

Possibility and Necessity in the Current Debates over The Crisis

Brendan Cooney

intro

How easy our task would be if we had merely to identify the historical origin of this crisis: A little old lady in Cleveland defaults on her mortgage setting off a chain reaction, Alan Greenspan sneezes, stock traders as Lehman Bro's make some bad decisions. But such thinking, which merely develops a chain of causes and effects, leading to a great web of interchanges that is a crisis, doesn't get us any closer to understanding this crisis. Surely the names and places in the story can change yet the story remains the same. Clearly the crisis was inevitable. It is up to historians to tell us why it happened on a Tuesday not a Monday, why it started in one place first and how it spread. But it is the task of Marxists to tell us why it was inevitable.

But was it inevitable? Amongst the different theories of crisis circulating about the Marxian milieu there are diverse answers to this question. For the theorist of the uncoupled economy this crisis is not an inevitable crisis of capitalism, but an inevitable crisis of finance, inevitable given a specific set of financial institutions that evolved over the past 30 years. In the underconsumptionist thesis, this crisis is the inevitable result of capitalists winning the class war, of the depression of workers wages. But had the class war gone differently we can only assume, given this underconsumption argument, that we would not be in a crisis right now. For the falling rate of profit theorists this crisis is an inevitable expression of the basic contradictions of capitalism, contradictions which have always plagued capital and will always plague it regardless of the evolution of the credit system, the state of class struggle, the political realities of the time, etc. (Or at least that is what they argue.) And finally there are the eclectic theorists of multiple causes (David Harvey, Erik Olin Wright) who argue that, given the plurality of obstacles to accumulation, eventually one will cause a crisis.

A huge part of such a debate is a meticulous battle over the interpretation of empirical data. For many of us, such number-crunching is beyond our capabilities, and this makes it hard to form opinions as to the strength of these competing theories. But there is also a theoretical side to these debates that is both more accessible and just as important. After all, even if we establish the truth of a statistic/piece of data we are still left with the question of how to make sense of it, how to fit it into some model. What allows Marx to make such powerful observations about the antagonisms of capitalism is the fact that he doesn't just see all of these different relations, different categories, all colliding randomly with equal weight and mass like billiard balls. Classes, commodities, money, means of production, all these categories all fit into a tight structure of relations, a structure which determines the motions and possibilities of the whole and the particular. If we are to understand all of these different takes on the crisis it is imperative that we understand how they relate to this overall structure of capital. (For instance, we must understand what a theory of the uncoupled economy implies about the relation of money to capitalist production and what this implies about the Marxist project.)

The goal of this paper is to lay out the relation of different theories of crisis to the differences between the possibility for crisis and the necessity for crisis. I want to stop short of making a definitive statement as to the "correct explanation" of the current crisis and instead to try to present a frame of reference for which we might relate these different theories. The frame of reference of possibility-necessity is, of course, not the only window through which we can look at this picture. In fact, it may seem like it reads a sort of determinism into the picture, as if a theory is only the true theory if it sees this crisis as necessary/inevitable. But I actually think there is a more useful way we can view this reference point. I believe that anytime we are reading a Marxist work on crisis there is some reference, often implicit, to this question of whether we can establish the necessity of crisis. This is because the Marxist project is not just academic/explanatory. It is also political. If we can establish the necessity of crisis then we have a weapon against the bourgeois thinkers who claim that this or that regulation/policy would have kept us away from crisis. As I will also tease out later in the paper, there are also different pictures of social change and socialism implied by this differing relation to possibility-necessity. That doesn't mean that just because a theory is more intellectually or politically appealing that it is the correct one. But it does help us understand some of the significance of these debates.

re. the structure of capital

The structure of capitalism is a logical structure and not an historical one. This doesn't mean that history is unimportant or that individuals can't exercise agency. But it means that historical events are expressions of deeply antagonistic social relations. The logic of capital dictates the form in which historical events unfold, the contingent actions of groups and individuals determine the content. In the Greek riots of this past summer, for instance, we can read the unfolding of the antagonism between value and devaluation that comes to the fore in a crisis, of the need of the capitalist state to devalue labor power in order to assure the continued accumulation of capital. Because historical events have no choice but to express the antagonistic social relations of which they are made up it can become easy for those of us caught up in these historical events to read the equation backwards: to assume that it is the particular historical moment that is defining the social relations of the time. For Naomi Klein and the Kleinistas, neoliberalism defines a new phase of capitalist social relations. They call for a new phase of Keynesianism to set us on a different era of capitalism. But perhaps it isn't Kenyes or Hayek that is defining the social relations of the time but the social relations that are defining Keynes and Hayek.

If we say that the structure of capital is logical, not historical this means that the particular historical ordering of the different categories of our analysis does not determine its place within the logical structure of capital. Money, for instance, appears historically long before the ascendance of capitalist social relations. But once capital becomes the dominant social relation, money is completely subordinated to the circuit of capital. It must do capital's bidding, measuring and moving about value. It is this way with all of the particular component parts of a capitalist society. The relation of the particular to the whole is not determined by an historical order but by a logical order. Since the whole is the self-expansion of value that is capital, the relationship of the particular to the whole is determined by the manner in which the particular serves this goal of self-expansion.

We can see the structure of capital as an extensive ordering categories, all defining their relation to each other, and their own identity, by their relation to this ultimate goal: the self expansion of capital. The ordering of these categories within the structure of capital follows a few basic rules. The movement from one category to the next always asks the question 'what presupposes what?'. For instance, a credit system presupposes money, commodity exchange, and capitalist production. These categories are more fundamental because they are logically prior to credit. The credit system is merely an elaboration upon the basic contradictions of money which themselves are not merely properties of money in isolation, but money in a definite social role in a system of commodity exchange. So if we are developing a critique of the financial crisis we must realize that it will inevitably lead us to ask more fundamental questions about the contradictions of capitalist commodity production.

The goal of our analysis is a vivid picture of the totality of capital in all of its detailed concreteness. But we start with the most abstract aspects of the analysis, like a painter beginning with the broadest of brushstrokes, slowly filling in finer and finer details. In terms of a theory of crisis, this means that we begin with the most abstract possibility of crisis and then fill in successive layers of concreteness. In this process it is important to constantly be asking how concrete our picture of crisis has become. At one point can we establish the necessity of crisis? At one point have we just fleshed out the details of the possibility of crisis?

In the most basic, abstract sense, the possibility for crisis exists because the purchase and sale of commodities are separated as two different logical moments in commodity exchange. They are separated by money. We can exchange our commodities for money, the abstract measure of value, but that doesn't mean that we have to then go buy something else with this money. This means that there is always a possibility that the social product may not all be bought back. But this is only a possibility, a possibility created by the fact that our labor is indirectly social. At this point there is no necessity of crisis.

The abstractness of money takes on more concrete forms as the analysis proceeds. It becomes credit money, a credit system with all sorts of insane credit instruments for measuring and circulating value. We see how credit is bound up in coordinating all sorts of temporal flows of value through space and time. Yet still crisis remains only an abstract possibility, never a necessity. We can never establish the necessity of crisis from within an analysis of the credit system or money because in the end money is only a means of measuring and moving value. Value must still be produced. A credit bubble is never too big on its own terms. It's only too big in relation to how much real value it is supposed to lay claim to. If there is a credit bubble the questions are always "Why wasn't there enough money in the economy to pay back that credit?" and "Why did so much investment end up in speculation instead of in the creation of real value?" Neither one of these questions can be answered from within the analysis of credit. They point us outside of credit into the realm of production. Yet it has become fashionable to insist that this current crisis is a crisis of finance and not capital. In such a theory there is an uncoupling of the world of money from its traditional domination by capital. Money, it is claimed, has escaped from the domination of capital to exercise its own autonomy, able to not just create credit bubbles, but bring the world economy to its knees. And this, it is argued, is the result of an historically new period of capitalism brought about through the evolution of specific financial policies. What is at stake in the debates around this uncoupling thesis is the extent to which we can establish the necessity of crisis by not looking outside of the world of money to the wider world of capital, the extent by which historical events can allow the world of credit to escape the logic of capital, generating its own crisis tendencies and autonomous logic.

It is understandable that we would want to suspect money or credit for being at fault for the crisis. Since a crisis always manifests itself in the forcible separation of purchase and sale, money is always on the scene of the crime whenever crisis breaks out. Money exists at this intersection of the world of production and the world of exchange, two worlds separated in a capitalist society. But just because a crisis appears in the separation of purchase and sale, just because it involves money, doesn't mean that money is responsible. In fact, as we have seen, money can only ever establish the basic possibility of crisis. But since credit can effectively postpone this separation of purchase and sale this means that credit can be used to move crisis in time and space, to postpone it indefinitely always to erupt with greater magnitude the longer it is postponed. The irresponsibility by which the current crisis was postponed, the way movement of speculation through real estate effected the lives of millions of people, the instability in public finances... these are all important issues for Marxists to understand and to talk about. But we can never have a complete picture of a crisis if our analysis never leaves this world of finance and enters the realm of production.

Realization

Once we move from the world of money to the world of capitalist production we are faced with a new level of the analysis, a further development of the abstract possibility for crisis. If we see that the the world of money is dominated by the logic of capital, that money takes its place in the circuit of capital, that what was the isolated separation of random purchases and sales becomes the coordination of investment decisions by a circuit of capital that contains a separation of purchase and sale between each of its external moments, then we see that the possibility of crisis has taken on a further level of concreteness: it implies the possibility that surplus value might not be realized. Just because surplus value has been created in production doesn't mean it will be realized in the market. There is always the possibility that surplus value won't be realized and that this will cause an interruption in the circuit of capital.

The theory of underconsumption sees a conflict between capital's drive to produce surplus value and the condition for its realization. There are different versions of the underconsumptionist argument. The most absolutist is the notion that capitalism is incapable of buying back all of the products it creates because workers produce more value than they are paid for. This of course neglects the role of productive consumption, the role capital itself plays in creating demand, demand for productive inputs. In volume 2 Marx shows us that it is entirely possible for capital to provide enough demand to absorb the surplus value that so upsets the underconsumptionist. All that is required is the proper balancing of proportions between the production of means of production and means of consumption. (Capitalist demand for means of production can adequately compensate for any shortfall of demand from workers. This just requires the proper balance between production of means of production and means of consumption.) This gives the abstract possibility of crisis a further level of concreteness. We are dealing not just with separation of purchase and sale, not just with different moments in the circuit of capital, but also the balancing of the production of specific use-values with the differing effective demand from the capitalist and working class.

As capital evolves the demand for productive consumption grows relative to the demand for consumer goods. A great deal of production is not intended for human consumption at all. It is purely production for the sake of production, accumulation for the sake of accumulation. The surplus labor of the worker goes not just towards the enrichment of the capitalist class but also toward the creation of the machines that are her instruments of domination, which stand over and dominate her work. As the production of means of production for their own sake grows it becomes increasing clear that the stability of the system does not hinge upon the consumptive power of the worker. This point, however, is not accepted by all. In fact, the last refuge of this absolutist-underconsumptionist argument is to assert that all production, ultimately, is production for human consumption. But there is no way of proving such an assertion, especially as it seems to conflict with the basic fact that so much capitalist production is production of productive inputs for companies that also make productive inputs.

This leads to a softer version of the underconsumptionist thesis: that though such proportions are possible there is no reason to expect capitalism to arrive at them, that the anarchy of the market drives capitalism toward disproportion. It is asked how capitalists could ever arrive at such a balance. They argue that the drive to create surplus value overruns any possibility of achieving some sort of equilibrium. This begs the question of what mechanisms might move us toward or away from the right proportions for the realization of surplus value.

My Silly Bicycle analogy.

A bicycle has the potential to crash. It is narrow, hard to balance and is beset on all sides by the forces of gravity. Yet a bicycle has a means of overcoming this potential: a rider who propels the bike forward. This forward momentum overcomes the forces of gravity, actually using gravity to its own purpose in moving the bike forward. If the bike crashes we will see the forces of gravity kicking in, pulling it to the ground. Yet if it crashes we don't say that the bike crashed because of gravity. We instead try to explain why the forward momentum of the rider failed to overcome gravity: ie. it was hit by a car, or hit a pothole, etc.

I think it is helpful to think of capitalism has having a similar forward momentum. This forward momentum is the reapportioning of labor in the search for surplus value. Capitalists respond to a diversity of production and market conditions, constantly moving investment into areas of maximum profit. This is the coordinating mechanism which organizes the social labor process.

Such a mechanism is fraught with difficulties. At all moments in this process (except in production itself that is) there is a separation of purchase and sale and thus a possibility of a mistake. Surely there is a great diversity of turnover times to coordinate. Certainly there are ever changing market conditions, constant revolutions in productivity, the diverse turnover times of fixed capital, etc. So here the bicycle analogy falls short. Whereas a balanced bicycle moves forward smoothly until it crashes, capital moves forward with all manner of disproportions and disequilibrium. It would be a mistake to hold that capital's forward momentum creates some sort of ideal proportionality that gravitates toward equilibrium. This is because the same mechanism that creates this forward momentum, that does this reapportioning, also creates the conditions for instability. In the hunt for surplus value capital invests in machinery to make labor more productive. This produces a constant state of flux and uncertainty in the picture, by which capital must constantly react to, moving capital and labor into new places in the hunt for surplus value.

Limits, Laws, etc.

What does this tell us? For David Harvey it is enough to talk of a plurality of limits to capital. In his Limits To Capital he goes with painstaking detail through the multitude of problems capital must overcome to complete the circuit of capital day in and day out for perpetuity. A common refrain for Harvey throughout this process is that while it is possible for us to conceive of an ideal balance of investments that could sustain the system in perpetuity it is not possible for capital to achieve such a balance because capital is not organized with a plan. It is anarchic. For Harvey it is not important to establish one singular cause for crisis, or to identify some ultimate force for the necessity of crisis. Instead it is enough to stress the plurality of limits to capital's circuit and the growing mass of surplus value which presses the urgency of these limits upon us as it grows.

Depending on which side of the bed I wake up on I have various degrees of admiration for this approach. Here I want to bring out a potential weakness in such a method. I suspect that such a method as Harvey's leaves out the fact that there is a coordinating process at work, a process which constantly bashes down these limits. It also fails to distinguish between forces that might cause all manner of instabilities, short-term problems, cycles, fluctuations, etc. and forces making for a true crisis like the one we face today. This coordinating process is the forward momentum of capital in search of surplus value. Capital is attracted by the lure of super-profits. It is repelled by the threat of devaluation. I would instead suggest that we see this forward momentum as embodying an economic law with its own tendencies and counter-tendencies in the same way Marx conceives any other economic law. The tendency is not a tendency toward equilibrium. It is a tendency toward not crashing, a tendency toward growing the mass of surplus value. The counter-tendency is the constant instability in this process, caused by constant revolutions in productivity which entangle capital in complicated turn-over times, changing markets, rapidly depreciating fixed capital, etc. The dual attractor/ repulsor is the profit rate and threat of devaluation.

I think this gives us perhaps the fullest expression of what started as a very abstract possibility of separation of purchase and sale. The isolated labors of individuals are given a social cohesion which coordinates their indirect, atomistic nature. This is the coordination of capital which brings all particulars into its cold, heartless project of self-expansion. Yet this same process of coordination is fraught with instability generated by the same hunt for surplus value. It requires constant failure and devaluation to coordinate itself. Yet these are not these are not the same as a system-wide crash. Here we still don't have any theory of necessity.

To establish necessity we must turn our gaze away from this realm of the market, of money, of realization, of proportionality, and look at this basic coordinating mechanism, the hunt for surplus value. In the real world this is also a hunt for profit and the profit rate is the mechanism by which investments are apportioned. If we want to establish a necessity of crisis we must examine what goes wrong with this basic coordinating mechanism. The theory of the falling rate of profit seeks to establish a necessary problem with this coordinating mechanism. If the profit rate falls over a long period of time then we will *necessarily* see disproportions, realization problems and problems with money.

Two-theories, Two perspectives, Two solutions

The camera pans away from the question of realization and proportion toward the question of the conflict between living and dead labor. Whereas the underconsumption question posits the problem as a conflict between capitalist and worker that comes to light in the realm of exchange, the falling rate of profit question posits the problem of the relation between the worker and her own alienated labor in the realm of production. They are two different angles. I hope that, thus far, I have shown that that questions of realization of SV in the market can only present the possibility of crisis, and that we must look to the profit rate and production to establish necessity. But there are other important distinctions that come up at this point, distinctions that bring out important differences in perspective in the relation of these two theories to the structure of capital.

Perhaps these differences are best brought to light if we look at the sort of solutions that might be suggested by each theory. If the underconsumption problem is a problem between capitalist and worker that manifests itself in the market place then we can imagine that a world of higher wages might solve this problem. Or, if we take a more radical perspective, that the elimination of the capitalist class, and the organization of production through worker-owned cooperatives that trade in the market, would eliminate crisis. Here there would be no class of owners exploiting workers, wages could rise, and thus no realization problems.

But for the theorists of the TRPF this will not do at all. This is because what appears on the surface as an antagonism between two classes is more deeply an antagonism between people and their own alienated labor, their past labor that appears as capital, a force dominating their work and driving their society into crisis, inequality and chaos. A society of worker-cooperatives would not do anything to liberate humanity from the domination of dead labor in the form of capital. Instead we would find ourselves still producing a surplus for its own sake, still dominated by machines, markets and the law of value, and still subject to a falling rate of profit.

It seems the two theories stress different definitions of what the social relation of capital consists of: a social relation between two classes, or a social relation between workers and their own alienated labor. I don't think either one of these is the exclusive way to think about capital as a social relation. Rather they are two different angles on the same problem.

Tendencies

I want to end this exploration of the question of possibility and necessity by developing what I think is an important point about the notion of tendency and counter-tendency.

In his critique of Marx's notion of the falling rate of profit Paul Sweezy finds Marx at fault for not properly justifying the priority of the tendency of the rate of profit to fall against its counter tendencies. He agrees that the drive to develop the forces of production does result in an increase in the technical composition of capital. But he says that since the counter-tendencies of a rising rate of exploitation and falling prices of constant capital are both generated from this same force, the development of the forces of production, that there is no reason to privilege the tendency over the counter-tendency. Instead he recommends jettisoning the whole language of tendency-countertendency and just talking about the aggregate change in the profit rate in a purely contingent manner.

In developing his own underconsumptionist crisis theory Sweezy uses the notion of tendency and counter-tendency in a way which he finds more suitable. There is a tendency toward underconsumption in a modern capitalist society which creates a capital surplus-absorption problem. There are also counter-tendencies that absorb some of this surplus: state spending, population growth, unproductive consumption, the opening up of new markets, etc. But these counter-tendencies are external to the tendency. They are not generated by it. And in the end they are not strong enough to avert the long-run problem of underconsumption. Thus, rather than the cyclical theory given by the TRPF, we get a theory of long-run stagnation.

Sweezy's critique of the TRPF takes the language of "Marx forgot" or "Marx should have seen" or "Marx's mistake" that is often used when discussing this notion of tendency. I think he makes a big mistake here. The whole point of a tendency is that it is generated by the same forces that make for a counter-tendency. And because of this inner relation of a tendency with its own limits, with its own opposite, we get three possible types of motion. This is motion and dynamism generated from an internal contradiction. In his Frontiers of Political Economy Guglielmo Carchedi lists 3 types of tendencies:

1. The tendency dominates and the counter-tendencies are fluctuations around a tendential point. ie the wages
2. The Counter-tendency dominates, the tendency causing aborted and incomplete motions toward a tendential point that is never reached. ie the average rate of profit...
3. Cyclical movement where either the tendency or counter-tendencies are dominant given the point in the cycle.

The TRPF is of the latter, cyclical type. At the rise of a boom constant capital is cheap and the rate of surplus value high. Over time the successive development of the means of production can only squeeze so much more surplus from workers. Every time you double the productivity of a worker you get half as much more SV from them, yet they require twice as much constant capital. And as the mass of surplus value grows relative to the amount of workers in the economy the only place for it to go is into constant capital. It doesn't matter if the constant capital is getting cheaper. The mass of profit is always getting bigger and more and more of it is going into constant capital while the amount going into wages is falling.

Concluding remarks

Understanding tendency in this way seems to gives us a better way of explaining different types of motions existing in a society dominated by impersonal economic laws. If we want to see historical events as expressions of social relations, and if social relations take the form of impersonal economic laws, then we must see these laws as describing different types of motion. The Tendency of the Rate of Profit to Fall gives us a long cyclical theory of crisis, allowing for a great deal of different possible historical responses to the problem. Yet despite the contingent, political nature of such responses there are certain things which are inevitable: the crisis will come and devaluation will be the way out of it.

I can't say that the disparate takes on this crisis within the Marxists world fill me with a lot of confidence about the left. It sees this crisis has found us unprepared for the task at hand. In some ways a diversity of opinion is useful in keeping a movement vital and moving thinking forward. But on the left it seems to often also take the form of old-hands (people locked into theoretical positions they've been defending for decades, who've faced-off against each other countless times) bumping up against each other but not really interacting. I don't think any theoretical positions is entirely innocent of the sort of tired sectarianism, stand-offishness and stubbornness that seems to hinder dialogue around this current crisis.

I'm also not entirely convinced that agreeing on how to characterize the crisis is the most fundamental task facing the left. Marxists certainly have a lot of self-criticism to carry. Part of this self-criticism might entail a critique of what emphasis we put on different kids of theoretical work. I would argue that we need to a lot of work clarifying what the crucial messages and tactics are that we will have to use as this crisis deepens. I think a lot of work needs to be done pedagogically- working out how best to reach modern audiences, how to speak about Marx in accessible ways that don't cheapen the ideas. Perhaps there is a certain uber-theoretical obsession fostered by the experience of an insular, isolated left that has put emphasis on the purity of theory (which I agree is important) when just as much work was needed thinking about how we talk about Marx in the 21st century, in cyberspace, to people with cyber-minds, to people who might not be up for reading all 3 volumes of capital in this lifetime (or at least don't realize they are yet). If we think Marx is relevant than that means there is also a process of re-articulation that needs to happen.

Bibliography in no particular order and not fleshed out
Marx, Kapital 1-3
Marx, Grundrisse
Sweezy, Paul Theory of Capitalist Development
Carchedi, Guglielmo- Frontiers of Political Economy
Carchedi, Guglielmo- Return from the Grave
Kliman, Andrew- Persistent Fall in Profitability Underlying the Current Crisis
Kliman-Husson debates:
Husson- The Debate on the Rate of Profit
Kliman- Masters of Words
Chris Harman- Not All Marxism is Dogmatism
Kliman - all that other stuff on crisis theory
Freeman- everything he's written on crisis theory.
Simon Clarke- Marx's theory of Crisis
Kuruma Lexikon
Lebowitz, Michael- Following Marx
Olin Wright, Erik- Class, Crisis and the State
Arthur, Chris: The New Dialectic and Marx's Capital
Bertell Olman, Tony Smith: Dialectics for the New Century
Dunayevskaya, Raya- Marxism and Freedom
7 MArxists on the crisis, interviews with Lapavistas, Husson, Moseley, Panitch, etc. on Workers Liberty
Shaihk, Anwar- An Introduction to the History of Crisis Theory
Paul Mattick's review of David Harvey's Limits to Capital
Harvey, David- Limits to Capital
Harvey- Brief History of Neoliberalism
Harvey- The new imperialism
Harvey- Conditions of Postmodernity

Howard and King- A History of Marxist Economics, volume 1
Cambell, Martha, ed: The Culmination of Capital- Essays on Volume Three of Marx's *Capital*
https://docs.google.com/viewer?url=http://www.palgrave.com/PDFs/0333964934.Pdf&embedded=true&chrome=true
Sekine, Thomas- The Dialectic of Capital: An Unoist Interpetation