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“Why Practice Needs to Follow from Theory--and the Importance of Getting Theory Right”

We are in for some rough times ahead: likely another recession, continuing high rates of unemployment, austerity, harmful consequences to the economy from increasing debt, and political assaults by the Right on working people, women, African-Americans, and Latinos. I will argue that the Left has an obligation, when advocating what to do, not just to repeat old formulae without examination, not to wing it, to experiment, to play with people's lives. What we advocate as Left practice, I contend, should *follow* from what we have worked out theoretically, and we need intense theoretical work in order to figure out what is best to do, in addition to the *obvious* things like defending workers' jobs, incomes and homes.

Practice *follows* from theory. So getting theory right *first*, before we advocate policies, will not slow us down, but rather will speed up our making good selections of what to advocate—selections that are not based on quick fixes, but on what has a real chance to make substantial and sustainable change in people's lives. I argue that “doing theory” is an urgent action to take.

The Left is hardly close to resolving the theoretic questions that the crisis raised, including what caused it, can crises be prevented in the future by reforming capitalism,

and is there a *viable* alternative economic system that would be better for working people? Instead of pursuing these debates in attempts to work out ideas to their conclusion, many Leftists are now trying short-cuts to get to plans for action, and abandoning attempts to get theory straight. I contend that in this rush to conclusions, the Left may well render itself irrelevant, because we *first* need a clear understanding of what went wrong in order to know what could constitute a solution. Specifically, we are faced with the question of whether reforming capitalism can prevent similar crises from recurring, or whether reforms are just temporary palliatives.

But, you may ask, “Why does practice *need* to follow from theory”? Why can’t we work on one sometimes and the other at others?” The answer is that *all practice flows* from some theory or another, even if it’s not articulated as such, like “everybody knows that....” The notion that “everybody knows” and you are just telling it like it is, not making claims based on a particular theory, is a trap that keeps us from examining the ideas in contention. It keeps us repeating only what is familiar—which is largely the ideas of the ruling class and the dominant ideas on the Left, whose record in making permanent change is poor.

So I am arguing that it is vitally important to get our theoretical analyses straight, and not just select what we like based on whatever comes out of our own heads or hearts. If you needed surgery, you would want a surgeon who knew exactly how to perform it, not one who just had a general impression of what a well body looks like. Yet when it

comes to changing the socio-economic system of the world, people tend to think they don't have to be as careful as they would be in choosing a surgeon. They act as if deciding what to do is just a matter of opinion, and some even say that one idea is just as good as another!

Now I'm going to look briefly at a couple of contending theoretical explanations for the condition of the economy, and ask, what are the implications for action of each? I'm not doing this to argue for my personal favorite, but rather to illustrate that different policies and decisions about what to do are linked to and depend on different theories, so that actions can't be fruitfully discussed abstractly, disassociated from their theoretical bases.

One hot debate has been whether the fundamental, underlying cause of the crisis resides in a problem within the *whole* economy—including a persistently low rate of profit--or whether the fundamental underlying cause lies in just the real estate and financial sectors, accompanied by “neoliberal” policy. Not only mainstream and liberal economists, but also some Marxist economists, argue that finance has largely become “uncoupled” from the productive economy, and acts independently of it. This group regards financial-sector problems as the fundamental and independent cause of the current crisis.

Some of the Marxists who argue this, such as the French economists Gérard Duménil, Dominique Lévy, and Michel Husson, also claim that there was a generally

rising rate of profit prior to the recession. On the other side, people such as Andrew Kliman, Michael Roberts, and Chris Harman put forward evidence that the rate of profit has been persistently low for decades. Such findings lead to the conclusion that the financial-sector problems themselves resulted from low or falling profitability and other problems in the productive economy. The two views, obviously, have very different consequences for selecting what policies to advocate for people to take up.

How do the first guys, mostly using the same U.S. government sources for data as the second, find that the rate of profit has risen? A primary reason is their use of what they call a “current cost rate of profit,” which actually is not a profit rate at all. Marx and the bourgeoisie share the concept of a profit rate as a relation between initial investment and profit. Using the initial investment, or capital advanced, produces a “historical cost” or actual rate of profit. What certain Marxist economists including the first group I named do, instead, is to use something called “current costs,” which is what the capital advanced would cost at the time the profit is made. This re-writing of the actual investment using “current costs” tends to make the profit rate seem to rise, but it has little relation to any useful rate of profit—capitalists want to know the rate of return they have really gotten. The problem underlying this difference is a larger one: the economists’ theoretic framework, which is beyond the scope of this paper.

The debate over the “uncoupling” of the financial sector from the rest of the economy is not new. Since the beginning of the last century, some such as Hobson,

Hilferding, and Kautsky argued that financialized capitalism was a new and distinct stage of capitalism, one that operates according to different laws than does the capitalism Marx described. The current contours of the debate go back at least to 1986, when a management professor, Peter F. Drucker, published an article in *Foreign Affairs* describing the changed world economy and his conclusions that many formerly linked factors had become decoupled: employment from production, profits from productive investment, industrial production from the economy as a whole. A few months later, the Marxist-Humanist philosopher Raya Dunayevskaya critiqued Drucker's theoretical conclusions of an "uncoupled" economy and counterposed Karl Marx's theory that the antagonism between capital and labor is *the* fundamental characteristic of capitalism, which no change in its phenomenal manifestations can change. She said,

“The Grand Illusion...that all capitalist ideologues...have created about this nuclear world with its robotized production, was achieved by them through forgetting that Alienated Labor is *the* irreplaceable foundation, essence and universal form--*the* creator of all values and surplus-values. That is exactly what produces both capitalist profits and what Marx called the ‘general absolute law of capitalist accumulation’—its unemployed army.” (You can read this in the MHI booklet *The Persistent Fall in Profitability Underlying the Current Crisis*.)

Dunayevskaya did not have the statistics available that show the rate of profit had fallen and remained low since at least the late 1970s, but now we have 30 years' evidence

of it. Several decades of a low rate suggests that capitalism is in big trouble and it will not get out of trouble without a recovery in the rate of profit. A low rate means that many companies are on the edge of bankruptcy and failing to attract investment, and so they are actually *unable* to pay their workers more without going under. The low rate of profit thus makes future crises more likely, unless and until it recovers.

Those who insist that the rate of profit was rising for decades before the recession, tend also to embrace the idea that “neoliberalism” was controlling economic conditions in a new way. I believe they mistake a time of free-market capitalist ideology for a whole new stage of capitalism, one that revived its strength and stability, as if the political phenomenon “neoliberalism” created super profits in a new way—from financial transactions rather than from workers’ surplus labor. But the figures show that squeezing the workers via neoliberal policies did not in fact cause the rate of profit to rise in the U.S. in any sustained manner. Therefore, capitalism has not proved triumphant nor invincible—and the worst crisis since the Great Depression proves it is not even stable.

If neoliberalism is not a new stage of capitalism, then the term is essentially a political designation for an increase in privatization, deregulation, decrease in government services, etc. In such a case, we face a very different task than the tasks assigned themselves by those who attribute the crisis to neoliberalism or finance (or both). Our first new task would be to rethink the tendency to put forth explanations

based on essentially political phenomena like “neoliberalism,” as a substitute for explanations rooted in economic theory.

The use of “neoliberalism” as an economic concept rather than just an ideological and political one assumes that “politics is in control,” that is, that a capitalist ideology or particular policy determines economic relations, rather than the capitalist system itself determining them. If that is your theory, then you are going to wind up advocating for the political manipulation of existing society, thinking you can control economic conditions through politics. The opposite theory, that an economic system is in control, leads you down a different road because it tells you that political manipulations are constrained by the basic laws of capitalism and have limited effects.

Now, I am completely opposed to restricting discussion of theoretical explanations to the intellectuals, and having a separate “practical” practice based on something else that is assumed to be more understandable or palatable to others. I think that can only result in misleading workers and activists into spending all their time and energy on campaigns that do not serve our long-term interests. So while supporting working people fighting for their jobs, homes, wages, and civil rights, we would not be helping them if we failed also to explain why such victories are temporary. Capital’s reaction to workers’ victories will be to try to push them back; they may well be followed by continued unemployment, deflation that lowers real wages, etc. People need to understand the reasons for this and be prepared for continuous struggles as long as capitalism exists.

I am in favor of telling the people I fight along side that I believe the only lasting solution--that won't just be a quick fix until the next big crisis--is to replace the capitalist system. It would be deluding people to act as if capitalism can be made to serve their interests in the long-term, whether by nationalization or regulation of certain industries, formation of cooperatives as islands in the sea of capitalism, redistribution of wealth, etc. But this also entails a lot of theoretical work to explain what capitalism could be replaced with, and not to leave socialism as a slogan or abstraction, nor to foster another illusion that breaking with the law of value and creating a new mode of production are easy tasks.

My organization, Marxist-Humanist Initiative, sees the contribution that the Left could make at this moment in history to be to demonstrate theoretically that another, non-capitalist world is possible. We are encouraged to learn that people all over the world are studying Marx again because we think his theory is vital to this task. But developing an effective response to the economic crisis and its effects on the basis of his theories is a huge challenge, one that only begins with understanding this crisis.

In order to put theory back on the Left's agenda, Marxist-Humanist Initiative has proposed to establish an international "network for the circulation of theoretical struggle." The network (NCTS) could aid the Left to prepare for what may happen and to prepare to respond effectively. Let me stress that we do not expect those who participate to adopt MHI's views and tasks; it is not NCTS' purpose to select a political philosophy, but rather to foster engagement among all contending theories. We hope to change the



orientation of the Left away from the idea that more and more activity and organization are all that is needed, and to get serious about the need to debate until we work out theory. This does not mean adopting political positions, but rather digging deep--through engagement with others--into the ideas underlying the views of the crisis and what should be done now.

In sum, thought determines activity, even if the actors don't always recognize that their assumptions and even their spontaneous rebellions are based in theories. In order to contribute to the fight against capitalism, we need to examine what theories are contending and what their ramifications may be. Wide-ranging dialogue is key, not only so that all views can be heard, but, above all, so that we can test different ideas in debate and work out answers to the questions we face. Doing theory is hard but vital work, not something to do on the side or after all your other activity is done. Doing theory is an action, one that is vitally needed now. So I invite you to all sign up for NCTS at the end of today.

We expect that NCTS will bring together individuals in reading groups and related projects, and all other interested people, so that we can engage in dialogue, provide mutual assistance, and share information. The network will supplement, not replace, the activity that is already taking place. NCTS will not have a political or theoretical "line." It will be open to all who share its goals, participate in it, and abide by the procedures and rules it sets for itself. All participants will have equal voice and vote.

One of the first projects of NCTS will be to establish a website that will provide a

forum for dialogue as well as an archive of articles, readings, and links. Because we want the network to facilitate dialogue and mutual assistance, not just be a source of information, use of the website will be limited to active participants in NCTS. Our working definition of “active participant” is someone who engages with what *others* say and write. (Those who just express their own views or publicize what they’ve written are not actively participating in the project we’ve outlined above.)

We need people to work on this and to support it financially. Please get involved.