

The Significance and Implications of Globalisation

A Marxist Assessment

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A lecture by Nick Beams

Not the least of the difficulties associated with the preparation of this lecture has been that we are confronting, so to speak, a very rapidly moving target. Events in South-East Asia are moving at a frantic pace, with every day bringing news of another catastrophe—the collapse of the Korean won, the reduction of Indonesian debt to "junk bond" status.

Barely four months ago, the finance ministers and heads of the capitalist central banks gathered in Hong Kong for the annual meetings of the International Monetary Fund and the World Bank. The meetings were intended as celebrations, amidst IMF reports and analyses hailing the "Asian economic miracle."

"Directors welcomed Korea's continued impressive macroeconomic performance [and] praised the authorities for the enviable fiscal record," declared the IMF report. As for Thailand, then on the edge of a financial collapse, "Directors strongly praised Thailand's remarkable economic performance and the authorities' consistent record of sound macroeconomic policies."

The economic turmoil, which has since engulfed all the countries of South-East Asia, has recently been described by at least one of the participants in that IMF gathering, a somewhat shaken Australian Treasurer Peter Costello, as the "greatest financial meltdown" in the post-war period.

Another participant in Hong Kong, international financier, George Soros, wrote a special article in the London Financial Times of December 31, 1997 calling for a new international financial body to regulate international credit and guarantee loans in order to prevent a breakdown of trade and finance.

Let me cite a couple of passages from it.

"The international financial system is suffering a systemic breakdown, but we are unwilling to acknowledge it. The abandonment of fixed exchange rate regimes in South-East Asia touched off an unravelling process that has exceeded everyone's worst fears, including my own. So

far the large bail-out programs implemented by the International Monetary Fund have not worked."

According to Soros, the international financial crisis is now a self-reinforcing process. "What started out as a minor imbalance has become a much bigger one that threatens to engulf not only international credit but also international trade. We are on the verge of worldwide deflation."

Soros does not say it, but it is well known that the last time such a phenomenon took place was the Great Depression of the 1930s.

While the global financial crisis has come as a considerable shock to the bourgeoisie and its representatives, it arises out of tendencies of development that have been at the centre of the analysis made by the International Committee of the Fourth International over the past decade. In our perspectives resolution of 1988, we pointed to the profound significance of the globalisation of production:

"The fall in the rate of profit in the 1970s and the general economic stagnation provided the impulse for an explosive growth in the activity of transnational corporations. The result has been an unprecedented integration of the world market and internationalization of production. The absolute and active predominance of the world economy over all national economies, including that of the United States, is a basic fact of modern life. Advances in technology associated with the invention and perfection of the integrated circuit have produced revolutionary changes in communications which, in turn, have accelerated the process of global economic integration. But these economic and technological developments, far from opening up new historical vistas for capitalism, have raised the fundamental contradiction between world economy and the capitalist nation-state system, and between social production and private ownership, to an unprecedented level of intensity." [1]

Our resolution also dealt with the rise of the so-called "tiger economies", which were being cited as definitive proof of the viability of capitalism. It drew attention to the profound contradictions at the heart of their rapid growth.

"The capitalist economies of the Asia Pacific," we wrote, "are based on ... brutal exploitation of the working class. The native bourgeoisie defend the 'export strategy' preferred by the International Monetary Fund with military-police dictatorships, rooted in state systems which preserve semi-feudal vestiges that have never been swept away by genuine democratic revolutions. While functioning as reservoirs of superexploited labour for the transnational corporations, the economies of all these so-called mini-Japans are desperately vulnerable to world trade patterns." [2]

The events of the past few weeks and months certainly provide a powerful vindication of the scientific method of Marxism, as opposed to the pragmatic and ahistorical approach of the bourgeois economists and pundits.

When the International Committee turned to making a fresh analysis of

the vast changes taking place in world capitalism during the 1980s, we did so with a definite method. We did not seek to deny the internationalisation of production processes then under way, nor to underestimate the significance of the explosive development of industry in the Asian region.

We posed and sought to answer the crucial question: what is the significance of these changes for the whole structure of world capitalism? Do these changes intensify, or do they overcome, the central contradictions of the capitalist economy? We did not seek to deny the fact that a significant development of the productive forces was taking place.

Indeed, why should we? Marxism explains that the socialist revolution itself arises precisely out of the very development of the productive forces, which run headlong into conflict with the outmoded social relations of capitalism. Therefore, at every stage in the development of capitalism, Marxism is always concerned with examining the dynamic of the processes taking place, and making a historical assessment of their significance.

I have emphasised these basic methodological questions in order to contrast the approach of the International Committee with that of all the middle class radical groups.

Virtually without exception, they insist that globalisation does not signify a fundamental change in the structure of world capitalism, but is nothing more than a propaganda campaign initiated by the bourgeoisie to intimidate the working class. Consequently, they insist the present crisis in the workers' movement does not require a basic strategical reorientation. The old policies, based on trade union struggles—to apply pressure to the national state—retain their viability. All that is needed is the will to implement them.

A recent book by two British authors, Paul Hirst and Grahame Thompson, entitled *Globalization in Question* has become something of a Bible for these tendencies. The two authors make no bones about the political conceptions motivating their analysis. They write:

"This book is written with a mixture of scepticism about global economic processes and optimism about the possibilities of control of the international economy and of the viability of national political strategies. One key effect of the concept of globalization has been to paralyse radical reforming national strategies, to see them as unviable in the face of the judgement and sanction of international markets. If, however, we face economic changes that are more complex and more equivocal than the extreme globalists argue, then the possibility remains of political strategy and action for national and international control of market economies to promote social goals." [3]

In other words, according to Hirst and Thompson, it is necessary to refute the "globalisation myth" because, unless this is done, it is impossible to advance a national-based reformist political program.

On the other hand: "If economic relations are more governable (at both the national and international levels) than many contemporary analysts suppose, then we should explore the possible scope of that governance." [4]

And our two authors go on to show the type of political alliances that will result from such an exploration.

"It is not the case currently," they write, "that radical goals are attainable: full employment in the advanced countries, a fairer deal for the poorer developing countries, and more widespread democratic control over economic affairs for the world's people. But this should not lead us to dismiss or ignore the forms of control and social improvement that could be achieved relatively rapidly with a modest change in attitudes on the part of key elites. It is thus essential to persuade reformers of the left and conservatives who care for the fabric of their societies that we are not helpless before uncontrollable global processes. If this happens, then changing attitudes and expectations might make these radical goals more acceptable." [5]

No one should be in any doubt about the political tendencies to whom

they are addressing themselves. Conservatives who "care for the fabric of their societies" in the face of economic globalisation, include the right-wing populist Ross Perot in the United States, the National Front of Le Pen in France, the political organisation of the late Sir James Goldsmith in Britain, the New Zealand First Party of Winston Peters and Pauline Hanson's One Nation Party in this country.

The radicals of the International Socialist Organisation, while expressing certain differences with Hirst and Thompson, nevertheless concur with their basic conclusion: that globalisation is largely a propaganda campaign aimed at intimidating workers and suppressing trade union struggles for reforms.

The defeats suffered by the working class in every major capitalist country over the past two decades, they contend, have nothing to do with the changes in the structure of world capitalism. They are simply the product of the "cowardice, incompetence or lack of solidarity" by union leaders. Citing the defeat of the miners in Britain in 1984-85, the dockers in 1989, the air traffic controllers and the Hormel workers in the United States, among other conflicts, they declare: "Globalisation of production did not play a significant role in enabling the employers to win any of these disputes. But the ideology of 'globalisation' has played a role. It has encouraged the idea that multinationals are too powerful to be hit by 'old fashioned' forms of workers' struggle—and the abandonment of these forms of struggle has handed victory to the multinationals." [6]

Such "explanations" are completely worthless. Great historical changes—and the virtual collapse of the trade union movement certainly falls into this category—are passed off as the outcome of changes in the outlook of individual leaders. Of course the question as to why these changes took place when they did, is never answered.

But while possessing no scientific value, such explanations do serve a political purpose. In the case of the ISO, they are introduced to try to maintain the thesis that the trade unions, and trade union forms of struggle, retain their viability.

The most vociferous attack on the International Committee's analysis has been advanced by the Spartacist League. In a four-part denunciation published last year, they accuse us of having joined with Wall Street, liberal ideologues and the trade union bureaucracy in preaching the defeatist philosophy of globalisation.

There is nothing new in this. The reformists within the labour movement, above all those allied directly with the union bureaucracies, have always denounced revolutionists as sowers of defeatism and demoralisation, because of the latter's insistence that the social interests of the working class—jobs, wages and living conditions—cannot be defended on the basis of reformism.

The issue, however, is not whether the immediate interests of the working class must be defended, but on what strategy that defence is carried out. The opportunists maintain that only on the basis of a nationalist perspective can the immediate interests of the working class be defended. Marxists insist that the defence of these interests requires a struggle for the political independence of the working class, on an internationalist program, aimed at the conquest of power. Reforms and concessions are a by-product of revolution—either of past revolutionary struggles or of a developing revolutionary movement of the working class.

Like their fellow radicals, the Spartacists maintain that "globalisation" is a myth: there is nothing qualitatively new about the structure of world capitalism today; capitalism is an international system and always has been. In order to try and prove this, they take up a theme, repeated in various publications, that capitalism was more internationalised under the gold standard regime and the free movement of international capital, which prevailed in the period leading up to 1914.

For example, according to Hirst and Thompson: "... the international economy was in many ways more open in the pre-1914 period than it has been at any time since, including that from the late 1970s onwards.

International trade and capital flows, both between the rapidly industrializing economies themselves and between these and their various colonial territories, were more important relative to GDP levels before the First World War than they probably today." [7]

For the Spartacists, economic globalisation is really so much "hullabaloo". In recent decades, they argue, world capitalist economy has only been returning to the norms that were established by the pre-1914 imperialist order, when the operation of the international gold standard "assured a degree of financial integration among the advanced capitalist countries which has never been matched since." [8]

The first thing to be said is that there is something faintly ridiculous about assertions to the effect that, back in the days when international telecommunications had barely begun, when air transport systems were not even planned, when it took days and weeks for communications to take place around the globe, the world economy was more integrated than today, when whole production processes are driven by electronic impulses sent around the world, when global movements of capital can take place in a matter of seconds, and when virtually all parts of the globe are linked by highly-developed communications systems.

To use the ratios of trade to GDP to "prove" that global integration was greater eight decades ago, is to completely ignore one of the most significant features of the capitalist economy in the past 50 years—the establishment of international production facilities. Exports from General Motors and Ford to Europe, for example, do not figure very highly in the trade data of the United States, because both companies have established production facilities in Europe. They do not export cars to Europe because they make them there, and the establishment of such production facilities reflects a higher degree of global integration.

Certainly, the positions of the middle class radicals amount to a series of absurdities. The question is, why do they go to such lengths to propagate them? Here, one should recall Lenin's adage: if class interests were involved in the theorems of geometry, then the most strenuous efforts would be made to refute them.

The issue of globalisation definitely involves class interests. The middle class radicals speak for sections of the petty-bourgeoisie, and more backward sections of the capitalist class itself, whose social interests are threatened by the domination of the world market, and who rely upon a strong state to protect them.

Internationalism Versus National Opportunism

The political and theoretical divide between the International Committee and all the middle class radical tendencies on globalisation, is the latest expression of the ongoing conflict between the Marxism and petty-bourgeois radicalism. Stretching back over 150 years, this conflict has centred on the clash between a global perspective and outlook, and a nationalist orientation.

Marx's famous injunction at the conclusion of the Communist Manifesto "Workers of the World, Unite!" was not some rhetorical call to action. It was based on a scientific analysis of the world-historic significance of the development of capitalist production.

Marx explained that the theoretical conclusions of the Manifesto were not inventions of a would-be universal reformer, but expressed in general terms "actual relations springing from an existing class struggle, from a historical movement going on under our very eyes." [9]

This historical movement was determined by the truly dynamic development of the new system of social production—industrial capitalism. It was characterised by two interconnected processes.

"The bourgeoisie," Marx wrote, "cannot exist without constantly

revolutionising the instruments of production, and thereby the relations of production, and with them the whole relations of society. Conservation of the old modes of production in unaltered form, was, on the contrary, the first condition of existence for all earlier industrial classes. Constant revolutionising of production, uninterrupted disturbance of all social conditions, everlasting uncertainty and agitation distinguish the bourgeois epoch from all earlier ones. All fixed, fast-frozen relations, with their train of ancient and venerable prejudices and opinions, are swept away, all new-formed ones become antiquated before they can ossify. All that is solid melts into air, all that is holy is profaned, and man at last is compelled to face with sober senses, his real conditions of life, and relations with his kind." [10]

At the same time, this "constant revolutionising of production" extended on a global scale, as the new mode of production leapt over boundaries and borders.

"The need of a constantly expanding market for its products chases the bourgeoisie over the whole surface of the globe. It must nestle everywhere, settle everywhere, establish connections everywhere. The bourgeoisie has through its exploitation of the world-market given a cosmopolitan character to production and consumption in every country. To the great chagrin of Reactionists it has drawn from under the feet of industry the national ground on which it stood. ... In place of the old local and national seclusion and self-sufficiency, we have intercourse in every direction, universal interdependence of nations." [11]

There is still no more succinct and graphic depiction of the processes now transforming world capitalism. From the outset, as these passages make clear, Marx was completely hostile to all those tendencies that opposed capitalism from the standpoint of a lower form of production. The radicals, who today either deny the significance of globalisation or oppose it in the name of defending the national state, play the same role as the various "socialists" ridiculed by Marx in the Manifesto. They opposed capitalism from the standpoint of the old feudal order.

The Marxist movement has always been based on a global perspective. From the earliest days of the capitalist system, Marx explained that the communists, at all times, sought to represent the future in the movement of the present. Even in the 19th century, when the nation-state still played a progressive historical role, Marx severely criticised the newly-formed German Social Democratic Party for the nationalist orientation of its founding program, adopted at the Gotha Congress in 1875.

According to the program, the "working class strives for its emancipation within the framework of the present-day national state" and, in so doing, is conscious that the result of its efforts "will be the international brotherhood of peoples."

Of course it was necessary, Marx wrote, for the working class to organise itself against the bourgeoisie at home. But this did not mean that it should strive for its emancipation, as the program declared, within the "framework of the present-day national state". That was too constricted. The national state was situated economically within the framework of the world market, and politically, within the system of states.

In a remarkable anticipation of the central questions that were to erupt some 40 years later, at the outbreak of World War I, Marx wrote: "And to what does the German workers' party reduce its internationalism? To the consciousness that the result of its efforts 'will be the international brotherhood of peoples'—a phrase borrowed from the bourgeois League of Peace and Freedom, which is intended to pass as equivalent to the international brotherhood of the working class in the joint struggle against the ruling classes and their governments. Not a word, therefore, about the international functions of the German working class." [12]

Marx's criticism pinpoints the division between genuine internationalism, which strives for a joint struggle of workers against the ruling classes and their governments, and national opportunism, which maintains that the working class must confine itself to the "framework of

the present-day national state". For the latter, internationalism is reduced to nothing more than verbal solidarity between national-based organisations, and is therefore destined to break apart when the first pressure is applied.

Underlying these divergent political positions are two diametrically opposed historical perspectives. Marxism is based on the understanding that the nation-state is not a natural entity, but an historical creation—a product of capitalist development, that, however, is undermined by the very growth of capitalist production for which it has provided the framework. All forms of opportunism reject the conception that the nation-state is a transitory historical phenomenon. They insist that the working class adapt itself to the nation-state framework.

It is not possible to over-emphasise the significance of this division. It has formed the basis of the conflict between Marxism and all forms of opportunism throughout the course of the 20th century.

The struggle for socialist internationalism this century is bound up with the figure of Leon Trotsky and the theory of permanent revolution, which he first advanced during the course of the 1905 Russian Revolution. According to the Mensheviks, Russia faced a bourgeois revolution, which had, necessarily, to bring the bourgeoisie to political power. Russia, the Mensheviks argued, was a backward country with a low level of economic development, in which the working class was a small minority of the population in comparison to the overwhelming majority, the peasantry. Considered in this way, the establishment of socialism, and therefore the conquest of power by the working class, was completely impossible.

But, as Trotsky was to demonstrate, the fallacy of their position lay precisely in the fact that it considered Russia as an isolated national entity. Modern capitalism was more and more converting the world into a single economic organism. This meant that the unfolding revolution had an international character, and therefore the Russian working class, despite comprising a small minority, could play the role of initiator of the liquidation of world capitalism, for which history had most definitely created the objective conditions.

The arguments of the Mensheviks—that the outcome of the overthrow of czarism had to be a bourgeois republic—reflected the mechanical and nationalist conception of the socialist revolution, which had come to dominate the parties of the Second International in the pre-World War I period. According to this outlook, the capitalist nation-states were essentially independent entities moving towards socialism at their own pace of development ... some more advanced than others. The socialist revolution would arise when the conditions in the given national state had matured sufficiently for it, at which time the bourgeoisie would simply surrender its place to the proletariat.

This was false to the core, because the worldwide development of capitalism had broken the connection between the socialist revolution and the national state. "The closer capitalism knit together the countries of the whole world into a single complex organism," Trotsky was later to write, "all the more inexorably did social revolution, not only in the sense of its common destiny but also in the sense of its place and time of origin, fall into dependence upon the development of imperialism as a world factor." [13]

The nationally limited conception of the development of capitalism, and the insistence that the working class advance to socialism within the framework of the national state, formed the ideological, and one could say psychological, foundation for the social patriotism of the parties of the Second International. This saw the "socialists" of the conflicting national states rise up to defend "their" nations at the outbreak of World War I.

Nationalist conceptions had been fueled by the expanded growth of the capitalist economy at the turn of the century and the improvements this brought in the living standards of the working class. In the German Social Democratic Party, Eduard Bernstein, speaking for a whole tendency based on the trade unions, maintained that Marx had been proven wrong, there

was no breakdown of capitalism, and socialism would arrive not by revolution but through the accumulation of social reforms within the framework of the German national state.

But the economic expansion that formed the basis of this outlook did not overcome the contradictions of the capitalist mode of production. Rather it lifted them to a higher plane. The increasing internationalisation of capital in this period—the growth of international trade, expansion of investment, the search for new sources of raw materials, as well as markets—meant the struggle for markets and profits was transformed from a local, or even national, conflict into a struggle between the major capitalist powers for global domination, leading inexorably to the outbreak of World War I.

In his pamphlet, *War and the International*, written in 1915, Trotsky explained that at the most basic level, the war was a revolt of the productive forces against the political form of nation and state. That is, it was a barbaric expression of the fact that the global development of the productive forces could no longer be advanced within the old framework. Humanity had arrived at an historical crisis: either the old social order would be overturned and new social relations developed—freeing the productive forces from the constrictions of the capitalist form of social organisation—or civilisation would be wracked by continuous wars of destruction.

"By means of the national state," Trotsky wrote, "capitalism has revolutionised the whole economic system of the world. It has divided the whole earth among the oligarchies of the great powers, around which were grouped the satellites, the small nations, who lived off the rivalry between the great ones. The future development of world economy on the capitalistic basis means a ceaseless struggle for new and ever new fields of capitalist exploitation, which must be obtained from one and the same earth." [14]

And what program had to be advanced by the working class? It had to reject the defence of the fatherland and undertake the construction of a new socialist economy as a practical matter of the day, not as a far-off distant goal, buried in the programs of the parties of the Second International.

"The only way in which the proletariat can meet the imperialistic perplexity of capitalism is by opposing to it, as a practical program of the day, the socialist organisation of world economy. War is the method by which capitalism, at the climax of its development, seeks to solve its insoluble contradictions. To this method the proletariat must oppose its own method, the method of the social revolution." [15]

It cannot be emphasised too strongly that World War I marked a sea change in world capitalism, and consequently in the struggle of Marxism against national opportunism. Opportunism could no longer be regarded as merely a right wing deviation from Marxism, or the result of confusion or incorrect thinking, with which it was possible to co-exist.

It was the theoretical, political and, above all, practical defence of the decaying nation-state system. One only needs recall that the murder of Rosa Luxemburg and Karl Liebknecht was organised by the opportunist leaders of German social democracy, and that the swastika symbol was utilised first, not at the head of the ranks of Hitler's storm troopers, but by bands of the Freikorps, the paramilitary units unleashed by the post-war German social democratic government to smash up the workers' councils created in the upsurge of November 1918.

When Trotsky explained that the social revolution and the socialist reorganisation of world economy were placed on the order of the day as practical tasks, this was not some rhetorical flourish, or a response simply to the devastation of the war. The war signified that the inherent contradictions of capitalism had now raised themselves in the form of the historic alternative: socialism or barbarism.

It was upon this historical and international perspective that Lenin and Trotsky carried forward the conquest of power in October 1917, at the head of the Bolshevik Party. Viewed from the standpoint of Russia,

considered in isolation, the seizure of power by the Bolsheviks would have been an insanity. The economic pre-conditions for socialism were nowhere near in existence. But Lenin and Trotsky did not assess the Russian Revolution from a national standpoint. Russia, Lenin insisted, was the weakest link in the chain of imperialism. But it was the chain, not the link, which broke.

The war, and now the revolutionary struggles in Russia, were both expressions of the fact that a new epoch in world history had arrived, that the contradiction between world economy and the nation-state system had to be resolved. What were the objections of Kautsky and the other leaders of the German Social Democracy? Above all, that Lenin and Trotsky refused to consider the Russian Revolution in the same way that the SPD leaders looked at events in Germany, that is, from a national standpoint. Instead, the Bolsheviks led the struggle for power in Russia, as a means of opening up a new road for the international proletariat as a whole.

It was from this same standpoint that Trotsky and the Left Opposition fought the Stalinist theory of "socialism in one country". Trotsky's opposition was based on a truly global perspective. The contradictions of world capitalism—above all, that between the world economy and the nation-state system—which had made possible the seizure of power by the working class in Russia, at the same time precluded the possibility of constructing socialism in one country.

Socialist society, Trotsky insisted, could only be built on the basis of the highest advances made by capitalism in the development of the productive forces and the productivity of labour. Its historic necessity arose precisely because these very advances were incompatible with the social relations—bourgeois property and the nation-state—within which they had developed hitherto. The Stalinist perspective was aimed at driving the productive forces back into the framework of the national state, against which they had rebelled. To accept the theory of "socialism in one country" was to accept the historical viability and permanence of the nation-state system and to reject, in the most profound sense, the necessity for the socialist revolution itself.

Trotsky's struggle against the counter-revolutionary Stalinist apparatus was based on the most far-reaching scientific understanding of the implications of the entire trend of economic processes in the 20th century. The Fourth International, he proposed, should be known as the world party of socialist revolution, expressing both its historic tasks and method of organisation.

The world socialist revolution was not an abstraction, much less a summing up of national-based struggles, but a process arising from the dynamic development of the productive forces themselves, which were beating convulsively against the nation-state framework.

In the Transitional Program, Trotsky insisted that the laws of history were stronger than the bureaucratic apparatus. He wrote that it was beyond the capacities of either the Stalinist bureaucracy or the social democratic defenders of capitalism to forever hold back the wheel of history. Indeed, those parties and organisations that based themselves on the present conjuncture, and sought to exploit it, would be swept away in the coming events.

With the restabilisation of world capitalism in the post-war period, Trotsky's perspective of world socialist revolution—the development of a unified struggle of the international proletariat against capitalism and its bureaucratic agencies—seemed to recede into the far distance. According to short-sighted observers—among them, Trotsky's biographer, Isaac Deutscher—it belonged to an era that had passed into history.

Indeed, for a whole period it did appear that the basic tenet of classical Marxism—that, in the final analysis, the driving force of the historical process is the contradiction between the development of the productive forces and the outmoded social relations of production—had ceased to operate. In the post-war world, politics and economics were dominated and regulated by vast bureaucracies. But economic processes were

nevertheless taking place, which were to bring about the almost overnight collapse of the entire post-war political framework.

In February 1990, in the immediate aftermath of the collapse of the Berlin Wall, the International Committee of the Fourth International explained that the demise of the Stalinist regimes signified the end of the post-war epoch. Whereas in the decades after the war, fundamental antagonisms were contained beneath various political and state structures, now a new era had opened which would see the open clash of antagonistic class forces.

"The disintegration of the Eastern European regimes," we declared "cannot be explained apart from the development of the world economy as a whole. The social upheavals in Eastern Europe reveal not only the crisis of Stalinism; they are the most advanced political expression of the general crisis of world imperialism."

The source of this crisis, we explained, lay in the unprecedented global integration of production, made possible by revolutionary developments in computer technology and an expansion and cheapening of all forms of communication and transport.

It expressed itself initially, and not at all accidentally, precisely in those regimes—the Stalinist-ruled states—which had based themselves so directly on the pursuit of a nationalist program. Trotsky once remarked that while the workers' state was threatened by the imperialist armies, of far greater danger were the cheap goods coming in their wake. By this, he sought to emphasise that, in the final analysis, the fate of the Soviet Union would be determined, not primarily within the military, but the economic sphere—by the productivity of labour. In the end, "socialism in one country" was rendered completely unviable by the impossibility of advancing the productivity of labour within the framework of the old regime.

While the isolated Soviet economy was able to achieve a certain level of industrialisation, that very industrialisation posed new and more complex economic tasks. In the era of information technology and computerisation, the Soviet economy was increasingly unable to maintain itself in the face of the higher productivity of labour developed through the globalisation of capitalist production.

In other words, the demise of the Stalinist regimes, far from signifying the death of Marxism and the end of socialism, actually signalled the reassertion of the most basic contradictions upon which revolutionary Marxism had always based its perspective. It was nothing other than the initial expression of a deep-going crisis of the entire nation-state system, produced by the globalisation of production.

The Curve of Capitalist Development

Let us turn to a more detailed examination of the economic processes underlying this crisis.

The various radical groups argue that world capitalism was more globally integrated prior to 1914, and that only in the most recent period have trade and investment reached the levels they attained, as a proportion of national production, more than 80 years ago.

Let us, with all the qualifications raised previously, grant them this last point. The real issue is: what conclusions should be drawn? The outcome of the previous period of globalisation, in the 50 years prior to 1914, was the eruption of wars and revolutions. If capitalism is now returning to the path of globally integrated development, then the consequences are going to be even more explosive.

In other words, in complete contradistinction to the conclusion drawn by the middle class radicals—that nothing fundamental has changed—a new period of wars and revolutionary struggles is being prepared. An examination of the political economy of the 20th century will make clear

that its unfinished business will most definitely be the central preoccupation of the 21st .

In conducting this review I will be basing my analysis upon one of the most fruitful and important theoretical advances made by Trotsky.

Like all his theoretical contributions to the science of Marxism—the theory of permanent revolution, the analysis of Stalinism, to name just two—Trotsky's work on the development of perspectives came out of a struggle to politically re-arm the revolutionary vanguard.

By the time of the Third Congress of the Communist International in June-July 1921, it was clear that the revolutionary upsurge out of which the Russian Revolution had emerged had subsided, and that a certain restabilisation was taking place in capitalist Europe. Resting on the betrayals of social democracy, the bourgeoisie had been able to cling to power. Spontaneous economic processes were bringing about a certain upturn in the business cycle.

At the same time, despite all its efforts, including intervention by 14 imperialist armies, the bourgeoisie had not been able to overturn the Russian Revolution. But neither had the revolution been extended. It was clear that the socialist revolution in Western Europe was going to be a more protracted and complex process than had been envisaged in the immediate aftermath of the 1917 revolution.

The restabilisation, and economic upturn that followed the crises of 1919-20, raised a number of crucial questions of historical perspective that had to be answered if the newly founded Communist International was to be politically and theoretically armed to meet the new situation.

On the one hand, the social democrats maintained that the upturn in capitalist economy was proof that their opposition to the Russian Revolution, and the "adventurism" of the Bolsheviks, had been correct. The Bolsheviks, they argued, had justified their seizure of power on the basis that capitalism had entered an historical breakdown. But, after a period of turmoil, the economy was reviving, demonstrating that the road to socialism lay, as it had before the war, through the steady accumulation of gains by the workers' movement, not in the "seizure of power."

Against this, a "left" tendency developed within the Comintern which, in effect, turned the position of the social democrats inside out. According to its scenario, capitalism had entered a period of irreversible historical decline. There could be no more economic upturns. Any talk of revival or restabilisation was tantamount to a repudiation of the whole historical analysis of Marxism, and an adoption of the opportunist politics of social democracy.

The "lefts" insisted that, since capitalism had exhausted itself—the war had demonstrated this—it was in its "final" crisis and therefore the tactics of the party must be directed towards developing a permanent offensive by the working class. This theory had its most serious consequences in Germany, in March 1921, when the young German Communist Party launched an insurrectionary struggle without sufficient mass support.

In developing the perspective of the Comintern, Trotsky undertook an examination of the relationship between the business cycles of capitalism—the fluctuations of boom, bust, recession and recovery—and longer-term processes, which he designated as "the curve of capitalist development". Such an analysis had never been undertaken previously.

Trotsky began his report to the Third Congress by demonstrating that, contrary to the assertions of the Mensheviks, capitalism had not restored its economic equilibrium. Far from establishing a new set of conditions for continuous expansion, he pointed out, major problems were beginning to emerge, even as production reached pre-war levels.

Turning to examine the relationship between the short-term cycles and the longer-term processes of capitalist development, he continued:

"Bourgeois and reformist economists who have an ideological interest in embellishing the plight of capitalism say: In and of itself the current crisis proves nothing whatever; on the contrary, it is a normal phenomenon. Following the war we witnessed an industrial boom, and now—a crisis; it

follows that capitalism is alive and thriving.

"As a matter of fact, capitalism does live by crises and booms, just as a human being lives by inhaling and exhaling. First there is a boom in industry, then a stoppage, next a crisis, followed by a stoppage in the crisis, then an improvement, another boom, another stoppage and so on.

"Crisis and boom blend with all the transitional phases to constitute a cycle or one of the great circles of industrial development. Each cycle lasts from 8 to 9 or 10 to 11 years. By force of its internal contradictions capitalism thus develops not along a straight line but in a zigzag manner, through ups and downs. This is what provides the ground for the following claim of the apologists of capitalism, namely: Since we observe after the war a succession of boom and crisis it follows that all things are working together for the best in this best of all capitalist worlds. It is otherwise in reality. The fact that capitalism continues to oscillate cyclically after the war merely signifies that capitalism is not yet dead, that we are not dealing with a corpse. Crises and booms were inherent in capitalism at its very birth; they will accompany it to its grave. But to determine capitalism's age and its general condition—to establish whether it is still developing or whether it has matured or whether it is in decline—one must diagnose the character of the cycles. In much the same manner the state of the human organism can be diagnosed by whether the breathing is regular or spasmodic, deep or superficial and so on." [16]

The basic analysis contained in Trotsky's report was the subject of intense discussion both at the Congress and subsequently. In his report to the Fourth Congress, in November 1922, Trotsky summed up the discussion as follows:

"The Third Congress theses on the world situation characterised the basic traits of our entire epoch quite correctly as those of the greatest historical crisis of capitalism. At the Third Congress we stressed how indispensable it was to distinguish sharply between the major or historical crisis of capitalism and the commercial-industrial cycle. Let me recall that there was an extended discussion both in the commissions and especially during the plenary sessions. As against a number of comrades we must differentiate sharply between two types of curves: the basic curve which graphs the development of the capitalist productive forces, growth of the productivity of labour, accumulation of wealth, and so on; and the cyclical which depicts a periodic wave of boom and crisis, repeated on the average every nine years. The correlation of these two curves has not been elucidated up to now in Marxist literature—nor to my knowledge, in general economic literature. Yet the question is of utmost importance both theoretically and politically." [17]

A review of economic history establishes these different segments in the curve of capitalist development quite distinctly. The period, say from 1789 to around 1850, is characterised by a relatively slow development. Then, from 1851 to around 1873, capitalism experiences a period of rapid expansion. The short term cycles are characterised by the fact that the booms are very vigorous, while the downturns, even though they may be quite sharp, are of relatively short duration and followed rapidly by an upturn. After 1873, we find a different economic climate for the next 20 years—one characterised by falling prices and profits—a period which used to be known as the Great Depression. Then, from the mid-1890s, the curve of development takes a sharp upward turn, continuing until 1913. The capitalist economy experiences upturns in the business cycle after the war, but there is no return to pre-war conditions. It is not until 1945 that a new upturn in the long-term curve begins, and this continues until 1973—the post-war economic boom. It is quite clear that the economic climate after 1973 is different from that of the preceding 25 years. In the boom, unemployment was of short duration, even as the work force expanded. Now, the state of the economic climate is signified, for example, by the fact that not one full-time job has been created in Europe since 1973.

The Construction of the Post-War Order

In his report to the Third Congress, Trotsky insisted that while the business cycle had experienced an upturn since 1920, the pre-war equilibrium of world capitalism was far from being restored. The question then naturally arose: was such a restoration possible? Could a new period of upswing in the curve of capitalist development emerge? Pointing to the "theoretical" possibility of such a development, Trotsky outlined the conditions under which it could arise.

"If we grant—and let us grant it for the moment—that the working class fails to rise in revolutionary struggle, but allows the bourgeoisie the opportunity to rule the world's destiny for a long number of years, say, two or three decades, then assuredly some sort of new equilibrium will be established. Europe will be thrown into reverse gear. Millions of European workers will die from unemployment and malnutrition. The United States will be compelled to reorient itself on the world market, reconvert its industry, and suffer curtailment for a considerable period. Afterwards, after a new world division of labour is thus established in agony for 15 or 20 or 25 years, a new epoch of capitalist upswing might perhaps ensue." [18]

Trotsky ruled out such a perspective in 1921, precisely because of its exceedingly abstract character. It left out of the picture the struggle of both the working class and the revolutionary vanguard to lead it in the conquest of political power. The bourgeoisie did, in fact, manage to cling to power—not because of the failure of the working class to struggle, but because of the betrayals of its social democratic and Stalinist leaderships. In the event, the bourgeoisie was able, after 25 years of agony, to establish a new capitalist equilibrium, which was to set the stage for the post-war economic boom.

But it was far from some kind of automatic process. In the first place, the political pre-condition was the betrayal of the post-war revolutionary upsurge of the working class and oppressed masses by the social democratic and Stalinist bureaucracies. The guiding line of the Stalinist bureaucracy was the prevention of socialist revolution at all costs. That had been its perspective in the Spanish civil war, when it strangled the revolution in order to demonstrate its willingness for coexistence with imperialism.

Now this program was extended internationally. In 1943 Stalin dissolved the Comintern as a demonstration of good faith to the imperialist powers. The basis of the agreements at the conferences held in Tehran, Yalta and Potsdam was that the Stalinist bureaucracy would block the development of socialist revolution in the West, in return for a recognition by imperialism of a Soviet sphere of influence—a buffer zone—in Eastern Europe. Carrying out this program, the Communist Parties of Italy and France entered bourgeois coalition governments in the crucial immediate post-war period, while the Soviet bureaucracy betrayed the partisans in the Greek civil war.

As the Second World War drew to a close, US government circles turned their attention to the creation of a post war economic and political order. It was clear that there would have to be drastic changes or the world would rapidly be plunged back into the conditions of the 1930s, threatening the entire capitalist order with the prospect of social revolution.

It was clear, above all, that the entire international trading system had to be virtually reconstructed. If the period from 1870 to 1914 could be described as one of increasing global integration, through trade and investment flows, then the period from 1914 to 1945 had to be characterised as one of global disintegration. In fact, it has been described as the 20th century equivalent of the 30 Years War, which devastated 17th century Europe.

The world market became increasingly fractured and divided, while

international flows of investment capital all but dried up. From 1929, the year of the Wall Street crash, to 1932, the lowest point of the Depression, the value of world trade slumped by two thirds. Increasingly the world was divided into a series of blocs—a sterling alliance, a dollar bloc, a yen bloc, and a South-Eastern European bloc centred on Germany.

By the early months of 1943, with the defeat of the Nazi armies in the Battle of Stalingrad and the push forward by the Red Army, it was clear that the defeat of the Axis powers was only a matter of time. The Roosevelt administration's State Department began to consider what economic order would have to be constructed when the war was over. One key US policy objective was to abolish trade blocs and restrictions. The US aimed, not only to break up the German and Japanese empires, but to dismantle the sterling bloc of Great Britain. Indeed at the very first discussions between Churchill and Roosevelt, the Americans insisted that imperial preference, established by the Ottawa agreements of 1932, had to go.

In December 1943, a State Department committee report insisted that: "A great expansion in the volume of international trade after the war will be essential to the attainment of full and effective employment in the United States, and elsewhere, to the preservation of private enterprise, and the success of an international security system to prevent future wars." [19]

The International Monetary and Financial Conference held at Bretton Woods, New Hampshire in July 1944 laid the basis for the post-war financial system. The cornerstone of the Bretton Woods agreement was that the dollar would in effect function as international money, with the currencies of the other capitalist powers tied to it in fixed exchange rates, while the dollar in turn was redeemable for gold at the rate of \$35 per ounce. An International Monetary Fund was set up to provide short-term assistance to countries running into balance of payments difficulties, obviating the need to introduce the currency controls and tariff restrictions that had produced such disastrous consequences in the 1930s.

The bourgeoisie was acutely conscious that, having dragged mankind through two world wars and the horrors of the Great Depression, it would not survive if the post war period saw a return to the conditions of the 1930s. In an address to the US Congress in March 1945, the Under Secretary of State for Economic Affairs, William Clayton, warned that any return to high tariffs would have disastrous consequences. World peace, he declared, "will always be gravely jeopardised by the kind of international economic warfare which was so bitterly waged between the two world wars". "Democracy and free enterprise will not survive another world war," he said.

A new equilibrium involved more than the reconstruction of the international trading and financial system, crucial as that was. The key economic question confronting world capitalism was the necessity to increase the extraction of surplus value as the basis for the expanded accumulation of capital. This required nothing less than the economic reconstruction of Europe.

An entirely new regime of production had to be introduced to vastly increase the productivity of labour and the mass of surplus value extracted from the working class—far beyond anything achievable with the pre-war methods.

Such a new system had already been developed. It had announced its arrival with the opening of Henry Ford's Highland Park assembly-line car plant in 1913. The assembly-line system was not simply the invention of Ford. It was the culmination of a struggle waged by the industrial bourgeoisie, from the time of the great depression in the 19th century, to develop new methods to cut costs and increase productivity.

The assembly-line brought together a series of innovations from the meat-packing and food-canning industries, changes in metallurgy and metal cutting, the manufacture of standardised metal parts, the use of electricity to allow a more rational factory floor organisation and changes in management and organisation.

These new methods of manufacture led to a feverish development of American capitalism during World War I and the 1920s. But this did not signify an expansion of the capitalist economy as a whole, for it was achieved largely at the expense of Europe.

The European bourgeoisie responded to the pressure on profit rates and increased competition from America not by developing new production methods, but rather by setting up cartels and other monopolistic restrictions in an endeavour to limit production and maintain prices.

From the standpoint of the individual corporation, this was a rational response, in that it sought to preserve the value of its capital and maintain its share of the available surplus value. But from the standpoint of the capitalist system as a whole, such methods only deepened the crisis of profits.

But there was no other way out for the European bourgeoisie. The application of the more productive American methods—based on larger production volumes at lower costs—required an expansion of the market from a national, to an all-European scale. Yet each section of the bourgeoisie—French, German, Italian and British—sought to bolster its own position against its rivals, by strengthening national controls and barriers.

The result was that American capitalism, which had expanded at such a rapid pace in the 1920s, ran headlong into the barriers to further expansion created by the chaos in Europe. The Great Depression of the 1930s was the outcome.

Trotsky described the economic processes at work in his remarkable article *Nationalism and Economic Life* published in 1933. He explained that the development of the productivity of labour was, in the final analysis, the determining factor in the rise and decay of social formations.

"The law of the productivity of labour," he wrote, "is of decisive significance in the interrelations of America and Europe, and in general in determining the future place of the United States in the world. The highest form that the Yankees gave to the law of the productivity of labour is called conveyor, standardised or mass production. It would seem that the spot from which the lever of Archimedes was to turn the world over had been found. But the old planet refuses to be turned over. Everyone defends himself against everybody else, protecting himself by a customs wall and a hedge of bayonets. Europe buys no goods, pays no debts, and, in addition, arms herself. With five miserable divisions, starved Japan seizes a whole country. The most advanced technique in the world suddenly seems impotent before obstacles basing themselves on a much technique." [20]

It seemed as if, Trotsky continued, the law of the productivity of labour had lost its force. But this was only the appearance of the matter. American capitalism would have to open up new means for its advance all over the globe. More efficient methods would conquer over less efficient ones. How would this take place? By means of war.

Trotsky's predictions were fulfilled in the entry of America into the Second World War, and the vast economic reorganisation undertaken in its aftermath.

The Bretton Woods monetary system was only the first step. Its smooth operation presupposed an increase in production, trade and investment, resulting from improved profitability. But the Bretton Woods mechanisms, in and of themselves, did nothing to bring this about.

The crucial issue in the stabilisation of European and world capitalism, was the establishment in Europe of the more productive methods developed by American capitalism, and an economic regime which would eliminate the national restrictions and barriers that had led to the disasters of the 1930s and see an expansion of the capitalist economy as a whole. This was the basis of the Marshall Plan.

The aim of the plan—to inject some \$17 billion into Europe over three years—was not simply to overcome the immediate European financial crisis. Nor was it to reconstruct European industry. There was an acute awareness of the fact that if industry were simply rebuilt on the old

foundations, then all the contradictions that had led to two wars in a generation would re-emerge. The Marshall Plan sought to establish the political and economic framework for the expanded accumulation of surplus value in Europe, thereby opening up new avenues for US capital to expand. When Marshall unveiled the plan in June 1947, he made clear that funds would not be allocated to individual states as such, but to bring about European integration, enabling the free movement of commodities and capital.

The organisation of the coal and steel industries had to be tackled. Unless major improvements were made in the steel industry, based on cheaper methods, then mass production processes could not develop. One of the key proponents of the Marshall Plan, the former president of the car firm Studebaker, Paul Hoffmann, outlined the objectives of European reconstruction in an address to the US Congress on the so-called Schumann plan to set up a European Coal and Steel Community.

"Heretofore," he said, "the price has been too high and wages too low for people to buy the products of the steel industry, to the extent that they buy the products of our steel industry here. We take a ton of steel and put it in an automobile and you know how very few people can afford to buy an automobile in Europe. So if you start this process, raising wages and lowering prices, you get that great expanding market in Europe, and that will take care of this increased productivity. Henry Ford introduced us to that new principle, and, when he did so, he started a revolution that we are still benefiting by, and I think that the Schuman plan may have that result in Europe."

In other words, the aim of the Marshall Plan was to create the conditions for the expanded accumulation of capital, through the introduction of the assembly-line methods developed in the US. Through the violent conflict of the Second World War, and then the complex economic and political processes of post-war reconstruction, the law of the productivity of labour—to which Trotsky had pointed—was asserting itself.

A Nationally-Regulated Equilibrium

The Bretton Woods-Marshall Plan system laid the foundations for a new capitalist equilibrium. In other words, it set in place the framework for the expanded reproduction of capital, based on the development of a new production regime that increased the mass of surplus value extracted from the working class.

But the re-establishment of capitalist equilibrium by no means involved a restoration of the pre-World War I system, based on free trade and the global movement of investment capital and finance. In the financial area, all capitalist governments imposed strict controls and restrictions.

A decade earlier, Keynes, who, together with Harry Dexter White, was the chief architect of the Bretton Woods agreement, had stated: "There may be some financial calculation which shows it to be advantageous that my savings should be invested in whatever quarter of the habitable globe shows the greatest marginal efficiency of capital or the highest rate of interest. But experience is accumulating that remoteness between ownership and operation is an evil in the relations among men, likely or certain in the long run to set up strains and enmities which will bring to naught the financial calculation. I sympathize, therefore, with those who would minimize, rather than maximize, economic entanglement among nations. Ideas, knowledge, science, hospitality, travel—these are things which should of their nature be international. But let goods be homespun whenever it is reasonably and conveniently possible, and above all let finance be primarily national."

These sentiments formed a central plank of the Bretton Woods agreement. Addressing the conference, US Treasury Secretary

Morgenthau said its goal was to "drive the usurious moneylenders from the temple of international finance". Keynes explained that a permanent part of the agreement was the explicit right it conferred on all governments to control capital movements and accordingly "what used to be heresy is now endorsed as orthodoxy."

Opposition to the free movement of finance capital flowed, not from any economic theory, but rather from an understanding of the political situation confronting the capitalist class. Bourgeois politicians the world over were acutely conscious that unless major concessions were made to the working class—in the form of full employment policies and the implementation of social welfare measures—they would face major class battles, with potentially revolutionary consequences.

But demand-management and social welfare policies would have been impossible had companies been able to shift from one country to another to take advantage of lower tax rates. The provision of concessions to the working class, financed by deductions from accumulated surplus value, required that capital be tethered to the national soil.

The post-war restabilisation created the economic and political framework for a new upswing in the curve of capitalist development. The extent of the turn can be seen in any number of statistics. For example, the annual average compound growth rate for 16 major OECD countries was 2.9 percent from 1900 to 1913, 2.0 percent from 1913 to 1950 and 4.9 percent from 1950 to 1973. The figures for productivity growth were 1.8 percent, 1.9 percent and 4.5 percent for the same periods. Breaking down the aggregated figures also reveals that this upswing was brought about by an extension of the more productive methods developed in America to the other major capitalist countries. Whereas productivity per man hour for the United States grew at 2.4 percent per annum for the periods 1913-1950 and 1950-73, in Germany it increased from 1.0 percent to 6.0 percent between the two periods, in Britain from 1.6 percent to 3.2 percent, in Japan from 1.7 percent to 7.6 percent and in Italy from 1.7 percent to 5.5 percent.

The post-war boom saw a revival of all the discredited theories of reformism. Now it was claimed that while unfettered capitalism had certainly revealed problems, the new techniques and Keynesian policies enabled capitalist governments to control and regulate them. These theories found their expression in radical circles in the form of Ernest Mandel's thesis that capitalism had entered a higher stage of "neo-capitalism"—characterised by the intervention of the state to prevent crises—or in state capitalist, Michael Kidron's theory that the historical contradictions of the capitalist economy had been set aside through the development of a "permanent arms economy."

While the post-war period saw the longest sustained upswing in the history of world capitalism—in direct proportion, one could say, to the 30 years of unprecedented destruction preceding it, none of the essential and fundamental contradictions of the capitalist system were resolved. Indeed, the very economic expansion of the post-war period led to their intensification.

We have seen that, at the most basic level, the economic and political history of the 20th century turns on the contradiction between the world wide development of the productive forces and the nation-state system in which capitalist private property and profit is rooted.

The Russian Revolution of 1917 represented the first attempt by the international working class to resolve this crisis and take mankind forward by means of the world socialist revolution. That first attempt failed.

The Bretton Woods-Marshall Plan arrangements in the post-1945 period represented the attempts of the bourgeoisie, learning from the experiences of 1917, to resolve the contradiction, or at least mitigate it, by using the political power of the national state to regulate the world capitalist economy. But that attempt has now failed—because of the irresolvable contradictions within the capitalist mode of production itself.

It is something of a paradox that the Bretton Woods financial system

broke down and then collapsed, not because it was unsuccessful, but precisely because it did revive the world capitalist economy.

The cornerstone of the system was the role of the US dollar as the world currency. The dollar was only able to play that role because of the economic supremacy of the US over its rivals in Europe and Japan. This supremacy was reflected in the balance of trade surplus—the excess of exports over imports—which ensured that there was a dollar shortage in the rest of the world.

In the early post-war years, the key question was to ensure sufficient international liquidity through an outflow of dollars to finance international trade. In other words, for the Bretton Woods system to operate, the United States had to run a balance of payments deficit. But a considerable portion of this deficit was used to finance the reconstruction of European industry, which in turn undermined the relative supremacy of the United States. That is, the very reconstruction of Europe—the aim of Bretton Woods—tended to undermine the US balance of trade, and hence the strength of the dollar, upon which the whole system rested. These contradictions were not the result of the incapacities of those who designed the system. Ultimately, they reflected the fact that the dollar—the currency of a national state—was called on to play the role of world currency.

The longer the upswing proceeded, the more the relative superiority of the US over its rivals was undermined, and the dollar shortage began to turn into a surplus. By 1958, for example, dollars held by foreigners exceeded the gold held as the dollar backing in Fort Knox.

The basis of the Bretton Woods system was the control of international finance by national governments. Washington, not Wall Street, was to regulate the flow of international capital. But this control was also undermined by the very measures which formed such a vital component of the post-war restabilisation.

One of the central aims of the post-war reconstruction program was the opening up of Europe as an arena for US investment. And this policy was eminently successful, as US companies moved in heavily, setting up multinational enterprises. These very organisations, however, were to play one of the key roles in undermining Washington's control of the international financial system.

So long as the US maintained a large balance of trade surplus, any US dollars held in foreign accounts quickly found their way back into the transactions stream of international trade, under conditions where Europe needed all the dollars it could find to pay for American goods. But by the end of the 1960s, the growth of dollar balances in Europe began to exceed the demand for US products. This led in turn to the establishment of a Eurodollar bond market—a market increasingly developing outside the control of Washington or any national government.

As the dollar surplus outside the US increased in the 1960s, so the Eurodollar market expanded, despite efforts by US administrations to exercise controls over capital outflows from the United States. US corporations and banks operating abroad, found that controls imposed by their own government could be circumvented by recourse to the Eurodollar market. Summing up this process, the US magazine *Business Week* declared: "Of all the forces responsible for the creation and expansion of free Euromarkets and the pool of stateless money, none has been as powerful as the need of the 450 biggest multinational companies [the majority of them American-based] in the world. In their expanding global operations, these huge ... companies have created the demand for free access to money across all borders ... "[21]

The growing crisis of the Bretton Woods system was reflected in the accelerating decline in US gold stocks to provide backing for the US dollar. From 1950 to 1955, the value of gold in Fort Knox fell from \$23 billion to \$22 billion. But over the next five years it declined by a further \$4 billion. The rate of decline increased sharply in the 1960s, so that by 1968, the level of gold stocks was close to \$10 billion, barely above the

minimum considered necessary to keep the Bretton Woods system afloat.

On New Years Day 1968, President Johnson announced a series of measures aimed at trying to cut the US balance of payments deficit and so halt the dollar outflow. Considered against the background of today's financial markets, they appear quite severe. All new foreign investment in Western Europe was to end, while investment in Great Britain, Australia, Canada and Japan was to be cut to 65 percent of its 1965-66 levels.

The measures had almost no impact. They were to a great extent circumvented through the Eurodollar market, increasingly an international financial market. The outflow of capital from the United States continued, reaching nearly \$11 billion in 1970 and \$30 billion in 1971, compared to previous peaks of \$3.4 billion in 1960 and 1968.

The Eurodollar market was steadily increasing in size, rising from \$9 billion in 1964 to \$44 billion in 1969 and \$80 billion by 1972.

The final blow to the Bretton Woods system came on August 15, 1971 when President Nixon announced the removal of the gold backing from the US dollar. Fixed exchange rates between the currencies of the major capitalist countries were re-established under the Smithsonian Agreement at the end of 1971. However, the US dollar continued to come under pressure on international money markets and in February 1973, the fixed exchange rate system was abolished. Major currencies were allowed to float against each other.

It is useful to consider the alternatives facing Nixon, to more clearly focus on the driving forces behind the collapse of the Bretton Woods system. What would it have taken to maintain the dollar-gold parity? The balance of payments deficit would have had to be cut dramatically, through restrictions on investment outflows and the erection of tariff barriers to slow the flow of imports. The flow of international liquidity would have been severely reduced, interest rates would have increased. In other words, in order to maintain the Bretton Woods system it would have been necessary to bring about a sustained recession. As soon as a revival took place in the world economy, all the factors which led to the crisis would have reasserted themselves.

That is, to maintain Bretton Woods meant keeping the world economy in a permanent state of recession. To examine the issue in this way makes clear the historic significance of the end of the Bretton Woods system: it signified the first major breach in the national regulation of the world economy—a breach resulting from the very development of the productive forces the Bretton Woods arrangements had been designed to produce.

The End of the Post-War Boom

The year 1973 saw the final abandonment of fixed currency exchanges. It marks another turning point in the curve of capitalist development. The inflationary crisis of the early 1970s was followed by the global recession of 1974-75—the most serious economic downturn in world capitalist economy since the 1930s Depression. By 1976, a recovery had begun, but there was no return to the conditions of the 1960s. The economic situation was characterised by steadily rising long-term unemployment and inflation.

Many statistics point to the qualitative changes in world capitalism at this time. In the period 1974-83, for example, the profit rate of corporate businesses in the seven major advanced capitalist countries fell to below two thirds the level it had reached in the period 1960-69. The decline was even sharper in manufacturing businesses, where profit rates fell to below half the levels of the 1960s. Growth rates for the major OECD countries tell the same story, declining from 4.7 percent between 1968-73 to 2.6 percent between 1973-79. Productivity rates show a corresponding decline; from 4.0 percent growth between 1960-67, to 3.7 percent between

1967-73 to 1.6 percent between 1973-84.

World capitalism did not just confront falling profits and mounting financial crises. These problems both gave rise to, and were to some extent the consequence of, the upsurge of the working class and oppressed masses in the period 1968-75. Potentially revolutionary situations emerged in a number of countries—in France, Chile, Portugal and Spain to name a few. This potential was not realised, due, above all, to the role of the Stalinists and social democrats, assisted at every stage by the various middle class radical tendencies. They worked to prevent the wave of militancy from becoming a direct challenge for power. The counter-revolutionary role of the Communist Party in France in the May-June 1968 events has been well documented, but it was repeated in country after country.

The bourgeoisie was able to cling to power, but it was not able to resolve the economic crisis whose arrival had been signalled by the turbulence of the early 1970s. The decline in the rate of profit signified the exhaustion of a production regime based on assembly-line methods. There were attempts to impose speed-up and extract greater productivity, but these only provoked greater militancy and factory revolts.

Capital had to devise entirely new methods of production, able to significantly lower costs and increase labour productivity. Such methods, necessary from the standpoint of the interests of capital as a whole, did not emerge smoothly as the result of a plan, but out of violent struggles on the market.

The first response of manufacturing industry to a crisis of profits is not to introduce new methods of production—that involves considerable risks—but to try to maintain prices through monopoly dominance of industry and to sustain those prices with a general expansionary government policy. Manufacturing industry in the mid to late 1970s was able to compensate, to some extent, for falling profit rates through rising inflation. While the profit rate as a whole declined, the effects of this decline were unevenly distributed. Manufacturing profits were sustained by inflation. However the profits of the banks, which lent money to industry, were being severely affected, so much so that in the late 1970s, real interest rates turned negative.

To the extent that the bourgeoisie had not brought the political situation under control, this had to be tolerated. But once the social democrats and Stalinists had done their work in ensuring restabilisation, a shift in orientation took place. This was signalled by the coming to power of the Thatcher government in Britain and the elevation of Paul Volcker as chairman of the US Federal Reserve Board in 1979, followed by the installation of the Reagan administration in 1980. Volcker had come to power on a program of squeezing inflation out of the system, that is, of asserting the dominance of finance over industrial capital and restoring profitability to the banks.

Under Volcker's program, US long-term real interest rates began to rise rapidly: from 1.5 percent in 1980, to 3.1 percent in 1981 and then to a high of 8.1 percent in 1984, thereafter falling back to between 5 and 6 percent for the rest of the 1980s. The program had a devastating impact in the early 1980s; real GNP growth came to a virtual halt, unemployment rose to 10 percent on official levels—and much higher unofficially—and industrial production fell by about 10 percent. Volcker's measures were followed by the Thatcher government in Britain, implementing the dictates of the banks and the City of London.

The intervention of finance capital forced all sections of industry to confront the implications of the fall in the long-term rate of profit. Two interconnected processes were set in motion: the drive for sources of cheap labour and the development of new production technologies which cut costs by eliminating vast areas of labour, first in the production process and then in management and information systems.

The drive for cheap labour began in the late 1960s and early 1970s in the textile and micro-electronics industries. Companies began to outsource

components and set up total offshore manufacturing. Previously unified production processes were broken up, disaggregated and dispersed, to take account of cost savings, especially in Latin American and South-East Asian countries, where dictatorships maintained cheap-labour conditions. Components for a range of commodities, from computers to cars, were manufactured and assembled in any number of countries. Industrial processes, once carried out in one plant, were now dispersed all over the globe.

What began as a series of measures to reduce costs in various industries has now become a new system of production. The central factors which have made this possible have been dramatic reductions in the costs of transport and communications. Between 1930 and 1990, for example, the average revenue per mile in air transport fell from 68 US cents to 11 cents, in 1990 dollars. The cost of a three minute telephone call between New York and London fell from \$244.65 to \$3.32. Between 1960 and 1990 the cost of a unit of computing power fell by 99 percent. The unit cost of sea freight fell by 70 percent, in real terms, from the beginning of the 1980s to 1996.

Many statistics point to the vast change in the structure of the world capitalist economy over the past two decades. It is necessary to cite some of them, if only to refute the ridiculous assertions of the radicals that nothing much has altered since 1913. It is certainly true that the pre-World War I ratios of exports to GDP, and of financial outflows to GDP, for the major capitalist countries are comparable to those of today. But to simply focus on these figures as a measure of global integration is to ignore the qualitative changes resulting from foreign direct investment and the development of the multinational and transnational corporation.

In the past, global integration took the form of arms length transactions, either as trade or investment. It was a market operation. Today, global integration of economic processes increasingly takes place within the framework of corporations as an internal operation. Their importance is expressed in the growing significance of foreign direct investment (FDI)—the establishment of new factories and industrial plants by transnational corporations.

In 1996, the global stock of FDI was estimated to be \$3,200 billion, having grown at twice the rate of total investment over the previous decade. Between 1991 and 1996, FDI flows increased at a rate of 12 percent per year, while exports rose by 7 percent per annum. By 1995, 280,000 affiliates of transnational companies generated \$7,000 billion in sales, exceeding the global export of goods and services by 20 percent. According to the World Bank, the share in world output of multinational affiliates increased from 4.5 percent in 1970 to 7.5 percent in 1995, while their share in manufacturing output rose from 12 percent in 1977 to 18 percent in 1992. In the United States, intra-firm imports were more than 40 percent of total imports by the early 1990s. An estimated 70 percent of global payments of royalties and fees are transactions between parent firms and their foreign affiliates.

A further key component of global integration is the emergence of a global financial market. According to the Bank of International Settlements (BIS) the average annual financial outflow, in the form of portfolio capital movements, was \$2.48 billion in 1975-70, rising to \$8.36 billion in 1980-84, \$35.6 billion in 1985-89 and \$214.6 billion in 1990-91. The exponential expansion in international capital flows has meant that world capital markets are no longer a series of interconnected national markets, but increasingly a single global entity.

Since 1985 transactions in foreign currency and international securities have increased more than tenfold. According to the BIS, on an average day, currency to the value of \$1.5 trillion changes hands. These international flows dwarf the financial power of the central banks. In 1983, five major central banks held \$139 billion in foreign exchange reserves as against a daily turnover of \$39 billion. However, just three years later, the two were roughly even in size. By 1992, the positions were

reversed: the central banks held \$278 billion in reserves while daily trade averaged \$623 billion. Since then daily foreign exchange transactions have more than doubled.

The globalisation of production is not merely an increase in international economic activity. It represents a qualitative change in the structure of the world capitalist economy. Capital, Marx explained, exists in three forms: as money capital, productive capital and commodity capital. The self-expansion of capital takes place through the metamorphosis of capital through these forms.

Money capital is used to purchase productive capital (machinery and raw materials) and labour power, brought together in the production process. The commodities produced are then sold, and money capital resumes the process of expansion.

In all three transitions—from money capital to productive capital to commodity capital (and back to money capital)—we have a qualitative change. But in only one of them is there a quantitative change: that is in the transformation of productive capital into commodity capital. Here, there is an increase in the value of capital, the source of which is the surplus value extracted from the use of the labour power of the working class in the process of production.

The history of capitalist production can be considered as the internationalisation or globalisation of these three forms of capital. The increase of international trade in the 19th century, and above all, the sale on the world market of commodities produced by capitalist firms and factories, saw the internationalisation of commodity capital. The development of international investment and the emergence of an international banking system in the latter part of the 19th century saw the internationalisation of capital in the money form. But even as these vast changes were taking place, capital in the productive form remained within the confines of the national state.

Raw materials were purchased on world markets, commodities were sold internationally, capital investments were made on an international scale. But productive capital was not globally mobile.

One of the clearest expressions of this fact is the mass migrations of labour which took place—the mass migration to the United States in the early part of this century and the migration to Australia after World War 2 are two examples.

Productive capital, tethered to the national soil, had to draw labour to its place of location. Now productive capital is able to move around the world to minimise its cost structure. Of course, this involves more than cheap labour. As far as each individual section of capital is concerned, the issue is not just how much surplus value it extracts, but to what extent can it reduce its costs, relative to its rivals, in order to increase its share of the surplus value produced by capital as a whole. Therefore, many other factors besides the relative cheapness of labour determine where productive capital will be sited.

Moreover, changes in technology and communications mean that whole production processes, which were once aggregated, can now be disaggregated, so that costs are reduced. In other words, an even finer international division of labour now takes place. Whereas in the past, planning and design departments would have to be situated in close proximity to manufacturing sites, now they can be situated continents apart, yet with computer-aided design methods and high-speed communications, function as if they were in adjoining buildings.

In the past, the sphere of operations of productive capital was the national-state. Raw materials and labour, as well as machinery, may have been brought in from outside, and the commodities produced may have been sold internationally, but the process of surplus value extraction occurred within the confines of a given national state. This is no longer the case. Surplus value is extracted by productive capital on a global scale.

This qualitative transformation has truly far-reaching political implications, which can only be indicated here. Above all, it spells the

complete collapse of all national-reformist perspectives that the social position of the working class can be maintained within the framework of capitalism.

At the most fundamental level, reformist politics—the programs of the social democratic parties and the trade unions—consisted of the application of political pressure to capital via the national state. This pressure secured concessions financed, in the last analysis, from the surplus value extracted by capital within the confines of that state. That is, reformist politics based itself on the relative immobility of productive capital. It sought to use the power of the national state to impose a tax on capital. Those conditions have now ended. And it is not merely a question of capital moving offshore to cheap labour countries. Capital can now move from one region of a country to another, or from one nation to another, according to the cost advantages of each area. The major source of pressure on the social welfare state in Europe, for example, is not cheaper labour countries in Asia, but the United States, and, within Europe itself, Great Britain.

The globalisation of financial capital means that each section of capital, even if its individual operations are confined within a given national market, is under pressure to return a rate of profit in line with international standards. Those companies which do not do so, will find that globally mobile shareholders' funds will shift out of their stocks—thereby lowering their price on the market and raising the cost of new capital—or that credit rating agencies will lower their rating, lifting the interest rate at which they can borrow. In other words, the existence of transnational money and capital markets is, in some ways, an even more decisive factor in the erosion of the national ties of capital, and the consequent collapse of reformist politics, than globalised production.

Origins of the Present Crisis

In considering the historical significance and implications of the globalisation of production, we must examine the impact of the enormous development of the productivity of labour in this phase of capitalist development. Here we have to take account of the basic social relations of capital.

All class societies are based upon the extraction of surplus labour. In capitalist society this process occurs through the wage contract. The worker sells labour power, his capacity to work, to the capitalist. The capitalist, like every other commodity owner, has the right to consume the commodity he has purchased and receive its use value. The consumption of the capacity to work takes place in the production process. The use value of the labour power is that it is a source of surplus value.

The worker reproduces the value of his labour power in a fraction of the working day. The value of labour added in the rest of the working day accrues to the capitalist. The overall mass of surplus value is conditioned by two factors: the number of workers employed and the relationship between the paid and unpaid portions of the working day. Clearly, the more workers are employed at a given level of exploitation, the more surplus value will be accumulated. The shorter the time taken by the worker to reproduce the value of his labour power, and the greater the portion of the working day which is unpaid, the greater will be the mass of surplus value extracted.

Now let us consider the effect of technological advance. It increases the productivity of labour, enabling more to be produced within a given time, or the same amount within a shorter time, bringing about an increase in material wealth and laying the basis for an advance in society as a whole. But the development of the productivity of labour through technological advances has a contradictory effect. To the extent that a technological advance reduces the number of workers employed, then the mass of

surplus will decline and the rate of profit will decline. On the other hand, to the extent that the amount of surplus value extracted from each worker who remains in the production process is increased, the overall mass of surplus value will increase, thereby increasing the rate of profit.

This contradictory process is the source of the conflict between those who call for regulation of the capitalist economy, on the grounds that new technology is destroying jobs and will lead to a crisis, and those who maintain that technological advances are the mainspring of capitalist development, and that while they have produced great turbulence in the past, this has always been followed by capitalist expansion.

The crucial issue is not the impact of technology as such, but the implications of the development of the social productivity of labour for the profit system. The introduction of new technology always destroys old and outmoded jobs and occupations. The question is whether it brings about an expansion in the mass of surplus value.

We have seen that insofar as new technology reduces the number of workers employed, it will tend to reduce the mass of surplus value, while on the other hand, to the extent that it reduces the time taken to reproduce the value of labour power, it will increase the mass of surplus value, and so bring about an expansion of capital. Is it possible to say anything about the relationship of these two tendencies, or is the outcome indeterminate?

To put the question another way: is it possible for capitalism to continuously overcome the tendency of the rate of profit to fall, by further developing the productive forces to increase the social productivity of labour and lift the rate of surplus value, or is there an inherent barrier to this?

There is certainly no inherent barrier so far as the development of the productive forces is concerned. But there is a barrier, imposed by the social relations within which those productive forces are developed—the capital-wage labour relationship.

The origin of surplus value is the difference between the paid and unpaid portions of the working day. Capital can increase surplus value in two ways: through the lengthening of the working day—and the production of what Marx called absolute surplus value—or by shortening the time taken to reproduce the value of labour power, the production of relative surplus value.

Historically, capitalism began with the accumulation of absolute surplus value, via the lengthening of the working day. Specifically capitalist production began when new methods of production were developed to shorten the time taken within the working day to reproduce the value of labour power. The history of capitalist production involves the progressive reduction of this necessary labour. But this is, in its very essence, a contradictory process.

Suppose that the working day of eight hours is initially divided in the following proportions: four hours of necessary labour (that is, four hours in which the worker reproduces the value of this labour power) and four hours of surplus labour, which is rendered gratis to the capitalist. Suppose that the productive forces are doubled, so that the worker is now able to reproduce the value of his labour power in just two hours, rendering six hours of surplus labour to the capitalist. With a doubling of productivity, the amount of surplus value has increased by 50 percent.

Suppose that productivity doubles again. The necessary labour time is reduced from two hours to one hour, and the surplus value rendered to the capitalist increases by one hour or 16 2/3 percent. In other words, every doubling of productivity decreases the rate of increase of the mass of surplus value extracted. To look at the question from another angle: as the development of the productive forces tends to cut the work force, thereby reducing the overall mass of surplus value, the compensatory effect of the increase in relative surplus value becomes smaller and smaller.

This means that a point will be reached where the mass of surplus value will actually decline, as a result of the increase in the social productivity of labour. That is, the measures through which capital has, throughout its

history, been able to overcome the tendency of the rate of profit to fall and make possible a new period of expanded capital accumulation, will eventually bring about a situation where the mass of surplus value declines. The crisis of capital accumulation is the result, not of insufficient productivity, but of the development of the productive forces and the advancement of the social productivity of labour.

"Capital," Marx explained, "is the moving contradiction, [in] that it presses to reduce labour time to a minimum, while it posits labour time on the other side as the sole measure and source of wealth." [22]

That is, while the sole source of surplus value, and hence profit, is the unpaid labour extracted from the working class, and this, not material production as such is the measure of wealth in capitalist society, the drive for profit sees the continuous reduction of labour time in the production process.

Capital makes wealth relatively independent of the labour time employed on it, yet uses labour time as the "measuring rod for the giant social forces thereby created." This contradiction, Marx insists, creates the conditions to blow the whole system sky high.

Marx has come under attack from various bourgeois economists who assert that his analysis is fundamentally flawed, because if it were true that the development of the productive forces gave rise to a crisis of the profit system, no capitalist would ever develop new technologies and production methods, as this would lead to his own profits being cut.

Such arguments, however, ignore the most fundamental feature of the capitalist mode of production: it is a system of private ownership, in which social development is not the outcome of conscious decisions and planning, but of the actions of the individual sections of capital.

The individual capitalist firm introduces new technology, not to increase the mass of surplus value from the working class, but to lower costs, to reduce its labour force, increase its market share and increase its profit at the expense of its rivals. Faced with this situation, other capitalists are forced to follow suit and develop new methods of production. The overall outcome of this process emerges behind the backs of the participants.

When Henry Ford developed the assembly-line system, he did not do so with the intention of providing the means whereby the capitalist class as a whole could increase the overall mass of surplus value that it extracted from the working class. He introduced the new methods of production to reduce his production costs, capture a larger share of the market, widen the market, and thereby increase profits. But the spread of these methods did bring about an increase in the mass of surplus value and thereby provided the foundations for a new period of capitalist upswing.

The question which immediately arises is the following: Can the new methods of production, based on the application of electronics and computer technology, bring about an expansion in the mass of surplus value, as did previous advances in the productivity of labour, and thereby create the conditions for an upswing in the curve of capitalist development?

To answer this question it is necessary to draw out the essential logic of the development of industrial capitalism over the past 200 years. In its drive to accumulate surplus value, capital has now reduced necessary labour time to a mere fraction of the working day. This means that the further development of the social productivity of labour and the further reduction of necessary labour time, instead of overcoming the crisis of capital accumulation by increasing the overall mass of surplus value, will actually intensify it.

Each capitalist firm is forced, by the pressure of competition, to introduce new technology and downsize its operations, above all, by reducing labour at all levels, in order to cut costs. Costs are reduced and output is increased. But as more and more firms adopt new technologies, the total amount of surplus value extracted by capital as a whole declines. This in turn leads to further competition in the market, adding to the pressure to introduce still further cost-cutting, which intensifies the overall

crisis of surplus value accumulation. The deflationary process, while it takes the form of lack of demand or increasing competition in glutted markets, is the expression of a crisis in the accumulation of surplus value itself.

This crisis, which is induced by the increasing productivity of labour, signifies the breakdown of the capitalist mode of production—a breakdown characterised by the frenzied activity of capital on a global scale.

As the overall mass of surplus value remains stagnant, or even contracts, so each section of capital strives to maintain or increase its share at the expense of its rivals by reducing its costs, developing new production methods, slashing its labour force, seeking out cheaper sources of labour, intensifying exploitation and so on.

At the same time, capital as a whole demands that previous concessions to the working class, financed out of the accumulated mass of surplus value, must be clawed back. This is what lies behind the global assault on social welfare conditions—an assault driven on by global finance capital, demanding that every national government make available the best possible conditions for capital accumulation, on pain of losing investment funds.

The crisis of the profit system, rooted in the contradiction between the productive forces and social relations of capitalist production based on wage labour, takes the form of an unprecedented global social polarisation in which, as Marx explained, the condition for the accumulation of wealth at one pole becomes the accumulation of poverty, misery and degradation at the other.

The globalisation of production has prepared a new period of social revolution. This is the inevitable outcome of the vast changes in the structure of world capitalist economy over the past two decades—the culmination of processes stretching back over 200 years. In pointing to the inevitability of social revolution, we do not mean that it will arise in a certain manner, at a certain time, like the rising of the sun, but that it is inevitable in the historical sense. It is inevitable because the contradictions inherent in the capitalist mode of production cannot be contained within the framework of the old social relations.

The crucial question, therefore, is on what strategy, on what program, must the struggle of the working class be developed.

Of course, there are those who dismiss out of hand such a question, insisting that it is meaningless, because, they maintain, the working class has "disappeared" or is in the process of disappearing.

If the globalisation of production has done nothing else, it has shattered the foundations of this assertion. The working class is not a class that performs a particular type of labour, but a class that stands in a definite social relationship to capital. The working class is that class with nothing to sell but its labour power, stripped of all ownership of the means of production and any independent means of support.

The globalisation of production has meant that the capital-wage labour relation has become the truly universal social relation. Whole new sections of the working class have been created—in South-East Asia, China, Africa, Latin America and elsewhere—where none existed before. And in the advanced capitalist countries, vast sections of the population, who considered themselves to be middle class in the past, have been confronted with the reality that they are nothing more nor less than wage labour, to be hired and fired according to the needs and dictates of capital.

The strategy and perspective of the working class—the overwhelming majority of the world's population—must be based, as Marx insisted in the Communist Manifesto, on the objective tendencies of development themselves.

That is why the programs and perspectives of all the radical groups are so deeply reactionary. They all maintain that the nation-state retains its importance, and that the struggle of the working class must start with that fact.

A recent article by the American radical, Kim Moody, is a typical

example. He writes: "Most of the struggle against the structures and effects of globalization necessarily occurs on a national plane. That, after all, is where workers live, work and fight. ... The most basic feature of an effective internationalism for this period is the ability of the working class to mount opposition to the entire agenda of transnational capital and its politicians in their own 'back yard.' For this agenda, too, is ultimately carried out at the national level." [23]

The assertion that the nation-state is the arena where workers live, work and fight is completely bogus. Workers live and work in a particular geographical location. But this in no way implies that the political program for which they fight must base itself on the nation-state. Workers in a globally-organised transnational company are situated in a particular location, within a nation-state. But the economic processes they are involved in bear no necessary relationship to that national state. They are determined on an international level.

The nation-state, moreover, is not a geographical, but a political formation—a political structure created by the bourgeoisie to fight for its needs and interests. Workers live in a definite location. But the scope of their struggles is determined by social issues, not geography. The working class is neither a regional nor a national class. It is, by its very nature, an international class, created by the global movement of capital. It can therefore only advance its interests on the basis of a program—and through the creation of organisations and political structures—which express this essential nature.

The nation state is an objective reality. But that is only the beginning, not the end of the question. For it is, to use the terminology of Hegel, a reality which has become irrational, and which must necessarily make way for a higher reality.

The nation-state remains. But that is the very essence of the historical problem which has confronted mankind throughout this century, and which has risen up before it once again. The nation-state system, and the capitalist property relations for which it has provided the framework, gave a mighty impetus to the development of the productive forces. But these forces of production have completely outgrown that framework. Unless this contradiction is resolved, then a new period of barbarism, as terrible as the period from 1914 to 1945, threatens the whole of mankind.

The radicals insist that globalisation is a myth or a propaganda campaign. Not only does this reveal their organic attachment to the national state, but likewise their deep-seated hostility to the socialist revolution. The globalisation of production is the most revolutionary factor in world politics today, because it is smashing up all the social, economic and political structures through which the bourgeoisie has maintained its rule. Some 150 years ago, Marx, when asked to explain his attitude to free trade, declared he was in favour, precisely because it "pushes the antagonism of the proletariat and the bourgeoisie to the extreme point" and "in a word, the free trade system hastens the social revolution."

The globalisation of production is not only bringing the antagonism between the working class and the bourgeoisie to the "extreme point", it is creating the foundations for the construction of a socialist society.

The essence of the struggle for socialism is to bring into being the next great step in the historical development of mankind: the assumption by man of conscious control of his own economic and social organisation. The establishment of socialism involves the negation of the whole pre-history of mankind in which he was dominated either by natural forces, over which he had no control because of the poverty of his means of production, or by the products of his own creation.

Marx brilliantly described this latter phenomenon, which emerged with the development of capitalism, in the following way:

"In history up to the present it is certainly an empirical fact that separate individuals have, with the broadening of their activity into world-historical activity, become more and more enslaved under a power alien to

them ... a power which has become more and more enormous, and, in the last instance turns out to be the world market." [24]

This domination, he explained, would be overcome given two practical premises. "For it to become an 'intolerable' power, i.e., a power against which men make a revolution, it must necessarily have rendered the great mass of humanity 'propertyless', and produced, at the same time, the contradiction of an existing world of wealth and culture, both of which conditions presuppose a great increase in productive power, a high degree of its development." [25]

Those two practical premises have been fulfilled. The world market bears down as an alien and intolerable power on the great mass of humanity. But its very development has created the conditions for its overthrow and the creation of a higher form of social organisation. With the development of the world market and globalised production we have the all-round interconnection and interdependence in production, consumption and all aspects of life of each individual with every other. And, at the same time, the development of a global financial system, the establishment of the most sophisticated means of communication, the development of statistical systems for analysing changes in market and economic conditions, the establishment of complex systems of production, planning and control within transnational corporations which span the globe, lays the foundations for the development of a planned world socialist economy in which production is controlled and regulated by the associated producers.

With the expansion of the world market and the development of globalised production, the old mole of history has done its work. What, then, is the task ahead? To construct the revolutionary party which will, in Trotsky's words, "revolutionise the consciousness of the working class, just as the development of capitalism [has] revolutionised social relations."

Notes

1. *The World Capitalist Crisis and the Tasks of the Fourth International*, pp. 48-49[back]
2. op cit., p. 58[back]
3. Hirst and Thompson, *Globalization in Question*, pp. 1-2[back]
4. op cit., p. 6 [back]
5. op cit., pp. 6-7, (Emphasis added)[back]
6. Chris Harman, "Globalisation: A Critique in International Socialism", December 1996, p. 28[back]
7. Hirst and Thompson op cit., p. 31[back]
8. *Workers Vanguard*, February 21, 1997[back]
9. Marx and Engels, *Selected Works*, Volume 1, p. 120[back]
10. op cit., p. 111[back]
11. op cit., p. 112[back]
12. Marx and Engels, *Selected Works*, Volume 3, p. 22, (Emphasis added) [back]
13. Trotsky, *The First Five Years of the Comintern*, Volume 1, p. 83[back]
14. Trotsky, *War and the International*, p. vii [back]
15. op cit., p. x [back]
16. Trotsky, *First Five Years of the Comintern*, Volume 1, pp. 251-252 [back]
17. Trotsky, *First Five Years of the Comintern*, Volume II, p. 258 [back]
18. Trotsky, *The First Five Years of the Comintern*, Volume 1, p. 263 [back]
19. cited in Kolko, *The Politics of War*, p.252 [back]
20. Trotsky, *Writings 1933-34*, p. 161 [back]
21. *Business Week*, August 21, 1978 [back]
22. Marx, *Grundrisse*, p. 706 [back]
23. Kim Moody, *Toward an International Social-Movement Unionism*, New Left Review, No. 225, September/October 1997 [back]

24. Marx, *The German Ideology*, p. 49 [back]

25. op cit., p. 46[back]



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