

# Correspondence on globalisation and the contradictions of capitalism

17 September 1998

Dear Sir,

I am interested to know about your assessments of the cause of the current Asian currency crisis, particularly in the above article written by Nick Beams. I have read through his article and found it to be very interesting as it gives the underlying causes of the crisis from a totally different perspective. However, I found the article is quite difficult to read especially for a person whose native language is not English. I would appreciate it very much if you could answer the following questions to enhance my understanding of your arguments.

1. What do you mean by 'fundamental contradiction between world economy and the capitalist nation-state system?' Why does this contradiction become the underlying cause of the crisis? I would appreciate it if you could elaborate on this point.

2. I am having a problem understanding the last topic in the article, titled 'Origins of the Present Crisis'. Again, the issue of contradiction is mentioned, particularly concerning surplus value being created.

I sincerely hope that you can give a plain explanation to my above inquiries.

Thank you,

AS

Dear AS

Thank you for your comments on the lecture *The Significance and Implications of Globalisation* and for your questions.

The contradiction between world economy and the capitalist nation-state system arises from the fact that whereas the productive forces have developed on a global scale, on the basis of a worldwide division of labour, the political and legal superstructure of capitalism, and the system of bourgeois property, remains rooted in the national state.

The historical development of capitalism, beginning roughly from the start of the 16th century, has involved two interconnected processes: the rise, growth and ever closer integration of the world market and the formation of national economies and the nation state.

The development of the world market underwent a rapid acceleration in the 19th century. As Marx put it in the *Communist Manifesto*: 'The need of a constantly expanding market for its products chases the bourgeoisie over the surface of the globe. It must nestle everywhere, settle everywhere, establish connections everywhere.'

At the same time the 19th century also saw the rise and consolidation of the national state-beginning with the American

Revolution of 1776, the French Revolution of 1789, and culminating in the American Civil War of 1861-65, and the formation of the German national state in 1871.

The formation of national states and the establishment of national markets gave a tremendous boost to the development of the productive forces. But economic development did not stop at the national borders and capitalism increasingly outgrew its national framework.

Each section of the bourgeoisie sought to achieve domination of the world market, but in doing so it came into collision with its rivals. The outbreak of World War I signified the eruption of this struggle as each of the major capitalist nation-states sought to transform itself from a great power to a world power.

Leon Trotsky always explained that the eruption of the war signified the emergence of an objective historical problem in mankind's development: How to intelligently organise the productive forces that had outgrown the national framework within which they had developed.

The bourgeoisie cannot solve this problem in a progressive manner because in seeking to subordinate the world market to its own profit needs, it strives to eliminate its competitors through competition, trade war and ultimately military conflicts.

The rational re-organisation of the world economy can only be undertaken by the international working class, which replaces the capitalist market and the profit system with the development of conscious planning to ensure the harmonious development of the productive forces on a global scale.

That is the great historic problem which has dominated the 20th century and which remains to be solved.

It lies at the centre of the so-called 'Asian', and now, global crisis of world capitalism. The United States insists that the principles of the 'free market' must prevail. In other words, throughout Southeast Asia as well as in Japan whole sections of banking and finance capital must be eliminated and the market 'opened up' to penetration by US financial interests.

At the same time the European powers are gearing themselves for the struggle for global domination. Not the least of their motives for the establishment of the euro is the drive to develop a new international currency that can rival and perhaps even take the place of the dollar. Thus in the present financial crisis we can see the seeds of new political conflicts between the United States, Europe and Japan.

The solution to this crisis does not lie in the re-imposition of national controls on currency and capital movements as carried out

by Malaysian prime minister Mahathir. Such is the integration of the global economy that the widespread resort to such measures could set in motion a contraction of global economic activity like that which resulted from the trade restrictions imposed by the United States under the Smoot-Hawley Act in June 1930.

The crisis cannot be resolved by trying to force the productive forces back into the confines of the national state which they have long ago outgrown. Rather, the division of the world into rival nations must be ended and a higher form of economic and social organisation established within which the productive forces are utilised for the advancement of mankind as a whole.

The final section 'Origins of the Present Crisis' deals with the following argument advanced by the spokesmen for capitalism. Yes, they say, the world economy is passing through some difficulties but the development of new technologies and methods of production will, in the final analysis, bring about a new period of capitalist expansion, just as in the past.

In order to answer this argument it is necessary to break it down into its component parts. Firstly, what is the basis for capitalist expansion? In the final analysis it is dependent on conditions which ensure that the mass of surplus value extracted from the working class is able to ensure the continuous growth of capital.

So in order to address the question of whether a new round of technological innovation could bring about a new phase of capitalist expansion it was necessary to examine the impact of technology-the development of the productive forces and the productivity of labour-upon the extraction of surplus value.

Here we find a contradiction. To the extent that new technologies tend to reduce the number of workers in the production process, they tend to decrease the mass of surplus value. On the other hand, to the extent that they increase the rate of exploitation of each individual worker, they tend to increase the mass of surplus value.

So long as the increase in the mass of surplus value produced by increased exploitation is able to counteract the decrease in the mass of surplus value resulting from the decrease in the number of workers in the production process, technological innovation will, in the final analysis, make possible capitalist expansion.

The question which now arises is the following: is there any inherent limit in the capitalist production process itself on the increase in the mass of surplus value resulting from an increase in rate of extraction of surplus value? Marx shows that there is, in the example that I reproduced in the lecture.

Suppose the working day of eight hours is divided in the following proportions: four hours in which the worker reproduces the value of his own labour power and four hours in which he creates surplus value. If the productive forces are doubled, so that the worker is able to reproduce the value of his labour power in two hours, he will now render six hours of surplus labour-an increase of two hours or 50 percent.

Suppose that productive power is again doubled. This time the increase in surplus labour will only be one hour or 16 2/3 percent. If the calculation is repeated, we see that for every doubling of productive power there will be an ever-smaller increase in the mass of surplus value produced. This means that at certain point the increase in surplus value produced by technological innovation

will be outweighed by the decrease in surplus value resulting from the decline in the number of workers engaged in the production process. Hence the overall mass of surplus value will decline. In other words a point will be reached at which technological innovation rather than increasing the mass of surplus value will tend to decrease it, thereby intensifying the crisis of the capitalist system as a whole.

These somewhat abstract theoretical considerations have a direct bearing on the present situation. At the heart of the present global crisis is the overaccumulation of capital relative to the mass of surplus value that can be extracted from the working class. This is the source of the deflation-expressed in both falling commodity prices and asset values-which is the central feature of the present situation. Capital seeks to overcome this crisis by eliminating whole sections of capital, in order to increase the rate of profit for those that remain. One of the ways this struggle takes place is through technological innovation to lower production costs. But this technological innovation tends to lower the mass of surplus value (for the reasons outlined above) and thereby bring further downward pressure on the rate of profit.

In other words, far from technological innovation providing the basis for a new phase of capitalist expansion, as argued by the representatives of the bourgeoisie, it tends to exacerbate the crisis of the profit system. How does capital respond? By seeking to intensify the exploitation of the working class all over the globe, and by dismantling all those social welfare concessions made in a previous period. This process is implemented through the operations of the global market.

I hope this explanation answers the questions you have raised. If you have any further questions or points on which you need clarification do not hesitate to write.

Nick Beams,

*World Socialist Web Site*

See Also:

Globalization and the International Working Class: A Marxist Assessment

[Statement of the International Committee of the Fourth International]

The Significance and Implications of Globalisation

A Lecture by Nick Beams

[4 January 1998 - 115kb]



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