A question on the contradictions of capitalism

Nick Beams
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Dear Nick Beams,

Your coherent and integrated argument in your two part speech entitled, "The War in Afghanistan: the socialist perspective," brings out the underlying causes of socio-economic crisis of the modern period such as war, depression and revolution. I believe your analysis is correct but I'm having trouble understanding the specifics of how the growth of productivity collides with private property and the nation-state.

In part two of your speech you say, "But the very expansion of capitalism at the end of the 19th century led inevitably to the eruption of World War I as the growth of the productive forces came into conflict with the constrictions of the profit system and the nation-state framework."

I don't know enough about the details of economics and economic history to understand this abstract conclusion as a causal explanation. Could you please give me some concrete examples of how this most essential conflict (new economic content of productive forces outgrowing the old political forms of social relations) was expressed before WWI, WWII, and today in the present crisis? Isn't this contradiction also the cause of all the past collapses and revolutions of social systems beginning with primitive communism? And if so, could you name a few current authors and books that bring out specific examples of how this contradiction has caused primitive communism, slavery and feudalism and now capitalism to break down?

For example, why did the industrial revolution of the latter part of the 19th century (new electrical, chemical discoveries, techniques) lead to intense competition for expansion overseas. Were the home markets in Germany, England and France overgrown? And if yes, how did private ownership and the profit system restrict this expansion of technology?

To begin a course of study to understand the specifics of this main contradiction do I start with Marx's *Capital* and follow up with an historical study of the capitalist division of labor, manufacture, handicrafts and how they created a home market for industrial capital and later a vast world market?

I know that I'm asking a lot. But I mainly need to know where to start and who to read in order to fill in the details, reconstruct the arguments, and make the central abstract conclusions more concrete so that I can try to explain them to others.

Sincerely,

Robert

Dear Robert,

As you note, your e-mail covers a wide range of issues. Let me by way of reply raise a few basic points.

In his article "Nationalism and Economic Life", Trotsky provides the following summation of the role of the productivity of labour in the historical development of mankind and its relationship to the rise and decline of social formations.

"Mankind," he writes, "is impelled in its historic ascent by the urge to attain the greatest possible quantity of goods with the least expenditure of labour. This material foundation of cultural growth provides also the most profound criterion by which we may appraise social regimes and political programs. The law of the productivity of labour is of the same significance in the sphere of human society as the law of gravitation in the sphere of mechanics. The disappearance of outgrown social formations is but the manifestation of this cruel law that determined the victory of slavery over cannibalism, of serfdom over slavery, of hired labor over serfdom. The law of productivity of labour finds its way not in a straight line but in a contradictory manner, by spurts and jerks, leaps and zigzags, surmounting on its way geographical, anthropological and social barriers. Whence so many 'exceptions' in history, which are in reality only specific refractions of the 'rule'" [*Writings of Leon Trotsky 1933-34*, p. 158].

The development of the productive forces and the productivity of labour is the basic driving force of the historical process. But this does not take place outside of human beings, but through them. Moreover, human beings are divided into social classes, which in turn have their origin in the mode of production. At a certain point, the old social relations become too restrictive for the further development of the productive forces. In order for the development of the productive forces to go forward there must arise a new class that is capable of establishing a new social order. If this does not take place, then we find that the old social order undergoes a process of decay and disintegration. Such was the case with the slave society of Rome for example.

The central contribution of capitalism to the historical development of mankind is that its very modus operandi involves the continuous development of the social productivity of labour. As Marx explained in the *Communist Manifesto*, "the bourgeoisie cannot exist without constantly revolutionising the instruments of production", in contrast to earlier industrial classes for whom "conservation of the old modes of production in unaltered form was ... the first condition of existence."

This characteristic is not rooted in the psychology of particular individuals—the so-called spirit of entrepreneurship and enterprise—but arises from the social relations of the capitalist market economy, which impose themselves upon the capitalist producers. Under the capitalist mode of production, the individual producers—today firms and corporations—must strive to increase the productivity of labour as a condition of survival.

However, while the drive to increase the productivity of labour derives from the social relations of capitalism, increases in labour productivity, as Marx showed in Volume III of *Capital*, give rise to the tendency of the rate of profit to fall—the ultimate source of the economic crises of the capitalist mode of production. Capital attempts to overcome, and indeed does overcome, falling profits by a further development of the productivity forces and an increase in the productivity of labour. This does not remove the contradiction between productive forces and the social relations of production expressed in the tendency of the profit rate to fall. Rather, it creates the conditions for its re-emergence in an even more explosive form.

On the basis of these general considerations, let us turn to the latter part of the 19th century and the new industrial techniques that led to increased competition for resources and colonies.

It is clear from a study of the economic history of the 19th century, that the financial crisis of 1873 marked a turning point. For roughly the previous 25 years—following the passage of the crisis of 1847-48—the rate of profit had been steady or had been increasing. After 1873, however, the rate of profit turned down, giving rise to a period which, prior to the 1930s, was known as the Great Depression.

The depression of prices, and above all profits, was the driving force behind the transformation of production processes in this period. Under conditions of falling prices, the road to increased profits lay in reduction of costs. In order to reduce costs it was necessary to develop large-scale production processes, utilising new processes and massive quantities of raw materials.

As well as transforming production processes, the pressure on profit rates also resulted in a change in the economic relations between the major capitalist powers. Previously a system of free trade had predominated but now corporations sought protection for their home markets from their rivals. The replacement of the free trade system by tariff protection gave an impetus to colonial acquisition.

As one observer of this process has noted: “The possession of or control over African territory is considered to be essential to the economic interests of Manchester, Lille, Milan or Hamburg. The reasoning upon which this belief is based can be briefly summarised. The very existence of the industrial populations of Europe, the argument runs, depends upon the possession of secure markets for their products and upon secure access to raw materials. In each country this security was threatened by the protective policy of other countries. By tariffs and other methods each state was trying to close its home European market against its rivals, and, if this system were extended to the colonial possessions of the European states, the inhabitants of less grasping or less far-sighted countries might wake up one morning to find themselves squeezed out of the world’s markets and cut off from the supplies of tropical raw materials. Consequently it was incumbent on every state, if it was to protect the trade and industry of its citizens, if it was to ensure profits to its traders, manufacturers and financiers to forestall other predatory and hostile states in Asia and Africa by staking out ‘spheres of influence’ or by seizing territory to be reserved as reservoirs of raw materials and markets for the products of the industry and commerce of its own citizens” [Leonard Woolf, *Empire and Commerce in Africa*, pp. 322-323].

The struggle for raw materials, resources, markets and outlets for investment led to a growing rivalry between the major capitalist powers, which increasingly had to defend their position on the world arena. The process can be summed up as follows: the phase of industrial expansion in the mid-19th century led to a fall in the rate of profit by around 1870. This, in turn, drove forward a re-organisation of production—the development of vast industrial enterprises and financial institutions that grew beyond the confines of the particular nation-state in which they had originated. This led to increased rivalry between the major capitalist powers as they each sought to turn themselves into a global power, resulting eventually in the outbreak of war in 1914.

However, the war resolved nothing and the conflict was resumed on a higher scale 25 years later. The aftermath of the Second World War was different from the First. On the basis of its global dominance and the superiority of its economy, the United States was able to set in place the framework for a new period of capitalist expansion, which resulted in the 25-year post-war boom. By the mid-1970s, however, the tendency of the rate of profit to fall had begun to re-emerge. Capital responded in the same way it had in the past: by developing new techniques of production and extending its reach on a global scale.

The collapse of the Soviet Union in 1991 transformed the world situation, and the relations between the major capitalist powers. Previously they had been regulated within the framework of the Cold War, under the hegemony of the US. But the end of the collapse of the Soviet Union opened up new areas of the world for exploitation, thereby creating the conditions for a renewed conflict for markets, raw materials, outlets for investment and spheres of influence. The clearest expression of this struggle is the fact that the US has launched three wars in the space of the last decade—all of them bound up with control of resources, in particular oil.

As far as a program of study is concerned, you can find no better place to start than Marx’s *Capital*.

Yours sincerely,

Nick Beams