

The working class and the capitalist economy

Nick Beams
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Ever since the publication by Karl Marx of his masterwork *Das Kapital* 150 years ago, bourgeois economists have sought to refute his labour theory of value, which disclosed the inner workings of the capitalist economy.

This theory demonstrated that the wealth accruing to the capitalist class, in its various forms as industrial profit, rent and gains from operations in a range of financial markets, was ultimately derived from the surplus value extracted from the working class through the wages system, the foundational social relation of capitalism.

In recent decades, the claims that Marx had been refuted were fuelled by what was called the rise of the “new economy,” in which wealth was generated by new technology and the seeming ability of money to simply beget more money in financial markets, in the absence of any form of value creation by labour.

Marx had, in fact, explained such phenomena in his analysis of what he called the “fetishism of commodities,” in which he showed how the very appearance of forms generated by the capitalist economy concealed and mystified its underlying social relations.

As has so often happened, just as Marx’s theory has been declared dead and buried for the thousandth time, a development in the capitalist economy has once again confirmed it.

The sudden sell-off on Wall Street last Friday, when the Dow Jones index fell by 666 points—the biggest drop in two years—was such an event. It came in the midst of a 40 percent rise in the Dow since the election of Donald Trump.

It was precipitated by a rise in interest rates on bond markets, with the yield on the benchmark US 10-year Treasury note rising to 2.85 percent, its highest level in four years. The rise in the Treasury yield sparked fears that the inflow of cheap money into financial markets, engineered by the US Federal Reserve and other major central banks since the global financial crisis of 2008, which has lifted stock prices to record highs, could be coming to an end.

The spike in bond markets was in turn a response to the news that wages in the US had seen a 2.9 percent rise over the last year, the biggest increase since 2009.

The rise in wages was relatively small. However, it triggered a major response in financial markets because of fears of what it could signify: a resurgence of class struggle, as workers in the United States and around the world begin to push back against the decades-long suppression of wages and decline in working-class living standards.

Friday’s spike in bond market interest rates had been preceded by warnings that the long bull run in bonds—rising bond prices and falling interest rates (the two move in an inverse relationship)—was about to end. The origin of the bull run nearly four decades ago itself reveals the underlying relationship between financial markets and the class struggle, and the central importance of surplus value extraction for the entire capitalist system.

The period 1979-80, following the defeat of the upsurge of the international working class between 1968 and 1975, marked the beginning of a counteroffensive, emanating from the United States, by the capitalist ruling class the world over.

In the US, the Democratic administration of President Jimmy Carter appointed Paul Volcker as chairman of the Federal Reserve in 1979, with a commitment to end inflation through the lifting of interest rates. The timing of the appointment was significant because it followed the national coal strike of 1977-78, which had rocked the Carter administration.

Volcker’s economic and monetary agenda was motivated by fundamental class considerations. Its aim was to create financial conditions that would lead to the destruction of vast swathes of US industry, which had been the centre of working-class militancy over the preceding decades.

More than monetary measures, which led to the most significant recession to that point since the 1930s, were involved. The class-war program was enforced through an offensive by the capitalist state unleashed by the Reagan

administration, which began with the breaking of the 1981 PATCO air traffic controllers' strike and firing of all 11,359 striking workers.

Reagan's firing and blacklisting of the PATCO workers was the signal for a wave of corporate and government strike-breaking and union-busting in auto, steel, mining, transportation, meatpacking and other industries, which extended for more than a decade.

As Volcker himself later remarked, the Reagan administration's actions were a "major factor" in "turning the tide on the inflationary situation." Here Volcker was referring to the suppression of militant struggles by workers to defend their wages, jobs and living conditions.

PATCO was followed by a global offensive by the ruling class, of which the smashing of the 1984-85 miners' strike by the Thatcher government in Britain was a central component.

This offensive would not have been possible without the direct collaboration of the trade union bureaucracies. In the US, the AFL-CIO scabbed on the air traffic controllers, while in Britain, the Trades Union Congress refused to support the miners—a pattern that was repeated in every significant struggle of the working class internationally, ensuring the workers' defeat.

As a result of these defeats, a new political relationship was established. The trade unions no longer functioned in any way as defenders of even the most minimal interests of the working class, but became the enforcers of the dictates of capital, under the nationalist banner of ensuring the "international competitiveness" of the corporations in each country. They became a central mechanism for the extraction of surplus value from the working class, which, as Marx's theory elaborated, was the foundation of the capitalist economy and its financial system.

The suppression of the class struggle, enforced by the trade union apparatuses, was the key factor in the rise of financialisation starting in the 1980s and accelerating in the 1990s and continuing into the new century.

In the aftermath of the global financial crisis of 2008, it was the prerequisite for the financial operations of the world's major banks. They were subsidized by governments and central banks, which pumped trillions of dollars into the financial system, thereby enabling a historically unprecedented redistribution of wealth into the hands of a global capitalist oligarchy. The main mechanism for this plundering of the world economy was the massive run-up on stock and bond markets, which was

predicated on a continual decline in the wages and social conditions of the working class.

One only has to pose the question: would the stock markets have climbed to record heights, would billions upon billions have been made, in some cases virtually overnight, if the US and other major capitalist countries had faced a rising tide of class struggle?

Whatever the future moves on financial markets, Friday's events have cast a light on essential economic and class relations. The vast fortunes accumulated at the financial summit of society are, in the final analysis, the result of a vast siphoning operation, in which the wealth produced by the labour of workers the world over is appropriated by the very few.

The nervousness in financial markets, the product of a growing movement of the working class not only in the US but internationally, flows from the fear that the mechanisms employed over the past four decades to suppress the class struggle are breaking down.

This points to the fundamental political challenges faced by the working class. The international push by workers for increased wages and an end to ever more onerous conditions of exploitation will be met with a vicious response from above, because it strikes at the very basis of capitalist wealth accumulation.

There cannot be some peaceful "adjustment" by the capitalist ruling classes to the demands of the working class, because the entire profit system over which they preside is being rocked by a series of contradictions—the prospect that the entire financial house of cards will collapse, intensifying trade and currency conflicts, weakening confidence in the stability of the international monetary system—not to mention the growing threat of world war and increasing political instability.

The struggle facing the working class cannot be waged on the basis of the illusory goal formerly proclaimed by trade unionist reformism: "A fair day's pay for a fair day's work." It must rather be directed to the overthrow of the profit system through the advancement of an international socialist program based, as Marx put it, on the "expropriation of the expropriators."



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