

Towards a Theory of Capitalist Crisis

The history of capitalism shows us that the periodic recurrence of crises is not a function of the working class's strength or combativity, of 'mistakes' in economic management, or even of 'parasitism' in society.* The tendency towards crisis is indissolubly linked to the existence of capitalism itself. It is a result of the contradiction between the goal of capitalist accumulation (the valorization of capital and the appropriation of surplus-value by capital) and the means by which this goal is pursued (growth in social productivity and the development of the social character of production). Social productivity is increased continuously by mechanization and the division and reorganization of labour, not in order to satisfy the needs of the producers, but in order to increase the proportion of the social product which accrues to capital instead of being passed on to the producers. This process has a contradictory effect on society's ability to consume and produce. Whilst production (whose growth depends principally on the proportion of the social product which goes to the capitalists and is transformed into means of production) tends to increase, consumption (whose growth depends

principally on the proportion of the social product which goes to the workers and which is transformed into means of consumption) tends to contract.

Crisis and Capital-accumulation

Commodities produced using the means of production in which capital has been invested are thus always in danger of remaining unsold because of the restricted base of consumption under capitalism. From this spring what are called *realization crises*. The surplus-value which labour produces and incorporates in commodities is not realized—in other words, it does not form profit—because part of the commodities in question either remain unsold or can only be sold at such low prices that potential profit is reduced or nullified. In this case, the crisis occurs because the rate of exploitation (the relation between the portion of social product which is appropriated by capital and the portion retained by the workers) is 'too high' to allow the realization of surplus-value.

If for any reason, on the other hand, the rate of exploitation does not rise and stays constant (or even falls), accumulation no longer tends to run up against over-restricted consumption, since workers' incomes rise in step with productivity. In this case, accumulation runs up against the limits set by the *fall in the rate of profit* (the ratio of profit to invested capital). A constant (or diminishing) proportion of the social product is insufficient to remunerate, at a constant rate, the ever-increasing mass of capital that the capitalists have to invest per unit of product. If exploitation stays constant (or falls), the rate of profit falls with capital intensity in production.¹ There is hence a tendency for a reduction in accumulation to take place, because the capitalists do not get the returns they expected from their investment. In this case, the crisis is brought on because the rate of exploitation is 'too low' for an 'adequate' remuneration of capital.

In both cases the crisis is manifested as a fall in the rate of profit and overproduction of commodities: in the first case (rate of exploitation 'too high') the rate of profit falls because there is overproduction of commodities and surplus-value cannot be completely transformed into profits; in the second case (rate of exploitation 'too low') there is overproduction because the fall in the rate of profit brings about a diminished demand for means of production. In spite of this apparent similarity, there is an important difference between the two situations. In the first case, overproduction (and the fall in the rate of profit) is greater in the sectors which produce wage-goods (goods consumed by the working class) and the means of production needed to make these goods. Capital therefore tends to migrate out of these sectors, and the social product ends up containing a lower quantity of these goods and a larger proportion of goods consumed by the bourgeoisie and unproductive

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¹ If 100 units of product are divided into 50 units of wages and 50 of profits, the rate of profit would be 10% ($\frac{50}{500} \times 100$) if 500 units of capital were employed to produce it; but if 600 units were used to produce it, the rate of profit would only be 8.3% ($\frac{50}{600} \times 100$). If the rate of profit is to remain constant at 10%, the rate of exploitation must go up from 100% ($\frac{50}{50} \times 100$) to 150% ($\frac{60}{40} \times 100$).

social strata. In the second case, the opposite takes place. In other words, there will be a crisis both with a rate of exploitation which is 'too high' and with one which is 'too low'. But the final outcome of the crisis in each case is different. In the first case, its weight will fall on the working class; in the second, it will fall on capital and on unproductive social strata. It is important to analyse the factors which determine the rate of exploitation, in order to discover not the reason for crises, but who will have to bear their costs.

Crisis and the Concentration of Capital

The rate of exploitation, in particular, depends on the relation of forces between labour and capital. One of the primary factors determining this relation of forces is the scale of concentration of capital. The wage-earners, both when they sell their labour power and when they buy what is needed for their own existence, confront a class which—by virtue of its monopoly of the means of production—deals with them from a position of strength. Nevertheless, this position of strength is weakened by the effects of intercapitalist competition. In particular, competition tends to conflict with raising the rate of exploitation, which means that the contradictions of capitalist accumulation are manifested principally in a fall in the rate of profit. This tendency can be illustrated with reference to the general crisis which shook capitalism, when it was still predominantly competitive, towards the end of the last century (1873–96). During those two decades there was no sharp fall in investment, production or employment. If anything, these tended to fluctuate less sharply. What did fall rapidly was the level of prices, which tended to go down much more swiftly than that of money wages. Real wages (taking into account the cost of living) thus tended to rise, whilst the rate of profit fell continuously.

These tendencies can be explained, above all, by the low level of concentration of capital and the powerful competitive drives which characterized the capitalism of this epoch. Under such conditions, from the standpoint of the defence of profits, the individual capitalist could gain nothing by cutting back production and investment in the hope of seeing better prices after a reduction in supply. In effect, market prices were not regulated by the level of supply or the production costs of individual capitalists, but by the *global* level of supply and by *average* costs of production in the sector—over which each capitalist, taken individually, had little influence. Individual capitalists could only try to survive by stealing a march on their competitors: either by cutting prices (thus forcing others to bear the brunt of overproduction) or by improving techniques of production and reducing their own average costs (thus forcing others to bear the brunt of the fall in the rate of profit).

This is the basic reason why, in a strongly competitive system, wages are not attacked on two fronts (direct attack on wages and indirect attack via prices). A crisis is a time of respite, and creates favourable conditions for wage labour on the 'prices front'. Furthermore, because of the limited extent of cutbacks in production, a crisis does not dramatically increase the threat of unemployment, hence does not sap the fighting capacity of the workers on the 'wages front'. Competition between capitalists thus

serves as a 'defence' for wage-earners in times of crisis. It reduces the tendency of the rate of exploitation to rise and accentuates the tendency of the rate of profit to fall. However, this 'defence' is eroded as capitalist accumulation proceeds. In fact, if we discount short and medium-term fluctuations in the intensity of competition (for example, its tendency to intensify when the rate of profit falls), it depends mainly on the scale of concentration of capital, which increases constantly as accumulation advances.

Crisis is precisely the moment when the tendency for capital to concentrate becomes most insistent. This 'enforced concentration' (the so-called centralization of capital) makes it possible to overcome the crisis. The continuing fall in the rate of profit does not act equally on all capitalists. Those who can reduce prices and production costs before the rest can, in effect, obtain surplus profits which compensate them for the fall in the average rate of profit, whose negative effects are concentrated upon those who are slowest to react to new market conditions. The former are strengthened, while the latter become weaker and tend to be eliminated by competition. Those who prove capable of action produce on a larger scale, which offers them better opportunities for rationalization and mechanization of the production process. In this way, they can obtain profit margins which offer a sufficient basis to reactivate production. Normally, capitalists do not wait for this process to take place 'naturally': they try to anticipate it with mergers and takeovers of other firms, to put themselves in the best position to resist the fall in the rate of profit.

Thus the crisis of 1873–96 marked a transition from a predominantly competitive capitalism to a predominantly monopoly capitalism, with an attendant erosion of the 'defence' against crisis which had been given the workers by the effects of intercapitalist competition. When the tendency to overproduction and the fall in the rate of profit manifested itself once again in the first half of this century, this 'defence mechanism' either did not work or worked very badly. Precisely because of the diminished competition and increased concentration produced by the crisis of 1873–96 (and the way it was overcome), individual capitalists (often in fact monopolists) did not react to the fall in the rate of profit and to overproduction by cutting prices. Instead, they tried to unload stocks and eliminate unused productive capacity by cutting down on production and investment. Their influence on the market was by now considerable, so that through such techniques for restricting supply they were able to maintain market prices. They often went even further, and raised prices to compensate for the drop in profits brought on by the fall in production. Wage-earners now not only came under attack on two fronts (wages and prices); in addition, they found themselves in an extremely weak position to defend their wages on the labour market, because of the serious unemployment provoked by the fall in production. The rate of exploitation tended to rise, and for this reason overproduction was the predominant aspect of the crisis which erupted in the nineteen thirties.

Labour Conflict and Crisis

Although the accumulation of capital erodes the 'reflexive strength' which the workers derive from a low level of capital concentration, it also

tends to increase the 'autonomous strength' which the working class derives precisely from a high level of its own concentration. The accumulation of capital has a contradictory effect on the working class. The process of capital accumulation is at one and the same time a process of subordination of labour to capital, and a process of development of labour as a force in conflict with capital. In developing the social character of production, capitalist accumulation progressively deprives the individual workers of any method of producing the necessary means for their existence outside of the productive apparatus controlled by capital. Labour's bargaining power, considered as the sum of individual workers' bargaining powers, tends to grow weaker as accumulation proceeds. From the ashes of the individual bargaining power of workers there is born the collective power of labour. The concentration and centralization of capital also concentrates and centralizes the working class, developing its solidarity. In developing the division of labour and mechanization of production, capital destroys craft divisions and skills, reducing the working class to an equality of alienation and in this way reinforcing its unity and its opposition to capital.

This tendency towards a progressive strengthening of the working class changes the nature of the crisis. It tends, in fact, to offset the tendency of the rate of exploitation to increase and, as we have seen, accentuates the tendency of the rate of profit to fall and attenuates the tendency to overproduction. Nevertheless, to some extent this strengthening of the working class, and its effect on the nature of the crisis, lag behind the change from competitive to monopoly capitalism. It is reasonable to assert that what was left of the bargaining power which the workers (considered as a sum of individual workers) derived from their incomplete subordination to capital had a certain countervailing effect on the tendency of the rate of exploitation to rise during the crisis of 1873–96. During this period, for significant sectors of the working class, it was possible (especially by means of emigration) to produce necessary means of subsistence outside of the wage-labour relation. The processes of proletarianization and 'enforced' concentration of capital, encouraged by the fall in prices and the rate of profit, completed the subordination of labour to capital by drastically reducing such opportunities for subsistence outside of the wage-labour relation.

The cycle of labour struggles of the first twenty years of this century shows that the higher level of capital concentration had indeed developed the collective power of the workers. But this effect was limited, for two reasons. First of all, the higher concentration of capital often did not lead to transformations of the productive cycle: it was used above all as a means to restrict competition, or had a financial-speculative character. The concentration of ownership and finance corresponded to a much less developed concentration of production, so that the erosion of the bargaining power which the workers derived from intercapitalist competition and from their incomplete subordination to capital was not offset by a compensatory growth in their collective strength. Furthermore, the anti-capitalist antagonism of significant sectors of the working class was attenuated and diverted by the development of nationalist and imperialist sentiment, associated with the monopoly stage of capitalism.

But we shall return to this point. For the moment it is enough to note that during an entire historical phase (more or less the first half of the century), capitalist accumulation was characterized by a change in the relation of forces between labour and capital in favour of the latter, accentuating the tendency of the rate of exploitation to rise, and therefore the tendency to overproduction. Only with the Second World War, and above all with the great postwar industrial boom, was the structural reinforcement of the working class to become the principal tendency in capitalist accumulation. Thus, in recent years, this reinforcement has blocked the tendency of the rate of exploitation to rise and restimulated the tendency of the rate of profit to fall.

Economic Policy and Crisis

We have seen how all bourgeois interpretations of the present crisis think of the state as a kind of *deus ex machina*, which can avert the danger presented by the crisis by suppressing labour conflicts, expanding public spending, and imposing structural reforms to root out the parasitism lurking in the pores of capitalist society. These interpretations forget (and they could not do otherwise) that the state is a product of the contradictions of capitalist society, so that its ability to overcome these is not unlimited, but strictly conditioned by the very contradictions on which it is supposed to act.

First of all, if the cause of the crisis is the fundamentally contradictory nature of capital accumulation (its goal—the valorization of capital—being in contradiction with the way in which this goal is pursued: development of the social character of production) and not ‘incidental or secondary imperfections’, then state intervention cannot eliminate the tendency to crisis, unless one believes that the bourgeois state can set itself the task of eliminating the bourgeoisie. All that the bourgeois state can do is direct the process of accumulation, regulating the development of its contradictions in such a way that it mediates between the various interests which exist within the bourgeoisie, and above all in such a way as to preserve capital’s overall interests.

If the tendency to crisis is born of an over-high rate of exploitation, which does not allow surplus-value to be realized, the state will tend to intervene so as to increase society’s power of consumption. However, such action is subject to very definite limits. Most importantly, its intervention must not provoke greater ills than it sets out to cure. In creating favourable conditions for the realization of surplus-value, it must not worsen the conditions for its production. For example, if the intervention of the state had been directed towards offsetting the strong tendency towards overproduction in the thirties, by means of a redistribution of the social product in favour of the working class (that is to say, by means of a reduction in the rate of exploitation), this would have weakened the pressure on the working class both to sell its labour and to accept subordination in the factory. In this way, the difficulties in realizing surplus-value would have been aggravated by fresh problems in exploiting labour, and the crisis would have continued to get worse. It was mainly for this reason that the state extended the base of consumption in society principally through the expansion of unproductive

consumption (military expenditure, growth of the state and para-state bureaucracy, maintenance and defence of 'parasitic' income such as rent and interest, etc.)—a redistribution of surplus-value which facilitated its realization without worsening the conditions of its production.

But the extension of consumption in society, even if it occurs through the expansion of unproductive consumption, begins to change the relation of forces between labour and capital in favour of the former. As conditions for the realization of surplus-value improve, production and employment pick up, and the threat of unemployment weighs less heavily on the working class. This is a cyclical effect which the state can reduce by means of deflationary manoeuvres (credit squeeze, public-spending cuts, and so on). But the state is powerless before the tendency to reinforcement of the working class which is inherent in capitalist accumulation. The growth of the market which is linked to the expansion of unproductive consumption favours the expansion of large-scale industry: thus is brought to fruition the growing process of concentration and levelling-down of the working class which develops its collective strength and antagonism towards capital. To the extent that state action favours capital accumulation, it also favours—although involuntarily—a change in the relation of forces in favour of the working class.

Thirty years of state intervention into the advanced capitalist economies, with the aim of offsetting the tendency to overproduction, have not eliminated the tendency towards crisis: they have simply ensured that the principal aspect of today's crises is the fall in the rate of profit. In some ways, the present crisis has many features analogous to those of the great crisis at the end of the last century: the tendency for production, investment and employment to stagnate; the tendency for real wages to rise; the tendency for the rate of profit to fall. However, this time we are dealing not with 'stag-deflation' (stagnation accompanied by a fall in prices and money wages), but with 'stag-flation' (stagnation accompanied by a rise in prices and money wages). The similarity between the two crises is due to the fact that both (in contrast with the crisis of the first half of this century) originated in obstacles which stand in the way of a rise in the rate of exploitation. But the difference is due to the fact that the cause of these obstacles is profoundly different in the two cases. In the crisis at the end of the last century, they were the result of a low level of concentration of capital and an incomplete subordination of labour to capital: an indicator of capitalist immaturity. In the present crisis, they are due to the collective power which accumulation has conferred on the working class: an indicator of capitalist maturity. Today, as in the past, crisis is inevitable. What is not inevitable is that the working class will have to pay its costs, as it did in the thirties. Indeed, capital has involuntarily created the conditions for it itself to have to bear those costs.

World Market and Crisis

We have seen how capital, through the intervention of the state, promotes a redistribution of surplus-value in favour of the expansion of unproductive consumption, with the aim of offsetting the tendency to overproduction. To the extent that the relation of forces between capital

and labour changes in favour of the latter, bringing down the rate of profit, capital is driven to reabsorb this 'parasitic' income into profits.

But the fall in the rate of profit also impels capital to decentralize production towards those places where it is strongest: that is, into those national (and regional) situations where the pressure of the reserve army of labour (the threat of unemployment and underemployment) on the working class is greater and hence permits a greater level of exploitation of the labour force. This decentralization requires huge transfers of capital towards the 'underdeveloped' areas, to finance the acquisition of technologically advanced means of production, which combine with a less expensive labour force to produce two effects. On the one hand, capital invested in this way can secure higher profits than in the developed areas. On the other hand, it permits the production of wage goods and means of production at lower cost. In both cases, the average rate of profit rises: in the first case, the effect is immediate and direct; in the second, the rate of profit rises in the developed areas to the extent that cheaper goods are imported and enter into the productive process (directly or indirectly), lowering production costs.

The development of international trade, accompanied and encouraged by the decentralization of productive investment, allows a substantial 'dilution' of the social product of a country or region where the relation of forces is more favourable to wage-labour, with products from countries and regions where the relation of forces is relatively more favourable to capital, thus offsetting the fall in the rate of profit. This decentralization of production means that the tendency to stagnation in the more advanced capitalist countries will be accompanied by an acceleration of accumulation in the less advanced countries. The strengthening of the working class tends, therefore, to be greater in the latter areas: in terms both of the increase in its numerical size and of the level of concentration and homogeneity (all unskilled and hence at the same level) which the working class acquires *immediately* on the introduction of technologically advanced means of production.

This does not bring about a weakening of the working class where it is already most advanced. Of course, the decentralization of production is injurious to certain sectors of the working class (as happened with the decentralization of textile production towards the underdeveloped areas), and tends to swell the reserve army of labour in the advanced capitalist countries. But the decentralization of production also introduces tendencies of an opposite kind, which run counter to any weakening of the working class's resistance to a rise in the rate of exploitation in the advanced capitalist countries. Above all, the means of production which are combined with the labour power of the underdeveloped countries tend to be produced for the most part in the developed countries, maintaining demand and levels of employment there. This effect is not just a temporary one; in other words, it will not last simply until the means of production necessary for the take-off of capital accumulation in the relatively underdeveloped areas are produced. To the extent that this accumulation maintains its rhythm, it brings about a steady enlargement of the world market, which also benefits accumulation in the advanced capitalist countries.

But more important than this quantitative expansion is the qualitative expansion of the working class in the advanced capitalist areas, which derives from the ever greater extent of the social division of labour, linked to the growth of the world market and the extension of international commerce. On the one hand, the import of commodities from the less developed areas, where the relation of forces is more favourable to the capitalists, stimulates processes of restructuring of capital which raise the level of concentration, division and mechanization of labour. On the other hand, the opportunities presented to large industrial complexes to decentralize production on an international scale (and hence compensate for the fall of the rate of profit in one nation with higher rates of profit in others) puts them in a financially and economically stronger position with respect to other, smaller complexes which can only operate on a national scale. This fact also reinforces the tendency towards concentration in advanced capitalist areas.

The Conditions of Underdevelopment

The structural strength which the working class has attained in its most advanced bastions is not, therefore, weakened by the decentralization of production which develops with the tendential fall in the rate of profit. Meanwhile, the most important new effect is the accelerated development of the industrial proletariat in the more backward areas. It will be asked how this can take place, when the experience of the last fifty years demonstrates a very clear tendency towards the 'development of underdevelopment'—the centralization of production in the advanced capitalist areas. In order to understand how this can be taking place, we must return to the experience of the *general crisis* of 1873–96, to see why this provoked the spiral of underdevelopment in large areas of the world, and why today the conditions which favoured such an outcome of the crisis have changed.

That crisis, characterized as we have seen by a fall in the rate of profit more than by a fall in the rate of employment or real wages, was also characterized by the decentralization of production, through the mechanism we have just described. The most advanced capitalist areas greatly increased their imports of commodities and their exports of means of production and capital, favouring accumulation in the less advanced areas. Thus the general crisis was a period of accelerated accumulation in countries like the United States and Germany (where the forces of production were still at a low level of development in comparison to England) and capitalist 'take-off' in a series of countries such as Italy, Russia, Japan and others.

However, this tendency was interrupted at a certain point: the rise in the rate of exploitation provoked by the crisis itself accentuated the tendency towards overproduction which progressively transformed relations between national bourgeoisies, putting a brake on the growth of imports into the advanced capitalist areas and on exports of capital towards the underdeveloped regions. Indeed, the latter areas ended up as capital exporters! In effect, when the fall in the rate of profit does not result from the rate of exploitation being too low for 'adequate' remuneration of capital, but from its being too high to permit the realization of surplus-

value, the principal tendency is not towards the decentralization of production into the areas where wage labour is least developed (where the problems of realizing surplus-value are greatest), but towards its centralization in those areas where wage labour is most developed (where such problems are less acute).

Furthermore, the tendency towards overproduction reinforced a series of obstacles to the decentralization of accumulation into the less developed areas. In the first place, in many of these regions, capitalist accumulation encountered a particular problem: the fact that the process of primitive accumulation (i.e. the process by which the producers became separated from the means of production, creating at once the proletariat—with nothing but its labour power to sell—and the bourgeoisie, whose monopoly of the means of production enables it to extract surplus-value from the proletariat's labour power) was either only just under way or notably incomplete. In general, the absence or weakness of a local bourgeoisie was no problem, given that capitalist 'entrepreneurship' too could be imported from the advanced capitalist countries: large monopoly complexes, which had been formed by or consolidated in the crisis, ad hoc entrepreneurial groupings formed on the initiative of finance capital (also strengthened by the crisis), and a myriad of small and still smaller entrepreneurs for whom the profession of exploiter at home had been rendered more arduous by the fall in the rate of profit.

In the first place, the problem was that of the resistance to capitalist penetration offered by the ruling classes of the pre-capitalist society, because of the perceived threat to themselves. Secondly, there was the problem of finding a labour force with some continuity of service and degree of skill, which would accept a higher rate of exploitation than was possible in the most advanced capitalist countries. In fact, labour power was sold in a discontinuous way, because it was not yet separated (or only partially so) from the means of production. Part of it was used in 'direct' production of part of the means of subsistence. The shortage of labour power was most severe amongst skilled layers. Capitalist production still needed such labour power in great quantity; in the underdeveloped countries it was hard to find, not only because of the low level of proletarianization but, in general, because of the small extent of the social division of labour in pre-capitalist society.

In conclusion, we can say that at the end of the last century, labour owed its ability to resist rises in the rate of exploitation to the immaturity of capitalism; thus this capacity to resist was frequently greater where capitalism was weaker. The tendency towards decentralization of accumulation, produced by the fall in the rate of profit, was therefore a feature of relatively underdeveloped areas where the relation of forces was similar to that prevailing in the advanced capitalist countries—or even more unfavourable to capital.

Where a fall in the rate of profit led to greater concentrations of property and finance capital, in turn leading to limitations on competition and policies restricting production, these problems were intensified. In fact, the fall in prices of goods produced in the capitalist countries and exported to the underdeveloped areas favoured the proletarianization of

small producers in the latter, since they could no longer compete with these goods. But to the extent that a policy of restricting competition, made possible by the concentration of capital, held back a fall in prices, the mechanism which swelled the reserve army of labour in the underdeveloped areas ceased to function—or functioned only partially. The problems of finding labour power tended to get worse. As a general tendency to overproduction increased, the decentralization of accumulation produced worse and worse conditions in the underdeveloped countries, not just for the realization, but also for the production of surplus-value.

Resistance to Decentralization

Resistance to decentralization of production came from sectors of the bourgeoisie in both developed and underdeveloped countries. In the underdeveloped areas, where there was an existing or nascent bourgeoisie, it was not a reliable 'ally' of capitalist penetration. On the contrary, their opening up to circuits of international exchange and the import of capital represented for most local bourgeois sectors a stage in their economic and financial subordination to the bourgeoisies of the more advanced capitalist countries. In effect, in those sectors in which the underdeveloped countries did not possess any particular natural advantages (in general, the production of certain raw materials, whether agricultural or mineral), the bourgeoisies of these countries were competitively weaker and were adversely affected both by imports and by local production by foreign capitalists. Accumulation, even when it took place in sectors where the local bourgeoisie was not active, by increasing the demand for labour power changed the relation of forces in favour of labour and thus further weakened the local bourgeoisie.

There was also resistance to decentralization of accumulation within the national bourgeoisies of the more advanced countries. In fact, the most backward sectors of these were severely hit (especially in a phase of falling profit rates) by competition with goods produced in relatively more backward countries which, by reason of natural conditions or conditions created by capital, were more competitive than those they themselves produced. As the tendency to overproduction developed, this resistance was extended to broader and broader sections of the bourgeoisies of the advanced capitalist countries.

These obstacles and this resistance gave a powerful impetus to colonialism and protectionism on the part of the more advanced bourgeoisies, and these in their turn broke up the unity of the world market and ultimately aggravated the tendency to overproduction. Colonialism was born of the more advanced bourgeoisies' need to speed up the pace of accumulation in the underdeveloped countries by means of direct political subordination; to secure these areas for their own exclusive exploitation, and to break the resistance to capitalist penetration of the national bourgeoisies or ruling classes of the pre-capitalist societies. Protectionism, on the other hand, developed as the response of bourgeoisies at an intermediate stage of development, in which sectors competitively weak at an international level had sufficient weight at national level to impose protection from external competition upon their

own state. As a reaction against this protectionism and against the growing tendency towards overproduction, the more advanced national bourgeoisies also eventually resorted to protectionism, which thus became a general norm of economic relations between bourgeois states.

Being nothing more than a projection on to the international plane of the monopoly policy of maintaining prices and profits by restricting the expansion of production, protectionism and colonialism help to weaken the working class's capacity to resist rises in the rate of exploitation, and end up by accentuating the tendency towards overproduction. This does not happen, however, in a uniform way. The first bourgeoisies to protect themselves from external competition tend to unload the effects of the fall in the rate of profit and of overproduction onto the shoulders of other bourgeoisies, while colonial or semi-colonial relations make it possible to unload such effects upon the bourgeoisies and small producers of the colonized areas. Protectionism and colonialism are, therefore, instruments used by national bourgeoisies with an intermediate or advanced level of development, in order to accentuate the tendency to centralize accumulation which, as we have seen, develops 'spontaneously' with the generalization of overproduction.

Protectionism and colonialism tend to displace competition from the sphere of market relations between capitalists to the sphere of relations between bourgeois states. They thus intensify conflicts between different national states and bourgeoisies, tending to escalate them into inter-imperialist wars (i.e. wars between advanced national bourgeoisies in competition with each other over the division of the less developed areas of the world) and into imperialist wars and wars of national liberation (i.e. wars with imperialist bourgeoisies on one side and the ruling and subaltern classes of the more backward countries on the other, over political power in those countries). Wars, which are both the cause and the effect of the development of unproductive consumption we have already spoken of, offset the tendency to overproduction not just locally or temporarily (as do protectionism and colonialism), but structurally. They are in fact a powerful stimulus towards a change in capital concentration, from finance and rentier concentration into productive concentration. As we have seen, this is the basis for a change in the relation of forces between capital and labour in favour of the latter, hence for overproduction being superseded as the principal tendency of capitalist accumulation.

The Decentralization of Accumulation

When this new situation develops, the bourgeoisies of the more advanced capitalist countries are impelled to go beyond protectionism, colonialism and, in general, all forms of restriction on the international mobility of commodities and capital. They are also impelled to make other bourgeoisies follow suit. For their most pressing need increasingly becomes the decentralization of accumulation towards areas where the relation of forces is more favourable to capitalism. Furthermore, so far as colonialism is concerned, the decisive impetus towards ending it has come from wars of national liberation breaking out in the wake of inter-imperialist wars. For the latter, serving as powerful countervailing forces

to overproduction, brought about a rapid development of the productive forces in the colonial and semi-colonial countries. This was translated into a progressive sharpening of the conflict between the imperialist bourgeoisies on the one hand, and the emergent colonial bourgeoisies (in alliance with subaltern classes) on the other, as—with the cessation of hostilities, and after brief periods of reconstruction in the imperialist heartlands—this development of the productive forces slackened and the tendency to centralization of accumulation in the advanced capitalist countries picked up again.

In this way, after the Second World War, all the various restrictions on the international mobility of capital and commodities began to be eliminated, thus creating for two decades particularly favourable conditions both for the accumulation of capital on a world scale and also for its (albeit partial) decentralization: from the United States and England to continental Europe, Japan, South Africa and other countries at an intermediate level of development—while in the less developed countries, the mechanism of underdevelopment continued to operate. As we have seen, this accelerated accumulation further changed the relation of forces between capital and labour in favour of the latter, accentuating the tendency of the rate of profit to fall and hence bringing about the present crisis.

Today, as one hundred years ago, capital is at a crossroads. Under the pressure of falling rates of profit, will it as it did then embark on a course of breaking up the unity of the world market with old and new kinds of protectionism; a strong tendency to overproduction; a sharp (even if only temporary) change in the relation of forces between labour and capital in favour of capital; and a heightening of conflict between bourgeoisies of different nationalities? Or will it instead take the course of further strengthening the unity of the world market; speeding up the decentralization of capitalist accumulation (and thus the development of the industrial proletariat in such countries as Brazil, Argentina, India, etc.); reinforcing labour with respect to capital and, linked to this, intensifying class tensions?

An analysis of current structural tendencies shows that only the second road is open to capital (although it may not proceed along it in a straight line). The basic reason is the collective strength of the working class. This strength is the result of capitalist accumulation and not—as was the case at the end of the last century—the residue of a previous epoch. For this reason, accumulation cannot destroy it, but can only add to it. This is a powerful obstacle to any resurgence of the tendency to overproduction, at a level of intensity such as characterized the first half of this century. Consequently, too, there is much less pressure towards colonialism and protectionism than at the end of the last century. In the second place, the resistance and the obstacles to the decentralization of capitalist accumulation have largely been removed. The process of ‘primitive accumulation’ can now be considered complete, even in the most backward capitalist regions, because of the impoverishment (often not just relative but absolute) which the ‘development of underdevelopment’ has brought about. Furthermore, the large reserve army of labour which this has created can be used with less worries about the quality of services,

thanks to the lower skill requirements of modern techniques of production.

The old ruling classes, when these have not been eliminated by capitalist penetration, and the national bourgeoisies, when these have developed to any extent, are now effectively subordinated to large-scale industry, which plans and organizes the production process on an international scale. These same industrial complexes are politically dominant in the advanced capitalist countries, and are thus in a position to contain any nationalist impulse coming from the more backward sectors of their own national bourgeoisies.

The second of the two 'roads' confronting capital is no longer blocked as it was a hundred years ago, and capital is being pushed into it willy-nilly by its own needs. This does not mean that there will be no tendency towards overproduction, protectionism or other manifestations of inter-imperialist conflict. As we said from the start, overproduction and a fall in the rate of profit have always been indissolubly linked together; and the most recent developments in relations between imperialist states show that conflicts between bourgeoisies of different nationalities are not a thing of the past. But what is true is that, in spite of all the apparent similarities between the present crisis and that at the end of the last century, the outcome will be very different: not an accentuation of the tendency to overproduction, centralization of accumulation, imperialist and inter-imperialist war, but rather of a tendency to further strengthening of the working class, decentralization of accumulation, and intensification of conflict between labour and capital.

Economic Crisis and Political Crisis

We have seen that, in the face of a structural reinforcement of the working class, capital tends first to become more and more concentrated and centralized, in order to secure wider margins of surplus-value through increased productivity; secondly, to extend this process of restructuring into the social sphere, in order to retrieve for capitalist profit those areas of unproductive consumption which it had itself generated in a previous phase; and finally, to decentralize production to where the relation of forces between labour and itself are most favourable. These tendencies sharpen the contradictions internal to capital, and intensify the struggle for political power between its various factions. For the state apparatus is the basic instrument for braking or anticipating the tendencies at work; and the various sectors of capital are naturally divided about the use of this instrument, since the tendencies in question affect each of them differently.

State and Nation

The more backward sectors of capital will demand state intervention to protect them from the consequences of the falling rate of profit: an intervention which protects them from the competition of the more advanced sectors, or at least helps them to sustain such competition; an intervention to ensure that social restructuring will work not against them (as it would in the normal course of events), but as far as possible in

their favour (which may mean abstention from any reform by the state); an intervention which will slow down, or at least not encourage, the decentralization of production to where the proletariat is weakest—since, in general, the existence of points of proletarian weakness allows more backward capitalist sectors to survive competition from more advanced ones (the decentralization of production by advanced capitalist sectors on the one hand allows them too to take advantage of the proletariat's weak points, and on the other tends to eliminate such points by raising the level of employment, and the concentration and homogeneity of the labour force).

The more advanced capitalist sectors, on the other hand, will demand state intervention to sustain the tendencies set off by the falling rate of profit. In particular, they will want the state not to interfere with the free play of competition, but to participate actively in the process of social restructuring and in the creation of conditions favouring decentralization of production to where the proletariat is weak.

These two lines of development have implications which go beyond the content of the political actions which they explicitly propose. In effect, they imply two distinct positions on the role of the national state. Whilst the line taken by the advanced sectors implies a reduction in this role to the benefit of supra-national state bodies on the one hand and decentralized regional organisms on the other, the line of the relatively backward sectors implies a defence of the state against the attacks launched on it by large-scale capitalist industry.

The sharp rise in the level of concentration and centralization of capital and the tendency towards decentralization of production, which accompany any intensification of the rate of profit's tendency to fall, make the nation state an obstacle to the action of competition (which, under the new conditions of capital concentration, can only operate at an international level), while reducing its efficiency as an instrument for the regulation of accumulation (given the growing interdependence of the various national economies). At the same time, organization of the state on a national scale does not give it the elasticity and flexibility required of it, if it is to promote capitalist restructuring in the social sphere.

The conflict between the two paths open to capital concerns not only the political line which will guide the actions of the state apparatus, but also the structure which will best permit the latter to carry out such a line. The line taken by advanced sections of capital, demanding a minimum of state interference with competition and a maximum of state intervention to encourage social restructuring and the decentralization of production, thus also demands a progressive transcending of nationally based organization of the state in favour of organization on a multi-national and regional basis. In contrast, the line taken by the relatively backward sections of capital, demanding protection against competition and a minimum of state intervention in the restructuring of production, also calls for the maintenance of state organization on a national basis.

These differences between capitalists concern the use and restructuring of the state apparatus, with the aim of reinforcing certain counter-tendencies

to a falling rate of profit. In other words, they relate to palliatives for the illness, rather than its cure. A cure would demand an attack on the problem at the root of the fall in the rate of profit; in other words, it would necessitate attacking the cause (the structural strength of the working class) rather than controlling the effects. Clearly, there are no strategic differences between capitalists on the need to reduce the structural strength which accumulation has built up in the working class. However, there are always differences about the best tactics to attain this strategic objective.

Strategies for the Class Struggle

Since they are the most severely hit by the falling rate of profit, the backward sections of capital tend to push for relatively immediate measures. In general, they favour a frontal assault on more or less all levels. At the level of economic policy, they push for deflationary measures, that is to say restrictions on public spending and on demand in general, with the aim of weakening the working class by raising the levels of employment and under-employment. On the trade-union front, they tend to push for a relatively intransigent line and to seek a more or less massive intervention by the repressive apparatus of the state (legislative, executive and judicial) to regulate relations between workers and capital in production.

The advanced sections of capital, on the other hand, who are less hard hit by the fall in the rate of profit (indeed, who are in a sense helped by it, as we shall see), tend to advocate less abrupt tactics, designed rather to get round the problem than to meet it head on. The economic policy they favour is generally inflationary: that is to say, an expansion of demand, in order to create conditions favourable to winning back through price rises at least part of the concessions made to the workers at the point of production. At the trade-union level, they advocate a flexible response to working-class demands, and a policy of involving the workers in co-management of their own exploitation.

Neither of these lines can eliminate the tendency toward crisis; but the nature of the crisis will be affected by which line is adopted. If the line of the advanced capitalist sectors prevails, employment levels will tend to remain high, and the fall in the rate of profit will continue in the main to be a consequence of the structural strength of the working class. If the alternative line prevails, there will be a contraction in employment, and the working class's structural strength will be temporarily reduced. Problems of realizing surplus-value will intensify, bringing on not only an aggravation of the crisis, but also a change in its *nature*: the fall in the rate of profit will no longer result so much from the difficulty of increasing the rate of exploitation, but rather from the difficulty of realizing surplus-value.

Policy differences between capitalists are to be explained by the divergence of interest between advanced and backward sectors of capital, with respect to the nature of the crisis. The advanced sectors are those which, by virtue of the productive techniques they use and the kind of commodities they produce, tend to be strengthened by reductions in the

overall rate of exploitation. These are the high productivity sectors (who can thus more easily absorb rises in the price of labour power), who produce commodities (whether consumer goods or means of production) for which demand rises more rapidly with a rise in wages. The weight and relative strength of these sectors within capital as a whole will increase if the falling rate of profit is brought on by a low rate of exploitation. The backward sectors, however, are characterized by low levels of productivity and by the production of goods for which demand is negatively affected by a distribution of the social product more favourable to the working class. The relation of forces within capital will improve in their favour if the falling rate of profit is caused by a high rate of exploitation.

When the fall in the rate of profit gets sharper, as a result of the growing problems faced by capital in raising the rate of exploitation, the issue facing backward sectors of capital is no longer whether they will be weakened in relative terms, but whether they will survive at all. For this reason, they tend to sharpen their struggle to gain control of the state apparatus, and also to strive to aggravate the crisis (provided that its nature changes). The result of the power struggle between the two factions of the bourgeoisie depends in the last instance on the social forces (both proletarian and intermediate layers) which each faction succeeds in mobilizing under its hegemony in the political struggle. With the aim of winning the greatest possible range of social forces to its cause, each faction of capital articulates its line, and ideologizes it, in order to adapt it to the various concrete realities of class structure and ideology in which the battle will be fought out.

So far as the intermediate strata are concerned, backward sections of capital will tend to impose their hegemony on those who, directly or indirectly, are most adversely affected by the structural reinforcement of the working class. This includes those small and medium entrepreneurs whose survival is linked to high rates of exploitation of labour power and hence endangered by the heightened competition which accompanies the fall in the rate of profit. It also includes the whole heterogeneous mass (partly in dependent employment, partly in independent employment, and partly rentier) of those who enjoy petty (and not so petty) privileges—a mass that grew up under the wing of monopoly capital in its speculative-financial phase, when the expansion of unproductive consumption was the fundamental instrument for encouraging accumulation and when organization of the state on a national basis was a basic necessity for every bourgeoisie.

The advanced sectors of capital, on the other hand, will tend to hegemonize those intermediate strata which, directly or indirectly, derive advantages from the structural reinforcement of the working class: those small and medium entrepreneurs who are more favoured than harmed by the increase in working-class incomes, because of the high levels of productivity in their enterprises, or because of the type of commodity which they produce, or because of the social restructuring brought about by the fall in the rate of profit; technocrats and intermediate managers who derive advantages from the 'new skills' that develop on the basis of destruction of working-class skills, or from the decentralization of

production which accompanies the centralization of capital, or from the decentralization of state organization which accompanies the tendency to transcend the organization of the state on a national basis, or lastly from the extension of the processes of capitalist restructuring onto the social plane.

The Fight to Hegemonize the Working Class

But the crucial question, not just for each faction of capital but for capital as a whole, is the conquest of hegemony over the working class. It is particularly important for advanced sections of capital to mobilize the working class politically under their hegemony, because of the normally conservative nature of the middle classes: in fact, political support for the advanced sectors of capital by the working class is generally determinant in the outcome of their struggle against the backward sectors. It is for this reason that the advanced sectors of capital, in spite of the flexibility of their line with respect to demands for 'more humane' conditions of exploitation, end up being just as repressive as the backward sectors (if not more so) when faced with any attempt by significant strata of the working class to escape from bourgeois hegemony.

The political hegemony of the advanced sectors is weaker in the reserve army (among the more or less chronically unemployed, the casually or insecurely employed, those employed in low productivity sectors, etc.) than in the active part of the proletariat. For the reserve army, the line of advanced capital, centred on conceding 'more human' conditions of exploitation, is very abstract, since its own basic demand is still the relatively 'primitive' one for the right to work (that is to say, the right to be exploited). This layer, which capitalist society deprives of the most elementary right—the right to subsistence, is naturally that most prepared to subvert the system. However, in so far as the active part of the proletariat, in whose ranks is concentrated the strength and leadership potential of the working class, remains under the hegemony of the advanced capitalist sectors and does not provide revolutionary leadership to movements of revolt developing in the reserve army, these movements will tend to subside and significant sectors of the reserve army tend to be hegemonized by the backward capitalist sectors.

It is true that the line of the advanced capitalist sectors has a greater potential for satisfying the demand for expanded and less precarious employment than does that of the backward sectors, because it calls for an expansive socio-economic policy and for the decentralization of production towards the proletariat's weak points. But it is also true that the precarious situation of the 'reserve' workers leads them to prefer a bird in the hand to two in the bush: and it is the backward capitalists who have a bird in the hand to offer, when they demand protection from competition for low-productivity industries (where the reserve army tends to be employed), defence of unproductive consumption (from which the reserve army, lacking productive employment, frequently obtains its subsistence), and anti-inflationary economic policies (which, in the absence of that bargaining power which allows the active portion of the workforce to defend itself against price rises by forcing through wage

increases, appear to the reserve army as the only defence possible for its meagre earnings against increases in the cost of living).

If the backward sectors of capital succeed in winning hegemony over significant layers of the reserve army of labour, they achieve two things. Firstly, they divide the working class politically, and this division tends to react negatively on the strength of the class in its struggle to defend itself against exploitation. Secondly, they strengthen themselves politically in relation to the advanced sectors of capital, and thereby have a correspondingly greater chance of imposing their own line on the use of the state apparatus. Both these effects tend, at least temporarily, to strengthen them structurally in relation to the advanced capitalist sectors, and thus to consolidate their political position.

Not only significant layers of the reserve army, but also significant layers of the active working class can escape from the hegemony of the advanced capitalist sectors. This is possible because the political 'flexibility' of these advanced sectors in relation to the working class's demands (the basis of their hegemony over the active part of the working class) is not absolute, but limited in two senses. It is limited first of all by the 'minimum' levels of surplus-value needed by capital in general for its own reproduction on an extended scale. It is precisely advanced capital which strives to maintain these levels of surplus-value by raising prices. This attacks the living standards of the working class continuously, impelling it to struggle in the economic sphere against its erstwhile political 'ally', and puts paid to any illusion that workers' incomes can be defended by any other means (capitalist competition, for instance) than the struggle of the working class itself. But inflation does more than this: it makes the working class aware of the increasingly social character of production, and of the fact that even in the simple defence of its living standards, the basic problem is not the fight to maintain the price of labour power as much as the need for workers' control over social production, to transform it from the production of surplus-value into production for the satisfaction of social needs. It was perhaps with this in mind that the economist Jacques Rueff observed, in a recent essay against inflation (*Combats Pour l'ordre financier*), that the latter 'makes trade-union struggle a necessary instrument for defending living standards and, much more than Marxist teaching, generates class struggle and saps national morale'.

But the advanced sectors of capital do not only use inflation to wipe out the concessions wrested from them at the point of production by the growing structural strength of the workers. As this strength increases, the requirements of the political struggle against backward sections of capital force them to abandon their 'flexible' stance towards working-class demands for 'more humane' conditions of exploitation. For as we have seen, the bigger the working class's capacity to resist any increase in the rate of exploitation, the stronger the tendency is for the rate of profit to fall. On the one hand, this in its turn sharpens the conflict between advanced and backward sectors of capital; on the other, it thins the ranks of the former and swells those of the latter—since it adds to the number of capitalist firms whose survival is threatened by dwindling profit margins. In consequence, from the point of view of their fight for political power

against the backward sectors of capital, the advanced sectors have an interest in confining working-class struggle within even narrower limits than would be dictated by purely economic considerations.

Faced with the threat that the working class will break out of these limits, and in effect politically strengthen the backward sectors of capital, the advanced sectors tend, on the one hand, to intensify the drive towards the restructuring of production at all levels (economic, social and politico-institutional), in order to recreate profit margins in a way which will strengthen and not weaken them; on the other hand, they tend to combine their 'flexible' trade-union stance with a hard and repressive line against any working-class struggles which endanger their political strength. The autonomy which the working class derives from its growing strength on the structural plane thus enters into sharper and sharper contradiction with the hegemony which the advanced sectors of capital exercise over the working class on the political plane.

Translated by Alan Freeman

Postscript

The foregoing article was written in the spring of 1972, before the oil crisis and the recession of 1974–5. It had two principal objectives: first, to emphasize that the world capitalist system had entered a *general crisis* at the end of the sixties, a fact many found it difficult to recognize at the time; and second, to demonstrate how the present crisis differed from previous ones, particularly that of the thirties. Indeed, the experience of the thirties had dominated the imagination both of those who recognized the existence of a new crisis and of those who did not. So great had been the cultural impact of this experience that the very image of crisis had become virtually identified with collapse/ruin of material production and investment in the economy, anti-working-class reaction on the national political scene, and inter-imperialist war internationally. Those who recognized the symptoms of a crisis generally evoked—sometimes explicitly—just this catastrophic image: one which commanded little credibility in light of the major observable trends, whether national or international.

One aspect of the problem, then, was to demonstrate that the international monetary crisis, the exacerbation of inflationary pressures, and the simultaneous slowdown of industrial growth in the core capitalist countries, were not transitory phenomena but would inevitably persist, upsetting the political-economic model on which the growth of the preceding twenty years had been based. At the same time, it had to be demonstrated that in all probability the crisis would entail neither a collapse of material production and investment, nor an anti-working-class political reaction, nor a sharpening of international inter-imperialist conflicts in the strict sense of the word.

As the reader will have realized, this diagnosis was based on the judgement that the major aspect of the current crisis, unlike that of the thirties, was the falling rate of profit and not over-production. It was here

that my 1972 analysis differs substantially from that of Ernest Mandel, who was among the first to foresee the end of the post-war cycle of expansion, and whose study of the 1974–5 recession *The Second Slump* has just been published by NLB.² It is true that the two analyses have important points in common: first of all, precisely their emphasis on the fact that ‘over-production’ and ‘falling rate of profit’ are not mutually exclusive factors of crisis, but *inseparable* aspects of *every* capitalist crisis. Nevertheless, there remains the problem of assessing how these two factors combine in each crisis, and which of the two is dominant. In the final analysis, this means evaluating the shifts in the relationship of forces between labour and capital, *which may be reduced, in both the long and the short terms, to the tendencies of the accumulation of capital itself.*

Mandel incorporates into his analysis the hypothesis of a *cyclical* reinforcement of the bargaining position of labour *vis-à-vis* capital (see, for example, pp. 172–3); but he does not *explicitly* formulate any hypothesis about the *long-term* trend of this relationship of forces. His insistence on the over-production aspects of the crisis leads one to suspect that he remains wedded to the traditional Marxist point of view that, in the long run, capitalist accumulation tends to engender a progressive weakening of the bargaining position of labour *vis-à-vis* capital—a weakening that can be countered only by a *political* advance of the working class. It is my view that the events of the past decade contradict this point of view. Neither the strength exhibited by the workers’ movement during the struggles of the second half of the sixties, which precipitated the crisis, nor the capacity of resistance to the blackmail of unemployment demonstrated as the crisis unfolded during the seventies, can be easily ascribed to factors of *political* consciousness and organization. One can do so only on the basis of the truism that the class struggle is always a political struggle. Otherwise it must be observed that the transformation of the political organizations of the working class into instruments for the containment rather than stimulation and support of industrial conflict has been most rapid and evident precisely during this past decade—without a *significant* simultaneous growth of alternative political organizations.

Various tendencies of the seventies seem to me to confirm the relevance of my 1972 diagnosis: the accentuation of stagflation without a real collapse of productive activity; a considerable capacity of the working class to resist the blackmail of unemployment independent of its ‘political growth’ and, closely connected to this, the ever greater involvement of the political organizations of the working class in the management of capitalist society, rather than their isolation and/or annihilation; the intensification of international market competition, instead of the supplanting of that competition by political-military competition among the states of the advanced capitalist countries.³ The scientific value of a

² Ernest Mandel, *The Second Slump*, London 1978.

³ One of the principal corollaries of the diagnosis was that the crisis would be manifested in, among other things, a tendency towards the decentralization of industrial production in the direction of the periphery of the world economy. On the actual development of such a trend during the seventies, see F. Fröbel, J. Heinrichs, and O. Kreye, *Die neue internationale Arbeitsteilung*, Reinbek bei Hamburg 1977: English translation, Cambridge (forthcoming).

diagnosis, however, is determined more by the argumentation and factual elements on which it is based than by the correctness of the predictions in which it is summarized. And from this standpoint my analysis, viewed with hindsight, presents some shortcomings.

Apart from the scanty empirical documentation of the analysis, now easily remedied thanks to the great number of studies of the crisis published since 1972, the weakest point was precisely the schematism with which the hypothesis of a trend towards a long-term structural reinforcement of the working class was presented. Although, as I have just pointed out, I remain convinced that the present crisis is primarily the product of such a tendency, further research and reflection have led me to question its linear and uniform character. In particular, its development depends on the ethnic and cultural composition of the labour force, as well as on the form of capitalist accumulation. This means that the analysis must be broken down, introducing at least an initial distinction between North America and Western Europe, in order to call attention to the uneven development of the structural strength of the working class on a world scale and the medium-term oscillations of that strength in each of the two great regions.⁴ A prerequisite for any research of this type, however, is terminological/conceptual clarification of a number of categories inherited from the historical experience of the first half of this century. I refer in particular to the three key concepts of imperialism, monopoly capital, and working class. From this standpoint my 1972 analysis is ambiguous. For although it demonstrates that the past twenty or thirty years have seen a general reversal of the trends and the complexes of forces that were designated by these terms, it continues to make use of them, while implicitly altering their significance. I have shown elsewhere in regard to the concept of imperialism,⁵ that a procedure of this type risks generating conceptual (and not merely terminological) ambiguities which may hinder scientific discussion and investigation.

September 1978

⁴ An initial articulation of the analysis in this sense, limited to western Europe, may be found in Giovanni Arrighi, 'The Class Struggle in Twentieth-Century Western Europe', a paper presented to the Ninth Congress of Sociology, Uppsala 1978. A revised and expanded edition will be published in *Review* (Binghamton).

⁵ *The Geometry of Imperialism*, London 1978.