

# ***The Marxist***

Volume XXII, No. 2-3  
April-September 2006

Prabhat Patnaik

## On the Necessity of Marxism

The Soviet Union no longer exists. The Communist challenge to the hegemony of capitalism has receded, and is now supplanted by an altogether different kind of challenge from a host of Islamist movements. History appears to have moved on, beyond Communism, and the scientific theory supposedly underlying it, Marxism. Why then should one still be interested in Marxism?

Lenin's classic answer (1977), "The Marxist doctrine is omnipotent because it is true", while underscoring the valuable point that the strength of a theory does not lie in its being backed by State power, nonetheless begs a number of questions: What is Marxism? What do we mean by "True"? How do we know that Marxism so defined is true in the sense defined? And so on. I shall not attempt to answer any of these big questions here. I shall confine myself to discussing the truth of one particular insight of Marxism, and of Marxism alone, which is of overwhelming importance. And this relates to its conception of capitalism as a self-acting, self-driven order functioning independently of the will and consciousness of the participants.

Two preliminary clarifications must be made about this conception itself. First, its being self-driven does not mean that there is no conscious intervention whatsoever in its functioning. We know that the capitalist State has always played a major role in the functioning of the system, not just in the post-war period but from the very inception of capitalism. The post-war years saw State intervention in *demand management* which had not occurred earlier; but State intervention in other forms had always been a crucial factor sustaining capitalism. Its "self-drivenness" therefore refers not to the *absence* of State intervention, but to the fact that it expresses itself, sometimes in a refracted form, *through* State intervention itself. State intervention in other words acts sometimes to hasten and promote the tendencies immanent in the functioning of the system, sometimes to check and arrest them for a greater or smaller length of time, *but never to reverse them or block them permanently*. Putting it differently, the immanent tendencies of capitalism put constraints on the scope and nature of State intervention itself, and the self-drivenness of the system expresses itself through its movement *inclusive of the impact of State intervention*. The basic drive for this movement comes from

the economic logic of the system. This movement itself is neither predictably mechanical, the mere realization of a set of identifiable immanent tendencies; nor is it the mere realization of the *arbitrary intentions* of a consciously intervening agency, the State. The movement of the system in short is neither completely pre-ordained nor capable of being planned.

It is because of the complexity underlying this movement that we have chosen the term “self-driven” rather than the term “spontaneous” used by Oskar Lange (1963), which suggests a non-refracted, non-mediated, non-modified realization of the immanent tendencies of the system.

Secondly, the system that is “self-driven” is not confined to a closed, isolated capitalist economy, consisting exclusively of workers and capitalists. Capitalism has never existed in such solitary splendour. It has always been surrounded by pre-capitalist and semi-capitalist economies with which it is in continuous interaction, but which it neither assimilates fully as Rosa Luxemburg (1963) had assumed, nor leaves in their pristine state. The term “system” in short refers to this ensemble, though the economic logic that drives the movement of this ensemble pertains to the immanent tendencies of the capitalist mode of production proper that is embedded within it.

With these clarifications let us now turn to a discussion of the self-driven nature of the capitalist order.

## I THE SELF-DRIVEN ORDER

The idea that capitalism constituted a self-acting, self-driven economic order did not originate with Marx. The specificity of Marx’s understanding of its self-drivenness of course differed from that of the others but the idea of the self-driven order goes back to the very birth of political economy, indeed to the French Physiocrats. The fact that the myriads of individual transactions among economic agents together made up an objective economic order, independent of human will and consciousness, for which an analogy could be found in the system of blood circulation among human beings, and the fact that the key to understanding the dimensions of this system lay in the size of the *produit net* (i.e. the size of the surplus), were the remarkable insights of the Physiocrats.

Adam Smith carried forward this idea of a self-acting, self-driven economic order which has a character and logic of its own, discoverable by reason, and which is constituted by the myriad actions of individuals but is not reducible merely to an aggregation of such actions. The fact that the character of this totality is not reducible to the character and motives of the individual actions that go into its making was underscored by him in his famous remark: “It is not from the benevolence of the butcher, the brewer or the baker that we

expect our dinner but from their own self-interest”, which in Dobb’s (1973) view echoed Mandeville’s remarks in *Fable of the Bees* about “private vices” giving rise to “public virtues” ( a doctrine about which Smith himself however had reservations).

The totality in short was different from the mere summation of its constituents, or as Hegel was to put it: “Out of the actions of men comes something different from what they have consciously willed and intended.” Smith’s perceptions being akin to Hegel’s should come as no surprise, since Smith was closely linked to the Scottish Historical School whose intellectual positions in many ways paralleled Hegel’s.<sup>1</sup>

Adam Smith these days is often portrayed as the pioneer among the “free marketeers”, a rather early Thatcherite! Nothing could be farther from the truth. The most consistent theorist of the functioning of the market is Leon Walras and much of contemporary defence of the free market draws on Walras; but there is a world of difference between Smith’s and Walras’ theories. Taking individuals as guided by self-interest, Walrasian theory provides a justification for the free market on the grounds that *it best promotes the fulfilment of individual self-interest.*<sup>2</sup> In Smith by contrast the justification of free market, where individuals guided by self-interest transact, lies *not in the best fulfillment of individual self-interest* but in the fact that something entirely different, independent of individual motivations, is achieved, namely social progress, in the form of an enhancement of the “wealth of the nation”. The criteria for judging the efficacy of the market in other words are independent of the motivations of the market participants in Smith, but not in Walras or in contemporary “mainstream” bourgeois economic theory, which is essentially inspired by Walras.

Marx took over the idea of capitalism being a self-acting and self-driven economic order from his classical predecessors, but gave it his own imprint. Without going into details of the *theoretical* differences between the Marxian and the pre-Marxian perceptions of the self-acting order, we can say that at a *methodological level* there were three main differences.

First, Marx saw the “individual”, who is the main visible actor on the economic scene, not as an idealized entity existing outside of history but as historically constituted. Individual motivations therefore were historically conditioned, so much so that Marx referred to the capitalist as “capital personified”; that is, he saw the individual, with historically conditioned motivations, and subject to the coercion (as in a Darwinian struggle) exerted by the system upon anyone attempting to survive within it, as the instrument through which the immanent tendencies of the system work themselves out. The individual under capitalism, apparently a free agent, is in fact the very opposite of it.

Secondly, unlike Smith who saw the self-acting economic order as producing progress and the “wealth of the nation”, Marx saw it as far from being benign. Not only was the economic order exploitative, but, as a pre-requisite for exploitation, it needed to have a reserve army of labour; the expanded reproduction of capital was associated also with an expanded reproduction of the reserve army itself, so that instead of an increase in the “wealth of the nation” there was the growth of wealth at one pole accompanied by the growth of poverty at another.

Added to this was the tendency towards centralization of capital within the capitalist mode itself, and the dispossession of petty producers surrounding the capitalist mode, and the expropriation of their means of production by the capitalists. These two processes were the two facets of the same basic tendency: “one capitalist kills many” as Marx had put it, except that the “many” victims include both petty producers and small capitalists. The impact of this grand process of centralization is to increase further the size of the reserve army relative to the active army of labour, and to enhance the contrast between wealth at one pole and poverty at another (a contrast that may of course express itself *internationally*). And in so far as crises of generalized over-production, the possibility which Ricardo had denied on the basis of “Say’s Law” but Marx asserted, afflicted the system, the relative size of the dispossessed, unemployed and the poor, would be still higher.

Thirdly, there was a fundamental difference between Marx and the pre-Marxian writers in their analyses of State intervention and hence in their situating of the role of State intervention in the self-drivenness of the system. Classical Political Economy argued for an elimination of State intervention, since such intervention, meant basically to protect and preserve the monopolies and restrictions of the mercantilist era, put hurdles on the emergence of industrial capitalism; it therefore talked of a self-acting self-driven economic order *in the absence of State intervention*. Its focus in other words was exclusively on the economic realm. But since Marx was talking about a bourgeois system, complete with a bourgeois State, his demonstration of the self-drivenness, as seen earlier, pertained to a system, *inclusive* of the intervention of the State which presided over it.

Taking all these into account, Marx’s proposition about the self-drivenness of the bourgeois economic order was clearly a *sui generis* one. Since the tendency of this order was to produce growing misery at one pole and growing wealth at another, far from its being a “natural order”, in conformity with the “laws of nature”, it needed to be overthrown for the achievement of human freedom. And since its self-drivenness meant that intervention by a State which stands atop bourgeois property relations can never reverse or block permanently its immanent tendencies, nothing short of a change in property relations, a change in favour of socialized ownership of the means of

production, was necessary. The Classical economists had believed that the coming into being of the bourgeois mode of production was the end of history: “there has been history but there is no longer any” (Marx 1976). Marx’s analysis of the self-driven bourgeois order showed this to be mere bourgeois illusionism.

A methodological point needs to be clarified here. There is a persistent tendency in Marxist philosophy to identify teleology with movement. Orthodox Marxist theory, on the basis of the analysis of the movement, or the dynamics, of the bourgeois order, had concluded that its demise and a transition to socialism was *inevitable*: the dynamics of the system in other words was indistinguishable from teleology, an end, a *denouement* towards which it inevitably led. By contrast, non-teleological interpretations of Marxism, such as Althusser (2003) for example, underplay the spontaneous dynamics of the economic order which is the basis of the self-drivenness of the system, as is evident for example in their denial of any determinant role to the economic element even “in the last instance”: as Althusser had said, “from the first to the last, the loneliness of the last instance never comes”. In both instances teleology and dynamics are conflated as indistinguishable from one another. However seeing socialism as necessary rather than inevitable does not necessarily entail a denial of the dynamics of the bourgeois order, its self-drivenness, arising from the realm of the economic, which is determinant “in the last instance”. The recognition of this self-drivenness in the sense discussed, is specific to Marx alone.

## II THE RISE AND DECLINE OF DEMAND MANAGEMENT

The Marxist position that intervention by a State that presides over the bourgeois mode of production (which, notwithstanding the subjective predilections of the leading elements of the State, is a bourgeois State) cannot reverse or permanently block the immanent tendencies of this mode, is vindicated by the history of Keynesian demand management. The end of the war had seen capitalism in disarray, challenged on the one hand by a greatly expanded socialist camp and on the other hand by a domestic working class which had made great sacrifices in the war against fascism and was absolutely unwilling to go back to the pre-war years of Depression and unemployment; the war itself had taken a heavy toll of the productive facilities in the capitalist countries and the entire imperialist structure was severely threatened by the rising tide of national liberation struggles. It is in this context that capitalism had to make concessions for its survival: decolonization, including loss of control over much of third world mineral resources (which it resisted fiercely); and the pursuit of demand management for the maintenance of high levels of domestic employment, together with the provision of a modicum of social security (though much of it was financed through

taxes on the workers themselves). These concessions however were accompanied by the bellicosity of the Cold War.

No matter what the motives, the consequences of demand management were impressive. The unemployment rate fell drastically. The UK had an officially estimated unemployment rate of 2 percent by the mid-sixties and the US of 4 percent. This was unparalleled in the history of capitalism. Boosted by high demand, the investment rate, and with it the growth rate, increased, so that the two decades spanning the fifties and the sixties had the highest growth rate ever in the history of capitalism over a comparable length of time. The unused innovations of the inter-war period (when the Depression had prevented their adoption), and the Scientific and Technological Revolution whose roots lay partly in the scientific advances associated with the conduct of the war itself, created the basis, in the new situation, of high rates of labour productivity growth. And with low unemployment rates, the bargaining strength of the workers was high enough to convert these productivity increases into real wage increases. High growth, low unemployment, high productivity growth, high real wage growth, and the provision of social security, each of which was unprecedented in magnitude, and achieved in an era of decolonization, together made this period into what some authors have called "the Golden Age of Capitalism" (notwithstanding the viciousness of the Vietnam war).

A view gained currency that capitalism henceforth would be what it had become. A symposium *Has Capitalism Changed?* featuring a host of distinguished authors (such as J.K. Galbraith and Shigeto Tsuru), answered the question broadly in the affirmative. John Strachey, erstwhile theoretician of the British Communist party wrote a book *The End of Empire* arguing that Keynesian demand management had made imperialism, which he explained as a counter to the tendency towards underconsumption, unnecessary, and thereby rendered Lenin obsolete. In short, it was widely believed that a bourgeois State run by a Social Democratic government enjoying the support of the working class could modify capitalism sufficiently to block for ever its immanent tendencies: to make it compatible with full employment, to keep income and wealth inequalities in check, to make hegemony over the pre-capitalist and semi-capitalist "outlying regions" unnecessary, and to reconcile capitalism with a "Welfare State", not as impressive as what the socialist countries had built, but a "Welfare State" nonetheless. True, many Marxist theorists pointed to the crucial role of military expenditure (of the leading power, the US) in sustaining the long boom in world capitalism (Baran and Sweezy 1966), but the fact of the long boom, unprecedented in capitalist history, and the context of decolonization were undeniable.

The collapse of the so-called "Golden Age", and the developments following that collapse, painful though they are for the people, are a

resounding vindication of Marxism. The near-full employment, which means an exhaustion of the domestic reserve army of labour, and boom conditions, which, in the context of decolonization, prevent a turning of the terms of trade against primary producers *to the requisite degree*, together entail inflation and the destabilization of the “wage unit” (to use Keynes’ term).<sup>3</sup> Inflation arises when the *ex ante* claims of the different groups which are claimants to the social product add up to more than the social product itself. Since the actual or *ex post* claims must add up to no more than the social product, some claimant(s) must be cheated: what they thought they were getting and what they actually get must differ; and this difference is effected by inflation which is the instrument of this cheating. But if there are some claimants who are too weak to enforce any *ex ante* claims whatsoever, who in other words act merely as price-takers, then there is no “need” for inflation. A large reserve army of labour converts workers into such docile price-takers; recessionary conditions in the world economy or colonial control over primary producing economies (which can be deflated at will to reduce their domestic absorption) can make primary producers act as docile price-takers. But since the “Golden Age” entailed high unemployment and high world growth in the context of decolonization, the checks on inflation, and more generally on the stability of the world capitalist system, were undermined.

Of course the contradictions took time to mature; they were exacerbated (indeed ignited) by the inflationary effects of the Vietnam War, but they did finally spell the end of the “Golden Age”. The wage explosion in advanced capitalist countries, the collapse of the Bretton Woods system, the flight to commodities (when there was uncertainty over the dollar) leading to an explosion of commodity prices, and the subsequent contraction which brought down all prices other than oil, initiated the long period of stagnation and high unemployment which the advanced capitalist world is still afflicted by (Patnaik 1986). Social democracy attempted initially to control inflation while maintaining near-full employment, through an “incomes policy” arrived at through a “social compact”, but the failure of that underscored the validity of the basic Marxist perception of capitalism.

There was a second factor at work, again in conformity with Marxist analysis, which explains why in more recent years, even though inflation has come down sharply, growth has not revived in the advanced countries. And this has to do with the emergence of a new form of international finance capital. Its specific history need not detain us; it is an expression of the process of centralization of capital that occurred during the “Golden Age” itself. Its main features are its global character and global reach and its restless search for quick speculative gains, unencumbered by any durable ties with industry. This occurs in a context where inter-imperialist rivalries are far more muted than at

any time in recent history, thanks in no small measure to its own predilections (since it does not want hurdles to its free movements arising in a world partitioned by rivalries).

Now, finance capital always resents an activist State in matters of employment and activity, for both political and economic reasons: indeed it wants State activism geared only towards its own appeasement. And when finance capital is international while the State is a nation-State, its caprices acquire a spontaneous effectiveness, in the sense that any State which dares to go against its wishes, finds itself confronted with "loss of confidence" and hence possible capital flight, not just by foreign rentiers but by domestic ones as well. (The integration of foreign and domestic rentier interests is an important feature of the new international finance capital). With the exception of one State, namely the State of the leading capitalist country whose currency is the basic medium of wealth-holding ("as good as gold") and hence less prone to capital flight, all other capitalist States therefore have to undertake expenditure deflation, typically favoured by international finance capital. The obverse of such deflation is tax concessions to capital and ceilings on fiscal deficits (the modern counterpart of balanced budgets).

Keynesian demand management for near-full employment is obviously impossible under these conditions. State expenditure deflation in the non-leading countries reduces the level of activity and employment not only in those economies but in the capitalist world as a whole. This is because the leading State, which has greater freedom in running fiscal deficits and increasing expenditure, being a nation-State rather than a World Capitalist State, has no interest *per se* in stimulating the world capitalist economy to near full employment levels by incurring greater debt for itself. It is not surprising then that the OECD countries as a whole have been experiencing much higher levels of unemployment and much lower levels of growth over the last two decades or more, even after the end of the period of high inflation which initially caused the growth slowdown ("Stagflation").

Centralization of capital, Lenin had argued, gave rise to the finance capital of the pre-first war years which brought wars and Depression. Centralization of capital, carried even further, has given rise to a new form of *international* finance capital, different from what Lenin had written about, which has again brought stagnation and unemployment to advanced capitalist countries and threatens new kinds of (non-inter-imperialist) wars. This entire development is a vindication of the position that the so-called "Golden Ages" under capitalism, produced by unique conjunctures, are at best transitory, and that the immanent tendencies of capitalism cannot be reversed or blocked for ever, but make themselves felt eventually.

Paradoxically, even the sequel to the collapse of the Soviet Union has been a vindication of Marxism. While the emergence of this



international finance capital was a contributory factor to the collapse, since at a certain stage even “socialist” enterprises took advantage of their greater autonomy to keep funds out of the Soviet Union, accentuating its economic difficulties, the presumption underlying the opposition to the Soviet Union, that there would be greater prosperity and “democracy” after its collapse, was never realized. What occurred instead was a combination of massive primitive accumulation of capital and mafia-rule, with a steep drop in output from which Russia is only now beginning to recover. There could not be a more apt example of the divergence between the intentions behind, and the outcome of, action by the people, that Marx had talked about.

One can go further. When Thermidor put an end to the radicalism of the French Revolution, a part of the achievements of the Revolution was nonetheless preserved. What was remarkable about the collapse of the Soviet Union was the more or less complete repudiation of the legacy of the Bolshevik Revolution (except, and that too under pressure, the symbolism of the Lenin mausoleum in Red Square). This fact, which at first sight appears dispiriting, is also paradoxically a vindication of a Marxist position: between capitalism and social ownership of the means of production, there can be no other modes of production, no half-way houses, but only irreconcilable opposition, which is but another way of expressing what was said *apropos* Keynesianism earlier: “socialization of investment” (which Keynes wanted) *sans* socialization of production is an impossibility.

### III NEO-LIBERALISM AND THE THIRD WORLD

We have discussed so far the impact of the neo-liberal policies, pushed by a coalition of forces led by international finance capital, on the advanced capitalist economies. This impact has been in the form of greater unemployment and stagnation. Let us now examine the impact of neo-liberalism on the third world.

Three phenomena have to be kept in mind here. The *first* is the expenditure deflation by the State, which, as in the case of advanced capitalist economies, constitutes the chief hallmark of neo-liberalism. This has a contractionary effect on the economy as a whole, but this impact is particularly severe on the rural economy where the curtailment of expenditure is most drastic. Such curtailment reduces directly, and indirectly (via reduced purchasing power in the hands of the rural population), the magnitude of rural employment. And since the reduction is typically in the area of rural infrastructure and social amenities, it also has a direct welfare reducing effect. In India for instance the increase in rural poverty, which, notwithstanding official claims to the contrary, has grown more acute over the last decade, and in rural unemployment with which it is associated, has been caused *inter alia* by the expenditure deflation by the State (U.Patnaik

2005). And precisely because of this deflation, in the midst of growing poverty and unemployment, there has been pervasive unutilized industrial capacity, and massive unsold foodgrain stocks, until the government decided to dump them on the international market and subsequently go easy on procurement.

Such deflation has been the root cause of stagnation, as witnessed in Africa and Latin America under the neo-liberal dispensation. Under neo-liberalism the stimulus for growth can come only from the external market. And in a situation of sluggish growth of the world economy caused by pervasive deflation in State expenditures, the average growth rate of the third world must also come down, unless the third world enjoys substantial freedom to encroach on first world markets at the expense of local producers. Since this latter has happened only to a limited extent, a slowing down of the growth rate over much of the third world has been inevitable. *Remarkably however even those countries which have been apparently more successful in terms of growth have also witnessed an accentuation of unemployment and poverty.* One is less certain here about China but far more about India. In the *dirigiste* period when India experienced only a 3.5-4 percent GDP growth rate, her rate of employment growth was higher than now when she is apparently experiencing a growth rate in excess of 6 percent. In other words, growing unemployment characterizes the third world not only in stagnant economies but even in apparently dynamic ones.

This latter occurrence needs explanation, which brings us to the *second* phenomenon. In a neo-liberal economy if there is little control over the growth rate, which depends on the growth of exports to the world market, there is even less control over the growth rate of labour productivity. An economy wishing to stay competitive has to imitate innovations occurring in the advanced capitalist world in a whole range of spheres catering to exports, and all these innovations are typically labour displacing. What is more, with restraints on technological and structural change in the economy lifted, the domestic rich, wishing to imitate metropolitan life-styles enforce rapid rates of structural/technological change (to catch up with the "latest goods") even in areas which have no connection with exports (e.g. retail trade). A neo-liberal third world economy therefore witnesses rapid labour productivity growth, so much so that even with high GDP growth rates as in India, the unemployment rate escalates.

This has a serious implication.<sup>4</sup> Since third world economies are already saddled with huge labour reserves which keep the wage rate close to a subsistence level, if the rate of growth of labour demand falls below the rate of growth of the work-force, *workers get absolutely immiserized, notwithstanding high GDP growth rates.* This is because while the wage rate does not increase the amount of work per head of

the work force declines. As a result however the share of surplus in GDP increases steeply. The problem of realization of this surplus would assume serious proportions but for the fact that the army of “unproductive workers” *a la* Adam Smith, or of “hangers on” of the bourgeoisie, of the MNCs and of globalized finance, experiences an increase in both its size and its remuneration. The incomes of these “hangers on” ironically are counted as additions to GDP, and hence contribute spuriously towards the observed “high growth”. “High growth” economies not surprisingly experience massive increases in inequalities.

The third phenomenon accompanying a neo-liberal regime is agrarian distress. The stagnation in the capitalist world economy worsens the terms of trade for the primary producers. Third world primary producers, insulated from world commodity price movements during the *dirigiste* phase, now become victims of adverse terms of trade, as these economies move towards a regime of free trade and free markets. The curtailment of subsidies enforced by the expenditure deflation of the State pushes up at the same time a range of input costs for such producers. Caught in a pincer between declining terms of trade (even absolute commodity prices) and rising costs, petty producers, notably peasants, experience acute distress, which is further heightened by the reduced availability of public services and rural infrastructure, owing again to the same expenditure deflation.

This acute increase in agrarian distress, though an apparently new phenomenon in the post-decolonization period, represents, however, only a continuation of the pre-second-world-war trend. Indeed capitalism necessarily entails the dispossession and expropriation of petty producers, a tendency that (at the world level) was kept in check for a time during the so-called “Golden Age”, but which has eventually asserted itself in full force.

#### IV IMPERIALISM AND WAR

The rolling back of *dirigisme*; the enfeeblement of the third world States, through *inter alia* the exposure of these economies to global financial flows; the unshackling, from the temporary checks and restraints placed upon them in the post-war conjuncture, of a whole range of immanent tendencies of capitalism; the unrolling of the red carpet for metropolitan capital in the third world, not only in the sphere of manufacturing production but even a range of mineral resources; the watchdog role acquired by the Bretton Woods institutions over “governance” in the third world; and the intellectual respectability acquired by ideas (like “efficiency of the free market”, “wage flexibility ensuring full employment” etc.) promoted by international finance capital; are all indicative of a new phase of aggressive imperialism, trying to recreate the old colonial relationship in a new context.

In the process however it has entered into a period of war. These wars are not just a part of the imperialist drive “in general”; they reflect a specific contradiction. The long history of squeezing the third world for stabilizing the economy of the capitalist world has now created a situation where the efficacy of this instrument has got blunted. Primary commodities account for so small a share of the gross value of output of the advanced countries, thanks to the history of their declining terms of trade (and not some mysteriously increased capacity on the latter’s part to “add more value”), that the possibility of controlling inflation in the latter through a further squeeze on these producers, has got greatly undermined. There is however one commodity which is as capable of destabilizing the price system of the capitalist world, as control over it is capable of stabilizing it. And that is oil. In a world where the leading currency is no longer linked to gold, its “as good as gold” character can be preserved only if it is linked to oil, i.e. only if there is confidence in the minds of wealth-holders that oil prices will not keep rising in terms of the leading currency, the US dollar. In short, post-Bretton Woods, when currencies are supposed to be “floating”, the capitalist world is in effect on an “oil-dollar standard”.

To keep that confidence in the minds of wealth-holders in the value of the dollar, in the absence of which the capitalist world economy will see enormous financial turmoil, especially given the persistence of the US current account deficit, the US is under pressure to control oil sources. And it does so through coercion not involving war where possible, and war where necessary. War in short is a fall-out today of the need to maintain the financial stability of the capitalist world which is under threat.

There is however a dialectics here. The US attacked oil-rich Iraq, in order to control a major oil-source, for financial stability. But this attack itself created conditions, through the resistance it generated against itself, where the oil prices shot up even more, making the threat to financial stability even more serious, and the pressure to go to war against other oil-rich countries, like Iran, even greater. And if the US does go to war against Iran it would again face, in an even more acute form, the same dialectics.

## V RESISTANCE AND TRANSCENDENCE

War is only the palpably visible form of a more general phenomenon, namely, accumulation through encroachment, which characterizes capitalism and of which the expropriation of petty producers, the cornering of common property resources, the displacement of smaller capitalists, and (of late) the appropriation of State property (through the process of privatization at throwaway prices) are classic examples. One part of accumulation through encroachment, which occurs within

the capitalist mode itself through its “normal” functioning, constitutes “centralization of capital”; the other part which involves the appropriation of means of production from outside the capitalist sector,<sup>5</sup> constitutes what Marx had called “primitive accumulation of capital.” Centralization and primitive accumulation are the two forms of accumulation through encroachment and constitute immanent tendencies of capitalism. War is an instrument for carrying out accumulation through encroachment which is used when other forms of coercion fail.

Accumulation through encroachment, the hall-mark of neo-liberalism, accentuates unemployment, poverty and rural distress in the third world. Even in the absence of war it is a harbinger of misery; the misery of war is in addition to this. Since acute rural distress is incompatible with the political empowerment of the people, neo-liberalism necessarily entails a shrinking of the democratic rights of the people, a process of political disempowerment. Ironically this is done in the name of promoting “development”: workers’ strikes for instance are banned in the name of “development”; people are thrown out of their habitats and their lands appropriated (with usually a pittance for a compensation) in the name of “development”; expenditure deflation by the State, entailing unemployment and the disappearance of public services, is undertaken in the name of “development”. While wars are waged in the name of promoting “democracy”, democracy is simultaneously curtailed in the name of “development”.

The viciousness of capitalism in the contemporary epoch of hegemony of international finance capital evokes reactions such as terrorism which constitute a form of resistance without any hope of transcendence; on the contrary, such reactions only compound the misery of the people, creating a chain of violence without end which is as tragic as it is unproductive and wasteful. This is the tragedy we are in today.

To end this tragedy, to change the current state to one of resistance for transcendence, a theoretical understanding of the current conjuncture is needed. Marxism alone provides the basis of such an understanding. Neither bourgeois ideology of any sort nor religious extremism of any description can provide a way out of the current conjuncture, since both ignore *inter alia* the self-drivenness of capitalism. They are epistemologically trapped *within* the system. For breaking out of the current conjuncture, an alternative system of property relations, socialism, is necessary. It is not inevitable but has to be worked towards. The necessity of Marxism arises from the fact that it alone can provide theoretical illumination on how to work our way out of the current predicament.

[Text of a talk delivered to the LeftWord Young Scholars’ Seminar, 5 April 2006, New Delhi.]

## NOTES

- 1 On the connections between Classical economics and Hegelian philosophy, see Lukacs (1975 ).
- 2 Since the individual's market participation is assumed to be voluntary and never forced, so that the individual is always free to withdraw from the market, this demonstration of the efficacy of the market, which goes in "mainstream" economics literature under the grandiose title of "the first fundamental theorem of Welfare Economics", is really little more than a tautology.
- 3 For the detailed argument see Patnaik (1997).
- 4 The argument of this paragraph is contained in Patnaik (2006).
- 5 It may be argued that only that part of capitalism's interaction with the non-capitalist sector which constitutes "unequal exchange" should be considered appropriation. But any definition of "unequal exchange" that is based on the assumption that workers otherwise equal in every respect but with differing levels of "productivity" need not be paid equal wages, represents a gross underestimation of "unequal exchange". This is because in the comparison of productivity itself, which must be in value terms, unequal exchange already enters. Consider the following example. Suppose third world workers produced \$50 of an input which was used in the metropolis to produce \$100 of final goods. Now suppose a new process is found whereby the same final good is produced with a new input needing only one-fifth the amount of labour compared to the earlier input and hence costing only \$10. If the final output still sells for \$100, and the rate of profit in the metropolis remains unchanged, it would appear that workers in the metropolis had simply witnessed an increase in wages in proportion to their net productivity (value added per worker). While no "unequal exchange" (taking productivity differentials into account) would appear to have occurred in this case, the productivity gains have been distributed exclusively in favour of the metropolis. (Needless to say, the metropolitan workers here can not be accused of "exploiting" the third world workers). Emmanuel's argument (1965) is free of this problem, but even in his case the question would arise: what is "equivalence of exchange" in the case of a commodity like oil? Besides, unequal exchange refers only to relative prices in trade; the term "encroachment" is much more wide-ranging.

## REFERENCES

- Althusser L. (2003) *The Humanist Controversy and Other Writings*, Verso Books, London.

- Baran P.A. and Sweezy P.M. (1966) *Monopoly Capital*, Monthly Review Press, New York.
- Dobb M. (1973) *Theories of Value and Distribution Since Adam Smith*, Cambridge University Press, Cambridge.
- Emmanuel A. (1965) *Unequal Exchange: A Study in the Imperialism of Trade*, New Left Books, London.
- Lange O. (1963) *Political Economy*, Vol.1, Pergamon Press, Warsaw.
- Lenin V.I. (1977) "The Three Sources and Three Component Parts of Marxism" in *Selected Works* (3 volumes), Vol. 1, Progress Publishers, Moscow.
- Lukacs G. (1975) *The Young Hegel*, Merlin Books, London.
- Luxemburg R. (1963) *The Accumulation of Capital*, Routledge paperback, London.
- Marx K. (1976) "The Poverty of Philosophy", in *Marx-Engels Collected Works*, Volume 6, Progress Publishers, Moscow.
- Patnaik P. (1997) *Accumulation and Stability Under Capitalism*, Clarendon Press, Oxford.
- Patnaik P. (1986) "Economic Crisis of World Capitalism" in P.Patnaik ed. *Lenin and Imperialism*, Orient Longman, Delhi.
- Patnaik P. (2006) "Technology and Employment in an Open Underdeveloped Economy" (First Sumitra Chishti Memorial Lecture), Social Advancement and Development Trust, Delhi.
- Patnaik U. (2005) "Theorizing Food Security and Poverty in the Era of Economic Reforms", *Social Scientist* 33, Numbers 7-8, July-August.