Causes and Consequences of the Global Economic Crisis:

A Marxist-Socialist Analysis

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Evidence is accumulating rapidly that the current financial panic, converging with a more general downturn in the global capitalist economy, has produced the worst economic crisis since the 1930s. The U.S. government's recent $700 billion bailout has guaranteed lavish bonus packages for Wall Street executives and provided funds for a new round of buyouts and concentration of financial capital, but it has done little to alleviate the credit squeeze that has paralyzed new business investment and dampened consumer spending. In the past week, the courier company DHL announced the axing of thousands of jobs in Ohio, as did telecommunications giant Nortel in Canada. This follows announcements of huge layoffs by ailing or bankrupted investment banks and commercial retailers such as Circuit City. With or without a so-called "rescue package" from Washington it's probable that at least 50,000 autoworkers will soon lose their jobs in the wake of anticipated mergers, "restructuring" and possible bankruptcies of General Motors, Chrysler and Ford. Stock markets in North America and overseas have already lost some 30 percent of their ostensible value due to declining corporate profitability and tightening credit markets. Ukraine, Hungary and Iceland are seeking major loans from the International Monetary Fund (IMF) to avoid bankruptcy, while the economies of most developed countries have begun to contract. A few days ago, the IMF forecast that the gross output of the world's most advanced economies will shrink by 0.3 percent in 2009 – the first such contraction since 1945 (see Table One).

Table 1: Projected Growth Rates for 2009: Selected Economies

U.S.	Japan	U.K.	G-8 Countries
-0.3%	-0.2%	-1.3%	-0.3%

According to the IMF, growth in the volume of international trade has fallen from 7.2 percent in 2007 to 4.6 percent in 2008 and is likely to decline to 2.1 percent in 2009 – a harbinger of much slower growth for the recently booming economies of South and East Asia. China – the most dynamic of these so-called "emerging economies" – has seen its annual growth rate fall from 12 to 8.9 percent, and this is expected to drop below 8 percent in 2009. While robust by global standards, such a level of growth is insufficient to absorb the 24 million people who enter China's labour market each year. With official unemployment already over 70 million, declining growth rates in China will lead to a major spike in the number of people out of work and wrenching economic dislocations.

A broad consensus has emerged that all signs point to the global economy spiraling downward into a very severe, and lengthy, recession -- or depression. But sharp disagreements exist over both the causes of the crisis and the solution to it.

Those intent on "Saving the System" – the headline of the 11 October issue of *The Economist* – insist that there is "no alternative" to global capitalism, and seek to convince the chief victims of the economic crisis -- working people and the poor -- that they must make major sacrifices to help restore the system's health. The ideological guardians of the status quo are already putting forward various accounts that absolve the capitalist system itself of responsibility. Some focus on the greed and short-sightedness of the Wall Street financial elite and the failure of various government agencies to adequately regulate the markets. More sophisticated apologists for capitalism are blaming the excesses of "neoliberal ideology" and urging a retreat from "free market fundamentalism." Some go so far as to advocate a social-democratic "mixed economy" with a significantly expanded public sector.

At the other end of the "mainstream" spectrum, rightwing elements are, as usual, blaming the working class and the socially marginalized. According to these victim-bashers, the deflation in housing prices which precipitated the recent financial crisis was triggered by "irresponsible" poor people who took advantage of sub-prime mortgage rates several years ago and subsequently defaulted on their mortgages when rates went up. So far this explanation hasn't found much resonance, however, as "greed" and "reckless irresponsibility" are becoming exclusively associated with the capitalist class and especially its financial aristocracy.

Productivity, Value and Capitalist Crisis

One of the pivotal moments of the recent American presidential election campaign occurred on 15 September when Republican candidate John McCain made the patently ridiculous assertion that "the fundamentals of our economy are strong." In response to criticism from Barack Obama, McCain indignantly pointed to the high productivity of American workers: "Our workers are the most innovative, the hardest working, the best skilled, most productive, most competitive in the world."

Now, as unlikely as it may seem, McCain's observation is actually a useful starting point for developing an interpretation of the current crisis that counters *The Economist's* call to "save the system." If one thing is clear in the present situation, it is that *the working class* can't be blamed for this crisis. On the contrary, worker productivity is at an all-time high and wages have lagged behind productivity growth for a whole generation. Since the 1970s, labour has lost considerable ground in what has been a pretty one-sided class war. Capital has had its way, and yet, *despite that*, capital has still found a way to shoot itself in the foot – and rather badly at that. With Soviet-style "communism" out of the way, with unions decimated and lacking in strategic vision, with the "welfare state" a receding memory, and with most of the world's masses evidently resigned to the inevitability of "free-market economics," capitalism is nevertheless now facing what some mainstream economists are calling its worst crisis in a century.

Socialists have a responsibility to "say what is": the crisis unfolding before our eyes confirms yet again that capitalism has reached its "historical limits." This moribund, irrational and inhuman system must be superseded, in Karl Marx's words, by a "higher state of social production" – a rationally planned, collectivized global economy under the democratic administration of those who labour.

Let me expand a bit on why McCain's observation is a useful starting point for a Marxist-socialist perspective on the economic crisis and the current predicament of world capitalism. In my 1994 book, *Invisible Leviathan,* I pointed out that at the very heart of Marx's critique of capitalism is the proposition that an immanent contradiction exists between the drive of capitalist firms to increase productivity and the imperative of the capitalist mode of production to measure wealth in terms of labour-time. According to Marx, the sole source of "new value" (including the profits of the capitalist class) is the living labour expended in capitalist production, and this new value constitutes a definite magnitude that limits prices, profits and wages. Now if Marx was right, and I believe he was, money is the necessary form of appearance of abstract social labour – the "social substance" of capitalist "value." If he was right, money profit results from the exploitation of wage labour in capitalist production – the appropriation of workers' surplus labour and its conversion into surplus value. If he was right, it follows that the displacement of living labour from production – through increased investment in labour-saving machinery and technology – must tend to undercut the profitability of the system as a whole, its ability to produce "social surplus value" in magnitudes large enough to sustain the average rate of profit. Thus, improved labour productivity, insofar as this results from labour-saving innovation, may actually *lower* the average rate of profit, which is the decisive regulator of investment and growth in a capitalist economy. As Marx put it: "The progressive tendency for the general rate of profit to fall is…simply the expression, peculiar to the capitalist mode of production, of the progressive development of the social productivity of labour" (*Capital*, Volume III).

The fundamental point is that capitalism is a system geared not toward the maximization of "material wealth in general" but toward the maximization of wealth in the socially-antagonistic form of *private profit* – the profits of capitalists who own and control the major means of production, distribution and exchange. This explains the characteristic form of capitalist crisis, "overproduction." Capitalism enters into periodic crisis not because too few goods are being produced, but because *too much* is produced in the *socially antagonistic form* of commodities intended for sale at a profit. *Too many commodities are produced in relation to the effective, money-backed demand that exists for them.* What's more, capitalism enters into crisis not because of declining productivity growth (although this can certainly affect the relative fortunes of competing capitalist firms and even national economies), but because not enough surplus value is being produced and subsequently realized in money-form across an increasingly globalized capitalist economy. And not enough surplus value is being produced because, with the introduction of ever more productive technology, the relative contribution of living labour as a "technical-natural input" into the production process diminishes, even though living, exploitable labour remains the sole source of all new value within the economy as a whole.

So where did McCain go wrong? McCain implied that a high level of labour productivity should mean that the "economic fundamentals" are sound. But this presupposes the existence of a rationally ordered economic system. The problem is that capitalism is not rational in this sense. On the contrary, capitalism is under the domination of historically specific laws – the law of value and the law of the tendency of the rate of profit to fall – which involve a growing structural contradiction between the development of the productive forces and the reproduction of capitalist social relations. These laws inform and give expression to the growing incompatibility between the “technical-natural” and “social” dimensions of capitalism. Without grasping them, it’s impossible to understand how real progress in labour productivity – based on labour-saving technical innovation – can result in the kind of mess global capitalism finds itself in at the moment. These laws are the key to understanding how the application of natural-scientific rationality in production, spurred on by the competition of individual firms, creates the “macro” social irrationality of wasted capacity, wasted labour-power and wasted opportunities for human development – as well as a vast and growing mass of human misery.

Production, Finance and the Falling Rate of Profit

What does all this talk about capitalist “production” have to do with the current financial crisis? Certainly the most *immediate* “causes” of the crisis lie in the frenzied and short-sighted efforts of investment bankers to realize profits through more-or-less speculative transactions in *the sphere of exchange* – above all, through the sale, slicing up, repackaging and reselling of “toxic” mortgages. It’s also true that the puncturing of “bubbles” (in particular the housing bubble) associated with the growth of highly dubious forms of “fictitious capital” has sent shock waves through the financial system. But I want to argue that the ground for these financial bubbles and the associated feeding frenzy was prepared by an economic malaise that extends back to the 1970s. The spectacular rise of fictitious capital (relative to “productive capital”) over the past three decades was not an accident. Rather an adequate account of the long-term “financialization of the economy” must focus on *the tendency of the rate of profit to fall* as a result of changes in the capitalist process of *production.*

Let’s consider a couple of observations from Marx’s *Capital*. Marx observed that the corporate capitalism emerging in his own time (in the form of the “joint-stock company”) would produce a “financial aristocracy, a new kind of parasite in the guise of company promoters, speculators and merely nominal directors; an entire system of swindling and cheating with respect to the promotion of companies, issue of shares and share dealing” (*Capital,* Volume III). Elsewhere he wrote: “[To the possessor of money capital] the process of production appears merely as an unavoidable intermediate link, as a necessary evil for the sake of money-making. All nations with a capitalist mode of production are therefore seized periodically by a feverish attempt to make money *without the intervention of the process of production*” (*Capital*, Volume II, emphasis added).

To understand the significance of such "feverish" behavior, one needs to consider how the pre-conditions for it develop, which in turn requires a *concrete* analysis of how the immanent contradictions of capitalism find expression and unfold in particular historical contexts. The current financial crisis is the outcome of a decades-long effort on the part of the capitalist class, in the U.S. and elsewhere, to arrest and reverse the decline in the average rate of profit that occurred between the 1950s and the 1970s. It is the cumulative and complex result of a series of responses by the capitalist class to an economic malaise that can be traced to the persistent profitability problems of *productive capital* – the form of capital associated with what is sometimes called "the real economy."

Virtually all radical political economists agree that the current debacle has roots in the profitability crisis of the 1970s. In response to that crisis, manifested throughout the advanced capitalist world in falling rates of profit as well as in "stagflation" (high inflation rates combined with slow growth), the capitalist class abandoned the "capital-labour accord" negotiated in the late 1940s and 1950s. Rendered economically feasible by the high profit rates of the immediate post-war period and prompted by the politico-ideological exigencies of the Cold War (especially the necessity to block the emergence of powerful left-wing forces in Western labour movements), this "class compromise" delivered rising real wages, low unemployment and expanded social programs for over twenty years. With the advent of the profitability crisis of the 1970s the capitalist class felt compelled to undo much of this. The inflation which fuelled high levels of class struggle in the 1970s was defeated through wage controls and/or high interest rate policies under successive post-Keynesian and monetarist regimes. The recession of the early 1980s and cutbacks in social welfare provision replenished the "reserve army" of the unemployed and placed downward pressure on real wage growth. Trade liberalization and the turn toward "lean production" and "flexible labour markets" further weakened nationally based labour movements. Taken together, these measures – often referred to as "neoliberalism" – *stemmed* the fall in the rate of profit in the leading capitalist countries but failed to restore the much higher rates of profit enjoyed by capital in the earlier post-war period. The average profit rate stabilized in a comparatively low range. More draconian anti-labour measures might have been tried to restore profitability to higher levels, but such measures would have carried considerable political and ideological risks – particularly during the 1980s, when the capitalist West was facing down a weakening but still formidable Soviet adversary.

This was the background to the long ascendancy of the rate of profit in the U.S. financial sector relative to that of manufacturing. In the early 1980s, the financial sector accounted for only about 10 percent of total profits; by 2007, this figure had risen to 40 percent. From the 1950s to the 1970s, the ratio of financial assets to GDP averaged approximately 4 to 1; by 2007 it had risen to roughly 10 to 1. In 1980, world financial assets (bank deposits, securities and shareholdings) amounted to 119 percent of global production; by 2007 that figure had risen to 356 percent.

Following the capitalist offensive against labour in the 1970s and early 1980s, crises of overproduction were avoided or attenuated (as in 1991-92 and 2001-02) through an enormous expansion of credit. While real wages stagnated or declined, American workers were encouraged to maintain "effective demand" by going ever deeper into debt. Between 1988 and 2007, credit card debt mushroomed from 168 percent of GDP to 350 percent. Meanwhile, the average real income of the bottom 90 percent of American taxpayers declined by more than 7 percent between 1973 and 2000. Ronald Reagan's massive increase in military spending during the 1980s, which primed the demand pump, ran up U.S. debt to unprecedented levels. Throughout the 1990s, the U.S. national debt continued to steadily expand, before exploding under George W. Bush. It now stands at about $11 trillion in a $14 trillion (GDP) economy.

Table 2: The Growth of U.S. Debt (in constant 2007 dollars) 1945-2008

1945	**1950**	**1990**	**2000**	**2008**
$3 trillion	$2 trillion	$5 trillion	$7 trillion	$11 trillion

What is most striking about the last 30 years is the persistently lack-luster performance of *productive capital* operating in the "real economy" – the form of capital that, according to Marx, is the sole source of all "new value" and thus of all "real wealth" in capitalist terms. (Surplus value must be *produced* before it can be shared with financial and commercial capitals.) Since the 1970s the ruling elites have been successful both in massively redistributing wealth in their own favour and in ratcheting up the rate of exploitation of wage labour, but the rate of growth of the world capitalist economy has been declining and there have been numerous indications of long-term malaise (see Tables 3 and 4).

Table 3: Indicators of Economic Malaise, G-7 nations, 1950-93

PRIVATE BUSINESS INDICATORS	1950-1973	1973-1993
Average annual growth rate of output	4.5%	2.2%
Average annual growth of labour productivity	3.6%	1.3%
Average unemployment rate	3.1%	6.2%

Source: Robert Brenner, "The Economics of Global Turbulence," *New Left Review*, No. 229, 1998, p. 5

Table 4: Average Growth Rates of World Capitalist Economy, 1970s-1990s

1960s	**1970s**	**1980s**	**1990s**
4.9%	3.9%	2.9%	2.7%

Source: World Bank

Apologists for the capitalist system have a hard time responding to the bleak picture I've just sketched. Even so, while leftist critics of capitalism, and even many mainstream economists, have identified the profitability crisis of the 1970s as a vital factor in shaping subsequent economic trends, controversy abounds as to whether Marx's theory provides a satisfactory explanation of its origins. Does our recent history confirm Marx's claim that "the real barrier to capitalist production is capital itself"?

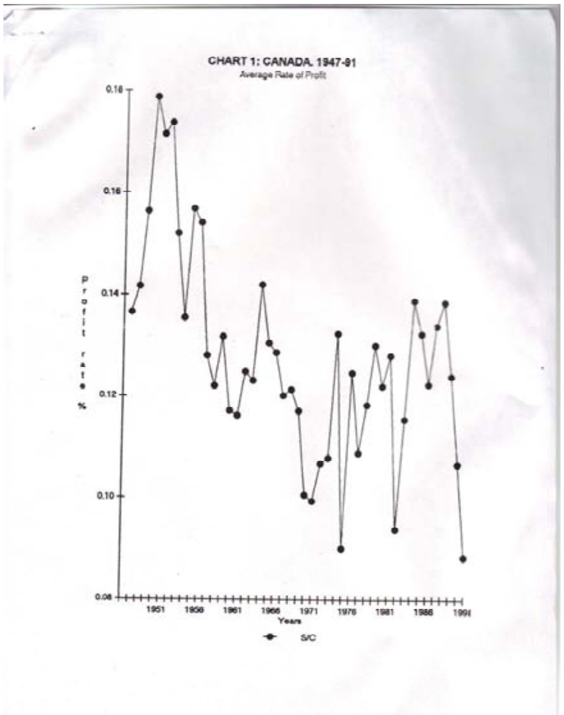
Marx's Law of the Falling Tendency of the Rate of Profit

For many years, the favored explanation for the profitability crisis among radical political economists was the "wage-push/profit-squeeze" or "rising strength of labour" account. According to this approach, the profit share of national income declined because real wages rose faster than the rate of productivity growth – a view shared by most mainstream economists as well. The element of truth in this explanation was that over a considerable period of time an increasing share of the aggregate wage bill went to wage and salary earners who were not directly involved in the production of commodities, and "total wages and salaries" as a percentage of national income rose relative to the profit share. As workers were displaced from production due to technological innovations in manufacturing, mining and construction, they found new jobs in the commercial or financial sectors as well as in non-profit state or para-state agencies (the civil service, education, etc.). While the labour performed by these workers was "socially necessary" from the standpoint of capital, it wasn't *directly productive* of commodities embodying surplus value – and it therefore constituted "unproductive labour" in Marx's terms. This growth of "socially necessary unproductive labour" was a *supplementary* cause of the post-war fall in the rate of profit in the advanced capitalist world, but it was by no means the only or even the primary cause.

There is strong evidence, particularly for the U.S. economy, that the growth of real wages for productive workers did not outstrip productivity growth in the post-war period leading up to the profitability crisis of the 1970s. Convincing empirical studies by the Marxist economist Anwar Shaikh have established that the fall in the average rate of profit in the U.S. economy was significantly correlated with an increase in what Marx called the "organic composition of capital" – the ratio of "dead" to living labour in production.[i] Independent studies by Fred Moseley complement Shaikh's findings, while also emphasizing the role of a rising ratio of unproductive to productive labour in the overall fall in the average rate of profit.[ii]

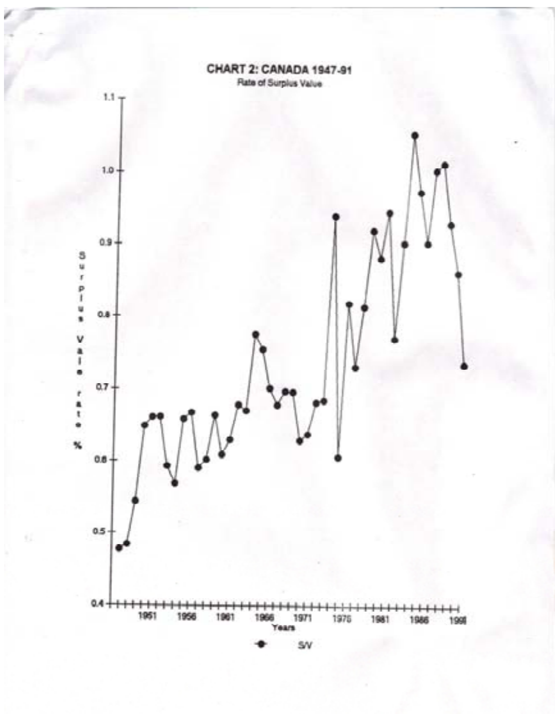
Over a decade ago, I tested Marx's theory of the falling rate of profit in regard to the evolution of the Canadian economy between 1947 and 1991. This analysis, co-authored by K. W. Taylor, was originally published in the journal *Studies in Political Economy* (Spring 1996, No. 49) and later summarized in my article "The Necessity of Value Theory" published in *Historical Materialism* (1999, No. 4). The first major finding of the study was that between 1947 and 1975 the average rate of profit on capital investment exhibited a long-term declining trend – a well-established and uncontroversial fact (see Chart 1).

Chart 1: The Average Rate of Profit (the Ratio of the Aggregate Surplus-value Flow to the Value of the Fixed Constant Capital Stock: S/C), Canada 1947-1991



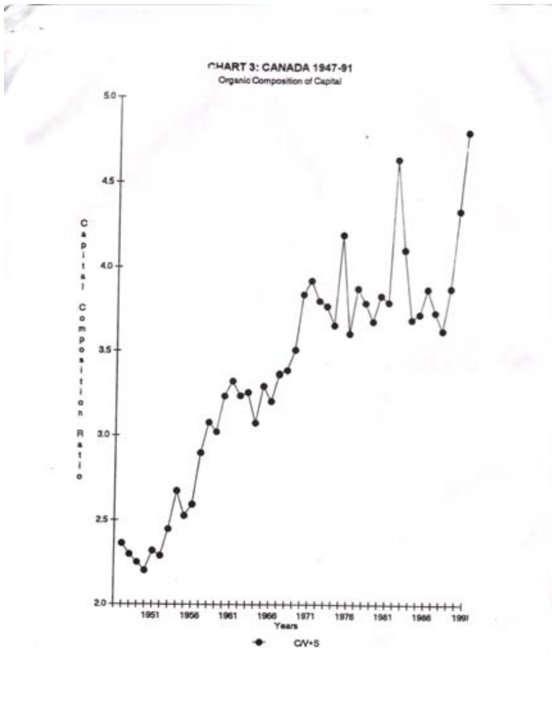
The second major finding of our study was that, as the rate of profit was declining, the rate of surplus value (that is, the rate of exploitation of *productive* workers) showed a long-term upward trend (see Chart 2).

<u>Chart 2: The Rate of Surplus Value (The Ratio of Aggregate Surplus-value Flow to Variable Capital Flow: S/V), Canada 1947-1991</u>



But the most interesting finding of our study was that the organic composition of capital (the ratio of capital values invested in machinery, raw materials and other physical assets to the total new value created by living labour) displayed a very sharp upward trend during the same period (see Chart 3).

Chart 3: The Organic Composition of Capital (Ratio of Value of Fixed Constant Capital Stock to the Sum of Surplus-value and Variable Capital Flows: C/S+V), Canada 1947-1991

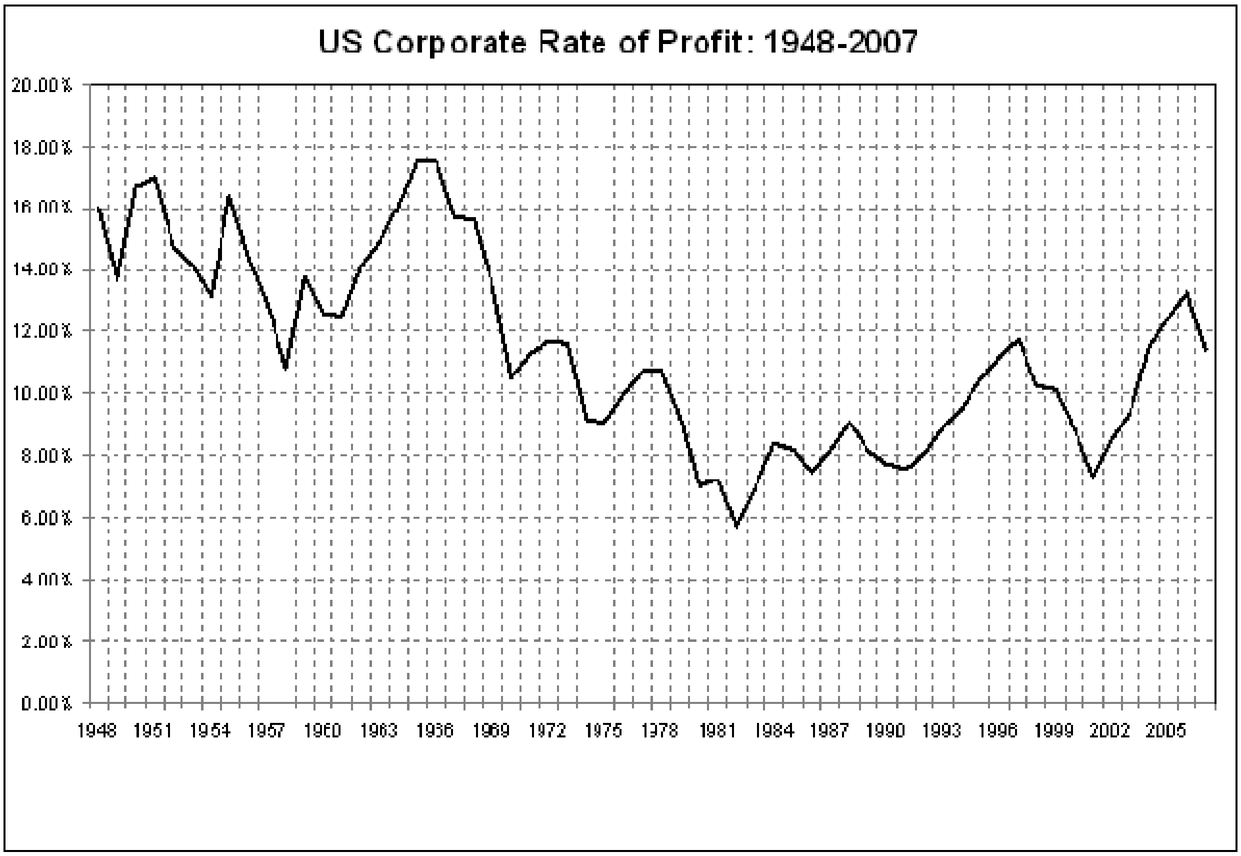


From the mid-1970s to the recession of the early 1990s, the trend line for the average rate of profit flattens out, while the rate of surplus value increases dramatically and the organic composition of capital levels off. This analysis accords well with well-established facts about the response of capital and the state to the economic crisis (stagflation) of the 1970s: to limit wage growth, to curtail the strength of the labour movement, to improve productivity by intensifying the labour process and lengthening the working day, to cut back on social programs, and to reduce corporate taxes, all with a view to restoring conditions of profitability.[iii]

The empirical findings of our study lend strong support to the proposition that the profitability crisis of the 1970s in Canada (which paralleled that of the U.S.) resulted from the displacement of living labour from production and its replacement by labour-saving technologies, a process encouraged both by competitive cost-cutting and capital-labour antagonism. Marx's projections regarding the long-term dynamics of capital accumulation are thus fully consistent with the actual performance of the Canadian economy in the mid-twentieth century.

The overall conclusion emerging from this brief survey is that Marx's law of the tendency of the rate of profit to fall holds up remarkably well in light of the empirically verifiable performances of the Canadian, US and world economies over the course of the second half of the twentieth century. With this in mind, let's return to what has been called "ground zero" of the current economic crisis: the US economy. Chart 4 traces the evolution of the "corporate rate of profit" in the US from 1948 to 2007.

Chart 4: Corporate Rate of Profit, U.S. Economy, 1948-2007[iv]



One of the interesting things about this chart is the overall upward movement in the rate of profit from about 1991-92 to 2006-07. Clearly, the profit rate wasn't restored to the levels that prevailed between 1948 and 1968, but it showed some promise of overcoming the "malaise" of the late 1960s to the early 1990s. Much of this is attributable to the above average returns of the financial sector both in the late 1990s and after the 2001 recession. But consider what needs to be said about the US economy after that recession: manufacturing continued its decline while the role of the "housing bubble" in fueling growth became crucial. Indeed, between 2002 and 2007, about half of the growth of U.S. GDP was housing-driven (new home construction, home renovation, and financial activity associated with the high-flying real estate market). The result was *overproduction* in the housing sector – a glut of "overvalued" homes for which there turned out to be insufficient "effective" demand. The ensuing wave of mortgage foreclosures precipitated a sharp decline in housing prices and set off the present financial crisis. The bursting of the bubble that sustained the relatively high profits of recent years will undoubtedly mark the end of the longer-term upward trend in corporate profitability.

Where are we headed?

To date, the responses of capitalist governments to the crisis have included:

a) Floating the idea of a federal-government buyout of toxic financial "assets" held by US banks -- a gambit doomed to failure not only because they are widely diffused but also because they represent liabilities that exceed the value of the approved bailout package by a few trillion dollars.

b) Effectively nationalizing and partially recapitalizing some of the worst-hit European and American financial institutions using borrowed money. While this might temporarily stabilize the banking system, it does nothing to address the underlying problem of the toxic assets.

c) Promising a collective effort by the G-20 countries to stimulate employment and demand through a boost to government spending.

Where the money for such initiatives will come from remains a mystery. Most banks are illiquid, with many of the ostensible assets on their balance sheets exposed as uncollectable liabilities. Western governments have few significant currency reserves. China and Japan have substantial foreign currency reserves, but are likely to use them for domestic purposes. The Arab oil states are still swimming in money capital, but it's unclear why they would choose to lend it out at low interest rates rather than use it to acquire some of the steeply discounted corporate assets now becoming available.

In the capitalist West, consumer credit cards are maxing out, and delinquency is on the rise. The financial system hasn't been fixed: it's just been put in different (and fewer) hands. Even if central banks can find some way of injecting liquidity into the system (by printing money for example), it seems very unlikely that the relatively small stimulus packages now being discussed would be able to kick-start the world economy. Past consumption has borrowed heavily against future demand; in Britain and North America consumers are deep in debt; and the credit system that made it all possible is several trillion dollars in the red. The tsunami of layoffs and bankruptcies that has begun will soon send the G-20 economies into a tailspin. With declining tax revenues and the credit system in shambles, governments are going to have a hard time financing existing levels of expenditure—much less launch the major "public works" programs proposed by starry-eyed reformists who are praying that Barack Obama is the second coming of Franklin Delano Roosevelt.

In short, it's hard to see where the U.S. and the other advanced capitalist economies will find the means for renewed profitable growth. The depth of the crisis and massive existing government debt make a "Keynesian fix" highly improbable. The last time there was a crisis of this magnitude the profit system was only returned to "health" through the combined effects of a massive devaluation of assets (the Great Depression) and the *physical destruction* of capital stock during the Second World War. Contrary to liberal opinion, it was the cataclysm of global war, not FDR's "New Deal," that pulled America out of the 1930s depression and created the conditions for the capital accumulation of the post-war era.

On that somber note, let me finish with a few general remarks regarding the *political* consequences of the current crisis.

This crisis lays bare the fundamental irrationality of capitalism, confirming Marx's observations concerning the tendency of the rate of profit to fall:

> "Beyond a certain point, the development of the powers of production becomes a barrier for capital; hence the capital relation a barrier for the development of the productive powers of labour…The growing incompatibility between the productive development of society and its hitherto existing relations of production expresses itself in bitter contradictions, crises, spasms. The violent destruction of capital not by relations external

> to it, but rather as a condition of its self-preservation, is the most striking form in which advice is given to it to be gone and to give room to a higher state of social production." (*Grundrisse*, 1857)

But as Marx knew well, capital is a *social relation*, not a thinking entity, and it therefore cannot take such "advice." What's more, the human beings who seek to perpetuate this social relation (above all, the capitalist class) will never accept it. The outcome of the growing contradiction between the "technical-natural" and the "social" imperatives of capitalist production will not depend on the unfolding of immutable historical laws but on the response of conscious human beings to the systemic irrationality manifested by this contradiction. In other words, it will depend on a competition of "programs" and a struggle of social classes.

The agents of capital—its main beneficiaries—will do everything possible to "save the system," regardless of the terrible human costs involved. They will seek to win support for their program from working people and the middle classes, partly through bribery, intimidation and blackmail; partly through the promotion of reformist illusions; and partly through the exploitation of irrational and backward prejudices: racism, xenophobia and, above all, nationalism. But the working class majority is not predestined to swallow the poison offered up by the proponents of "saving the system" — a program that could ultimately lead to thermonuclear Armageddon.

If enough people who understand the "limits" of capitalism devote their energies to building a serious socialist movement, the current crisis can be turned into an opportunity of historic proportions. Seizing this opportunity requires much more than making a moral critique of the depredations and iniquities of capitalism, and more than elaborating an abstract case for socialism. What is objectively necessary is a revolutionary organization that is rooted in the most politically advanced layers of the working class -- among those who recognize that there is nothing inevitable about capitalist rule and who are prepared to fight for the reconstruction of society as a socialist democracy of "the associated producers." A movement capable of successfully challenging capitalism can only be built as a "tribune" of the oppressed -- as a champion of the special needs and interests of women, racial minorities, immigrants and all other victims of the social irrationality engendered by global capitalism.

The looming catastrophe, which threatens to destroy the lives of tens of millions of people, starkly illuminates the necessity of forging a new, class-struggle leadership for the labour movement. Such a leadership would campaign for workers' control of production and fight for a sliding scale of wages and hours to defend living standards and combat lay-offs. A struggle for these demands would help mobilize the masses for the conquest of power and the wholesale expropriation of the means of production, communication and transportation, as well as the banks and other financial institutions. A successful mass struggle against capitalist tyranny would culminate in the creation of a government of workers' councils to democratically administer an egalitarian, rationally-planned collectivized economy.

Unfortunately, the practical activity of the majority of the ostensibly socialist Left (including many self-styled "Marxists") involves the promotion of various forms of step-at-a-time reformism. In part, this gradualism, often involving class collaboration, flows from a lack of confidence in the revolutionary capacity of workers and the oppressed, and in part it reflects the persistence of reformist illusions that capitalism can shed its more inhumane features. Other leftists, in a fashion reminiscent of the utopian socialists of the early 19th century, spend much of their time discussing what a future socialist society should look like – its gender relations, structures of consumption, "ecological footprint," etc. It was precisely in the service of his programmatic struggle against reformism and utopianism within the workers movement that Marx developed his *scientific* critique of bourgeois political economy as a guide to a revolutionary political practice.

The time has come for a revival of Marx's *scientific socialism*. The time has come for a class-struggle, socialist program that appeals boldly to working people's own most fundamental *interests.* Furthermore, the time has come for a socialist message that declares loudly and clearly that our species can no longer afford an economic system based on class exploitation -- a system whose social relations imperiously necessitate the outmoded measurement of wealth in terms of "abstract social labour" and that must, as a consequence, deny humanity the full benefits of scientific rationality while plunging us recurrently into economic depression and war.

The time has come for this great humanity to say: *Enough!*

Endnotes

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[i] Anwar Shaikh, 1989. *The Current Economic Crisis: Causes and Implications*, available at: http://homepage.newschool.edu/~AShaikh/The%20current%20economic%20crisis.pdf. See also, A. Shaikh and A. Tonak, *Measuring the Wealth of Nations: The Political Economy of National Accounts*, Cambridge University Press, 1994.

[ii] Fred Moseley, *The Falling Rate of Profit in the Postwar United States Economy*, London: Macmillan, 1991.

[iii] A caveat must be introduced at this point. These findings were based on a particular specification of the value categories comprising "gross output" in Marx's theory (constant capital + variable capital + surplus value = total value). The most controversial question in measuring these value categories is how to allocate the wage-bill of socially necessary but unproductive workers. We decided to treat this wage bill as a special form of *constant capital*: more precisely, as an element of the *flow* of constant capital – that is to say, as a *special cost* of the reproduction of the "social capital" as a whole. Very briefly, the costs of employing this type of labour were viewed as analogous to the costs associated with maintaining and replenishing the stocks of fixed and circulating constant capital in production, inasmuch as both types of costs involve a transfer of *previously existing values* to the total value of output. If the wages of unproductive workers are added to the wage bill of the productive labour-force and thereby treated as "variable capital" (the productive-labour "input" that yields "new value"), the empirical results are much less supportive of Marx's theory. Not only do they reflect theoretical presuppositions at odds with Marx (the presumed irrelevance of the distinction between productive and unproductive labour); they are also much harder to reconcile with many well-established facts about the "real history" of the Canadian economy over the post-war period. For a theoretical defense of the constant-capital specification of unproductive labour, see Murray E.G. Smith, *Invisible Leviathan: The Marxist Critique of Market Despotism beyond Postmodernism*, University of Toronto Press, 1994; and Smith, "Productivity, Valorization and Crisis: Socially Necessary Unproductive Labor in Contemporary Capitalism" (*Science & Society*, Fall 1993).

[iv] Reproduced from: http://marxsite.com/Charles%20Post%20crisis%20theory.html. Sources: BEA, Corporate Profits, NIPA Table 1.13, line 7; Corporate Current Cost Capital Stock, Fixed Assets Table 4.1, line 13 (Corporate Non-residential) plus Table 5.1, line 3 (Corporate Residential).