

Paul Mattick

The Great Depression and the Labour Movement

a lecture with discussion

(1975)

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Preliminary remarks by the editors

The increasingly clear features of the current capitalist crisis and its tendency to expand into a comprehensive world economic crisis have once again brought the debate on crises and crisis theories to the fore within the left. The law of crisis of capital, long thought to have been overcome in the post-war prosperity, has once again been empirically confirmed and has given the lie not only to all the social-democratic "optimists" and faith healers, but also to all those Marxist economists who have concluded from the changed and transformed phenomena of capitalism the possibility of a tendency to overcome the recurrent crises.

Paul Mattick, on the other hand, adheres to the Marxian view of the law of capitalist crisis. In his numerous writings he convincingly demonstrates that an immanent, purely economic fight against the crisis by means of induced public expenditure encounters insurmountable limits with regard to total capital. It is true that a short-term revival of production can be achieved, but only at the cost of a tendential expropriation of private capital. State intervention in the "mixed economy" cannot in principle achieve "stability", but at best weaken the law of crisis, since the contrast existing therein

between private profit production and unprofitable state production represents only a temporal shift, but does not resolve the root of the crisis, the immanent tendency of the falling rate of profit.

Nevertheless: Mattick is not an "economist". He always analyses the capitalist accumulation process in the context of the social relations in which it takes place. What might occasionally be misunderstood as economism in his discussions is in fact only the other side of the practical insight that, from the law of crisis analysed by Marx, the emancipation of the proletariat can only be achieved if the workers concentrate their struggle exclusively on the assertion of their economic interests. This struggle necessarily takes the forms of political struggle, but does not serve to achieve political ends. Mattick emphasizes that a political movement turned away from direct economic class struggle is not a proletarian political movement and can be of no use to the workers. For the proletariat does not attain its emancipation through political revolution, as the bourgeoisie does, but through social revolution.

The lecture printed here was given to students in the Federal Republic in the spring of 1975 and revised by Mattick. In the history of bourgeois society, and especially in its German variant, it is still the exception for a worker to give a lesson to the "academic youth". In this respect, this lecture can also be seen as an exemplary indication that it is not the bourgeois intelligentsia that has to bring class consciousness into the proletariat, but rather the other way round, how much the bourgeois intellectuals can learn from a worker-intellectual: here the hackneyed phrase "standpoint of the proletariat" still has its concrete meaning.

SOAK

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A lecture with discussion

The whole capitalist development was accompanied by crises and was subject to a certain law of crises which made itself empirically felt from time to time. In spite of the repeated crises, bourgeois economics has not developed a theory of crisis adequate to the facts up to the present day. It could not do so because its theoretical starting points were wrong from the outset. It started from the apparently obvious idea that production must serve consumption, and that consequently supply and demand on the market would coincide. Although it was admitted that this equilibrium mechanism could be disrupted by partial overproduction, it was believed that the market mechanism would smooth out these unevennesses by itself. The market theory as a theory of equilibrium, in which supply determined demand and demand determined supply, with which bourgeois economics began, has survived, albeit in modified form, to the present day. The psychologically based marginal utility theory of neo-classicism is merely a reformulation of the old supply and demand theory, which remained untouched until 1936.

Of course, the current crises could not be denied. But in order to explain them, it was assumed that they were brought into the system from outside, but could always be overcome again by the automatic equilibrium mechanism of the market. There was no intrinsic law of crisis in the system, and consequently it was unnecessary to pursue it theoretically. It is not worth going into this further. I would

only like to state here that the neoclassical equilibrium theory, especially through its mathematization, was seen as a scientification of political economy and was stripped of its historical character for this purpose. It moved, however, on a level of abstraction which gave it a purely ideological character, and which did not allow for any practical applications. Its ideological function was inevitably lost in the great crisis that began in 1929, which shook confidence in the equilibrium mechanism of the market.

The first great crisis of capitalist theoretical economics was thus the consequence of a real, long-lasting and profound crisis. Without this, the equilibrium theory in its neoclassical guise would probably have persisted. But the contradiction between theory and reality was too great, so that it became necessary to adapt the old theory to the new conditions. This adaptation, which went down in the history of ideas as the Keynesian revolution, is merely a reformulation of the market theory, with the difference that the assumed, automatically asserting equilibrium mechanism was no longer *regarded as* effective and thus required replacement by a consciously induced equilibrium in order to emerge from the state of crisis.

Keynes' theory is just as static and also based on an imaginary equilibrium mechanism as that of neoclassical theory. But it found that changes in the capitalist world increasingly interfered with the market's maintenance of economic equilibrium. On the basis of the old principle that consumption determines production, it followed that, as consumption declined relative to production, the profitability of new investment would decline under such conditions and therefore would not be undertaken. The relative oversaturation of consumption, as insufficient demand, led to a decrease in investment and thus to growing unemployment. A balance of consumption and production, of supply and demand, required an increase of consumption by "public consumption", and an increase of investment by "public investment", to be realized by the state. The instruments for these purposes were given in the state's monetary and fiscal policy, which was capable of positively influencing not only the economy as a whole, but also the profitability of private capital.

This theory was an expression of political necessity, a reaction to the social effects of the crisis. But it was also conceived as an auxiliary measure to facilitate the transition to a new conjuncture, Although appearing as a general theory, it referred only to the specific conditions of the great crisis, above all to remove the possibilities of revolutionary events. The proposed state interventions in the economy were intended primarily to eliminate the dangers of large-scale unemployment, but at the same time to provide new incentives for private investment, in order to preserve the character of state interventions as capital-preserving. Here, reference was made to the so-called multiplier effect of new investments, i.e. the assumption that investments in one branch of production triggered investments in other branches. This process, analogous to that of the velocity of money in circulation, could offset the unprofitability of government spending by raising the profitability of the private sector.

It is true, of course, that new investment that is not simultaneously offset by disinvestment, whether made by the state or private capital, stimulates the overall economy and thus reduces unemployment. Thus Keynesian calls for additional government "spending, even when made possible by deficit financing, have a stimulating effect on the economy, as confirmed by successes in this regard, such as in the Hitler regime's job creation program or in the American New Deal. However, these were only successes in the context of abstract and false equilibrium theory, not with reference to the necessities of capitalist production. For the latter, it is not a question of establishing an equilibrium of supply and

demand, of consumption and production, but of the production of profit and the exploitation of existing capital and its further accumulation. A given capital expressed in monetary form must emerge through the cycle of reproduction as a larger capital in order to have fulfilled the conditions of capitalist production. Any kind of production within capitalism which does not yield surplus value is production without accumulation and is erroneously opposed to the form of movement of capital.

Production that is not determined by the creation of surplus value is subject to certain limitations under capitalism. It is true that the state has always been responsible for a part of social production in order to look after the necessary public facilities - or infrastructure - of the system. In many countries it has also monopolised parts of the total production and thus itself acts as a value-producing enterprise. Thus, to varying degrees, some of society's production is under the control of the state. In general, however, the bulk of social production is determined by private capital, and thus its character and development. The growth of state-determined production, with reference to the general conditions of production, is determined by the accumulation of total capital, that is, decisively of private capital, and this growth has nothing to do with combating the crisis by means of increased state expenditure, but is an ever-present concomitant of capitalist development. The state's economic compensation policy is a matter of additional interventions in the economy, going beyond the usual and necessary expenditures, of state-induced production, in order to increase the production of society as a whole.

Keynesian crisis-fighting is not a matter of displacing private capital in favour of the state sector of the economy, but of increasing general demand within the framework of capital production. Since in this theory demand depends on consumption, but this is insufficient to make full employment possible, it must be expanded by increasing "public consumption" which is not generated by the market. In order not to weaken still further the already weak market demand, and in order not to enter into competition with private capital, the State must confine its induced production to "public consumption," i.e., to public works, the military economy, spatial research, and similar things.

In order to appear as capital, capital must accumulate, that is, add a part of the surplus-value produced to the capital already present. From the point of view of accumulation, which is imposed on capital, every increase of consumption, of whatever kind, private or public, is a deduction from the sum of surplus-value at the disposal of accumulation. What is consumed cannot be accumulated, i.e. invested in additional means of production and labour, which increase profit and enlarge capital. However, Keynesian policy referred to a temporary condition in which the simple multiplication of production would create an economic climate that would also stimulate private capital to make new investments. The new private market production should then develop on its own an expansion within which the profitless state-induced production is outweighed by the increased profit mass of private production. Deficits of state-induced production could then be eliminated by newly achieved surpluses.

If, however, this is not the case, the production produced by the state appears as a growing state debt, as the accumulation of private claims on the state. If the state were to raise taxes in order to cover public expenditures for the increase of demand, it would, on the one hand, reduce the already low accumulation possibilities of private capital, and, on the other hand, it would only shift the demand of the private sector of the economy into the public sector, without having changed anything in the extent of aggregate demand. To raise aggregate demand, one must resort to deficit financing, to the expansion

of government credit. But since production is limited by the reduction or complete elimination of accumulation, not only productive capacities lie idle, but also capital in money form, which cannot be profitably invested and thus is unable to complete the transition from the money to the capital form. This idle capital in money form can be borrowed by the state from private capital in order to increase its expenditures beyond the funds flowing to it through taxes. These government bonds constitute deficit financing of public expenditures. Although deficit financing of increased public expenditure is capable of increasing production, it is not capable of increasing the production of profit. If the latter were possible, the owners of capital would invest their idle money themselves. State-induced production is resorted to in order to increase production without regard to profitability.

Although the total production is enlarged by the state investments, the surplus-value mass gained by private capital remains behind the expansion of production, so that the enlarged total production has at its disposal a relatively diminished profit mass, which must continually diminish with the permanent expansion of the unprofitable state-induced production. If the state borrows the idle money of private capital, interest must be paid for it. Since state-induced production does not yield a profit, it cannot earn interest, which corresponds only to a portion of the profit. This interest must be raised by taxes or further government borrowings. Thus not only is production carried on without profit, but the interest on the national debt, which made the additional production possible, must be raised by the private economy. But since the national debt can always be newly founded, it is practically only the interest which burdens the national bonds, so that the increasing production presents itself as a growing national debt, to which nothing stands in the way as long as the total production grows faster than the burden of interest arising from it.

However, increasing national debt is the destruction of capital, since it does not enable capitalist, that is, profit-making production. For example, America's national debt increased by about 300 billion dollars during the Second World War, but this is only found on the paper of the bonds. The equivalent of this sum was consumed during the war, "consumed" so to speak, and consequently no longer exists. A surplus value gained in earlier times, which lay idle as money capital, had been transformed into war expenditures and is thus out of the world. Behind the national debt there is nothing more than the continued possibility of the state to levy taxes and to make new loans. Although the equivalent of the national debt, namely war expenditures, belongs to the past, the state must continue to pay the interest on it and at the same time attempt to reduce the debt, which, however, can only be made possible by new, increasing profit production of private capital.

But since the development of capital is connected with the tendency of a falling rate of profit, it must become continually more difficult to meet the obligations of the state arising from the deficit financing of public expenditure. For this reason the public debt will probably never be paid off, but - as for example in Germany in 1923 - will simply be eliminated by galloping inflation. The extraordinary multiplication of the national debt already constitutes in this way a kind of expropriation of private capital, and one can, so to speak, read off the creeping expropriation of capital from the rate of national debt, which stands in the way of the further accumulation of capital. But this is true only if capital is actually in a permanent state of crisis, accompanied by a permanent increase in public expenditure. This possibility should only be mentioned here in order to indicate that the fight against the crisis by means

of induced public expenditure is subject to quite definite limits which cannot be exceeded without endangering capital itself. If a permanent crisis were to take place, it would become apparent in its course that state intervention, although immediately stimulating the economy, could only achieve this at the cost of the long-term destruction of private capital.

In order to prevent possible misunderstandings, it must be remarked that this is true only from the standpoint of total capital. For individual capital, which is able to increase its production through state expenditure, the additional induced production is certainly profitable. But the surplus-value, or profit, accruing to these capitals is not realized through total market production, but derives from the surplus-value of past periods of production, from already existing surplus-value, not from new additional surplus-value. In other words, these capitals "realize" their profit from the idle money-capital which the State, through its investments, passes on to them. The profit of the favoured individual capital is the loss of the total capital, which is represented as the consumption of the accumulated money capital. It is this idle money capital that sets idle means of production and labor in motion again, and whose size determines the limits of this kind of multiplication of production. If the expansion of credit through idle money capital is exhausted, then the further multiplication of public expenditure can only be made possible by open inflation, by the multiplication and devaluation of money. If the financing of deficits by means of government bonds is already an inflationary process, it is nevertheless a limited and controllable one, while no objective limits are set to the pure inflation of paper money.

A permanently increasing unprofitable sector of the economy must in the course of time call into question the capitalist mode of production itself. Therefore, the maintenance of a desirable level of production and employment can only be considered a temporary possibility, a relief measure which sooner or later must be replaced by a new conjuncture of private capital. Since the state is, of course, the state of private capital, the state's crisis-fighting policy by means of deficit financing of public expenditure will find its end at the point reached by its expansion, where it turns from a momentary socio-economic stabilizing element into its opposite and becomes a crisis-exacerbating means. At this point, the old law of crisis must reassert itself.

Turning to the current economy, it must first be noted that the major crises in this century, unlike those of the last century, have not been managed by "purely economic" events. In the crises of the nineteenth century, people abandoned themselves, more or less, to the effects of crisis and depression, without attempting to mitigate or overcome them by conscious intervention. The first great crisis of the twentieth century was absorbed in the First World War. This does not mean that the First World War resulted from the crisis, but only that a state of crisis already existed, which only did not mark itself as such because the imperialist war gave it a different face. The crisis of 1929, originating in America, seized the whole world, and all the more so because the European nations had not emerged from the previous crisis. The state of crisis absorbed by the First World War continued as a post-war crisis, although this period was accompanied by fluctuations within depressive states. But progressive accumulation did not occur. In the course of time, the relatively stagnant economy of Europe was bound to affect the post-war prosperity of American capital. For the time being, however, a great upswing of the American economy developed, but it was not sufficient to include the world economy. When American prosperity collapsed, the crisis became a general world crisis.

It was during this crisis that the Keynesian modification of the neo-classical theory was developed, although it had already been preceded in various countries by practical government intervention in the economic process. However, these interventions were not particularly successful, and consequently the Keynesian modification of classical market theory was slow to catch on. It is true, however, that Hitler's rearmament policy succeeded in reducing unemployment by means of deficit financing and other additional means. But the same circumstances which reduced unemployment at the same time aggravated the state of crisis to a visibly increasing degree, so as ultimately to leave only the choice between a further decline of the economy - despite state intervention - or a violent imperialist solution through war. German capital risked war to save its own economy at the expense of other countries. In the United States, the so-called New Deal, which, though independent of Keynesian ideas, nevertheless followed their principles, reduced unemployment from 16 million of the population to 9 million. But by 1937 the possibilities of combating the crisis seemed to have been exhausted. It was not until the great rearmament for the Second World War, which began after the Spanish Civil War, that unemployment was further reduced. It was not until the war itself that full employment was achieved, not only in America but in all the warring countries. It was in production for war that the Keynesian program was realized, that is, in circumstances that precluded capitalist accumulation. In America, for example, the rate of accumulation fell below 1%, so that capital was barely able to reproduce itself. About half of the total production was used for war purposes, and what is destroyed in war cannot serve accumulation. Full employment was thus connected with the absence of capitalist accumulation; in other words, with a production which in principle was not capitalist production.

After the Second World War, however, a new, unexpected upsurge of international capital developed, which could not quite be reconciled with Keynesian theory. This theory referred to a state of economic stagnation that was to be remedied by increasing public demand. Nevertheless, Keynesian theorists attributed the general economic upswing as proof of the validity of their theories. Here, however, they were only adorning themselves with borrowed plumes. In reality, this upswing, like every previous one, was the result of the crisis that preceded it. The stagnation of European capital during the period between the two world wars and the enormous destruction of capital in value and physical terms in the course of the war, brought about a general change in the structure of capital, which raised the rates of profit, in relation to the diminished capital, sufficiently to proceed to a new accumulation. The destruction of capital by war and crisis was the secret of the post-war boom. It was not the Keynesian methods of influencing the economy, but the crisis mechanism of capital accumulation that was responsible for the new upswing.

From a Marxist point of view, the new upswing offered nothing surprising. The level of the average rate of profit, and thus the rate of capital accumulation, depends on the particular structure of total capital, in Marxian terminology, on the organic composition of capital. The destruction of capital, in conjunction with an increase in the productivity of labor, may result in a rate of profit which leads out of depression into a new prosperity. Thus the accumulation of capital prevails in spite of and by means of crises, so long as profit remains equal to the demands of accumulation. The general reorganization of capital led to a new upswing; unless the adjustment of profit to accumulation is objectively impossible. But an actual upswing confirms that this was not the case.

The crisis mechanism of capital itself, not Keynesian manipulations of the economy, explains the long boom of the post-war years. However, this upswing was not unclouded, since it affected the world quite differently. In some countries, especially in America, the state continued to intervene in economic processes through monetary and fiscal policies in order to counteract downturns during the upswing. Furthermore, the continued imperialist policy did not permit a reduction in unproductive state expenditure for armament purposes, thus forcing the maintenance and expansion of the unprofitable sector of total production. Nevertheless, the expansion of capital was great enough to carry through the general upswing, in which state-induced production, although relatively diminished, remained a significant factor in total production. The fact that under these circumstances a state of what was regarded as capitalist prosperity remained on the whole then led to the illusion that by means of Keynesian methods it had finally been possible to put an end to the cyclical movement of capital. The time of crises seemed to be over forever, since it had supposedly been possible, through central intervention in the economic process, to achieve an equilibrium of supply and demand associated with full employment. The apparent possibility of state regulation of the market economy and the resulting crisis-free development was also impressive enough for the anti-capitalist camp to combine the ideas of Marxism with those of Keynes and also to speak of a new period of capitalist development that could no longer be explained by Marx's law of crisis. One only has to think of people like Marcuse, Baran, and Sweezy to note the influence of the newly-arisen capitalist illusions on their alleged critics.

If the transition made in Keynesian theory from so-called microeconomics to macroeconomics, that is, from the disregard of social economic problems to their recognition, was still of a static nature in the sense that one did not concern oneself with the development of capital, the expansion of Keynesian theory has led to attempts to give it a dynamic character; in other words, to deal with the laws of development and movement of capital. If this was an advance for bourgeois economics, it was itself only a recourse to the classics of political economy, and mainly, though concealed, to the Marxist theory of capitalist development. The internal difficulties inherent in capitalist development were now recognised, and with them the tendency of continued disturbances of equilibrium, in order, however, to reach the conclusion that the antagonisms immanent in the system could be removed by a permanent planned intervention of the state. In the words of capitalist apologetics, expressed by Paul Samuelson, the development of capital, conceived as growth, tends towards instability, but this could be eliminated by steering the economy, just as a bicycle falls over as soon as it is left alone, but still maintains its balance by the steering of the rider. This optimistic view became almost commonplace in bourgeois theoretical economics.

But what had actually happened? To repeat: The war had destroyed the European and Japanese economies to such an extent that its revival could only be imagined as a protracted process. As the productive forces of capital had grown, so had its destructive forces, which disrupted the war-affected countries more than had been the case in the First World War. Not only from political considerations arising from the new adversary of Russian imperialism, but also from its own economic considerations, American capital, through bonds and the Marshall Plan, sought to hasten the reconstruction of Western capital. This served not only the recipients of American economic aid, but also directly the American economy itself, since the import of capital from other countries necessarily had to present itself as the export of American goods. Thus the economy revived on both sides, the capital-importing and the

commodity-exporting countries. The destruction of capitalist values in Europe and Japan, the cancellation of debts through monetary devaluations, the possibility of applying new technologies and new methods of production, and a high rate of exploitation in the wake of the impoverishment caused by the war, allowed high rates of profit and a rate of accumulation of up to 25% of total production. It was this high rate of accumulation, attributable to specific conditions, which then went down in history as the economic miracle, and which progressively improved the competitiveness of Europe and Japan on the world market.

The American economy, on the other hand, was characterized by a very low rate of accumulation, which remained below its historical average throughout the post-World War II period, never exceeding 3 to 3 1/2 %. Precisely because American capital suffered from the condition of over-accumulation, a condition in which profits were not compatible with the exploitation needs of capital, the American export of capital offered to participate in the recovery that was beginning to take place in the reconstruction countries. Added to this were the new imperialist commitments on a world scale, the intervention in the political events in Asia, the war in Korea and Indochina. Both the export of capital and the expenditures connected with imperialist adventures, which consumed 20 to 25 billion dollars annually, precluded a reduction of the national budget and, because of the relatively low rate of profit, forced the financing of economic and imperialist foreign policy by inflationary means. The dollar standard as a world and reserve currency allowed American capital, through the accelerated creation of money, not only to make a deep dent in the European economy, but also at the same time to raise its own production by means of state-induced production. Although full employment was not achieved, the high level of employment nevertheless allowed the emergence of the already mentioned illusion of a crisis-free capitalist further development.

Without government-induced production, the unemployment rate would probably have been greater than it actually was, because the rate of accumulation was not sufficient to get to full employment. But even in the last years of the war in Indochina, American productive capacity was only up to 86% utilized and the unemployment rate ranged from 4 1/2 to 5% of the working population. Thus the post-war condition of America differed from that of Europe and Japan, and the overall economic upswing of the post-war period already contained within it the germ of decomposition, expressed for the time being in the different conditions of accumulation of the various capitalist countries. But since America accounts for about half of world production, the relative stagnation of American capital pointed to an insufficient profitability related to the profit demands of world capital, which, however, could be concealed for a longer period by the application of profit-multiplying money and credit manipulations. The state of prosperity was accompanied by that of "creeping inflation".

Since state interventions in the economy, in so far as they are concerned with the expansion of production, are based on the state's capacity for credit, they have an effect similar to that of private credit creation. Not only in Marx's conception, but also in the bourgeois economic theories, an extraordinary acceleration of credit expansion has always been regarded as a sign of an approaching crisis, as an expression of an intensifying competition for the noticeable reduction of profits, leading to an accelerated concentration and centralization of capital. Each capitalist concern seeks to gain a larger share of the total social profit through the expansion and cheapening of its production made possible by

the credit route, thus further developing the over-accumulation of capital which already presents itself as a scarcity of profit. Nevertheless, the first effect of the extension of credit, in so far as it actually increases production, is a process which delays the onset of the crisis. Economic activity is greater than it would have been without the credit expansion. But this increased production is not necessarily accompanied by a corresponding increase in total profit. If nothing essential changes in the relation of the rate of exploitation to the structure of total capital, the temporary delay of the crisis is followed by a crisis all the more profound, as soon as the prosperity triggered by credit turns out to be a false prosperity. A too rapid expansion of credit, to which sooner or later a limit is drawn anyway by the rate of interest dependent on the rate of profit, has always been an expression of the contradictions immanent in the capitalist system and has also been regarded with great scepticism by bourgeois economics.

What matters to us here, however, is that the expansion of credit has always occurred as an inflationary process. Prices rise in order to justify the increased application of capital, while the rate of profit remains the same or rises more slowly, in order to gain within the sphere of circulation what cannot be achieved to a sufficient degree in production. Since not all prices rise equally, and especially the price of labor power is poorly able to adjust itself to the general rise in prices, there results a shift in the relation of wages and profit in favor of capitalist profit. Moreover, there is a general shift in the income structure to the disadvantage of social strata whose incomes lag behind rising prices. Capital tries to secure its profits at the expense of society as a whole, and thus primarily at the expense of the workers, without thereby already maintaining or regaining its ability to accumulate. In any case, credit has so far not been able to abolish the crisis cycle of capital; it is the crisis itself that abolishes credit as a lever of increased production.

Since, seen from the point of view of society as a whole, the state-induced production made possible by the credit channels yields neither profit nor interest, its objective limit consists only in the amount of the currently existing but idle capital which the state borrows from private capital. This part of private capital, appearing as state debt, also finances the interest imposed on state bonds. If the objective limit of state indebtedness is reached, then the continuation of state-induced production would depend on the money-creating capacity of the state; in other words, the financing of this production by means of the printing presses or open inflation by means of the devaluation of paper money. But even the financing of the state deficit by means of government bonds is an inflationary process, albeit a slow one, since social profit does not increase evenly with total production, and the widening margin between production and profit forces price increases. At present, deficit financing by means of government bonds goes hand in hand with an acceleration of government money creation, in order, on the one hand, to promote private investment by lowering the rate of interest and, on the other hand, to reduce the interest burden of government debt.

That the methods of combating the crisis proposed by Keynes were inflationary in character has not been disputed, but was considered by him and his followers to be the secret of economic stability. However, it was assumed that the inflationary means would lead to a new economic equilibrium and thus to the completion of the inflationary processes. Full employment with price stability was the goal; inflationary methods could be used or suspended, according to the needs of the moment. As long as

unemployment existed, the inflationary course was the only means of mitigating or abolishing it. With full employment achieved, inflation could be stopped, by deflationary methods and by means of offsetting past deficits with newly created surpluses. In any case, it was believed that the economy could be regulated in accordance with the government's demands by means of a wise monetary and fiscal policy. That the elimination of unemployment as a social problem was associated with creeping inflation seemed to economic theorists a very small price to pay. It was better to have full employment with an inflationary tendency than to accept growing unemployment for fear of inflation. Moreover, it was discovered that not only in modern times, but according to the past, every business cycle had inflationary features. With full employment, as the English economist Phillips proved statistically in historical terms, there was always a rise in prices; a fall in prices was always the result of great unemployment. Thus it seemed to be a kind of law of nature, even in the case of today's inflation, that inflation was associated with full employment. Inflation was thus not only explained by full employment, but was also written on the account of the workers, since it was they who were held responsible for the rise in prices by exploiting the possibility of wage increases at full employment.

One day, however, we were faced with the fact that not only was full employment associated with inflation, but inflation continued to spread even as unemployment grew. The decline of the economy did not limit inflation, but accelerated its course; a fact that cannot be comprehended by standard economic theories. The Keynesian instruments for combating the crisis turned out to be an illusion and one was as perplexed before the new crisis as before any previous crisis. But this only confirmed once again what had been forgotten during the long period of economic activity in some Western countries, namely, that the capitalist system cannot be regulated, and insofar as it is subject to some kind of regulation, this is to be found in its law of crisis. As in the previous century, so also in the present century, the process of accumulation of capital leads from a period of expansion to a crisis situation, which is itself a necessary condition of further accumulation, and this only as long as the restoration of a lost profitability remains an objective possibility. It is true, of course, that one can influence the course of economic events by means of state intervention in them, and that one can alleviate a state of crisis which has arisen by means of the associated expansion of production, without, however, thereby changing anything in the tendency to over-accumulation which results from the exploitation compulsion of capital. If the crisis of over-accumulation prevails, then it turns out that the crisis-mitigating means of state economic control take on a crisis-exacerbating character. Under these circumstances the crisis asserts itself in the old familiar way, namely through the disintegration of production, mass unemployment, the destruction of capital and labour and the intensified competition of capital. The general crisis of capital resulting from social class relations, which finds its ultimate cause in capital production itself, cannot be dealt with by the allegedly newly discovered methods of capitalist economic control, but - if at all - only by the destructive means which in the past also led out of the crisis into a new upswing. If the bourgeoisie had imagined that it had found the way to a crisis-free development of capital, the newly occurring crisis proves once again that the bourgeois economy is incapable of understanding its own economic system, let alone directing it. What is now beginning to take place is the empirical proof of the justification of Marx's theory of accumulation as a capitalist theory of crisis.

Questions and answers

Q: A theory should also allow a prognosis; what is your prognosis for the further development of the crisis?

A: A prognosis with reference to the unfolding crisis necessarily remains speculative, since the basic categories relating to the accumulation process, namely the actual ratio of the total profit mass to the exploitation needs of total capital, cannot be grasped empirically, precisely because capitalist development asserts itself like a law of nature, behind the backs of the producers. One can only see the tendency of development in an analogous and imprecise form from the data clothed in market categories, as presented by the inadequate statistical investigations of the bourgeoisie. Thus, one can only refer to symptoms with which bourgeois economic science is concerned, not to the real but intangible relations underlying these symptoms, which imply the crisis. The symptoms, of course, point to a state of crisis, or its opposite, but not to the possible extent of a crisis, or the duration of a cyclical period. In my view' the present crisis is a crisis immanent in the capitalist system, a general, not a partial crisis, which was already expressed in the counter-cyclical measures opposed to it, although these measures at the same time concealed for some time the real state of capital profitability. Now, however, the symptoms of a general decline are clearly visible and point to a worsening of the crisis and its extension into a world economic crisis. But different effects are still apparent today in different countries. The depression is deeper in America than in Germany, for example, is more drastic in England than in Norway, etc. But these differences will be blurred in the course of time, firstly by the accomplished strong integration of the world economy and secondly by the economic supremacy of America, which dominates about half of the world's production. So the responses of different countries to the crisis also still have different characteristics and possibilities, because of the very different levels of public debt and the possibilities of stimulating production through deficit financing. I assume that the crisis will continue to worsen on a world scale, without meaning to say that it must assume catastrophic forms, as it did after 1929. As already pointed out, it is quite possible, though at the cost of the capitalist future and the immediate disintegration of the capital-producing character of production, to partially abolish unemployment by means of intervention by the state, in the hope of gaining time to satisfy the other hope, based on experience, that this crisis, like all previous ones, will also pass. Since the possibilities for intervention have not been completely exhausted, nor have they been used evenly in the various countries, it is quite possible, though not certain, that there will not be a catastrophic collapse, but rather a long period of stagnation, which will be kept socially acceptable by state intervention. Since it cannot be determined to what extent this is objectively possible, and since objective possibility can be thwarted by the subjective actions of either the bourgeoisie, the proletariat, or both, it is impossible to predict whether it will continue to be possible to influence the state of crisis sufficiently to halt a rapid slide of the economy. Precisely because this is a world crisis, but at the same time its extent varies for different countries, the crisis may take on an explosive character in different parts of the world, thus cancelling out the effect of the fight against the crisis in other countries. As things stand at the moment, the course of the crisis seems to be different from what it was during the last major crisis, although the causes of each crisis are the same. However, since the crisis, as an

economic problem, is at the same time a problem of society as a whole, involving all social processes, any prognosis, which necessarily remains speculative, *must* also take into account the dangers arising from the national and therefore imperialist form of capital accumulation. We must remember that the crisis of 1913 was absorbed by the First World War and that, after that war, with the exception of America, the world did not emerge from a stagnant state of crisis, so that the first great world crisis of the present century was overcome only by the Second World War. It is more than likely that today's crisis will also lead to political situations that could easily result in a new world war. If capital loses control of its economy, it loses with it control of its politics; indeed, a capitalistically rational politics presupposes a certain control of the economy. Out of the apparent hopelessness, which for a certain time is in fact a current hopelessness, arises the need to help economic competition and capital concentration along politically-militarily. The crisis intensifies all the capitalist clashes of interests, which take on political forms to a greater extent and thus push for violent solutions to the economic difficulties. The fact that the crises of the twentieth century were overcome only by means of war suggests that the possibility of attempting a warlike solution to the present crisis is not out of the question.

Q: When assessing the crisis, one cannot only take into account the conditions of the capitalist countries. The socialist countries are also involved in the world market. In this situation, how does the participation of the socialist countries affect the world economy, e.g. that of the Soviet Union and the other Comecon countries, and what significance does the economic and political stability of these countries, the GDR and the USSR have for the course of the world economic crisis?

A: There are only different *capitalist* countries today, i.e. private capitalist and state capitalist countries. The private capitalist countries are - more or less - mixed economies in which the state is given far-reaching economic functions. But all these countries are capitalist countries according to the relations of production. The capital-labour relation dominates them all equally, even if the capital appears either as private property or as property of the state. There is no socialist system anywhere in the world in which the capital-labour relation is eliminated along with wage-labour. Thus everywhere, too, it is not human needs but the needs of capital accumulation that determine social relations and their development. This fundamental kinship does not eliminate the competition between the different capitalist systems, but at the same time unites them through the common interest in the maintenance of the capitalist system of exploitation. The kinship of the systems is matched by a common aversion to the possible social consequences of a profound economic crisis. Therefore, the state-capitalist countries strive, as far as it is in their power, to make it easier for capital to overcome the crisis. The social consequences of the crisis could also be dangerous to the state capitalist systems. Therefore, these countries are interested in the *status quo*, in the preservation of private capital or, as they themselves put it, in the coexistence of the different systems, in order to avoid global shocks that could also have a negative impact on the system of state capitalist exploitation. However, they hardly have the possibility to contribute much to the stabilization of the capitalist world economy. The world market is still under the domination of the private capitalist systems and is thus also determined by the capitalist law of crisis. Conversely, however, the crisis also affects the latter through the trade relations of the private capitalist and state capitalist

countries. These countries, after all, can only connect with the private capitalist world through trade. Profits, however, are not made in trade but in production. If production is reversed for lack of profit, trade cannot improve the economic situation either.

The market is about sharing, not increasing profits, so that trade depends on production, not the other way around. The state of crisis of private capitalist production is transferred to the planned state capitalist economy through trade relations. Thus, more or less, the planned economy becomes subject to the economic anarchy of the world market. The decline in international trade caused by the crisis also affects state capitalist economies to the extent that their planned production is linked to world market relations. Thus, for example, world-wide inflation and the price relations connected with it have also involved the price policy of the state-capitalist countries. Here prices are also rising faster than wages in order to maintain the profitability of the state capitalist economies. The crisis is not mitigated by the influence of the state capitalist countries on the world economic crisis, but it leads to increasing economic difficulties in these countries, and all the more so because their productivity and competitiveness still lag behind those of the highly developed private capitalist countries.

Q: What is the significance of the multinationals for the crisis situation? The income of some of these corporations exceeds that of the smaller nation states. Their economic activity is also a planned one. Can we compare this kind of planning with the crisis policy of the state? And what effect does the existence of multinational companies have on inflation?

A: The multinationals are only the modern expression of the process of capitalist concentration and centralisation which has been taking place since the beginning of capital. The development of the world market coincides with that of capital. The development of the world market, however, does not imply a global process of industrialization, precisely because the process of capital formation is also a process of concentration. Thus, the world is divided into highly developed and underdeveloped countries and this uneven development makes possible the exploitation of the economically weaker countries by the economically stronger ones. The peculiarities resulting from the outcome of the Second World War, i.e. America's supremacy, allowed a great spread of direct American investments in other countries, and here mainly in the capitalist reconstruction countries, which led to a great multiplication of multinational companies. In principle, however, the formation of multinational corporations is in the nature of capital itself, as a concentration of capital on an international basis following that on a national basis. The multinational corporations are as much subject to the crisis as capital in general. Their very existence points to the increasing difficulties of capital valorization. They are formed in order to give the accumulated masses of capital a profit base corresponding to it, which can only be found through the internationalization of exploitation. Their "planned" appearance is fundamentally indistinguishable from the necessity imposed on each individual capital to cut costs in order to make the highest possible profit. Their allegedly planned activity is nothing more or less than the general principle of profit, in order to make the highest profit on a given capital, without regard to other capitals or to society as a whole.

They are therefore not an institution that could facilitate overcoming the crisis; on the contrary, their existence at least makes it more difficult to combat the crisis by means of state intervention. In the absence of a world government, state intervention can only relate to national territories and thus comes into conflict with the interests of multinational companies. They can only remain such if they transfer at least part of the profit gained internationally to the nation of the parent company. If this ceased, they would no longer be multinational companies, but companies of the countries where their profits are made and reinvested. But exporting the profits deepens the crisis in the countries where they were made, and leads to countermeasures that the multinationals are no match for, unless they dominated the governments of the host countries. If the crisis worsens, multinational corporations will also perish from it, as their profit claims also remain unsatisfied. Just as their rapid spread could only take place in the context of a general economic upswing, so the crisis will not only prevent their further spread, but will also bring about a widespread decline, even if the conflict between national economic policy and international profit interests could be resolved.

Inflation, to address the last question, has something to do with the existence of multinational corporations only insofar as, as is the case for monopoly capital in general, pricing policy and the self-financing of investments through arbitrary price determination accelerate the inflationary process that already exists in itself.

Q: Don't multinationals pose a major threat to planning?

A: Since there is or can be no planning of the private capitalist economy, there is no danger of its sabotage by the multinationals. State economic interventions are not capitalist planning, but state reactions to uncontrollable economic processes, the results of which are cancelled out by the uncontrollability of the economy.

Q: What is actually the consequence of your analysis?

A: The same consequence that labor has always had to draw: the elimination of capitalism. Things look bad with that, though. Marx once said that the proletariat is revolutionary or it is nothing. At the moment it is nothing, which does not mean that it cannot become something. But to assume today that out of the crisis situation the workers will go over to abolishing capital seems to me illusory. All the more so because there is a probability of political upheavals in only a few countries which do not point to a socialist revolution, unless the workers are able to overrun the workers' organizations existing in these countries and render them harmless. France and Italy are today the only European countries where strong Communist parties exist through which the workers could intervene in political life. But these parties have completely abandoned their original programmatic interest in overthrowing capital. Whereas this interest was tailored only to Russian-style state capitalism, they have now abandoned even this and are ready to give capitalism a hand to help it overcome the economic crisis. Their reform programs to bring them into the governments are not aimed at eliminating capitalism, but at making it

more bearable; not only for the workers, but for all social classes, except monopoly capital. This is not mere hucksterism to win the votes of the petty bourgeois and petty capitalists for the parties, but for the, near future the real aim of these organizations. It is not capitalism that is to be eliminated, but only the rule of the capitalist monopolies, to whom the present governments are at their disposal. One wants to put other governments in their place, which no longer serve the monopolies but the general public, as if the class contradictions of capital could be eliminated by a government standing above the classes. What is wanted in practice, however, is the salvation of capital at the price of participation in government in order to prevent any radical reversal of the capitalist system. The idea of state-monopolistic capitalism, which one claims to fight, is not new, but stems from Hilferding-Lenin's notion of finance capital, i.e., the fusion of the state with integrated banking and industrial capital. This form of capital would be increasingly capable of making capitalist development a conscious one, a planned one, if only in the interests of consolidated capital. But under such circumstances it would be enough to get hold of the power of government to make the planned economy benefit society as a whole. From monopoly capitalism to state capitalism it would be but a step, a political step, which would enable the state to direct the economy in the interest of the general public. At the moment, however, it was not yet so far, so that the next task would be to bring the communist parties into the governments, which, however, as governments of capitalist systems, could also only manage the crisis situation at the expense of the workers.

Thus, for the time being, capital must be saved in order to create the conditions for a later state capitalism. There is no mention of socialism anywhere, except for the false identification of state capitalism and socialism. The existence of strong Communist parties advocating this program indicates the extraordinarily great danger that uprisings in countries like Italy and France already contain within themselves the counter-revolution. The influence of these parties is still great enough to divert spontaneously erupting revolutionary movements in directions that remain fruitless. The fact of the decades-long existence of state capitalist systems, which - seen from a distance - appear to be an alternative to capitalism, may also contribute to the fact that new revolutionary movements are petering out into state capitalist aspirations. But since even this false and limited goal is not sought by the communist parties today, it may not even come to that, but only to a further defeat of the proletariat, whether with the simultaneous destruction of its organizations, or the destruction of the movement by these organizations. However, such a perspective arises only from the standpoint of the present situation. It is not impossible that in a protracted crisis and through the workers' struggles which accompany the crisis, new forms of struggle and organisation will emerge which will break the present monopoly of the parties and trade unions and go beyond them in their actions. The fact that the official workers' movement does not seek to eliminate capitalism, but to support it in order to help it out of its crisis situation, can lead to situations in which the rebellious workers create their own forms of organization and action and thus set themselves goals that go far beyond their present consciousness. In any case, a revolutionary must also reckon with this perspective and act accordingly.

Q: I was a little surprised at your assertion that there are only capitalist countries today. But I don't want to go into that now. What interests me more at the moment is the situation in the United States. The

newspapers report that unemployment in America is 7 million, or 6 %, reaching for the first time the figures of 1940, which were then considerably reduced by the armaments industry. Are these reliable figures? And what does unemployment mean for the unemployed themselves? Are consequences already making themselves felt, like those you reported in your book on unemployment in the thirties?

A: First of all, the unemployment statistics. They are not reliable, which is not disputed by the bourgeoisie. They are samples taken from time to time, which do not give a true picture of actual unemployment. The inadequacy of these surveys and their methodological assumptions are widely deplored. Efforts are under way to find better methods. It is admitted that the real number of unemployed is much higher than the official figure. One can, of course, read the number of unemployed from the number of unemployment insurance recipients. But since not all of the unemployed receive unemployment benefits, nor do young people who have not yet had any work experience, and since the period of unemployment benefits is still limited, it is not possible to determine the real unemployment rate from the recipients of unemployment benefits. Once the period of support has expired, the worker has only recourse to public welfare, whose recipients are no longer counted as unemployed. All in all, it is certain that current unemployment is greater than that officially reported. In the early years of the last great crisis, there was no unemployment insurance. With the consumption of his savings or the impossibility of finding private help, the unemployed man and his family were literally at the mercy of starvation, as the public welfare of the cities and soon of the States rapidly collapsed.

This resulted in a potentially revolutionary situation that could only be overcome by measures taken by the American federal government. It was then the unemployment movement that brought about the various measures to alleviate the misery of the unemployed. These included welfare grants to the individual states, public works, and the introduction of unemployment insurance, although this could only have an effect in the further future. The cost of the measures to alleviate the unemployment distress was met by deficit financing.

Today things are different. Even with 10% unemployment, the problem remains that of a minority. And this minority does not face the same circumstances as it did in 1930. So it will also take longer than it did then for unemployment to become an unemployment movement and give rise to the impetus of a general protest movement. As the crisis deepens, however, not only does unemployment grow, but the objective possibility of dealing with it by state means also disintegrates. Attempts are already being made to lower the standard of public assistance. Undoubtedly, new social movements will develop out of the growing impoverishment of ever wider strata of the population. The fact of the absence of notable socialist and communist parties does not stand in the way of this, since in this respect it was no different in the thirties, and yet a radicalization and politicization of the workers arose out of the unemployment movement.

Q: If new forms of struggle and organization do not take on the character of the party, how will they present themselves? Will they emerge directly from the factory struggles, in the form of action committees and workers' councils? Starting from the Italian labor struggles, Sohn-Rethel, for example,

assumes that the councils as an organizational form will develop out of the shop-floor labor struggles. What do you think about this?

A: Revolutions have not been made by parties and trade unions. The German political revolution, as well as the social revolution in Russia, were products of mass movements that created their organizational expression in the council system. However, one form of organization can serve different contents. Since the existing workers' organizations in Germany - the Social Democracy and the trade unions - were, for better or worse, wedded to German imperialism despite their original class struggle ideologies, the political revolution could only prevail against them, not with them. The war-weary workers and soldiers had to create new forms of organization of their own to attack and overwhelm the existing political system. The factory and the various military formations were the natural starting point of the revolutionary organizational process. The extension and coordination of the leadership of the revolutionary struggles required the formation of workers' and soldiers' councils, since there were no other organizations attuned to the revolution. But this did not break the influence of traditional social democracy. The social reformist organizations knew how to ensure their own continued existence by ostensibly submitting to the council movement in order to recognize it as a means of subversion but not of social change. The councils that spontaneously formed had set themselves but one goal, the ending of the war and the overthrow of the government necessary to that end. And this aim they achieved. Without them there would have been no revolution. But apart from a radical minority, their political demands were exhausted in the old reform programme of pre-war social democracy, in the illusion that a socialist government arising out of the democratic-parliamentary process of development would guide the process of socialisation and bring it to a conclusion. Though with some opposition, the Councils nevertheless put an end to their own power by affirming bourgeois democracy in the National Assembly. But I point to this old story only ' to say that even this kind of revolution and its self-abolition required the council system and was not made by parties or trade unions.

It was essentially not much different in the Russian revolutions of 1905 and 1917, except that here the parties and trade unions were relatively small, illegally existing organizations, which as such could not exert much influence on the masses. In order to rise up, the masses had to create their own forms of organization, in which, however, according to their formation, the various political parties also struggled for influence. The February Revolution, which did away with tsarism, was made by workers, peasants and soldiers, who created for themselves in the soviets or councils the forms of organization which already necessarily resulted from the absence of political or trade union organization. The goals of the Russian councils were also limited: ending the war, land for the peasants, higher wages, the eight-hour day, and the establishment of a democratic constitution.

Only in the course of the revolution did its radicalization take place, as the new bourgeois regime sought to continue the war, postponed the land question to the further future, and was also unable to satisfy the next concrete demands of the population. The political composition in the Soviets changed; the influence of the reformists declined, that of the Bolsheviks increased. With the slogan "All Power to the Councils" and the realisation of the demand for peace and land, the Bolsheviks succeeded in winning over the majority of the Soviets in the decisive cities and at the same time, through an influx of new members, in extending their power of action in the factories. But the October Revolution was not, like

the February Revolution, the result of fighting masses of workers, but a coup d'état by the Bolshevik party, which led to the overthrow of the government and the formation of a new one in which the Bolsheviks exercised power. It remains to be seen whether the Bolsheviks had anticipated a second revolution which would have broken out even without them. All that is certain is that the October Revolution resulted from a successful coup, of which the mass of the population learned only the next day through the newspapers. The successful coup, however, did not lead to the realization of the power of the soviets, but to the Bolshevik dictatorship and the annihilation of the soviet movement in the system of rising state capitalism. But even this Bolshevik coup d'état had as its precondition the February Revolution, and this was not made by the parties and trade unions, but sprang from the revolutionary masses' own initiative. If one looks today at the situation in Russia or at the character of the Western workers' parties and trade unions, one can only say that new revolutionary movements are conceivable only as councils, that the proletarian revolution needs councils, not only in order to assert itself, but also in order to be able to take the transformation of society into its own hands.

Q: What is the difference between today's capitalism and state capitalism?

A: Of the various state capitalist systems, take Russia for example, which it is the first and most powerful state capitalist country. It is fundamentally different not only from the old competitive capitalism, but also from today's mixed capitalist economy. From a capitalist point of view, state capitalism represents a new mode of production because it has abolished private ownership of the means of production. To the capitalists whom the state has expropriated, state capitalism appears as socialism; one and the other mean the same thing to them. In both cases they find themselves dispossessed of their capitalist property. From the standpoint of the workers, however, things look different. Nothing changes in their position. They are still subject to the wage system and thus to exploitation; they have no determination over their working conditions, over their production and its distribution. A privileged stratum which has them at its disposal, which relies on and is part of the state bureaucracy, confronts them in the same way as the former capitalist entrepreneurs. Nothing has changed in their social situation. Nevertheless, the difference between state and private capital is fundamental, since the expropriation of capital abolishes capitalist market competition and permits the planning of the economy, right or wrong. Planned production, like unplanned production in the past, serves to reproduce existing social relations. Since the elimination of the workers from the determination of production necessarily gives rise to a new class which has precisely the determination of production, the new class relations reproduce themselves as the reproduction of the relations of production. Planning thus serves in the first place to secure and maintain the social position of the newly emerged class. It serves the needs of the workers only in so far as their satisfaction is necessary in order not to endanger the given relations of production. The increasing productivity of labour continues to express itself as capital accumulation, at least according to its use value, but its results do not benefit the workers, but serve to strengthen the power of the new class, which, like every other ruling class, sees itself threatened from within and without.

It must be clear to everyone that neither the workers nor the peasants can be interested in the enormous military apparatus which can only be maintained at their expense. Or in the costly space

research, the trips to the moon and the preparations for nuclear war. These are not the programs which emanate from the workers, but from people who care more about prestige and the security of the system which secures their privileges than they do about improving the standard of living of the producers. Since this system is a national one, it is necessarily in imperialist competition with the ruling classes of other countries, but not in order to protect the workers from foreign exploitation, but in order to preserve its own right to exploit labor. In order to ensure this for the future, planning must also include that of exploitation, the constant reproduction of labor as wage labor. Thus, vis-à-vis the workers, state capitalism represents only a historically newly emerged modification of capitalist exploitation and in this respect differs from none of the previous forms of capitalist exploitation, however different they may be among themselves.

Q: What would you recommend to workers under today's conditions?

A: For the moment, only one thing: the exclusive reference to their own direct interests, without regard to the state of the capitalist economy. Through strike and direct action, the workers, in crisis as in prosperity, should try to improve their living conditions at the expense of surplus value, or at least try to make it impossible for capital to overcome the crisis at the expense of the workers. The class struggle which threatens capital at its lifeblood, profit, necessarily becomes a political struggle. Labour already appears politically, indeed only appears really politically, when it strives for its own concrete interests and thus challenges the production of surplus value itself. A political movement turned away from the direct economic class struggle is not a proletarian political movement and can be of no use to the workers, whatever else can be achieved.

Q: What is the difference between purely political action and direct representation of workers' interests?

A: I will try to make this clear by means of a historical example. It was a vital necessity for the German proletariat after 1918 to overthrow capitalism in order to be able to safeguard their direct interests. Only the incessant class struggle against progressive pauperization could lead to a political revolution. But after 1921, according to Lenin's view, the next task of the German workers was no longer to eliminate capital, but to protect the Soviet state in order to preserve at least this starting point of the world revolution which had been postponed to the future. This went so far as to recommend to the German workers that they should co-operate with their bourgeoisie should the latter be prepared to conclude an alliance with Russia against a third common enemy. Even at this early stage the workers' own interests were subordinated to the political necessities of Russian foreign policy. And it remained so until the complete annihilation of the workers' movement in the Hitler dictatorship. The workers fought for all kinds of political demands, only not for those which arose from their own class situation and which had a direct effect on capitalist relations; the political disputes were sham struggles which changed nothing in the economic and therefore political power of the bourgeoisie and petered out into empty demonstrations. It is this kind of politics - politics as a means of distraction, politics for interests that have nothing in common with the class interests of the workers - that I oppose and which can only

disappear ' if the workers remember their own concrete needs and make them the starting point of their actions.

Q: In today's situation, can't the insistence on the class struggle, on the concrete interests of the workers, easily provoke fascist reactions?

A: The reaction of the bourgeoisie to workers struggles harmful to it can take all kinds of forms, including fascist. The dictatorship of capital has many faces and can be exercised even with the formal maintenance of bourgeois democracy. But fascism as a mass movement, as it prevailed in Germany and Italy, had set itself the task not only of depriving the workers' movement of its relative independence, but of mobilizing the masses for new imperialist aspirations and of establishing the totalitarian national unity necessary for this purpose. It is not impossible that attempts will again be made to use fascist ideologies and forms of organization to create the conditions for new imperialist wars, where these conditions are not already present under the conditions of formal bourgeois democracy. Fascist means are also used to suppress workers' struggles, and not only in existing fascist countries. The class struggle is also waged by the bourgeoisie, and it is precisely this fact that makes the workers' struggle for their direct interests a political one.

But one cannot renounce the workers' struggles for fear of capitalist reactions, only to avoid fascism. This would only achieve, through the passivity of the workers, what is the goal of capitalist oppression, namely, the complete subordination of the workers' interests to those of capital. One surrenders oneself to this kind of fascism by not fighting it. What matters is to wage the class struggle "in such a way that it also nips the fascist reaction of capital in the bud.

Q: What tasks fall to the head workers?

A: The concept of the head worker is an illusion of the head workers. There is no labor at all that is not also head labor. There is, however, a capitalist division of labor which leads to the conceit that head labor is essentially different from hand labor and that one is to be valued more highly than the other. And indeed there are specialists within and outside production whose achievements stand out as special, although they result only from the total process of social development and social production, which includes in itself all labor of whatever kind. But even among the manual workers there are such outstanding achievements, without their being counted among the brain workers. Apart from the special fields of the capitalist division of labour, and in so far as the understanding of social relations is concerned, the special character of the head-workers ceases; they are not cleverer or as stupid as the hand-workers. It is the social position of the workers, not their particular function in the production process, that determines their development of consciousness and sets all kinds of labor against capital.

Q: What significance remains for political action and socialist theory in class struggles determined exclusively by direct workers' interests?

A: There are historical situations in which one can act in a politically revolutionary way and others in which one cannot. One as well as the other depends on the respective power relations, which again depend on the economic situation. The link between theory and practice is not a direct one. Only an objectively revolutionary situation permits revolutionary practice. The objectively revolutionary situation must result from the contradictions of capitalist development, from the law of crisis of capital, is therefore a cyclical phenomenon in which revolutionary theory applies only to the crisis. The theory exists even when it cannot be translated into practice. It anticipates a revolutionary practice yet to come, and in the meantime finds its justification in the actual development of capital and the sharpening of class antagonisms which accompanies it. Revolutionary theory is concerned with the abolition of capital and only finds its full confirmation through this. It gives no answer to the details which are set for revolutionary practice at a given moment, since the constantly changing conditions lead to situations which cannot be predicted. Thus theory can only deal in general terms with the probability of coming revolutionary situations, not with the particular measures appropriate to a current revolutionary situation. These arise only from the spontaneously arising revolutionary situation, so that one can say that only action itself gives theory the form in which it corresponds to practice.

Q: How does a revolutionary consciousness emerge from the situation?

A: Perhaps an example from the past will again help here. The naked interest in life of the Russian workers and peasants, without regard to the state of their consciousness, compelled them to revolutionary action and made this action possible because the tsarist system was in collapse economically, politically and militarily. The system of oppression lost its effect because it was no longer able to maintain the material conditions of its own existence. If the masses of the population did not want to literally starve, they had to resort to measures of their own. Through demonstrations, strikes, looting and desertions they tried to defend themselves and came into open conflict with the disintegrating instruments of power of the ruling class. It was only out of direct action itself, out of spontaneous indignation, that oppositional consciousness and the mass receptivity to revolutionary ideas were formed.

To give another example: The Ruhr battles of 1920 involved workers who could not at all be called class-conscious. Nevertheless, many of them fought side by side with the class-conscious workers, the socialists, communists, KAP-ists, syndicalists and anarchists. The Reichswehr simply gave them no choice. For them, under the given circumstances, the worker as worker was the enemy. They shot at them without bothering about their political attitudes. Thus many workers who were not yet revolutionary were already forced to join the Red Army in order to defend their lives. The struggle itself transformed them into class-conscious workers, regardless of their other ideological backwardness. Thus it is the revolutionary situation itself that acts on consciousness and transforms it into class consciousness. This is not to say that this is true of all workers. The very existence of class society and the class struggles connected with it lead to revolutionary class consciousness in a section of the

working class long before the objective possibility of a social upheaval emerges. In them revolutionary theory is embodied, which gives them not only guidelines for their conduct in general, but also insight into the preconditions of the proletarian revolution and thus information about ways and means of working against it and consciously promoting it. But the revolution must seize the broad masses in order to prevail, and from experience it can only be said that these broad masses develop a revolutionary consciousness only when it is forced upon them by circumstances. The revolutionary deed comes not from theory but from the revolutionary situation.

Q: Based on the experience of 1968/69 in Italy, it seems that action has shifted from the streets and the residential districts to the large factories, probably related to the development of the new technology of the 20th century. Does this technology determine new forms of struggle that lead to new results of the class struggle?

A: The existing technology is the capitalist technology, which has as its only function the maintenance or increase of profit. If profit cannot be increased in this way, technological development also ceases with the termination of capital accumulation. When one speaks of class struggle, *one* cannot start from technology. The capital-labor relation is not a technological relation, but a class or production relation. The capitalist who controls the workers also determines the course of technology. An impact on the part of the workers on technology presupposes the destruction of the capital-labour relation. Nor do the capitalists rule over the workers by means of technology, but by their control of the means of production, whatever their technological composition may be; further, by means of the direct use of force, the police, the army, the judiciary, and, last but not least, by means of the determination of the ruling ideology. However, technology as an instrument of the production of surplus value in the technological sense is also a form of exploitation that oppresses the workers and wears them down, and is thus an expression of the struggle between capital and labour. But this does not give rise to any new tasks or new class struggle functions for the proletariat; the enemy is not technology but capital. Nor does technology refer only to the workers subjected to the process of exploitation. It has no influence on the unemployed, who are the main feature of the capitalist crisis and from whom the first revolutionary impulses come. Thus, for the time being, action shifts back to the street, which, however, is not able to achieve anything, since it is a question of conquering the factories in order to really eliminate capital.

Q: You spoke of stages of development, of revolutionary and non-revolutionary situations. But you also say that one has to prepare for a revolutionary situation. How does one do that? What have socialists and communists to do in a non-revolutionary situation like the present one? Don't the many radical groups that have arisen out of splits from the major parties, as in France and Italy, for example, and thus these themselves in the dialectical process of development, have the function of connecting links that lead from a non-revolutionary to a revolutionary one?

A: I can only repeat here that there have been only two revolutions so far, the German and the Russian, and that in both cases it was neither the then existing parties nor splinter groups of them that were responsible for the revolution. The revolutions were made by the workers' and soldiers' councils spontaneously forming, although the parties later succeeded in usurping power either to establish party dictatorship or to abolish the revolution in bourgeois democracy. The parties that exist today are not revolutionary. Revolution can only be made against them. Nor can anything be expected from their apparently more radical splinters, since they are still too closely ideologically bound up with the old organizations. They are not in favor of workers' self-determination through the council system, although they often speak of councils and of direct action to distinguish themselves from the old parties. But they remained under the spell of Marxism-Leninism, whose program is exhausted in state capitalism. This is why they take a positive view of parliamentarism and the trade unions, in an alleged effort to turn these institutions of capitalism into instruments of class struggle.

Let us take the "new left" of Italy as an example, which broke away from the reformist communist party only to fall back - after a slight detour via Maoism - into the old familiar forms of action and organization. The momentary absence of revolutionary organizations that meet the requirements of a proletarian revolution, however, is no reason to assume that such organizations cannot be created at all. With the revival of the workers' movement in the intensifying crisis situation, new efforts will also be made to provide a theory that promotes the revolutionary class struggle instead of inhibiting it. And on the basis of the theory, class-conscious workers will organize themselves in order to be able to act on the revolutionary development. But, after past experience, no longer to make the revolution for the masses, but to give the greatest assistance to the working masses in their revolution. Since the workers do not develop evenly in terms of class consciousness, there will always be a group of workers who will seek to intervene in the revolutionary process not only out of necessity but also because of their revolutionary consciousness. But not as a party which seeks to dominate the revolutionary movement in the Leninist sense in order to help itself to state power, but in the sense of Rosa Luxemburg, in order to look after the interests of the proletariat as a whole as part of the working class: The organization of the revolution and the new society through the initiative and self-determination of the working people.