

TOWARDS THE MISUNDERSTANDING OF MARX

By BERTRAM D. WOLFE

"Capitalist economists," confesses Paul M. Sweezy of the Harvard Economics Department, "have always shown how well the system works in theory and have always been chagrined to observe how badly it works in practice. Such unwellcome and disturbing phenomena as . . . crises . . . are treated in one of three ways by orthodox economists. They are either (1) ignored or even flatly denied, (2) ascribed to the stupidity and chicanery of governments, or, finally (3) treated as extra-economic phenomena. The Marxists, on the other hand, have given us, and on the whole with surprising success, a view of economic development which offers a theoretical explanation of these various phenomena and deduces a certain 'necessary' line of development for the future . . . that Marx was actually successful in achieving to a very large degree this difficult aim is evidenced by the cold facts of economic life since his day." (From "Economics and the Crisis of Capitalism," by Paul M. Sweezy, Economic Forum, III, 1, Spring 1935, p. 71.)

This confession of bankruptcy, which is but little mitigated by Sweezy's attempt in the rest of his article to salvage some of the concealed "assets" of bourgeois economics, is a typical expression of the growing recognition, even in academic circles, that Marxism and Marxism alone holds the key to the nature of capitalist crises. Hence the time has been ripe ever since the present depression began for a good systematic exposition of the Marxian theory of crises, and this reviewer hailed with joy the announcement that the smooth-flowing pen of John Strachey had been enlisted to present such an exposition. But it must be recorded, after a painful perusal of the book,* that the Marxian theory of crises is still left unexpounded. There are some good stretches in this work; skillful reduction ad absurdum of various capitalist economists and their "way out" of the crisis; an expose of the fatuities of the Douglasites and the fallacies of the theory that "high wages" would abolish depressions; a much better critique of fascism in a few pages, than in Strachey's whole unfortunate work on "The Menace of Fascism"; some good, altho not always the best quotations from Marx; and a really excellent chapter on the function of a theory of value. But for the rest, the book represents a misunderstanding, a distortion and a one-sided, and at innumerable points definitely false and anti-Marxian, presentation of the "Marxian" theory of crises and of "Marxian" economic theory in general. It is as full of theoretical errors as a swiss-cheese of holes, absorbs unconsciously and repeatedly fallacious views from the very bourgeois economists Strachey is criticizing, and breaks down amazingly and completely where it should be strongest, in its analysis of the present crisis!

CREDIT SUPERSTITIONS

Strachey has read too uncritically the capitalist economists he is refuting and absorbed innumerable vulgar monetary and credit superstitions from them. Thus he believes that credit is the cause of the periodic or cyclical nature of capitalist development and that if there were no credit system capitalist economy would have gone thru a long slow decline, beginning at birth and continuing to deepen until death. ("If we can imagine a creditless capitalism in which every transaction was mediated by hard cash, then it is true that the oscillatory form of the crisis, but not the crisis itself, might be abolished—p. 313). The only truth in this is that credit enables the concealment of the fact of overexpansion for some time after it has occurred thus delaying, and magnifying the subsequent reaction. It aggravates the "oscillation" but the latter's causes lie much deeper. In Marx, Strachey could have found such warnings as this:

"How very little way below the surface of things political economists are able to see, is borne witness to by the fact that they regard the expansion and the contraction of credit as the causes of the vicissitudes of the industrial cycle, when really the movements of credit are nothing more than symptoms, (and, Marx adds elsewhere, aggravants—BDW) of the phases of the industrial cycle." (Capital vol. I, p. 699, Everyman Edition).

MONETARY SUPERSTITION

Other vulgar errors that Strachey has swallowed derive from Fisher, Keynes, and the modern monetary-mercantilists. Thus he believes that "money was geared to production" in America "for eight years in ideal conditions," a la Fisher (p. 46). He falls for the managed currency superstition to the effect that inflation (a term that he uses as loosely as Warren, Fisher, and the financial page "economists") can prevent a fall in prices. ("The financial authorities," he writes, "will be in a position where they undoubtedly can, if they like, prevent the fall in prices," p. 55).

A moment's thought would show him that expansion of credit in an open monetary system and injection of irredeemable currency into a closed monetary system, both of which he lumps together under the one confused term "inflation," are basically different phenomena. The first, a normal accompani-

A Review of Strachey's "The Nature of Capitalist Crisis"

ment of recovery and expansion of economy, is likely to be accompanied by a true price rise. The second, monetary inflation, means only a nominal price rise which may call \$5 thenceforward \$50 or 500, but the true price level measured in terms of gold or in relation to actual value may continue to sag.

He believes that bankers are deliberately keeping interest rates low (p. 56) when it is actually one of the contradictions of the present situation that they can't help it; that "savings" involve an automatic "sag in prices" (p. 57); that there is "some particular rate of interest at which the demand for new loans would be kept down to the amount of money being saved by the public" (p. 57)—altho never once does he analyze the term "saved"; that "the absolute amount of money in circulation in a community determines . . . the absolute height of the price level" (p. 66)—altho Marx shows elaborately that the basic relation is reversed; that disproportions in industry "arise because money, the circulating medium, instead of passively mediating the exchange of commodities, is made to assume an active role, and so to falsify the true nature of demand" (p. 76); that by discovering these disproportions and their monetary cause, "Dr. Hayek seems to have explained adequately . . . why the crisis of the system takes an oscillatory form" (p. 77)—which makes Strachey's second "explanation" of the cyclical nature of crises; and so on for page after page of unscientific nonsense, all the more unpardonable in one who has had some contact with the works of Marx and professes to be a Marxist, for Marx riddles each of these superstitions of the species bourgeois economist vulgaris full of holes.

STRACHEY'S "ORIGINAL CONTRIBUTIONS"

Even more serious are Strachey's "improvements" on and "modernizations" of Marxism as far as they concern his peculiar central thesis. Except in his chapter on value, Strachey tends to ignore the fact of surplus value altogether, a fine trait in a Marxist economist! He fails to recognize that with each turnover of capital it automatically expands in value and the surplus value, when realized, must either be wholly spent by the capitalist class, or in part capitalized (invested to expand production.) He fails further to understand the other driving forces which compel the capitalist to expand or perish. Hence he is much preoccupied with subjective incentives to capitalist accumulation.

From this he concludes that "savings" (he doesn't talk of surplus value) are only reinvested to produce more cheaply than before, i.e. to introduce technical improvements. This leads him in turn to maintain that all saving and investing reduces costs and lowers prices.

Marx shows that the tendency to the

displacement of labor and the creation of fresh increments of capital seeking investment, are automatic by-products of capitalist expansion, and important causes of the ensuing crisis. But in Strachey's "original" picture neither the labor supply nor the productive machinery tend to increase from the normal laws of capitalism. He writes:

"... it is obvious that unless a depression already exists and some capital and labor are consequently unemployed, the total volume of production cannot be increased except by reducing the costs of production. The only way in which we can get more commodities, if we are already at work producing the existing supply, is to find some way of producing the existing supply with fewer workers, less electrical power and the like, so that some of these 'factors of production' may be freed for producing a new, additional supply of commodities." (p. 47-48).

At this point, Strachey links up his monetary errors with the basic theoretical error we have been following and concludes that an expansion of credit or an inflationary movement "turns out to be merely a special method of expanding the producers' goods department at the expense of the consumers' goods department." (p. 69)

Why credit, or inflation, should expand the producers' goods department and not the consumers' goods department Strachey never lets us know, but after he has created a shortage of labor, a shortage of coal, oil, power, raw materials, a shortage of capital funds, and a rigid, non-expanding system, all in his imagination, then:

"It is possible to say that the crisis is caused by the drawing off by the consumers' goods department of so much working capital from the producers' goods department (with inflation he makes it vice versa—BDW) that the operation of that department's fixed capital becomes impossible." (p. 61)

Marx showed that the producers' goods department stops operation not because of a shortage in it, and excessive demand by the consumers' goods department, but—just the exact opposite,—because of an expansion of the producers' goods department and all its factors far in excess of the demand in the consumers' goods department and consumers' market. But it is not Marx that Strachey is following and caricaturing, but—Hayek and Keynes, and in justice to Keynes be it said that Strachey's strange picture goes him one better!

"HIGH WAGES" CAUSE THE CRISIS

By now Strachey has struck his stride and the little germ of error we have been following assumes giantlike proportions

and dons seven-league boots. For the "excessive demand" of the consumers' goods department he substitutes wages and social insurance, a magician's trick all the neater because apparently unconscious. With the aid of this substitution he comes to the following strange conclusion:

1. The immediate cause of crisis is an excessively high wage which eats into the rate of profit! ("... it seems probable that these boom periods were terminated . . . by crisis and collapse just because this rise in wages checked the natural rise in the rate of surplus value, and so prevented this determinant of the rate of profit from offsetting the fall of v/c." (p. 277)

2. The rising wage is brought on by a "labor shortage" and these labor shortages are more likely today than in the earlier period of capitalism. ("Indeed, it is clear that, from one point of view, a crisis precipitated by a labor shortage, . . . is today a more likely occurrence than it was fifty years ago. For today the population has virtually ceased to grow in all the great industrial empires . . . we are rapidly approaching the point where there is no net annual increment of labor offering itself for exploitation." (p. 277)

When one thinks how Marx labored to refute the idea of an absolute law of population, how much of his monumental work is devoted to explaining that the inevitable tendency of capitalist accumulation is to displace labor by machinery and thus create an evergrowing relative surplus population or industrial reserve army, one wonders what has paralyzed Strachey's understanding and how he has ventured to "popularize" what he has so patently failed to grasp.

3. Strachey believes that the final crisis of capitalism also grows out of this "labor shortage" he has invented. ("This" (the "stabilization of the population") is the ultimate limiting factor upon the possibilities of capitalist development. Nothing which capitalism can do can enable it to survive unless it can tap ever new supplies of exploitable labor." (p. 278). Thus not the social relations of capitalism, as with Marx, but a decline in the birth rate and a mythical labor shortage become the determining factors in cyclical crises and even the general crisis of the system.

PRESENT CRISIS

The flower and fruit of this growing tangle of contradictions (not in capitalism but in Strachey) is his "explanation" of the present crisis. Here the Marxian theory should find its strongest confirmation. It is for the sake of its application to the present crisis that the interest in Marxism has been growing and that this present work was written. This should be the best part of the book. But here Strachey breaks down altogether!

APPEAL OF TEXTILE PROGRESSIVES

We are in receipt of a rather long statement issued by the Silk Workers Progressive Group of Paterson. Because of the space limitations we are printing excerpts of the statement.—EDITOR.

The members of the Plain Goods Department of the American Federation of Silk Workers, Paterson District, are again faced with the election of a new executive board. The executive board members who now hold office are asking for re-election on the basis of their record for the past six months. Because of the great importance of this election—an election that will determine the policies the Union will follow in its crucial struggle with the silk bosses during the next six months—it is necessary and important that active and loyal Union members examine critically and carefully the record of the present executive board to see whether it merits continuance in office.

Every well informed worker knows how the present board came into office; how at a time when the Union was militantly and constructively fighting an uphill battle with the bosses, certain elements, under the direction of and allied with the former members of the notorious National Textile Workers Union, utilized the confusion caused by the bosses' offensive against the Union after the "settlement" of the general textile strike to gain control of the Plain Goods Department, and thus the control of the dominant branch of the American Federation of Silk Workers. Everyone is acquainted with the weapons that were used by the "rank and file" group—the lies they circulated about the past administration (which had more constructive achievements to its credit than any three previous administrations), the unprincipled and disruptive tactics they used, and the promises they made—in order to gain office, and eventually, paid jobs.

The "rank and file" group gained control; they were elected to office, and they have held it for six months. Let us therefore look at their record and see what they did with their power once they obtained it.

At the outset, it is important to under-

score the fact that the present executive board, in the six months it has had charge of the affairs of the plain goods weavers, has failed to obtain a contract, or even bring about a situation where there is any likelihood of their obtaining a contract. It was these very elements now seeking re-election who were primarily responsible for the rejection of the contract that had been negotiated by the past administration. There was no one in the Union who claimed that that contract was a good one, but it was the best that could have been obtained at that time, and subsequent events have proved conclusively that it would have been better than the conditions confronting the silk workers today, where they have no contract at all and no prospects of obtaining one even as good as the one they rejected.

While still in the opposition, and just prior to their election, the "rank- and file" group succeeded in convincing the Union membership that if it elected a "rank and file" negotiating committee that they would get a contract much better than the "yellow dog" one that had been rejected. This new negotiating committee was successful only in breaking off negotiations altogether, and they have never been resumed since.

Later on, in reporting to the membership on the result obtained by this "rank and file" committee, Luigi Valgo, its chairman,—formerly leader of the N.T.W.U., then a newly elected member of the Plain Goods Executive Board, and since elected an organizer for the Plain Goods Department—said that the committee was not anxious to fix a wage rate at that time because, as he said: "The Winant Board is soon going to report on its findings and may set a wage rate higher than the one we might have already agreed to in Paterson!" With these hopes in the textile relations board the "rank and file" began its dismal six months in office.

For the next four months they spent most of their time talking about and "planning for" a stoppage—that is, a "demonstration of solidarity"—for one day, in order to put the fear of God and the Union into the hearts of the silk bosses. Before the "rank and file" group

had gained control of the Plain Goods Department, they had bitterly denounced the "guerrilla warfare"—by which they meant the shop strikes—then being carried on by the Union. Nothing less than a general strike in Paterson would do any good!

When they finally got into a place of responsibility, the "rank and file" group first talked hopefully of the Winant Board, next concentrated on a one-day stoppage as a means of obtaining union recognition and an agreement so necessary to help stabilize the chaotic conditions existing in Paterson, and finally concluded that militant shop strikes were not so reactionary after all.

The much heralded and long awaited stoppage finally took place—on May 1, when the Central Labor Union conducted a May Day Demonstration. The Daily Worker, a few days previous, said: "The Paterson silk workers chose May First for their 24-hour stoppage to enforce union conditions in the mills, and stop the wage cuts. The silk workers are well organized and the stoppage will mean a real review of their forces.—Certainly this is a big advance for workers." The results of the stoppage are best described in the report of the "strategy committee": "Although the stoppage was a great success, the bosses still stood pat!"

The ruinous results of six months of leadership by the "rank and file" group and their allies can now be clearly seen by every worker. Six months ago the Silk Workers Progressive Group of Paterson warned that the Union was in great danger of destruction at the hands of these experienced union-wreckers if they came into office. Now we can see that the warnings of the Progressive proved to be only too true. The present administration has weakened the Union; has failed to gain Union recognition; has failed to defend the workers conditions; has isolated the Union from the rest of the labor movement (without whose wholehearted support no successful struggle of the silk workers is possible); has increased the expenditures for paid officials while decreasing the funds for strike support; has strangled democracy (Continued on Page 4)

Having made short shrift of the Marxian theory of growing relative overpopulation, Strachey now disposes of its natural corollary, the Marxian theory of growing impoverishment of the working class. "It may be true that it was the rise in real wages, the very rise in consumers' demand, which undoubtedly took place (!) in 1929 and in 1930, which precipitated the slump." (p. 296).

Marx, in refuting the vulgar underconsumption theory showed that normally wages rise in the latter part of a boom, hence merely increasing wages would not prevent a crisis. Thus a rise in wages, says Marx, is often a "harbinger" of a crisis. But Strachey changes "harbinger" into "proximate cause"! (p. 333). Another unconscious piece of legerdemain, from which follows "that it (the crisis) was due to a failure on the part of the capitalists to cut money wages fast enough to prevent real wages from rising." (p. 333).

Strachey wants to be sure you don't miss his "discovery" that the advance of capitalism brings not increasing misery but increasing real wages and increasing social services. "For present-day social and political conditions in capitalist 'democracies', enforcing 'advanced' social legislation," he writes, "make more probable than in Marx's day the precipitation of crisis by way of a failure to hold down real wages, and so maintain an adequate rate of accumulation. . . . The rate of wages paid to those workers who remain in employment has probably in some cases exceeded a true subsistence level. . . . Governments have been compelled to impose considerable taxation upon the capitalist class in order to maintain the unemployed." (pp. 333-4).

ECHOES OF THE JAZZ ECONOMISTS

Next Strachey turns his attention to America. Here fresh wonders appear. "In America during the great boom of 1924-29," writes Strachey, "there is some reason to suppose that probably for the first time, and certainly for the last time in the history of capitalism, the rate of accumulation outran the supply of available labor power, bid up its price . . . unemployment was as near nonexistent as it ever can be under capitalism." (p. 336).

The truth of these assertions does not have to be investigated theoretically. They can be checked empirically. And the facts are just the opposite of Strachey's assertions. During the boom of 1924-29, far from wages rising as in former booms, there was a tendency for the wages of all but skilled workers to stagnate or even sag, absolutely, and surely relatively to productivity and profits. Far more important, in place of a labor shortage and the virtual "non-existence" of unemployment, for the first time in the history of capitalism this boom did not take up the slack in the industrial reserve army. On the contrary, a new type of unemployment appeared as a very sign of the unsoundness of the prosperity of declining capitalism, a type of unemployment known as technological or structural unemployment.

All these errors of Strachey's which lead objectively to an anti-Marxist, revisionist, reformist theory of the decline of capitalism and fly in the face of all the empirical facts, he could easily have avoided if he had taken the trouble to consult the work of a fellow author issued by the same publisher, namely Corey's richly documented and theoretically solid "Decline of American Capitalism."

I cannot close this review without calling attention to the fact that while the official Communist Party in the Daily Worker, in the New Masses, in the Communist and even in a pamphlet, mercilessly attacked and misrepresented Corey's excellent work for purely factional reasons, it has been shamefully silent, even favorable, and advertises, boosts and sells, without a word of public criticism, the dangerous accumulation of un-Marxian errors in Strachey's "Nature of Capitalist Crisis." Such methods represent a prostitution of Marxist criticism to factional considerations, and do no good either to Strachey or to Marxism.

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