

# CONTEMPORARY CAPITALISM

and

# WHY WE NEED MARXISM



BY MEL ROTHENBERG AND BRUCE E. PARRY



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## Contemporary Capitalism & Why We Need Marxism

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June 1, 2016

The following essay, composed by us over the past year, argues that a Marxist materialist analysis is fundamental in understanding and articulating the current international social/economic conjuncture. We sketch the theoretical framework underlying such an analysis, apply this framework broadly to describing the key phenomena defining our era, and draw some general strategic conclusions on what political approach and tasks revolutionary Marxists should be currently focusing on. To do all this in a relatively short essay necessitates a necessarily cryptic and schematic presentation, but we felt this was worth doing in view of the absence of such analysis among Marxist activists. There are a number of worthy lengthy and more detailed treatises written by scholars and academics, some of the most relevant of which we reference. Unfortunately these works are often theoretically dense and do not ordinarily find their way to left activists, the primary intended audience of this essay.

This essay is not intended as a popularization, or easy reading but we hope its brevity will tempt activists to give it a go. Further, this essay is not meant to settle complex questions, but to raise them. The hoped-for response is to initiate a vigorous and rigorous debate on Marxism within activist circles. Such a debate is a necessary preliminary to a revival of a working class socialist movement, which in turn is the prerequisite for a successful movement of social and political emancipation.

Most U.S. left activists are now naturally absorbed in discussing the meaning and proper course of action to take in regard to the 2016 presidential election and in its immediate aftermath. While this essay does not address this in detail, it does offer a strategic perspective from which to approach this question. We are concerned about the failure of most proposals to be anchored in an in-depth analysis of the basic dynamics of contemporary capitalism. Many of the proposals — whether they suggest a long term coalition with liberal Democrats, a short term coalition with liberal Democrats to defeat Trumpism, or a total rejection of any alliance with liberals until they split from the Democratic Party — appear to be based on long held politics and slogans which do not seem to take into account the profound developments in international capitalism that have occurred over the past 40 years. We think this is a serious mistake, which results from the neglect of a rigorous Marxist approach, and is exactly what we are arguing against in this essay.

Of course, we welcome serious responses and criticisms of our essay. The best way to reach us is via email to which we will attempt to respond to them in a timely manner.

In Solidarity,

Mel Rothenberg  
Bruce E. Parry

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# Introduction

The international economic crises that began in 2007 has led to a rather massive negative shift in the prognosis for the future of contemporary capitalism on the part of many prominent political economists, including some of the previously most enthusiastic boosters. Larry Summers, chief economic advisor to Presidents, talks about long term stagnation, while Robert Gordon, previously a celebrator of U.S economic dynamism and productivity, now declares the end of productivity growth. Eminent figures Paul Krugman and Joe Stiglitz have sharpened the criticism of market fundamentalism and have explicitly adopted a kind of left Keynesianism that was at most implicit in their earlier writings.

The positive impact of this for those of us in the Marxist left is significant. Genuine heterodox and left wing economists such as Dean Baker and Jamie Galbraith now have access to op-eds in the major media. This opens up space for our ideas, although neo-classic economics — the academic, ideological wing of capitalist ideology — maintains its hold over almost all major university departments. Maverick scholars such as Thomas Picketty have effectively raised the issue of global economic inequality, challenging the mythology of a value-free market. Even more significantly, a grouping of what might be termed Marxist/Keynesian economists have risen to positions of theoretical and political influence within the left movements arising in Europe and U.S. Examples include Costas Lapavitsas and Yanis Varoufakis, both leaders of various currents coming out of the Greek ruling party, Syriza, John McDonnell, the Shadow Chancellor of the Exchequer in British Labour Party led by Jeremy Corbyn, and, in the U.S., Jack Rasmus, an author of many books on the global economy, a broadcaster and an economic advisor to America's Green Party (see endnote 1).

The views of these thinkers are bound to carry significant theoretical and political weight within the Left. They may even shift discussion and analysis in a Marxist direction. The downside is that their hegemony may water down the basic insights and contribution of Marxism. In fact, the evidence so far is that they fail to treat clearly certain basic foundational questions, a problem of much of current left analysis, which weakens the analysis as a guide to political action and program. They fail to link their politics and program adequately to material production, the source of profits and value, and the integral nature of the world capitalist system.

Costas Lapavitsas (see endnote 2), for example, more forthright than many, has stated that he is a Marxist in theory, but a Keynesian in policy prescription. This is ultimately an incoherent position, which can fatally weaken the chances of a revived working class movement for Socialism.

In this essay, we do not intend to focus on the details of these Keynesian-Marxist views, but rather begin at the beginning. We offer our views on some of the fundamental issues involved; views which distinguish a revolutionary Marxist position, which we feel must be involved in any systematic analysis of the current development of capitalism, from a Keynesian analysis whose inevitable politics are at best Social Democratic. We are not interested in boilerplate Marxism but rather in a sharp and clear analysis of the present day conjuncture as viewed through a historical materialist lens. Some of what we say may seem obvious and elementary to those in the Marxist tradition but we believe these points must be reiterated and clarified in reasserting Marxism. Other points will be controversial to many traditional Marxists. It seems to us that they must be taken into account in analyzing the current situation that is materially different from the world many of us grew up in. While our argument is primarily theoretical and logical, our concerns are mainly political. We believe one must get the foundations clear to arrive at an adequate strategic perspective. Such a perspective is crucial in getting our politics right. (see endnote 0). In the end we offer some broad strategic conclusions about the main contradiction of contemporary capitalism, and, flowing from it, about appropriate response of revolutionary Marxists in promoting a revived international workers movement.



We begin by reexamining the source of profit. There is just one source of profit: surplus value produced in the production process (see endnote 2). Surplus value may be augmented by two methods, which Marx identified as the creation of relative surplus value and absolute surplus value (*Capital*, Vol. I, Parts III & IV). For any given worker, the creation of absolute surplus value is the lengthening of the workday. The increase in relative surplus value is accomplished by changing the proportion of necessary to surplus labor time. Each will be examined in detail.

We then look at what we consider a fundamental gap in Keynesian analysis. We look at imperialism and its effect on financial profit from two aspects. The first is the oppression of the neocolonies themselves. The second is what we call, with Engels and Lenin, the bourgeoisification of the working class and the process, currently under way, of removing the privileges bourgeoisification implies.

We then examine the process of overproduction of capital and how that leads to two phenomena. One is the increased flow of capital into the arena of circulation, where surplus value is realized as profit. The second is the massive increase in debt, which serves to promote the circulation of this surfeit of capital. Debt is a very important aspect of financialization; the massive creation of debt is also a source of economic crisis, such as the Great Recession beginning in 2007.

We then consider the revolution in technology over the last half-century and the impact this has had on capitalist relations of production and then on the environment. The growing environmental crises and the degradation of the quality of our basic necessities are argued to be central to the need for social change to ensure human survival. This is followed by a short section on the strategic implications of these developments and appropriate responses for revolutionary Marxists. We conclude by summing up our analysis and asking some salient questions that point the way for future research and exposition.

## **The Source of Capitalist Profits**

As Marx teaches us, class society is founded on the appropriation by the ruling class of the products of human labor as created by the laboring classes. Capitalism is fundamentally a system based on commodity production. The instruments of production — machinery and equipment, natural resources and human labor — have themselves been made commodities. As Marx says, under capitalism each commodity has the quality of being a value and this expresses the fact that commodities are products of human labor. The quality of being a value is expressed in two ways. First, the commodity is a use value in that it must have a use to humans. That usefulness cannot be directly quantified. Second, the commodity has exchange value, which expresses its quantitative aspect — the amount of human labor required to produce it — through being compared to and exchangeable with other commodities. (see Callinicos, for a nice discussion of this point. Page 159-69).

The production of each commodity within the capitalist mode of production implies that the commodity is produced to increase the wealth of the capitalist. The increase in wealth is measured in value terms by the difference between the cost of the final commodity in value terms and the full exchange value of the commodity. That increase in wealth is denoted as “surplus value.” It is the appropriation by the capitalists of this surplus value that underlies the dynamic of class relationships in capitalist society.

A well-grounded, coherent and materialist notion of surplus value is the pillar on which the materialist theory of class society, class dynamics, and class struggle rests. Without such a notion historical dynamics are reduced to the eternal struggle between geopolitical, territorially based groups and their efforts to

accumulate wealth and resources. In particular the explication of the notion of “profit,” the basic form in which surplus value is appropriated under capitalism, depends on such an analysis.

The exact measure of value of specific commodities, individually or collectively, is difficult but fortunately not of importance to an understanding of capitalism. But understanding the value concept is basic to understanding the underpinnings of the capitalist economy. The classical economists, Smith, Ricardo, and Marx advocated a labor theory of value, where value was ultimately measured by the total labor time embedded in a commodity. Contemporary neo-classical theories, as well as Keynesian economists, advocate a subjective theory of value, the value of a commodity being based on its utility, its usefulness to the consumer, as aggregated by its market price.

The classical economists, correctly in our view, saw the day-to-day fluctuations of supply and demand as leading to variations around the real value of a commodity. The notion of an ideal, market equilibrium developed by the neo-classicals to underlie their models is a metaphysical fantasy not even approximately realized in the real world.

As noted above labor values are extremely difficult to calculate. They depend on a two-fold conversion. The first is the conversion from concrete labor into abstract labor. Combining substantially different types of labor is conceptually easy, but practically difficult. The difference between skill levels is one aspect, but the difference between, for example, a carpenter and a software designer is even more problematical. The second is determining “socially necessary labor.” For example, determining whether transportation costs, marketing costs, and financing costs are socially necessary or whether they simply are forms of distributing surplus value. The answers to these questions are very hard to sort out. For example, assume a group of programmers form a corporation and create a program that facilitates book keeping. They sell it to a number of businesses. Presumably they have created a useful service which has a labor cost and hence a labor value. In practice, it may be impossible to take account of the real labor costs involving equipment, facilities, wages and also some part of the education costs of the initiators, some of the financing costs, etc.

A second problem is the relationship between prices and labor values. The classicals knew that prices and labor values, at least under capitalism, were different. Marx’s theory clarified the inconsistencies of his predecessors and formulated the problem in precise terms. However, calculating that transformation from values to prices — even theoretically — has proven extremely difficult. It is known as the “transformation problem.” Analysis of the transformation problem has been a cottage industry among Marxist scholars.

Lapavitsas, in *Profiting Without Producing*, asserts that a firm grasp of the notion of profit is an essential starting point to understanding contemporary financialization. However, his shallow analysis of surplus value seriously weakens his efforts. In Chapter 6, for example, “The Conundrum of Financial Profit,” the question of surplus value is raised but then avoided. Instead different modes of financial profit are examined. (Lapavitsas, pp. 138-47).

There are other problems in the labor theory of value that remain. Much Marxist economic discourse (Some of these discussions are summed up and discussed in detail in Callinicos, *Deciphering Capital*) and theorizing over the past decades have been devoted to this. One such problem is the question of the long-term tendency for the rate of profit to fall. We won’t go further into the details at this point except to reassert the necessity that an explicit, clear, and workable theory of value is fundamental to any in-depth analysis of current capitalism.

Theoretical fuzziness and the extant forms of the collecting data has led in practice to equating price and value and confuses the attempt to analyze surplus value and profits, limiting the efforts of current Marxist economists.

### **The Conundrum of Surplus Value**

The fundamental source of profit is surplus value generated in commodity production and realized in circulation. The circuit of the modern capitalist enterprise described by Marx (M-C-P-C'-M') is fairly clear. Note that the initial money, M, involves the financing of production in order to purchase commodities, C, including fixed plant and equipment, raw materials and labor. To raise the funds, the productive capitalist must turn to the financial sector for interest-bearing loanable funds and stock offerings. The final result, M', the original amount of money plus the profit, is the actual purpose of capitalist production (Capital, Vol. II, Part I). The net profit, after interest and taxes, consists of retained earnings and dividends to be distributed to owners. This shows that the productive sector already involves the financial sector as a central aspect of capitalist production, not as something simply grafted on as an auxiliary feature. Additionally, the financial sector evolved the production and issuance of complex financial instruments, a hugely profitable business.

However the creation of surplus value is in the production phase, P. The crucial issue is to describe that phase simply yet adequately. Besides assembly and machine work, costs, as mentioned above, include aspects of transportation of the goods to their next destination, other essential distribution activities, storage, necessary administration, and aspects of labor involved in pricing and financing. The skill levels of the labor involved must also be accounted for. The object here is not to decide whether any given economic activity is productive of surplus value or not — there will always be much activity that is on the boundary — but to provide some reasonable criteria for estimating surplus value.

### **Accumulation by Dispossession**

As Marx pointed out in *The Critique of the Gotha Program*, the sometime socialist slogan “All wealth is created by labor” is wrong. Natural resources — land fertility, minerals, water sources, animal life, plant life, climate conditions — all play an essential role in the creation of wealth. In pre-class society everyone — that is no one in particular — owned these resources. Use of them is shared through custom and collective agreement. In class society, the ruling class owns the bulk of them. Marx identified the process of transforming ownership from the collective to the ruling class as the Primitive Accumulation. This was the beginning of accumulation under the capitalist system: the accumulation of wealth at one pole and the accumulation of dispossessed labor at the other (Capital, Vol. I, Part VIII).

Today, capitalists continue to privatize publically owned goods, that is, goods owned in common. David Harvey has called this process “accumulation by dispossession” (Harvey, *The New Imperialism*). Accumulation by dispossession is accomplished primarily through privatization and includes the process of making public goods commodities, subjecting them to private market relations. In recent decades transforming social services into commodities provided by private owners has profoundly deepened this process. The state contracts out social services to private corporations, for example transferring provision of education to privately held charter schools. Accumulation by dispossession has expanded to include transferring ownership of natural and social resources — even such a basic collective necessity as water — from collective to private ownership.

Note that accumulation by dispossession is related to labor exploitation, since it is part and parcel of the continuing extension of formal capitalist relations of production into virtually every nook and cranny of

society by making everything a commodity produced for profit. Therefore for analytical purposes it is useful to regard accumulation by dispossession as a distinct process of value creation and ruling class accumulation of wealth.

### **Workers' income and profit**

In Marx's classic formulation, the value of any commodity or collection of commodities,  $t$ , can be seen to consist of three factors:  $t = c + v + s$ , where  $c$  is the value of the constant (fixed and circulating) capital used up in the process,  $P$ , producing  $t$ . The quantity  $v + s$  is the value created by the labor in producing  $t$ . Variable capital,  $v$  is the part of that value given to workers in wages and benefits and  $s$ , the surplus value, is simply  $(v + s) - v$ . The surplus value,  $s$  is the profit expressed in value terms (which may be different from the profit in money terms).

Note that while  $v + s$  is a technical quantity determined by the conditions of production, the decomposition of this sum into the components  $v$  and  $s$  is dependent on historical factors, including aspects of the class struggle, meaning it will vary in terms of location and time.

In order to maximize profits, capitalists work to increase  $s$ , which they do either through the creation of absolute surplus value or by increasing relative surplus value. Increasing absolute surplus value means increasing the length of the working day without increasing workers' remuneration.

Increasing relative surplus value means changing the proportion of  $s$  to  $v$  ( $s/v$ ), also referred to as the Rate of Exploitation. This is done in numerous ways. The key is to reduce the amount of time the worker spends recreating the value of his or her labor power, which is encapsulated in  $v$ , the variable capital. Marx identified a number of ways this can be done. Ways include increasing productivity through automation or the reorganization of work, increasing the intensity of labor, hiring entire the families and paying each family member less (this is an important aspect of the super-exploitation of women and children), and of creating new technologies that give the capitalist an advantage over competitors, thereby gleaning extra surplus value (*Capital*, Vol. I, Part V).

An important aspect of the creation of relative surplus value is the depression of the price of labor power below its value. The worker sells his or her ability to work on the open market. The value of this labor power is the total value of the commodities — food, clothing, shelter and basic services — necessary for the maintenance and reproduction of the working class. Under some conditions, the capitalist can pay less than the actual cost of keeping workers and their families alive. (For an excellent discussion, see John Smith, "Imperialism in the Twenty-First Century").

Inflation, taxes, and debt service (interest on mortgages, credit cards and loans) are modern ways the capitalist class as a whole continues to depress workers' income. Student loans are of particular note. Also, the rising costs of insurance and the privatization of the retirement system further depress workers' living standards. These forms drag the workers into the financial sector as well and are pointed out by Lapavitsas as the financialization of the working class. (Lapavitsas, pp. 139-41, and David Harvey, *Seventeen Contradictions...*, pp. 238-45).

### **Super-Exploitation**

The discrepancy in workers' consumption between the "advanced" industrial economies, the imperialist centers, and the less developed world, more precisely the neo-colonies, has long been recognized as a fundamental characteristic of modern imperialism. Taking advantage of this discrepancy to generate greater profit has been the driving force in the export of capital, and more generally in the creation of

international production chains by the major corporations, which forms the structure of the contemporary international economic order. This is a major source of the increase in surplus value. Understanding this process in terms of the basic Marxist categories described above is crucial in integrating our observations about the contemporary world economy with our basic theoretical framework.

We will examine this in more detail in the following section of imperialism, but we can frame our basic idea more precisely as follows. The fundamental formula flowing from the initial Marxist articulation is:

$$s / (c+v) = (s/v) / (c/v)+1$$

where  $s/(c+v)$  is the (value) rate of profit,  $s/v$  is the rate of exploitation, and  $c/v$  is the organic composition of capital, also in value terms.

Although there is some dispute about this in Marxist circles, the organic composition of capital is generally regarded as given by technical considerations more or less independent of the location of production. Clearly, the rate of profit and the rate of exploitation are closely correlated.

The notion of super-exploitation arises from the conviction that the rate of exploitation is higher in the neo-colonies, which implies that the rate of profit is potentially higher there. But under capitalism (money) rates of profit tend to equalize, which means that the exchange values of goods traded between the imperialist centers and neo-colonies are distorted from their real value to favor the imperialist centers. Goods produced in the neo-colonies are exchanged below value to the imperialist centers. This gives rise to a whole theory of unequal trade (see, for example, Samir Amin, *Unequal Development*), which is then taken by some Marxists as the key to understanding imperialism and its relationship to the lack of development in the neo-colonies.

We wish to note here, as well, that capitalist profits overall are increased by bringing more labor into the production process. Over the last quarter of a century, hundreds of millions of workers have been drawn into capitalist production from the former socialist states and from the peasantry of various countries — notably China — into industrial jobs. This obviously increases the overall production of surplus value. Most of these workers are undoubtedly subject to super-exploitation.

Note that the discussion above involves the relationship between labor values and money prices; the transformation problem casts a deep shadow.

We will take these ideas up in more detail in the following section on imperialism.

## **On Imperialism**

No serious observer can doubt the economic, military, and political domination of the ex-colonies — now neo-colonies, but referred to in bourgeois analysis by the obscurantist term Lesser Developed Countries (LDCs) — by the major capitalist powers. Imperialism is a fundamental aspect of the heart and nature of the capitalist system today. We now look at some of the theoretical issues raised in analyzing the integrated world capitalist system, characterized by the increasing technological development of production on the one hand and the increasing degradation of the conditions of labor in both the advanced capitalist heartland and in the neo-colonies on the other.

Commodity production today is global. The imperialist centers reap super-profits from the neo-colonies. But production today in both the imperialist centers and in the neo-colonies is organically tied to electronic, robotic production, and information technology-based planning and organization. This is true in every aspect of capitalist production: in capital-intensive manufacturing, transportation, in the service sector, in marketing and particularly in the financial sector.

In many cases, particularly in the neo-colonies but increasingly in the imperialist centers, work in these technologically advanced plants is low paid, insecure and precarious. Many plants can only be characterized as sweatshops, reducing workers to conditions of semi-slavery and using other primitive forms of low-wage exploitation. It is particularly bad in agriculture, mining, assembly, transportation, warehousing, and retailing.

It is this double movement — produced by the contradictory character of contemporary capital accumulation, which, on one hand is driven by technological advance in the means of production and on the other by a steady degradation of human labor — that is characteristic of this period. While bourgeois economists tend to see these two phenomena as opposites, in fact under capitalism they are organically linked and mutually reinforcing. Marxists need to better understand and articulate this linkage and its dynamics.

This imperialist exploitation is characterized by super-exploitation, deriving super-profits from the neo-colonies, as analyzed by Lenin and others. These super-profits are derived from all three methods of deriving profits: increasing surplus value, reduction of the payment for work below the value of labor power and primitive accumulation: out and out usurpation of public goods for private use.

Pay is often at or below subsistence levels, kept there by austerity programs and the existence of a body of permanently unemployed workers. This is not simply the army of unemployed envisioned by Marx — the reserve army of labor maintained to provide for the expanding needs of capitalist production while holding down wages — but a growing surplus population that must hustle for existence in a capitalist economy that has no hope or aspiration to employ them in any productive capacity. This is exemplified by the over one billion people who live on less than \$1.25 per day. (See endnote 3)

Much of the primitive accumulation is accomplished through unequal treaties and contracts, particularly for oil and other mineral rights and the control of resources, including the production of food. Treaties force “free” trade on the countries, keeping those countries from protecting higher cost industries and higher cost production of goods, including food. The local political leadership and bourgeoisie have similar economic interests to the imperialists and therefore enter these deals that leave the general population economically devastated. There is also the growth of a middle class in many neo-colonies, many who see themselves as benefiting from imperialism and are a political support for capitalist hegemony.

In order to employ, feed and care for their populations, neo-colonies are forced into debt. These lead to austerity measures, further exacerbating the problems of the neocolonial world. The role of the International Monetary Fund (IMF), the World Bank and the World Trade Organization (WTO) are well known in this regard. Treaties, such as the North American Free Trade Agreement (NAFTA), the upcoming Trans-Pacific Partnership (TPP) and the Transatlantic Trade and Investment Partnership (TTIP), make the situation even worse for the working class. What is happening in the neo-colonies is increasingly occurring in imperialist countries as well. Furthermore, transfer pricing means that profits are accounted for by transnational firms in the country most convenient for them, so taxes — and the resultant government income — are reduced to the minimum.

It is well known that Lenin, in *Imperialism: The highest stage of capitalism*, and in *Imperialism and the split in socialism*, refers to the use of super-profits gleaned from the colonies to “bribe” the upper stratum of the working class. In his analysis, he refers to the labor aristocracy, but also cites Engel's reference to this phenomenon as the “bourgeoisification of the working class.” Thus, the capitalist class buys social passivity from the working class by paying a section of it higher wages and salaries and providing “extra” benefits. This is not to say that the working class does not have to struggle mightily to win these concessions; it merely asserts that there is enough profit in the system that victory can be won by the workers.

The imperialist countries continue to use “no small part” (Lenin's words) of these super-profits to socially pacify the working class in the imperialist countries. This social benefit today applies to a much larger section of the working class, not just a labor aristocracy. In fact, these social benefits have created what is generally referred to as the middle class.

There are, confusingly, two definitions of the middle class. The historically derived definition applies mainly to craftsmen and shopkeepers, small business and professional people, government officials, some farmers and skilled workers. In Marxist terms, this included the petit bourgeois, government officials, and the labor aristocracy. The more widely adapted usage is that it applies to not only those sections referred to in the historical definition, but to a broader section of the working class: those who are able to maintain or at least credibly aspire to maintain, a middle class life style. This is in line with Engel's reference to a “bourgeoisified working class.”

Thomas Piketty, in his recent examination of income inequality, *Capital in the 21<sup>st</sup> Century*, refers to the creation of this middle class among advanced industrial economies — he identifies it with 40 percent of the population — as one of the seminal economic changes in the twentieth century. In popular parlance — particularly in political discourse — this is the definition in common use.

The economic elevation of this section of the working class is through higher wages, higher salaries, social programs and particularly the creation of a social safety net, which is much more meager in the neo-colonial world. Still, many of the more prosperous neo-colonies have taken on some aspects of the social safety net and social programs for the same reason that they have been adopted in the imperialist countries: to buy social passivity from the affected section of the working class and separate them from the other workers in the neo-colonies, the poorer sections of the working class in their own country. The contradictory character of international capitalism is most profoundly displayed in these phenomena.

The rise and perpetuation of the middle class has been historically and still is a key ideological justification for bourgeois rule. The importance of this bourgeoisified section of the working class is primarily ideological. Their higher standard of living has allowed them to accumulate some personal property, such as houses, retirement funds and estates left their progeny. Nevertheless, they are more correctly seen as “bourgeoisified” in the ideological sense in that these small privileges lead them to support the current economic system lest they lose their “privileges.”

In contrast to the historic trend of the *rise* of substantial sections of the working class to the middle class, the opposite phenomenon has set in over the past decades. The reality of today's economy is that these economic privileges are being removed, precipitating members of the middle class into the ranks of the working class proper. This has taken place in the industrialized imperial centers and, to a lesser degree, in the neo-colonies.

Both the expansion of capitalism to every corner of the globe and the introduction of high technology into the economy, paradoxically, tends to lower profits. In an effort to maintain profits, the capitalist class is driving down wages and eliminating social programs in the name of government fiscal responsibility and efficient use of resources. The capitalists shift the tax burden onto workers and maintain a small but persistent rate of inflation to cut wages. As a result of the reduction in living standards and social benefits, workers turn to borrowing in an attempt to maintain their possessions (houses, cars, etc.) and standard of living (education for their children, their health care, etc.) This is the content of the austerity programs in both the neo-colonies and imperialist countries. This is all accompanied by the move to cut taxes on the bourgeoisie by cutting social programs and the social safety net.

The phenomena described above raises profound theoretical questions for Marxist analysis, and clarity on these questions is crucial for developing viable programs and political campaigns. We will elaborate on a couple of them.

An important trend in Marxist theory arose after World War II, although the source goes back to Lenin and Rosa Luxemburg, pioneered by writers such as Samir Amin (*Unequal Development*), Arighiri Emanuel (*Unequal Exchange*) and Andre Gunder Frank (*Dependent Accumulation...*), who attempted to clarify the theoretical basis of super-profits and super-exploitation in the neo-colonies. This was referred to as “dependency theory” or the “theory of unequal exchange.” The basis of this theory was the focus on the higher rate of exploitation, which led, in equilibrium, to a higher rate of profit on investment in the neo-colonies. Since, however, the flow of capital tends to equalize the rate of profit, because of over investment and over production in the high profit industries, the prices of the goods produced in the neo-colonies for the international market were forced below their values. This was the basis of unequal exchange. This led to the neo-colonies being trapped in labor-intensive production which blocked the development of high technology, capital-intensive industry and which consigned them to a state of permanent poverty and technological backwardness.

Due to the spurt of industrialization in some neo-colonies, and particularly in China, the theory languished over the last two decades. The spurt seems to contradict the predictions of dependency theory, despite the fact that China does not quite fit the description of a neo-colony. However writers such as Amin, and more recently John Smith, based on the research of Andy Higgenbottom (John Smith, *Ibid.*), have attempted to revive a version that is appropriate to contemporary conditions. We think this effort has some merit and wish to note some of the theoretical points.

From the beginning, both the mainstream economists, in so far as they paid attention to dependency theory and unequal exchange, and many orthodox Marxists, faulted the dependency theorists for ignoring the higher labor productivity, which supposedly was the basis of higher wages in the industrialized centers. For the bourgeois economists the argument is straightforward. They define labor productivity as the marginal product of labor via a production function. For Marxists who want to be theoretically consistent, production functions have dubious validity (see endnote 4). In Marx, labor productivity enters in via  $c/v$ , the organic composition of capital. The tendency to identify labor productivity with  $c/v$  however is not correct. A higher  $c/v$  will mean the same product is produced with less labor but with more machinery. Marxists cannot separate the contribution of labor from capital as one can in the bourgeois model. Thus the notion that a higher  $c/v$ , which historically has been the case in the industrialized world, will necessarily lead to higher real wages does not logically follow. In fact, with the demand for labor decreasing, a higher  $c/v$  might lead to lower wages, as seems to be occurring in the industrial centers. The impact of a rising  $c/v$  depends on the level of the ratio in the economic sectors producing for workers’ consumption. For example, technological developments might make the cost of



workers consumption goods less, but not necessarily so. China — where many U.S. consumption goods are produced — is experiencing rising labor costs.

Of course  $c/v$  has to be taken into account in any dynamic theory of international production. Perhaps the initial dependency theorists erred in not doing so, but the arguments of Amin, John Smith, *et. al.* seem to us to be much stronger than that of their European Marxist critics.

The gap between the creation of value and the creation of wealth over the last 35 years is a major theoretical issue for a Marxist theory of current imperialism. It is related to growing economic inequality, now acknowledged by all. According to John Smith's figures the world industrial workforce increased from about 400 million to a little less than 700 million between 1980 and 2010. There are indications that it may be falling since then. For example, manufacturing employment in China has fallen by 25 percent since 1996. (Brynjolfsson and McAfee, *The Second Machine Age*, p 183; Parry & Brody). Yet wealth, however defined and measured in real dollars, increased many times this difference. Of course, the dramatic increase in the productive parts of the service sector (e.g., health care) also generated real value, but not nearly enough to account for the manifold increase in wealth. The growth in Gross World Product (GWP), as estimated by the World Economics website, is roughly consistent with the growth in labor. However, according to a Credit Suisse report the world wealth has more than doubled since 2000, a period of recession and slow growth.

It appears obvious that much of this increase in wealth takes the form of financial securities and claims; that is: debt. Marxists consider this artificial wealth since it doesn't represent production of any real products or use values. It rather reflects the current capitalist consensus, or more likely illusions, about future profits. However this tyranny of paper values, the constant struggle to sustain it and grow it, impacts profoundly the nature and behavior of contemporary imperialism. Any adequate Marxist analysis must explain this phenomenon and link it to the fundamental concepts of Marxian economics. Although Smith doesn't attempt this, he is certainly correct in his insistence that it is necessary to link this development with Marxian value theory and the fundamental circuit of production.

Understanding what is happening to the rate of profit under contemporary imperialism is related to this question, and perhaps more fundamental. Is it rising, falling, remaining stagnant, rising in one sector and falling in another? There is an important school of contemporary Marxist economists, including Anwar Shaikh and Michael Roberts (see bibliography for references), who believe that a falling rate of profit — a tendency endemic to developed capitalism due to the increasing organic composition of capital ( $c/v$ ) — is the key to understanding the major contradictions of current capitalism. There seems to be much force in their arguments and empirical data they muster to support it, even though the measurement of global profit rates is a tricky and complicated affair, and there are theoretical issues in relating  $c/v$  — a value magnitude — to money rates of profit. (See Moseley, and Roberts review of Moseley for a detailed, contemporary Marxist discussion of this question)

Perhaps the most basic strategic question we can consider is whether the current dominance of finance is a passing phase of capitalism, or whether it has become a permanent central feature. How does this relate to the fact that the enormous increase of reserves in the hands of banks and financial institutions has not resulted in an investment boom? Bourgeois economic theory would predict an investment boom, but instead, we have seen the stagnation of real investment despite low interest rates. We have also seen the stagnation of economic growth worldwide, which is certainly linked to the stagnation in real investment.

We are convinced that the failure of Lapavistas and other recent Keynesian-Marxist theorists to take up the questions raised in the previous four paragraphs in a serious way is tied to their refusal to bring

fundamental Marxist categories into play, including the theory of value, the theory of exploitation and the circuit of production. Even though they retain a certain political sympathy toward socialism and the workers movement, and wish to be associated with the Marxist tradition of analysis, they seem to have lost faith in these Marxists fundamental categories as a basis for analysis. Instead they have embraced Keynesianism as the only adequate tool kit for fundamental macroeconomic analysis. Being locked into Keynesian models not only determines the answers to basic questions, but even more importantly determines the questions that are asked.

Marx, along with the classic economists, was interested in analyzing the coherence and sustainability of wealth creation and distribution, which was implicit in the logic of emerging capitalism. The classical economists understood that to do this they needed a theory of value that underlay the volatility and randomness of market pricing. They further understood that there was a configuration of class structure and differences that generated social conflict over distribution. What Marx saw more clearly was that class conflict was central in the making of history. The drive to accumulate capital, which led inevitably to class conflict, was baked into the foundations of capitalism and distinguished capitalism from all previous modes of production. It was within this framework that he developed his basic concepts of surplus value, exploitation, composition of capital, the circuit of production and distribution, labor power and the fundamental relationships between them. He sketched out the relationships between these Marxian concepts and the traditional basic concepts of economics: price, profit, wages, rent and money.

We believe that a broad and deep understanding of contemporary imperialism, and in particular its economic core, is a necessary component of any sustainable working-class political revival. Marxist economic theory provides the basic and the necessary theoretical tools for forging such an understanding. There have been many serious and interesting attempts to theorize about imperialism from a Marxist perspective over the past decades but few of them seem to have grasped the basic direction of development. Our view is that a major part of the problem is the premature abandonment of the basic Marxist categories. Certainly these categories have to be refined and contextualized to analyze contemporary reality. We are not urging a ritualistic repeating or quoting of Marx's terminology and phrasing as the key to contemporary wisdom; some of his formulations may need revision or at least enrichment. However, the Marxist framework served the workers movement well over a century of development.

## **On the Transformation of Technology and the Labor Force**

In critiquing the concept of financialization, it is important to note both what has been said and what has not been said. Lapavitsas spends time discussing the flow of capital and workers into the financial sector, but fails to note that this may be the result of effects in the industrial sector, rather than just a feature of the financial sector alone. In fact, examination of the industrial sector shows that technological change is inducing the changes that lead to the effects he notes. This is not the result of financialization, but is a feature of the technological and electronic revolution occurring throughout society. We now examine this in detail.

In the *Preface to a Contribution to the Critique of Political Economy*, Marx laid out the profound consequences of the inexorable march of technological progress for the mode of production:

In the social production of their existence, men inevitably enter into definite relations, which are independent of their will, namely relations of production appropriate to a given stage in the development of their material forces of production. The totality of these relations of production constitutes the economic structure of society, the real foundation, on which arises a legal and

political superstructure and to which correspond definite forms of social consciousness. The mode of production of material life conditions the general process of social, political and intellectual life. It is not the consciousness of men that determines their existence, but their social existence that determines their consciousness. At a certain stage of development, the material productive forces of society come into conflict with the existing relations of production or – this merely expresses the same thing in legal terms – with the property relations within the framework of which they have operated hitherto. From forms of development of the productive forces these relations turn into their fetters. Then begins an era of social revolution. The changes in the economic foundation lead sooner or later to the transformation of the whole immense superstructure. (Preface, *A Contribution to the Critique of Political Economy*)

All technological advance causes shifts and changes in the mode of production. Many of these are small or incremental changes. At times, the advances in technology are fundamental. Harvey has referred to these types of technological advance as “generic technologies.” (Harvey, *Seventeen Contradictions ...*, pp. 94-5) They apply to many or all fields of production and distribution and can cause quantitative shifts in the mode of production. The most profound can cause qualitative change.

The most obvious of these was the steam engine that is widely regarded as the fundamental cause of the industrial revolution that launched modern capitalism. Its effect was profound. It created markets for iron and steel to produce the engines and for wood and coal to provide them with energy. It was the invention that allowed power to be divorced from waterpower and animal energy for the production of goods. It allowed the development of factories. It was the technology adopted to develop transportation through the railroads. The demand for all the inputs to production created entire new industries, including the oil industry. Ultimately, it led to the development of electricity and the communications revolution created by the telegraph.

Electricity was also a generic technology that led from the industrial phase of capitalism to imperialism. Again, the communications revolution it ushered in, coupled with the provision of power to the local consumer profoundly altered the economic landscape.

The current technological revolution is based in the development of electronics, in particular the storing and transmission of vast amounts data electronically through computers, information technology. Electronics is a generic technology that is influencing every aspect of economic relations in production and distribution on a global scale. It has led to the current stage of development of capitalism, the exact nature of which is still being debated. Of course, the most basic relation of production — private property — has remained unchanged. The question that confronts us is how this technology is affecting the mode of production.

One of the most basic aspects of this electronics revolution is that it appears to be a labor-replacing technology. (Peery, *Entering an Epoch of Social Revolution*). Numerous articles have been written showing that the effects of computer technology — unlike its historical antecedents — is actually causing a reduction in the overall employment in manufacturing. (Parry & Brody, Carson, Carl Frey and Michael Osbourne) The idea is that robotic substitution for manufacturing labor is actually replacing more workers than the increase resulting from the production of robots. This effect is ubiquitous. Replacement of manufacturing labor in the advanced industrial economies is a well-established, long-term trend.

This effect has been partially hidden by the effect of offshoring, or moving production to the lowest wage countries as described elsewhere in this paper. This leaves the impression that the reduction in jobs is solely or mainly due to jobs shifting to low-wage areas such as Mexico, China, Vietnam, etc. In fact, many

of the jobs have both shifted and been computerized out of existence. Some recent research claims that 88 percent of the job loss in the United States is due to technology; the remainder is due to offshoring. (Hicks and Devaraj). Others have claimed the share of off-shoring is greater (Autor, Dorn, and Hansen). There is no doubt that technological developments have played a major role in manufacturing job loss. One of the important, but little publicized facts about offshoring is that production, for example in China or at the *maquiladoras* in Mexico, is done with the most modern technology, so that the number of workers is minimized.

The effect is also offset by workers pouring in from the countryside. In China, but also in other neocolonies, the peasantry is being tracted off the land and forced into the cities. On the one hand, this development of industrial agriculture is an expression of exactly what is referred to here: the technological revolution that is sweeping all aspects of all economies. On the other hand, these workers are being made available for exploitation by capital in the cities and in the industrial sector.

The overthrow of the socialism in the former Soviet Union and other Eastern European countries also led to large numbers of workers moving from state owned enterprises (SOEs) to private firms and adding to their exploitation by capital. Given the relative low level of technological development of the SOEs, this might lead to a reduction in industrial employment not directly due to technological advance.

Further, the analysis of the effect of computerization on employment in industry has focused on manufacturing. Industrial employment also includes transportation (particularly international transportation of goods), construction and other industries that are not directly concerned with manufacturing, such as software development. These industries have also been deeply affected by the electronic and scientific revolution, but the overall employment effect has not been determined.

Nevertheless, indications are that the direction of technological development in both the neocolonies and imperialist countries is toward labor replacement by technology. For example, China is the world's largest market for industrial automation and robots. Foxconn — famous as producers of the iPhone for Apple — plans to have robots replace 30 percent of its labor force doing the most tedious work. (*The Economist*, September 12, 2015).

It is clear that jobs in the United States and other imperialist countries have been computerized out of existence. The factories of the past, employing tens of thousands of workers, are gone. The trend today is to smaller, highly computerized factories, employing hundreds, not thousands of workers. While they are not ubiquitous yet, workerless plants also exist. They do not necessarily run without workers all the time, but on holidays and over weekends or between shifts. Thus, the move to fully computerized factories is an economic direction of computerization, but is not yet there.

One indicator of this is that in the imperialist countries, the Labor Force Participation Rate (LFPR) and the Employment-Population Ratios are falling.

If this analysis is correct, it means that capitalist industry will require neither increasing numbers of industrial proletarians nor a reserve army. Marx explicitly pointed to the growth of the absolute mass of industrial proletarians and their immiseration as the fundamental law of capitalist accumulation. "The greater the social wealth, the functioning capital, the extent and energy of its growth, and, therefore, also the absolute mass of the proletariat and the productiveness of its labour, the greater is the industrial reserve army. ... *This is the absolute general law of capitalist accumulation.*" (*Capital*, Vol. I, p 644, italics in the original).

The worldwide effect is that over a 2.2 billion people live on less than \$2 a day in 2011. That is 31.4 percent of the world population. It used to be that layoffs were temporary, either for retooling or during downturns in the economy or for demand for the product. The expectation, of both capital and the workers, was that the workers would be recalled. If one factory closed or downsized, that labor force would be reabsorbed by other factories. Hence, the excess labor was, in that regard, a reserve army, ready to be thrown into production when capital had a need for more workers: either when demand picked up or when the economy recovered.

But the idea that capitalism will ever hire the most destitute of those in poverty today or that they constitute a “reserve army” is dated. While sections will be drawn into production, the vast majority has been thrown out of the formal economic system and is forced to survive by any means possible. In case one thinks that this is restricted to Africa, Asia and Latin America, see the book, *\$2,00 a Day: Living on Almost Nothing in America* about poverty in the U.S. (Kathryn J. Edin and H. Luke Shaefer)

Obviously, everyone has to get enough money to continue to survive. Thus, we see the growth of employment in the informal economy, i.e., the petty retail sector and in marginal consulting and entrepreneurship schemes. The latter two basically mean hustling for oneself in the absence of secure employment in the corporate sector.

It is telling that, in the U.S., the Employment-Population Ratio for high school and college-educated workers is declining, but the ratio for those without a high school education has increased. (Paul Craig Roberts). While this may or may not be a permanent trend (the unemployment rate is still markedly higher for those without a high school degree), it is indicative of job replacement of more skilled jobs. Clearly an aspect of both the technological unemployment and the export of jobs is the deskilling of workers and the hiring of the least skilled for the shrinking job pool. Computerization has removed much of the skill needed in many jobs. While this process has been noted in the past (Braverman), it is happening even more rapidly in the present.

Another aspect of increasing attention to the retail sector is that the overproduction of commodities — particularly with less and less labor — requires more and more capital, advertising, and other inputs, to sell the mass of commodities and realize a profit. The use of debt to continue the circulation of commodities has been noted above.

The above facts suggest that further technological development is not a solution to the problems of unemployment, falling wages and the slashing of the social safety net. The myth that war generates employment both through the military and through contractors is especially pernicious. It is clear through the last dozen years that war no longer does what World War II did. Fewer, technologically equipped soldiers use gear that is produced by computerization and hardly makes a dent in the employment statistics.

Such a development also has had a deleterious effect on union organizing. With smaller plants and shops, changing contractual relationships, the use of employment agencies in staffing and the threat of both offshoring and technological replacement, organizing in the private sector has fallen, in the U.S., to about 6.6 percent of the workforce.

The effect of permanent unemployment on capitalism has been profound. It is destabilizing capitalism. The current hegemony of neoliberal ideology is an attempt to justify the combination of the glut of commodities and the generation, by capital, of permanent unemployment. If workers are permanently unemployed — if there is no expectation that they will be needed in the labor force — then there is no

longer a need for education, health care, the social safety net, jobs and higher wages. Thus, we see capitalist policies aimed at cutting the budget for education and health care, and the social safety net. Real wages are currently at the level of the 1950s. Job creation is mainly in jobs associated with the lowest wages: retail and food service. (Peery)

Cuts in budgets are universally taken in the name of balancing the budget. But the reality is that the capitalist class is paying less and less in taxes and therefore causing the budget crises that are ubiquitous throughout the world, but particularly in the U.S. This is the direct result of their effort to increase both the rate and mass of profits. The increases in production of commodities that result from the technological revolution have made the process of realization of profit more difficult. Both the squeeze on profits and the out-of-control rise in debt are the result.

With no need for the social safety net, there has been an increase in the need by capital for police, prisons, homeland security and other methods of social control. These do not seem to be affected by the budget crisis brought on by capital. Thus, the rightward drift of ideology and politics has a material basis rooted in the changing technological basis of the economy. If that is the case, then the expectation is that the rightward drift of politics will continue with the threat of a leap to more draconian politics.

To sum up, three great developments have altered the conditions of labor internationally over the past decades. They are the destruction of the agricultural and rural-based economies of the neocolonies, the decline of manufacture as the economic basis of at least the advanced capitalist world, and the collapse of socialist states, drawing the working class of the ex-socialist states into the international, capitalist labor market. The revolution in electronic technology was central to the first two of these developments, and it can be argued that it was relevant to the third. Any adequate analysis of the international economy must have these developments as its starting point.

## **Imperialism and the Environmental Crises**

Nothing indicates the contradictions, and social cost of contemporary imperialism more than the growing environmental crises. The degradation of the quality of air, fresh water, farmland and ocean sources of nutrition threaten our basic necessities and threaten to unleash an international holocaust over the next half century. Of current concern is the release of carbon into the atmosphere due to the insane expansion of fossil fuel use, which intensifies global warming and climate change. Among other devastating consequences, that will result in the flooding of low altitude and coastal regions forcing the relocation of hundreds of millions of people.

From a Marxist point of view this process of environmental degradation is a manifestation and inevitable consequence of two of the fundamental components of contemporary capitalist imperialism in its drive to sustain capital accumulation and surplus value, components that we have already discussed

The first is the connection to appropriation by dispossession. Turning the once communal and fundamental necessities of human existence (air, food, water, shelter, fuel, child and elder care, etc.) into commodities opens the possibility, and then the necessity, of the subordination of their provision to profit making. Multi-national corporations and their local allies, desperate to invest their accumulated profits at a high rate of return, seize local and national communal assets and state-run industries. These are often made vulnerable to capture by compliant neo-colonial regimes and through the manipulations of international financial interests who control debt and money supply.

The result is the overuse, abuse, and failure to maintain these precious resources as the new owners — giant capitalist enterprises — engage in a frantic game to realize the fruits of their investment in the shortest possible time period and then move on to more lucrative prospects. The result of this wild speculation on natural resources, and their over use, is the dramatic degradation of the environment, the neglect of their long-term maintenance and their inevitable degradation. Colonialism and earlier forms of imperialist control exhibited the same tendencies, but earlier efforts lacked the technology and organizational sophistication to inflict the current levels of damage.

The second connection — and more neglected in Marxist theorizing — is the relationship between increasing absolute surplus value (super-exploitation) and environmental degradation.

The level of super-exploitation cannot be measured simply by comparing the money value of wages to that of profits. The degradation of the social conditions of working class life is a form of super-exploitation. Thus, the contemporary movement from the countryside to the city, leading to a vast oversupply of potential industrial labor, dampens real wage rates and traditional social benefits for the industrial working class. This is as much a manifestation of super-exploitation as is direct wage cutting and the lengthening of the working day.

A weakness of much theorizing on the environmental crises is the separation of environmental degradation from the geo-political functioning of contemporary capitalism. Take Nigeria, for example. It has 173 million people, the great majority trapped in poverty and unemployment and engulfed in bitter social, regional and religious conflict. Crude oil constitutes over 80 percent of the value of its foreign exports; natural gas constitutes about another 10 percent. To substantially decrease its pumping of oil and natural gas would very likely lead to social chaos and civil war as the ruling military elite — which gobbles up the bulk of the export earnings — and their repressive apparatus broke into factions, each hoping to retain their spoils. Nigeria is only one of many nations balanced on the edge of disintegration and dependent on the export of fossil fuels to avoid falling into the abyss.

The point is that the stability and coherence of the current world capitalist order is dependent on a number of structural underpinnings, one of these being the fossil fuel industry. It is not simply that the industry is unwilling to leave most of \$27 trillion of fossil fuel in the ground, (Boyce) as would be necessary for a serious attack on climate change. Even if it were, the social and geo-political consequences of such a decision would be enormous, and the international ruling class is simply unwilling to take such risks even to avoid climate catastrophe.

The conclusion is that contemporary capitalism needs to, and is willing and able to impose unlimited social misery on the working class as long as ruling class hegemony is unchallenged. Catastrophic climate change, and the broader devastation to the natural and social environment are not only possible, but also probable and acceptable to our capitalist rulers because they understand that serious steps to avoid this would threaten their class rule. The real issue is whether this is acceptable to the working class. Without challenging the current system of bourgeois rule the environmental movement may achieve gains around the margins or in isolated regions, or gain unenforceable rhetorical commitments (such as the recent Paris accords) but will not be able to fend off the catastrophe that awaits us.

## Strategy for a New Period

We are in a new period of capitalism. While the notions of globalization, financialization, and imperialism describe fundamental features of it, they are not adequate to fully understanding the current conjuncture. One must confront, from a Marxist perspective, the more basic features, the actual changes in the structural and technological foundations of capitalism and in the mode of production, in the living and working conditions that flow from these basic changes and that mold the lives of the working class internationally. We have focused on this aspect in the previous sections.

In this section we would like to indicate political/strategic consequences that emerge from our analysis. Politically, for us, the most salient fact is that no viable, mass-based working class politics exists at this moment, at least in the U.S. Without such a politics and the level of organization and mobilization which is central to it, little can be done to transform the current situation, a disastrous state of political decline and increasing social misery for the working class both in the U.S. and internationally.

A working class politics, and the organization and mobilization that grows out of it, cannot arise from the efforts of radical intellectuals. While there is a crucial role for conscious revolutionaries, working class politics must arise organically from the struggles of workers against the daily injustices and oppression of life under capitalism and in doing so create a broad layer of revolutionary workers committed to fundamental social transformation. In this process, radical, and in particular Marxist-inspired analysis has an important role to play in clarifying alternative visions and strategy, and at a minimum sweeping away ideological blinkers imposed over the last few decades of unchallenged bourgeois hegemony. The bulk of this obfuscation and confusion was the conscious result of the powerful international propaganda campaign, the mass media and the education system, to make bourgeois ideology the common sense of the masses. But the Marxist left also bears some responsibility for its disoriented, confused and incoherent response to this campaign, particularly since the fall of the Soviet bloc.

In the previous sections we reaffirmed the importance of reasserting the centrality of Marxist political economy in an analysis of the current conjuncture. What we want to do in this section is make certain suggestions to the Marxist left on political problems and contradictions it must explicitly address as serious issues. Slogans and traditional formulae are insufficient if it wants to reach out to a substantial layer of the working class. These issues are difficult and we certainly don't have or present any pat answers here, but we are convinced that unless Marxists take them up in a fresh, sharp and detailed manner, we will remain irrelevant to any emerging workers movement.

The contradictions of the current period have returned to the classic formulation: the working class versus capitalist class, but on a much higher, global level. In the period of classical imperialism, there were three major contradictions. They were the contradiction between socialism and capitalism, between colonies and imperialists, and between different imperialists. These contradictions are all but gone. Gone is the socialist bloc and with it the contradiction between imperialism and socialism. The few remaining socialist countries are, of course, important and must be defended, but they no longer constitute a main strategic concern for the revolutionary movement.

Colonies, likewise, are a thing of the past, replaced by neocolonies, open to all imperialist countries to invest in and exploit. There are direct colonies; Puerto Rico is an example. But for the most part, like the socialist countries, direct colonies that imperialist countries fought over and directly administered are a thing of the past. Today, the world has imperialist countries and neo-colonies, which while economically controlled by the imperialists are ostensibly politically independent. There are also intermediate states such as Russia, Iran and, most importantly, China, which while remaining at a level of industrialization



below that of the major imperial blocs are competing with them while striving to join them. Thus, the struggle for legal political independence is no longer the major thrust of the world revolutionary movement.

Finally, there are established imperialist blocs, mainly Japan, Europe and the United States. These compete economically, but are not facing each other at gunpoint — as they were in the colonial period — over redivision of the world. In fact, the chance of inter-imperialist war is relatively remote. The economies are deeply integrated. All acknowledge the military supremacy of the U.S., which is primarily aimed at repressing political resistance and opposition in the neo-colonies and thwarting the ambitions and challenges to U.S. hegemony by the emerging powers, Russia, China and Iran. These battles are being played out in the Middle East, in the Ukraine, and in East Asia.

This leaves the main contradiction: between workers and capitalists. Now we see direct exploitation of the workers in the neocolonies by the imperialists of all countries. The fight is both within the imperialist countries, where the standard of living of workers is being driven down, and in the neo-colonies, where the standard of living remains abysmal. This raises the question of the role of revolutionaries.

The role of the revolutionaries in each country is to organize the workers in that country to fight in their own behalf and to gain real political power. It is an international struggle, waged in each country. At some point, it will be necessary to coordinate this struggle at the international level. It is also the role of revolutionaries in the imperialist countries to fight against military aggression directed at the neo-colonies, particularly when the imperialists are fighting against the revolutionary movements of the workers.

In order to struggle effectively, the revolutionaries must recognize the differences within the working class itself. The struggle always and everywhere is in defense of the poorest, most vulnerable section of the working class, regardless of country. There is vast poverty in the neo-colonies and it must be the role of revolutionaries to fight in the interests of the workers in those countries. But there is also real poverty in the imperialist countries. The active workers must defend the least advantaged among their own working class. This is where defense and mobilization of the permanently unemployed, semi-employed, and those restricted to the informal sector — those most deprived by the economic system — are of great importance. The reason we emphasize the lower layers of the working class is not primarily moral; it is basically strategic. It is largely from this strata that the most solid and determined support will be found to carry through the profound, sometimes chaotic, and surely contentious social/economic transformation that is necessary.

The U.S., for example, is the base of global imperialism. Racial divisions — particularly between black and white, but also between all persons of color and the whites — are of historically evolved centrality in the U.S. We must recognize that workers are workers regardless of color. There are white workers in as much poverty today as African American workers. We must be able to unite black, white, Latino and other workers on the basis of their economic position in society. There is a huge amount of immigration into the U.S. and these immigrants constitute an important section of the working class, whether or not they have documents. It is these divisions that have kept the working class immobilized over the years.

We must recognize that the white worker plays a central role in the revolutionary movement in the United States. They still constitute the majority of the working class. They will constitute the base of a fascist movement if they are not won over to revolution. The idea that the white section of the working class is too reactionary to be won over must be abandoned and ways of educating them and winning them over to their own defense must be mastered. The capitalists know this and regularly use the white

section of the working class as crucial swing votes in getting Democratic or Republican Party candidates elected.

On the other hand, the middle class, the upper layer of the working class that believes it still has an economic stake in capitalism, must also be seen to be multi-racial. There is a large and growing section of African Americans who are “middle class.” The same is true of Latinos, Asians and other racial and national groupings. The political result of this social/economic reality is the physical and political isolation of whites — particularly white workers — from blacks and other groups. Both groups, the middle class of color and the historically privileged upper layer of white workers, see the other group as a threat “to their slice of the pie.”

Since this is the reality that faces revolutionaries, we must recognize that it is not possible, at the moment, to unite the entire working class. The bourgeoisified section — the so-called middle class — still believes it has economic and political interests in defending capitalism. Politically the Democratic and Republican Parties will continue to exploit this in promoting bourgeois politics. The Republicans appeal to the legitimacy of historic white skin privilege, while the Democrats, under the slogan of equal opportunity, promise to open the doors of comfort and prosperity to worthy people of color.

Gender divisions within the class are also crucial. The majority of the population, nationally and internationally, and the majority of the working class are women. Women workers are worse off economically than men and are more readily thrown out of the workforce. Thus, they also constitute a majority of the permanently unemployed and underemployed section that now is at the heart of the working class. We must depend on women in the struggle in their own self-defense. They must be an integral part of every revolutionary organization and movement of the workers. Of course, we realize some women form an integral part of the middle class and retain ties to capitalism. However, we must direct our appeal to working women’s interests as workers. We must work to unite those workers on the basis of their economic position, that is, on their poverty.

The point for revolutionaries is for the working class to gain political power. Without real political power, the working class is left with a series of good ideas that cannot be materialized. The idea is to find strategies that build political power. The period is ripe for this.

The bourgeois political parties are splitting, both to the left and to the right and in many different countries. This is a golden opportunity for the revolutionaries to work within the political process to win workers to a political position independent of the capitalist class. This is the process of building class consciousness stage by stage. Not to do so is to leave the door open for fascism. One strategy many are working on in the U.S. is the creation of a third, multi-class progressive party, as a step to building an actual workers’ party. Our view, however, emphasizes consolidation of real political power on the part of the workers themselves. The recent electoral efforts of Bernie Sanders, along with the victory of Kshama Sawant in Seattle, have opened up a discussion of socialism that can stimulate working class consciousness.

Organization is key. Revolutionaries have to remember that the effort is not to unite the left; it is to unite the working class around the interests of its most disadvantaged section. In order to do this, we need organizations of revolutionaries. The current organizations of communists and socialists around the world seem inadequate. We need refreshed theoretical advances as the foundation of a new program based in the reality of today.

Much of the left has taken one of two paths: either the organizations have become focused on reform or they have become primarily anti-imperialist. On the one hand, currents like most contemporary social democracy, which aims to “fix” capitalism through a slow, reform-based transition from capitalism to socialism within the current political structure, are no longer viable. The economic/political reality of the day is of a capitalist class that continually tightens the screws on the workers across the globe. It forces the dominant ideology, and the political apparatus that reflects that ideology, continually to the right. Thus, the idea that “we” can get “them” to adapt capitalism to the needs of the workers, or even the needs of human survival, is utopian.

Our analysis shows that ruling class will fight substantial political and social reforms with increasing ferocity, knowing that its continued hegemony is at stake. The fight for whatever reforms can be won in this context will be difficult and the results limited. Private property is the basic relation of production that is being expanded: socialization of ownership is being contracted, not expanded. The most dramatic example is the veto power the international fossil fuel industry has over energy regulation — despite the acknowledgement that fossil fuel use is responsible for climate change — which is producing environmental disaster. Only a class-conscious movement of workers in their own defense — one that is prepared to liquidate the private oil and natural gas monopolies — can confront that.

Of course revolutionaries must remain active in mass movements for democratic, progressive reform. Such movements are basic in expanding and driving forward the mobilization and consciousness of progressive forces. At the same we must not forget Marx’s dictum that the aim of our political activity is not this or that reform — or even a whole series of reforms — but to advance the long-term interests of the working class. This requires a fundamental transformation of the existing social/economic system, a revolution that requires the replacement of the capitalist ruling class by the collective working class. Thus, the role of revolutionaries in the reform movement is to point out that the reforms can only be consolidated through socialist revolution.

Along with a revival of Social Democracy, we see the rise of the anti-imperialist parties and formations. Some are based on ethnic or nationalist drives of an earlier epoch and others on “orthodox” formulations that are based in the Marxist-Leninist theory of a century ago. This is equally unreal, as society, technology and the working class are fundamentally different today than they were in 1917. While the strength of the Marxist-oriented anti-imperialist groups is their commitment to forms of Marxism, the weakness is that they reject the idea that society has advanced in fundamental ways beyond the period of classical imperialism.

For example, for the millions of permanently unemployed and semi-employed workers not in the formal labor force, there is no provision of services at a point of production. These workers face the state directly. Whether it is jobs, health care, the environment or any other concern, there is no major employer to contest with. More and more, the struggles are politicized.

Revolutionary organizations must be national in form and international in content. The revolutionary workers themselves must decide — in struggle — what this means. In forming these organizations, they must unite the movements that actually exist within each country. The capitalists are brilliant and dedicated to keeping us separated. How else is it that the struggles in the U.S. against the killing of African American men has been kept from being a massive, nation-wide movement demanding reform? Yes, there are national expressions, such as Black Lives Matter, but it is the lack of a broad revolutionary strategy and practice within these movements that allow the capitalists — at least up to now — to contain these movements and channel their demands. One cannot overemphasize the importance of such a movement, and its potential for raising fundamental political issues and mobilizing masses of young

people. Yet without a firm and explicit working class perspective, such movements tend to flame out, as their activists become demoralized due to lack of immediate victories.

It is the role of revolutionaries to carry out their responsibilities within the working class. Only through the most dedicated study and practice can the science of Marxism again begin to grow within the working class movement in this country. Countless examples across the globe in recent years have proven that without Marxist theory and strategy as a guide, the working class cannot sustain forward movement. One salient example is the Arab Spring, in which the Egyptian working class played a major role but was unable to exert leadership. The time is ripe. It is the revolutionaries who must step up and play their historic role.

While critical of the orientation of reformist Social Democrats, anti-imperialist nationalists and orthodox Marxist groups, we understand that any mass working class movement, whose building is, in our opinion, the main strategic goal, will involve the essential participation of many ideological and political currents. We must struggle to avoid the curse of sectarianism, particularly present when the organized revolutionary left is small and weak. We must be prepared to work in a comradely and principled manner with all who are committed to such a movement, despite disagreements. In the final analysis it will be the engaged working class, not our polemics, which will determine the success or failure of the movement.

This leaves questions for future consideration and study. First and foremost, what is the period, the stage of capitalism we are in? What are the forms of organization we should consider, given the current state of technological advance, social networking and universal communication? What strategies for rebuilding the working class movement and attaining real political power are the most viable? These are questions that must be considered, studied and tested in the crucible of struggle.

## Conclusion

In this essay we have attempted to re-assert the importance of a Marxian approach to the current world conjuncture. Our fundamental assumption is that capitalism over the past half century — while it has retained its basic nature as a system of private property and therefore of labor exploitation — has, at the same time, been fundamentally altered both economically and socially, a change made possible by profound technological developments. This process — reflecting both continuity and change — poses enormous problems of analysis for those of us looking to foster revolutionary change in an unjust and oppressive system that dominates the entire globe. It is this dialectic between continuity and change, which is the most difficult thing to grasp, is, at the same time, the key to understanding the current situation.

In terms of continuity we believe that a historical materialist approach, based on the fundamental insights of the Marxist tradition, remains the basis of a correct analysis of capitalism. It provides the theoretical, analytic, and strategic foundations for building a workers movement for socialism. This represents a tremendous intellectual and political challenge at this time for a relatively small and marginalized group of socialist activists. We take solace in the fact that this situation is not unprecedented in the history of the socialist movement. Capitalism, as Marx and Engels brilliantly described in the *Communist Manifesto*, has been dynamic and changing since its birth. Socialism, as the movement of a revolutionary working class, has experienced lows as well as highs throughout its history. Yet the working class movement, often pronounced historically exhausted, has time and again risen from the ashes, to posit the possibility of socialist revolution.

We also insist that it is necessary to recognize that the relations of production, while retaining their foundation in the private ownership of the means of production, have gone through profound alteration within capitalism over its 200 years of development. These changes have been particularly profound over the last half-century. We have articulated what we regard as the most important of these changes in the body of this essay. We claim that it is required to articulate new forms of organization and struggle that confront these changes.

This may seem heretical to those who believe that Marx and Lenin have laid down the fundamental analysis, theoretical and strategic, and that our job is to organize around their principles. We believe that their original insights and historical materialist approach remain valid, but that such insights must be developed — and yes, altered — to fit changing reality. In this essay we have attempted to separate and reassert what is fundamental and remains valid from certain traditional Marxist positions that seem outmoded.

Marxism we believe should be treated as a science, not a religion. Just as modern physics began with Galileo and Newton's shattering theoretical breakthroughs, relativity theory and quantum mechanics have subsequently altered our perception of reality. What seems clear to us is that the struggle to construct a world free of class exploitation is a long and very difficult one, with many twists and turns, and subject to setbacks and defeats, as well as victories and triumphs. What we — all of us — can do is contribute our insights and thoughts to this mission in the belief that our collective efforts will contribute to develop the kind of renewal that only a revolutionary workers movement can achieve.

## Endnotes

0. This essay, as brief and schematic as it is, is intended as a political intervention modeled on the theoretical exchanges of the Marxist leaders of pre-WW1 Europe such as Lenin, Kautsky, Luxembourg, etc. Of course, as isolated intellectuals with activist backgrounds and Marxist organizational experience but with no real political organization or material resources behind us at the moment, we cannot pretend that our views carry the weight of the views of these early 20th Century thinkers. However, we believe that their methods of formulating and debating fundamental questions is a model to be followed. We are convinced it is important to for us and others to raise these issues, particularly since few of the remaining organized forces on the left seem capable or interested in doing so.

In this essay we refer to many thinkers both historical and contemporary. This is necessary due our argument and to the broad set of issues we raise. This, however, is not a scholarly treatise and we feel it is not appropriate to present a full set of references, which would involve burdening a not too long essay with hundreds of citations. We try and cite a representative sample from which the reader can extract a more complete bibliography. One can always consult Wikipedia. In the text of this essay, for most of our citations, we simply use the name of the author. The bibliography has the detailed textual information.

1. See in particular Costas Lapavitsas' *Profiting Without Producing*. This work is a valuable, informative and thorough treatment of the subject of global finance from a Marxist/Keynesian perspective by an economist and former elected representative in Greece of the Syriza party. Lapavitsas has a detailed and profound grasp, in his words, of "the ascendancy of finance and the concomitant financialization of capitalism". Lapavitsas is perhaps the strongest and most intellectually formidable advocate of what we are criticizing, and therefore details and positions taken from his work represent the most challenging examples, and are most frequently cited in this essay.

2. Lapavitsas does not agree; see Lapavitsas (*Profiting Without Producing*, p. 168) for an example where "profit [may be] generated out of the processes of circulation."

3. The numbers of people in the world living in extreme poverty is the subject of much debate with neoliberals insisting that this number has dropped dramatically over the past quarter of a century. For example *The Economist* claimed (June 1, 2013) that between 1990 and 2010 those living in extreme poverty (on less than \$1.25 a day) had declined by almost a billion. An article in Aljazeera by Jason Hickel of the London School of Economics (August 21, 2014), however, demolishes this claim by examining these figures in detail, showing that false accounting and massaging the definition of poverty accounts for the bulk of this supposed decrease. According to economist Peter Edwards of Newcastle University, whose results are described in Hickel's article, "they need roughly double the current IPL [International Poverty Line], or a minimum of \$2.50 per day. ... An IPL of \$2.50 shows a poverty headcount of around 3.1 billion, almost triple what the World Bank and the [UN's] Millennium Campaign would have us believe. It also shows that poverty is getting worse, not better, with nearly 353 million more people impoverished today than in 1981. With China taken out of the equation, that number shoots up to 852 million."

4. The theoretical coherence of the production function in a system with many capital products, central to neo-classical macro-economics, was challenged by Pierro Sraffa, Joan Robinson and her associates, and defended by Paul Samuelson in the famous "Cambridge Capital Controversy." Eventually Samuelson conceded that in "in theory" the critics were right, but the neo-classicals simply ignored this result and continued to promote the centrality of a general production function. Even such a knowledgeable and

progressive economist as Thomas Picketty seems bewildered by this result. (see Kurz and Salvadori, pp. 427-468, for a full and knowledgeable discussion of the “Cambridge Capital Controversy.”)

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I was born the child of Jewish Communists who worked in the needle trades. During most of my early childhood my father was the Detroit business agent of the United Fur and Leather Workers union, whose president was the national communist leader, Ben Gold. The first political campaign I recall was passing out leaflets for the Henry Wallace presidential campaign in 1948. I was 14 years old.

My basic political orientation throughout my high school years, my undergraduate years at University of Michigan, and my graduate student years at the University of California were the popular front principles of the 1930's and 1940's — anti-fascist, anti-racist, anti-militarist and pro-working class.

During my years as a college student and in graduate school, 1951-1961, the anti-communist witch hunt and McCarthyism pretty well drove the left underground and repressed any significant left mobilization. While I sympathized with much of the left activity of the period — protesting the execution of the Rosenbergs, for example — my participation in these efforts was minimal and I concentrated instead on my studies and developing my intellectual skills.

I followed a fairly lengthy and circuitous process of pursuing a variety of professional, scholarly, and scientific interests, from journalism, to literature, to philosophy and finally to mathematics. I received a Ph.D. in mathematics at Berkeley in 1961, accepted a position in the mathematics department at the University of Chicago, and pursued a career as a research mathematician at the University of Chicago for the next 39 years until my retirement in 1999.

The revival of the left in the early 1960's drew me back into serious political activity, first as an activist in Chicago Friends of SNCC, the most radical local civil rights group. I was an activist in the community-based Citizens for a Democratic Society and an initiator of New University Conference, an offshoot of SDS for graduate students and young radical faculty. I was also active in organizing with the peace movement which, combined with the emerging student movement, became the active leadership in the struggle against the U.S. invasion of Indo-China.

Time spent in England in the late 1960's and a year in Paris in 1969-70, introduced me to European Marxists and New Leftists and revived my faith in the possibility of working class revolution. By the time of my return from Paris in 1970 I was a convinced Maoist, and joined the Sojourner Truth Organization, which was a small collective of mainly in-plant organizers. Although I left Sojourner Truth after four years due to serious political differences, that experience had strengthened what became a lifetime conviction that African American and other workers of color were the core of any sustainable revolutionary movement. For such a movement to win, however, it had to breach the color line and unite with a substantial layer of white workers.

The final basic step in forming my mature politics was to settle accounts with Maoism, which Mike Goldfield and I did in our book, *The Myth of Capitalism Reborn* — completed in the late 1970's — which was devoted to critiquing the Maoist story of the restoration of capitalism in the Soviet Union.

Over the last 37 years, although occasionally devoted intensely to left and Marxist organizational initiatives, I have been mainly writing about, promoting and mass organizing within the anti-imperialist,

anti-racist, and left labor movements. My theoretical writings, much of them on the Soviet Union and China, have concentrated on analyzing the weaknesses and strength of the 20<sup>th</sup> century international communist movement, which remains an important, unfulfilled task for the contemporary Marxist left. I have been associated with a few Marxist journals and am presently on the editorial board of *Science and Society* as well as being an active participant in the Chicago Political Economy Group.

I have been blessed with three now-middle-aged children, and their mother, my life long love and companion Marcia. Despite some serious political differences and a tumultuous life together, she has stood by me as my best comrade and the absolute pillar of the family through difficult times. We would not have survived without her.



My upbringing in New Jersey in the 1950s was politically uneventful, but marked by two events. The first was when I was about 12. I was watching TV and there was a piece about Harry Bridges, head of the International Longshore and Warehouse Union (ILWU), who was presented as an American Communist. It turns out he was neither. (He was an Australian by birth and was reportedly never in the Communist Party.) But my reaction was, “He must have a reason to believe in communism; I just don’t know what it is.” It oriented me to be open to discourse on the topic.

The second was after I was sent to military school beginning with my sophomore year in high school. The teacher presented a four-quadrant diagram with Democracy and Totalitarianism across the top and Capitalism and Socialism down the side. He pointed out that democracy and capitalism — private ownership — logically went together. My thought was, “No they don’t; democracy and socialism logically go together.” Again, I was oriented toward socialism.

From military school I went to West Point. I found the broad liberal arts education at West Point — at that time — to be a liberalizing influence on a very conservative student body. It certainly was for me. I studied Russian and the Soviet Union as an undergraduate at West Point. By the time I left, I was a socialist in orientation. I just didn’t have the action yet to go with it.

I went to Vietnam as an infantry officer and spent 20 months in combat, earning medals for heroism and action. But as an infantry officer, I knew — and everyone in my unit knew — that we were fighting almost everyone in the country. By the time I left Vietnam, I knew two things. First, that if you’re fighting everyone in the country and you believe in democracy, you’re on the wrong side. Second, the major thing facing the population of Vietnam was land for the peasantry. Capitalists could not and would not redistribute land; communists could and would and would therefore win.

I had to spend three more years in the military. Upon leaving, I travelled extensively in Europe and Africa for a year. When I came back to the U.S., I was an avowed communist. I found the Communist Labor Party (CLP), which had me read the classics by Marx, Engels, Lenin and many others. The strength of the CLP was that unlike every other communist group, it did not adhere to any specific state. We supported states conditionally and revolution unconditionally.

At the same time, I went to graduate school in economics at the American University in Washington, D.C. earning a Ph.D. They had a “radical” economics department, so the study with the Party and in graduate school dovetailed nicely. I became an activist in the veterans’ movement and eventually in the peace movement.

I taught economics for eight years in the 1980s at the University of Baltimore. I participated in a number of veterans’ organizations locally and nationally. I was also in the peace movement and was a local and national leader of Jobs with Peace. I was active in Democratic Party politics in Baltimore as well.

I have been in Chicago since 1987. I worked with the CLP and its successor, the League of Revolutionaries for a New America (LRNA) until 1996, when I left over organizational differences. Since then, I have been active in the veterans’ movement in Chicago and in the recovery movement.

My recent activity has been writing on the effect of the technological revolution on the economy and the effect of the economy on politics. I have been active in the electoral arena in working to build a political organization independent of the Democratic and Republican Parties and the corporations. I remain active in veterans' affairs. I am also an active member of the Chicago Political Economy Group.

I met my wife, Sharon, in the veterans' movement — she was a Marine — and she is the love of my life. We are raising her teenage son, Savaun, who is a high school theater major. Sharon also remains active in veterans' affairs.



# **CONTEMPORARY CAPITALISM**

and

# **WHY WE NEED MARXISM**

BY

MEL ROTHENBERG

AND

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