

Here, concretely, in the various processes of conditioning, it can be seen not only why but also how the Pavlovian enterprise has come to be seen in the Soviet Union as the basis of a dialectical materialist psychology. It is material in that the process of the neural functioning of the brain is at the heart of the theory. It is dialectical in the active processes that it studies, as the disclosure of the dialectical principles fundamentally inherent in the conditioning process demonstrates.

Within the context of the Marxist concept of natural dialectics, it is of course necessarily the case that all processes are seen as dialectical. But it is not enough to simply *state* that all material processes function dialectically; they must be *shown* to do so. The great virtue of the Pavlovian school is not, then, in the processes that it studies, but in the experimental methodology and the theoretical structure that constitute its analytic tools.

It is notable, in this regard, that the use of Pavlovian conditioning data has been employed in the West in the context of, and as the basis of, the most limited form of mechanistic science, behaviorism. At the same time, behaviorist textbooks, ignoring or misunderstanding the dynamic functionalism inherent in conditioning theory, portray Pavlov as the "father" of mechanistic environmentalism in psychology!

It is important, then, that the dialectical and materialist basis of Pavlovian psychology be clearly elaborated. Western historians of psychology know little or nothing of this basis. In the Soviet Union there has occasionally been such commentary,¹⁵ but more often the issue has remained largely implicit and unstated. While Pavlov himself was, in fact, explicitly a non-mechanistic materialist, but only "intuitively" a dialectician, the rich experimental legacy of Pavlovianism, when illuminated by the theoretical propositions of Marxist philosophy, provides a firm foundation for a psychology neither mechanist or idealist, but simultaneously profoundly humanistic and scientific.

*University of Regina
Regina, Saskatchewan*

15 E.A. Asratyan, *I.P. Pavlov: His Life and Work* (Moscow, 1953) is an early example.

SOURCES OF INSTABILITY IN THE U.S. POLITICAL ECONOMY AND EMPIRE

JOHN BELLAMY FOSTER

IN DISCUSSING THE SOURCES OF INSTABILITY in the U.S. social order, it is useful to focus successively on the economic, political-cultural and imperial aspects of the problem, corresponding to the three levels of economy, state and world economy. This does not mean that these factors can be sealed off from one another, or that there is some kind of strict causal relationship running from the economic to the political to the international aspects of the current impasse. The interconnection, as I hope to demonstrate, is a dialectical one; which in the present context means that it is difficult to assign historical priority to any single dimension of the basic dilemma, or to neatly separate one manifestation of the overall disorder from another. "The social process," as Joseph Schumpeter wrote in the introduction to *The Theory of Economic Development*, "is really one indivisible whole."¹ If anything, this becomes even more apparent in times of deepening crisis.

Economic Instability

Notwithstanding the force of the current business cycle upturn, it is safe to say that the secular trend of the U.S. economy, in the foreseeable future, can best be characterized as one of "high level stagnation."² Thus even the most optimistic projections by today's economists do not anticipate a return to an unemployment rate of less than 6 percent during the remainder of the decade.³

Matters naturally become more complex when we wish to determine the actual causes of the economic crisis. To be sure,

1 Joseph A. Schumpeter, *The Theory of Economic Development* (New York, 1934), p. 3.

2 Lynn Turgeon, *The Advanced Capitalist System* (New York, 1980).

3 *Business Week* (April 23, 1984), pp. 74, 79.

there is little doubt about where the problem at its most general level lies. Economists of all ideological and political persuasions — conservative, liberal and radical — agree that the problem is one of inadequate capital formation.⁴ But it is at this point that major disagreement begins. Most economists of the right and center, and even some on the left, now believe that the main constraints lie on the supply-side: meaning that the general lack of investment demand can be accounted for by a dearth of profits, savings and capital, and by an excess of consumption and state expenditure. According to this perspective, the very logic of the current crisis requires a direct assault on employment and wages, an intensification of the labor process, and massive cut-backs in state welfare spending.⁵

Most assessments of this kind are grounded explicitly or implicitly, in Say's purported "Law" that supply generates its own demand. The only conceivable barrier to capital formation, in this view, is a shortage of profits and savings. Despite the teachings of Keynes who (like Marx before him) presented a devastating critique of Say's Law, in his *magnum opus The General Theory of Employment, Interest and Money*, the majority of orthodox economists continue unabashedly to fulfill their class role as apologists by tacitly assuming Say's Law, whenever called upon to provide an explanation of the economic crisis.⁶ Hence, the public is led to believe that the principal cause of every economic

4 Harry Magdoff and Paul M. Sweezy, "Listen, Keynesians!", *Monthly Review* (January 1983), p. 1.

5 See Harry Magdoff and Paul M. Sweezy, *The Deepening Crisis of US Capitalism* (New York, 1981), pp. 213–219. On supply-side economics and Marxian theory see John Bellamy Foster, "Marxian Economics and the State," in John Bellamy Foster and Henryk Szlajfer, ed., *The Faltering Economy: The Problem of Accumulation Under Monopoly Capitalism* (New York, 1984).

6 The discovery in the winter of 1975–1976 of some of Keynes' long-lost manuscripts, including his early 1930s lectures on "The Monetary Theory of Employment" when he was working out the basic ideas for *The General Theory*, have made it clear that Keynes was well aware that Marx's description of the realization problem in terms of the formulas C-M-C and M-C-M' was quite similar to his own development of the effective demand question up to that point, in terms of non-monetary and monetary economies ("a co-operative economy and an entrepreneur economy"). Both Marx and Keynes arrived at the conclusion that Say's Law was the result of an abstraction from a monetary economy. For Marx, this was merely a question "of logic and not of economics." See John Maynard Keynes, *Collected Writings*, Vol. XXIX (Cambridge, England, 1979), pp. xiii, 81–82; Karl Marx, *A Contribution to the Critique of Political Economy* (Moscow, 1970), p. 96; John Bellamy Foster, "Investment and Capitalist Maturity," in Foster and Szlajfer, ed., *The Faltering Economy*.

downturn is an underaccumulation of capital, in the sense of a shortage of profits (and hence savings) for investment. Clearly, it is only to be expected that the idea of capital scarcity as an unalterable condition would be deeply embedded in capitalist ideology.

Of course, without actually adopting Say's Law as a "logical" proposition, one can argue on what are ostensibly empirical grounds that the chief contradiction of the system at present stems from a diminishing capacity output to total capital stock ratio (or the falling rate of profit of classical and Marxian economics). There can be little doubt that this was the case for the nineteenth century. Why not the twentieth century as well? The answer, in the briefest possible terms, is that the world of advanced monopoly capitalism and relative industrial maturity is a long ways removed from the Victorian Age of freely competitive capitalism and early industrialization.⁷ In our time, the main constraint of the system is not the generation, but the absorption, of potential surplus product.

This is revealed by the relationship between capacity in U.S. manufacturing utilization and profit rates.⁸ In the years following the onset of the Korean War, there is a strong positive correlation between the utilization of capacity and the rate of profit. Aside from the years immediately after the Second World War, which were in many ways atypical, the highest rates of capacity utilization and profit occurred during the Vietnam War. There is no indication of any decisive change in the profit-cost structure in U.S. manufacturing during the period. Instead, the rate of profit seems to vary mainly in relation to movements in capacity utilization. Moreover, it should be noted that the existence of excess capacity has been a conspicuous fact during most of the post-war period.⁹ Only in the 1982–1983 recession do we see

7 See Magdoff and Sweezy, "Listen, Keynesians!"; Foster, "Investment and Capitalist Maturity."

8 James M. Devine, "Underconsumption, Over-Investment and the Origins of the Great Depression," *Review of Radical Political Economics*, Vol. XV, No. 2 (Summer 1983), p. 10. On profitability schedules see Michael H. Best and William E. Connolly, *The Politicized Economy* (Lexington, Mass., 1982), p. 165; Paul A. Baran and Paul M. Sweezy, *Monopoly Capital* (New York, 1966), pp. 84–88; and John M. Blair, "Administered Prices: A Phenomenon in Search of a Theory," *American Economic Review*, Vol. XLIX, No. 2 (May 1954), p. 443.

9 For an analysis of the interrelationship between capacity utilization and investment during the years 1920–1975 see John Bellamy Foster, "The Limits of U.S. Capitalism:

signs of a possible squeeze on profits not entirely attributable to the level of output. Paradoxically, this fall in the rate of profit at a given level of output (under conditions of chronic realization crisis) may be adding momentum to the present recovery, by enhancing the capacity of the system to absorb potential surplus value.

None of this, it should be stressed, fits very well with the supply-side view of things. Instead of high operating rates, increasing costs at every level of output, and imperiled profit rates, we find that idle productive capacity has been an omnipresent reality except in times of war; that there has been a fairly stable relationship between profit rates and capacity utilization rates (implying stability in the underlying profit-cost structure); and that profit rates have remained remarkably high overall, given a general decline in the secular growth trend. Five-year averages of the rate of profit on stockholder's equity in manufacturing after taxes show almost no variation at all between 1950 and 1974, with a high of 12.6 percent in 1965-1969 (the Vietnam War) and a low of 11.0 percent in 1955-1959. For the 1975-1980 period the official profit rate, reflecting in part a 1974 change in the Commerce Department's method of calculating the series for rate of return to stockholder's equity, rose to 14.2 percent.¹⁰

To my mind, none of this is especially difficult to understand, once we recognize that the general conditions of crisis in a highly developed monopoly capitalist economy are those of an excess of potential surplus value in relation to the investment capabilities of the system.¹¹

We can understand this dilemma better by looking at it from the standpoint of what might be called "the class composition of social output." In the simplest model of a capitalist economy, demand for producer's goods equals reinvested gross profits, demand for wage goods (assuming that workers do not

Surplus Capacity and Capacity Surplus," in Foster and Szlajfer, *op. cit.*

¹⁰ Howard J. Sherman, *Stagflation* (New York, 1983), pp. 124-126. One should of course keep in mind that interest payments and rent are treated in capitalist accounting as costs of production and are deducted from profits. And given the fact that real interest payments have increased sharply over the last decade, there can be little doubt that property income as a whole has been more resistant to downward pressures than profits themselves.

¹¹ Cf. Magdoff and Sweezy, *The Deepening Crisis of US Capitalism*.

save) equals total wages, and demand for non-reproducible luxury goods equals capitalists' consumption.¹² The shares of income involved, however, are not constant. The ultimate rationale of the capitalist economy is to increase the rate of exploitation, or the share of gross profits in total income. This means that the social accumulation fund potentially available to capital tends to rise as a proportion of total output. Unless conditions are particularly favorable for investment, as they were in the nineteenth century era of early industrialization, this tends to create an impasse of overaccumulation — or, in other words, an endemic realization crisis. Under conditions of monopoly capitalism and relative industrial maturity (in which basic productive capacity in both the capital goods and consumption goods sectors have been built up to a prodigious degree), rapid investment in a boom generally proceeds up to the point that capacity utilization begins to fall — as a result of an increase in the material means of production, relative to final demand — causing the giant corporations to sharply reduce the proportion of profits reinvested, until destruction of capital (both in terms of capacity and value) creates the necessary conditions for a new spurt of investment. Thus the level of capital formation tends to fluctuate around, and close to, the path of zero net investment.¹³

Under U.S. monopoly capitalism the main means of staving off stagnation, given the foregoing historical conditions, has been to expand the level of luxury goods production, and the level of economic waste in general. This belongs to what Paul Sweezy has called "the protective reaction of the system," necessitating a more complex conception of the determinants of accumulation in the Marxian scheme.¹⁴ In Sweezy's view, the chief factors influencing "the magnitude and modes of utilization of surplus value" fall into two categories. The core framework of the classical Marxian model takes the following determinants into account: "(a) the value of labor power or real wages, (b) the productivity of labor, (c) the division of surplus value between capitalists' consumption and accumulation, and (d) the di-

¹² For an explanation in terms of Marx's reproduction schemes see Foster, "Marxian Economics and the State."

¹³ Harold J. Vatter, "The Atrophy of Net Investment and Some Consequences for the US Mixed Economy," *Journal of Economic Issues*, Vol. 16, No. 1 (March 1982), pp. 237-253.

¹⁴ Paul M. Sweezy, *Modern Capitalism* (New York, 1972), pp. 42, 48-51.

vision of accumulation between variable and constant capital." Yet there are also a number of factors that Marx considered "secondary" in his own time, but which lie close to the center of things today. "Three in particular," according to Sweezy, "were clearly recognized by Marx": (d) "the upkeep of the state apparatus," (e) "the incomes of unproductive workers," and (f) "the expenses of circulation" (those expenses that, in Marx's words, "arise only from changes of form" and "do not add any value to the commodities themselves").¹⁵ Baran and Sweezy's *Monopoly Capital* had as its main purpose the incorporation of the second set of determinants within the central framework of Marxian theory, since they believed that it was no longer possible under monopoly capitalism, as it had been in Marx's day, to generally abstract from these conditions.

Hence, the overaccumulation proclivities of the system are reflected in the wasting away of potential surplus product on a vast scale. Edward Wolff has provided calculations of unproductive labor in the U.S. economy, based on sectoral classifications in the input-output tables, which indicate a growth in the overall share of unproductive labor in total employment from 32 percent in 1947 to 45 percent in 1967.¹⁶ But since this simply reflects the shift from sectors like agriculture, mining, construction, manufacturing, transportation, and communications, to sectors like wholesale and retail trade, finance, insurance and real estate, business services, amusements, and government services, it only scratches the surface of the problem. Much of what appears to be productive labor in the core industrial sectors, as Baran and Sweezy argue, cannot be considered so from the standpoint of society as a whole, since costs associated with car model changes, planned obsolescence, sumptuous packaging, etc. — while incorporated in the production process — are properly considered as part of the potential surplus product rather than as essential costs of production.¹⁷

¹⁵ *Ibid.*

¹⁶ Edward N. Wolff, "Unproductive Labor and the Rate of Surplus Value in the United States, 1947-1967," *Research in Political Economy*, Vol. 1 (1977), pp. 87-115.

¹⁷ Baran and Sweezy, *Monopoly Capital*, pp. 112-141; Seymour Melman, *Profits Without Production* (New York, 1983). For Baran, unproductive labor is "all labor resulting in the output of goods and services the demand for which is attributable to the specific relationships of the capitalist system, and which would be absent in a rationally ordered society." See Paul A. Baran, *The Political Economy of Growth*, p. 32. This ap-

These issues, relating to the Marxian theory of needs, are extremely complicated. But there can be no doubt about the fact that economic waste, as Henryk Szlajfer argues, is at the very center of the accumulation process under monopoly capitalism.¹⁸ In the United States, "the protective reaction of the system," in this respect, has been promoted directly by the state in the form of expenditures on the imperial war machine. The United States government spent \$2 trillion on the military in the years 1950-1972. Direct military spending (actual rather than acknowledged), as calculated by James Cypher, formed an average of 13.2 percent of GNP in the 1947-1971 period (with a multiplier of 1). Adopting the still conservative assumption of an actual multiplier of 2, direct and indirect military-induced expenditures accounted for something like 26.4 percent of GNP during the years of undisputed U.S. hegemony.¹⁹

It is also worth noting that much of the money capital which could be used for productive investment (if sufficient investment outlets were available) is actually siphoned off into the financial sector of the monopoly capitalist economy, which is an increasingly important part of the overall accumulation process. Thus the pretax profits of financial corporations rose from an average of 10.9 percent of total corporate profits during the years

proach, it would seem, is also implicit in *Monopoly Capital*. It is very similar to Rudolf Hilferding's definition, according to which labor is productive when it is "necessary for the social purpose of production, and thus independent of the determined social form"; while, in contrast, "labor which is expended only for the purposes of capitalist circulation, i.e., which originates from the determined historical organization of production, does not create value." As quoted in I.I. Rubin, *Essays on Marx's Theory of Value* (Detroit, 1972), p. 274. It might seem that these definitions contradict Marx's conception, which is usually thought of exclusively in terms of the designation of productive labor as that labor which is exchanged against capital rather than revenue, and which directly enhances surplus value. Matters are more complicated than that, however. Henryk Szlajfer has demonstrated that Marx's methodology involved looking at the question from three different perspectives: that of individual capital, global capital, and society as a whole. All of the so-called inconsistencies in Marx's approach to productive and unproductive labor are eliminated once this is realized. Hilferding, Baran, and Sweezy simply concentrated on Marx's most highly developed definition, based on the outlook of society as a whole (or the critical standpoint of socialism). See Henryk Szlajfer, "Waste, Marxian Theory and Monopoly Capital: Toward a New Synthesis," in Foster and Szlajfer, *op. cit.*

¹⁸ See Henryk Szlajfer, "Economic Surplus and Surplus Value Under Monopoly Capitalism," in Foster and Szlajfer.

¹⁹ James M. Cypher, "The Basic Economics of 'Rearming America,'" *Monthly Review*, Vol. 33, No. 6 (November 1981), p. 12; Sherman, *Stagflation*, p. 148.

1945–1954, to 15.7 percent in the years 1975–1981, a jump of 44 percent. Between 1970 and 1982 employment in the financial sector grew at double the rate of the economy as a whole.²⁰ While there can be little doubt that the growth of the financial sector has helped to maintain demand in the macroeconomy *ceteris paribus*, this clearly represents a spurious and parasitic form of accumulation, with potentially dangerous consequences for a capitalist economy. It is difficult to imagine, in truth, how the ballooning of the financial structure can continue apace, while production itself stagnates to an increasing degree. Indeed, “the financial instability hypothesis” of post-Keynesian and neo-Marxist theorists like Hyman Minsky, Harry Magdoff, Sweezy and Jacob Morris, suggests that the dramatic rise in interest rates is partly a function of the growing risk associated with a mounting debt structure (or the long-run decline in liquidity) on top of an underlying crisis of realization.²¹

The expansion of waste, taken as a whole, is, in fact, a general manifestation of what Baran and Sweezy called “the tendency of the surplus to rise.” As the liberal theorist Tibor Scitovsky said of one component of this waste: “the secular rise in advertising expenditure is a sign of a secular rise of profit margins and decline of price competition.”²² To this it should be added that the long-term growth of unproductive consumption tends to create an added inflationary layer on top of the widening underemployment gap that normally characterizes a monopoly capitalist economy. This is the phenomenon known as stagflation. Quite apart from the whole problem of waste, of course, “monopoly capitalism,” in the words of Canadian economist Lukin Robinson, “has a built-in and increasingly strong bias towards rising and against falling prices,” reflected in the mark-up policies of the giant firms.²³ Thus it is important to un-

²⁰ Harry Magdoff and Paul M. Sweezy, “Production and Finance,” *Monthly Review*, Vol. 35, No. 1 (May 1983), p. 6.

²¹ The term is Minsky’s, who provides the most sophisticated theoretical treatment of the problem. See Hyman P. Minsky, *Can “It” Happen Again?: Essays on Instability and Finance* (New York, 1982). But the same essential outlook was introduced on the left by Harry Magdoff as early as 1965. See Harry Magdoff and Paul M. Sweezy, *The Dynamics of US Capitalism* (New York, 1972), pp. 13–16; also Jacob Morris, “Underconsumption and the General Crisis: Gillman’s Theory,” *Science & Society*, Vol. XLVII, No. 3 (Fall 1983), pp. 323–329.

²² Quoted in Baran and Sweezy, *Monopoly Capital*, p. 117.

²³ H. Lukin Robinson, *Rising Prices* (Toronto, 1978), p. 14. See also John Bellamy Fos-

derstand that the general price level for the U.S. economy decreased, as a rule (with the exception of the Civil War), throughout the nineteenth century, and increased, as a rule (with the exception of the Great Depression), throughout the twentieth century.²⁴ Moreover, the relative shift from real to spurious forms of accumulation (made possible by state-promoted inflationary financing), has intensified this basic tendency by distorting production as well as distribution.²⁵ Hence, the so-called “trade-off” between unemployment and inflation has shifted outwards, requiring ever greater amounts of unemployment to counteract inflation, and vice versa.

The burden of our argument thus far has been opposed to the common-sense notion that the economic crisis can be traced to a slowdown in productivity growth and a rising wage share in production. In relation to the former, it is important to note that: (1) Long-run comparisons of average productivity are invariably distorted by changes in the composition of production. (2) Statistics on productivity are clearly of dubious value with respect to the greater number of workers in the economy. How does one measure the productivity of construction workers, teachers, clerical staff, advertising and marketing personnel, etc.? (3) Available data provide no basis for determining the extent to which expenses of circulation have penetrated into the production process. (4) Use of money-value based productivity indexes by the Bureau of Labor Statistics often falsifies movements in physical output per human hour. (5) To the extent that a change in “average productivity” indicates anything at all in the present historical context, it simply mirrors shifts in the level of output (or employment). Thus despite the fact that the current crisis is hitting the manufacturing sector hardest, the rate of growth in measured productivity in U.S. manufacturing did not slow down at all until *after* the level of production and capacity utilization began its secular decline in 1969.²⁶

ter; “Monopoly Capital Theory and Stagflation,” *Review of Radical Political Economics* (forthcoming).

²⁴ See Harry Magdoff, “A Note on Inflation,” in Foster and Szlajfer, ed., *The Falling Economy*.

²⁵ Robinson, *Rising Prices*, pp. 44–49; also Morris, “Underconsumption and the General Crisis.”

²⁶ See Harry Magdoff, “The Purpose and Method of Measuring Productivity,” *Journal of the American Statistical Association*, Vol. 34, No. 206 (June 1939), pp. 309–318, “The

As for the notion that the share of wages in U.S. national income has been increasing, nothing could be more absurd. At best, this can only be argued for the Vietnam War period, though this too remains doubtful.²⁷ In any case, this tells us nothing about the underlying profit margins at the level of production, since the share of wages in national income reflects (among other things) the utilization of capital, the composition of employment and the level of output. The mere expansion of economic waste as a proportion of total output (plus the growth in unemployment and excess capacity, not reflected in output) suggests that the rate of exploitation within production has been expanding faster than the system's ability to absorb potential surplus value.²⁸

Whether one is convinced by this or not, it should be clear that the existence of massive amounts of waste within the structure of output, and the widening of underemployment in the economy, provide the technical option of wage-led growth.²⁹ But if this is to be done in a non-inflationary way it has to take the form of an economy-wide reapportioning of income. This is scarcely feasible in a capitalist mode of production. Thus while socialist theorists should never cease demanding full employment and a more egalitarian distribution of income, it would be folly to think that this is generally possible within an antagonistic

Economists' New Clothes," *The Nation* (March 27, 1982), pp. 359-361, and "A Statistical Fiction," *The Nation* (July 10-17, 1982), pp. 47-48; Magdoff and Sweezy, *The Deepening Crisis of U.S. Capitalism*, pp. 115-126, 169-177; Paul M. Sweezy, *The Global Crisis of Capitalism* (Tokyo, 1980), pp. 92-104; Paul A. Baran, *The Political Economy of Growth*, p. xxi(n); Solomon Fabricant, *Basic Facts on Productivity Change* (New York: National Bureau of Economic Research, 1959), pp. 10-22; Victor Perlo, "The False Claim of Declining Productivity and its Political Use," *Science & Society*, Vol. XLVI, No. 3 (Fall 1982), pp. 284-327. The argument here is adapted from Foster, "Investment and Capitalist Maturity," where a slightly more extensive discussion is to be found.

²⁷ Samuel Bowles, David Gordon and Thomas Weisskopf, *Beyond the Wasteland* (New York, 1983), pp. 49, 422.

²⁸ It has long been recognized by national income analysts that the aggregate wage and profit shares tell us nothing about the underlying profit margins at the point of production. See W.S. Woytinsky, et. al., *Employment and Wages in the United States* (New York, pp. 40-45, 63-81. I am grateful to Gabriel Kolko for referring me to Woytinsky's work.

²⁹ Thus Bowles, Gordon and Weisskopf argue in *Beyond the Wasteland* that the causes of the crisis, which they associate to some degree with declining productivity growth and a wage squeeze on profits can be dissociated from the solution, which can promote higher wages and full employment through the elimination of the waste factor.

class society. In the first place, the issue is a political not an economic one. As Marx once wrote: "The very necessity of *general political action* affords the proof that in its merely economic action capital is the stronger side."³⁰ In the second place, while some reforms along more egalitarian lines are possible within the system, any real solution requires the negation of the capitalist economy.

Political-Cultural Instability

Sheldon Wolin, in his book *Politics and Vision*, writes:

It is not often realized that one of the fundamental tendencies of Marx's thought was anti-economic. His writings were not only devoted to discrediting liberal economics but to picturing a society in which economic categories had been transcended. In a basic sense he was protesting against the same developments as the reactionaries: the tendency of liberal rationalism to dissolve social ties, reducing society to a mass of isolated individuals and the individual to a condition bereft of all illusions save self-interest. All "natural relationships," Marx declared, "had been dissolved into money relationships."³¹

Indeed, much of what is distinctive about capitalist societies, in a cultural sense, can be summed up as "the sublimation of politics" to liberal economics; of the state to civil society.³²

The fact that this drowning of politics in an economic sea was not a natural accident but a liberal design can be understood in terms of the development of political theory as a vocation. It is fairly well known that Marx made a distinction between "classical" and "vulgar" political economy. Once capitalism was firmly established and socialism had begun to emerge as its likely successor economics underwent a transformation from a "disinterested inquiry" after truth to either "the bad conscience and evil intent of apologetic" or to the "shallow syncretism" of a thinker like John Stuart Mill.³³ Marx dates this change to the final conquest of state power by the bourgeoisie in England and France in the early 1830s. In a brilliant essay, entitled "The Deceptive Task of Political Theory," C.B. Macpherson has applied this very

³⁰ Karl Marx, *Wage-Labour and Capital/Value, Price and Profit* (New York, 1935), p. 59.

³¹ Sheldon Wolin, *Politics and Vision* (Boston, 1960), p. 404.

³² *Ibid.*, p. 352.

³³ Karl Marx, *Capital*, Vol. I (New York, 1967), 15.

same conception to political philosophy.³⁴ Political theory has always been a justificatory discipline, but then so has economics, and this has nothing to do with the claim of either to the status of a science. What is at issue is not the class orientation as such, but whether or not the scope of inquiry is artificially limited according to the dictates of the ruling ideology.³⁵

Whereas the underlying premise of classical political economy was that capitalist production could be considered the final form of production in general, the tacit assumption of classical-liberal political theory was that bourgeois human nature could be considered the final form of human nature.³⁶ Already by the mid-nineteenth century it was clear to any disinterested inquirer that this was not necessarily so. With the passage of the Reform Bill of 1832 and the repeal of the Corn Laws in 1846 the major political goals of the bourgeoisie had been won, but "the social question" of labor remained unresolved. These were the years of the Chartist movement in England, followed by the 1848 revolutions on the Continent. And it was in these years that political theory was vulgarized, with the changeover again being marked by John Stuart Mill — who "exhausted himself in seeking ways of patching up the contradictions between liberalism and social democracy," while "quite explicitly denying a democratic franchise."³⁷ The whole process is summed up succinctly by Macpherson:

From about 1848, therefore, it was to be expected that the direction and quality of English political thinking should undergo a marked change. Whether it should be called vulgarization is perhaps a matter of taste, but the subsequent development of theory suggests that the process was of that nature. We need not impute bad faith; to do so would be palpably absurd in the case of the leading figures. But we do, I suggest, everywhere find syncretism — the essence of honest vulgarization — in the form of attempts to abandon possessive individualism [the tradition of Hobbes, Locke, Hume, Burke, Bentham and James Mill] while maintaining bourgeois values or attempts to reconcile bourgeois individualism with social democracy. These attempts increasingly

34 C.B. Macpherson, *Democratic Theory* (Oxford, 1973), pp. 195–203.

35 Cf. the definition of scientific, *ibid.*, p. 198.

36 *Ibid.*

37 *Ibid.*, p. 201.

involved the thinkers' concealing from themselves the fundamental nature of the problem.³⁸

This process reached its absolute apologetic limits first in the United States, with the emergence of the pluralist conception of actually existing democracy in the work of Joseph Schumpeter and Robert Dahl.³⁹ Politics was no longer couched in terms of power, ethics or ideology, but was conceived as a functional aggregation of atomistic interests, mediated by political entrepreneurs. Government policy simply brought the individual ends of innumerable political Robinson Crusoes into equilibrium. Having reduced "political man" — the sexist terminology is no doubt appropriate here — to "economic man," orthodox political theorists not only annihilated the last remaining vestiges of scientific analysis within the dominant approach to the discipline; they also left themselves with very little to do. Thus political theory as a vocation was increasingly displaced by "organization theory."⁴⁰

There was nothing inadvertent about this. It merely reflected a fairly widespread recognition of Marx's proposition, quoted above, that substantive social change could not proceed by economic but only by political means. Collapsing political theory within liberal economics was therefore a necessary part of ensuring capitalist stability through ideological means, by preventing politics from getting loose among the masses.

Behind all of this lies the incontrovertible fact that bourgeois democracy, at the best of times, is characterized by "a latent contradiction."⁴¹ In a society such as the United States where the wealthiest 1.6 percent of the population owned more than 80 percent of the capital stock in 1922–1956 (with little sign of any change in the following decades), political power nonetheless rests in the hands of the majority of the population.⁴² Here we can do no better than to quote from Marx's analysis of the democratic constitution adopted in France in 1848:

38 *Ibid.*, pp. 200–201.

39 C.B. Macpherson, *The Life and Times of Liberal Democracy* (Oxford, 1977), pp. 77–92.

40 Here too the parallel with economics is quite close.

41 Baran and Sweezy, *Monopoly Capital*, p. 155.

42 Jeremy Brecher and Tim Costello, *Common Sense for Hard Times* (Montreal, 1979), p. 34; G. William Domhoff, *The Powers That Be: Processes of Ruling Class Domination in America* (New York, 1978), pp. 4–5.

The most comprehensive contradiction of this constitution consisted in the following: the classes whose social slavery the constitution is to perpetuate, the proletariat, peasants, petty bourgeois, it puts in possession of political power through universal suffrage. And from the class whose old social power it sanctions, the bourgeoisie, it withdraws the political guarantees of this power. It forces its rule into democratic conditions, which at every point help the hostile classes to jeopardize the very foundations of bourgeois society.⁴³

Obviously, the ruling class could only relinquish political power in a formal way, relying on more subtle forms of control over the political impulse. And for the nation that had begun its Constitution with the words, "We the people," the contradiction was particularly acute. As Wolin has pointed out,

In the United States a persistent majoritarian tradition has had to be contained but not repressed. It is not only that the costs of repression would, at this time, be prohibitive, but also counterproductive. . . . Nothing legitimates power like the spectacle of critical groups participating in debates over policy that, save for minor tactical successes, they rarely win.⁴⁴

Wolin would argue that the principal means of containing this majoritarian tradition has been the sublimation of politics to economics in line with the discussion above. However, much of the ruling class control over the state can also be specified in terms of definite processes of ruling class control. This has been accomplished in a formidable way by G. William Domhoff in his book, *The Powers That Be: Processes of Ruling Class Domination in America* (1979). Domhoff's book was written as a reply not only to structuralist Marxist interpretations, such as those associated with Nicos Poulantzas and Claus Offe, but also, and more importantly, to pluralist theory. In relation to the former, Domhoff argues that the state in the United States doesn't exhibit much autonomy from the ruling class, relative or otherwise; in relation to the latter he defends against a common criticism of Marxist approaches by Dahl and others, by contending that the actual process of ruling class domination of the American state can be des-

43 Karl Marx, *The Class Struggles in France: 1848-1850* (New York, 1934), pp. 69-70. As quoted in Baran and Sweezy, *Monopoly Capital*, p. 155n.

44 Sheldon Wolin, "From Progress to Modernization," *Democracy*, Vol. 3, No. 4 (Fall 1983), p. 17.

ignated.⁴⁵ Hence, Domhoff endeavors to analyze at a politico-historical level four such processes:

1. The special-interest process, which comprises the various means utilized by wealthy individuals, specific corporations and specific sectors of the economy in influencing government to satisfy their narrow, short-run needs;
2. The policy-formation process, which is the means by which general policies of interest to the ruling class as a whole are developed and implemented;
3. The candidate-selection process, which has to do with the ways members of the ruling class ensure that they have "access" to the politicians who are elected to office;
4. The ideology process, which involves the formation, dissemination and enforcement of the assumptions, beliefs and attitudes that permit the continued existence of policies and politicians favorable to the wealth, income, status and privileges of the ruling class.⁴⁶

Space does not permit a close scrutiny of Domhoff's explanation of these various processes; and since there is a fairly widespread awareness, in a very general sense, of the first, third, and fourth, it should be sufficient to say something about the second. The actual policies of the state are not generally determined within the formal state apparatus itself, but in a complex network of ruling class organizations that work out the major political strategies and provide a constant stream of personnel for the government. Perhaps the most powerful organizations of this type in the U.S. are the Council on Foreign Relations (which Laurence Shoup and William Minter have appropriately named "the imperial brain trust"),⁴⁷ the Committee for Economic Development, the Conference Board, the Business Council, the Business Roundtable, the National Association of Manufacturers and the Chamber of Commerce. Next to these there is a whole panoply of corporate controlled think tanks. The influence of these organizations is documented in great detail by Domhoff.⁴⁸

It would seem from Domhoff's analysis that the candidate selection and ideology processes ensure that the real political in-

45 Domhoff, *The Powers That Be*, pp. xiii-xiv, 8-10, 23, 122-123.

46 *Ibid.*, p. 10.

47 Laurence H. Shoup and William Minter, *Imperial Brain Trust: The Council on Foreign Relations and United States Foreign Policy* (New York, 1977).

48 Domhoff, *The Powers That Be*, pp. 61-127.

terests of the majority do not penetrate into the top echelons of government, while the special interest and policy formation processes enable capital to govern the state directly. Although it is fashionable nowadays to focus on contradictory social locations within the government, and to emphasize the role of state managers, it is salutary to recall Gabriel Kolko's warning that the historic defeat of American socialism was due to a failure to fully awaken to the class structure of the state, and to the economic imperatives conditioning its evolution.⁴⁹

The opening for a rebellion from below is not to be found so much in the structural contradictions of the state apparatus as a static entity, but in its more dynamic or evolutionary features. The deepening economic crisis is making it more difficult to sublimate politics to economics, partly because the ruling class itself is desperately seeking new political solutions. And in this situation of interwoven economic and political crisis there is always the danger for monopoly capital that politics will suddenly get loose among the masses.

The most relevant insight in this dynamic context is to be found in Kolko's analysis of the course of modern U.S. history in terms of what he designates as "political capitalism," or "the utilization of political outlets to attain conditions of stability, predictability, and security — to attain rationality — in the economy."⁵⁰ He demonstrates that the great merger movement of the last decade of the nineteenth century and the first two decades of the twentieth resulted in an economic order that, at least at the outset, was anything but stable or rational. Hence, the giant corporations had no choice but to resort to extra-economic means in order to protect their profits, their investments, and sometimes their very lives. The misnamed "progressive movement" that resulted, led to the formation of a "new Hamiltonianism" in the form of a regulatory system controlled by the firms which were ostensibly being regulated.⁵¹ And along with this went the penetration of a new business ethos into the

49 Gabriel Kolko, "The Decline of American Radicalism in the Twentieth Century," in James Weinstein and David W. Eakins, ed., *For a New America: Essays in History and Politics from "Studies on the Left," 1959-1967* (New York, 1970), pp. 197-220.

50 Gabriel Kolko, *The Triumph of Conservatism: A Reinterpretation of American History, 1900-1916* (New York, 1963), p. 3.

51 *Ibid.*, p. 178.

very heart of American government. Nevertheless, the half-dozen years of prosperity beginning in 1923 were characterized by a steady build-up of overcapacity, followed inevitably by the severe contraction of the 1930. It was of course the Second World War that eventually propelled the economy beyond the Great Depression, and it was in the midst of the war itself that new political supports for the U.S. economy and empire were devised, with military spending emerging as the permanent link between the domestic problem of effective demand and the international objective of policing the world.⁵² In Kolko's words, "The military budget became... the sponge which absorbed much, if not always all, excess industrial capacity, thereby putting a floor under the capitalist economy."⁵³

But the new politico-military capitalism, backed up by state-promoted inflationary financing, was only able to stave off stagnation for a time. When mass unemployment resurfaced, accompanied by inflation, in the mid-1970s the political solutions previously adopted proved to be "all too finite," with no obvious course of action remaining short of an overhaul of the entire system.⁵⁴

Applied Keynesianism, reflecting its class bias, had always followed the line of least resistance. Its bias was toward a strong fiscal policy, and the augmentation of demand through sheer spending. What made it especially attractive to the business community was that it amounted to a subsidization of capital, without any direct interference in the supply side of the economy, in the sense of trespassing on capital's traditional prerogative to determine the content of output and investment.⁵⁵ Nor did Keynesianism, in practice, involve any significant intrusion into the realm of income distribution. From the standpoint of monopoly capital, this too would have been an intolerable attack on the underpinnings of a free economy. Given these realities, it is not surprising that Keynesian economics — however rational it may have been in certain respects at the level of theory — was doomed to failure. Its life-span, as Paul Baran argued in the

52 Gabriel Kolko, *Main Currents in Modern American History* (New York, 1976), pp. 196-199, 263-270, 316-323.

53 *Ibid.*, p. 318.

54 *Ibid.*, p. 339.

55 See Alan Wolfe, *America's Impasse: The Rise and Fall of the Politics of Growth* (Boston, 1981), pp. 49-79.

1950s, was to be determined by the extent to which the system could pyramid debt, and various forms of economic waste without destabilizing the whole topsy-turvy structure.⁵⁶

Based on what is implicit in Kolko's analysis, we can say that U.S. monopoly capitalism, following the demise, for all practical purposes, of neoclassical Keynesianism, is now facing the third great crisis in its political framework. Thus something of a political and ideological fissure has been created by the rise of supply-side economics. Naturally, the simplest right-wing strategy, reflected in the various tax-cutting proposals and initiatives, has already gone aground, and been abandoned (at least for the time being). But supply-side economics, in the more general sense of a reversion to a Say's Law perspective that supply creates its own demand, and that a lack of investment must be caused by a lack of capital, profits and savings, is now deeply embedded in contemporary ideology. Since this, as we have seen, makes no sense whatsoever in terms of either logic or present-day economic history, it is necessary to view the matter in straightforward political terms. What can be said with certainty is that there are no remaining economic solutions, consistent with the class objectives of capital, to be found on the demand side. A strategy of priming, through the systematic promotion of waste by inflationary means, is no longer viable except as a short-term measure, while progressive income redistribution is politically unacceptable. On the supply side, in contrast, it is entirely unacceptable from a capitalist perspective to advocate a strategy based on the premise of insufficient savings for investment. The only trouble with this is that it can't possibly work, where a crisis of overaccumulation is concerned.

Still, there are alternatives on the supply side, if full of political peril for capital. The real medium-range solutions (there are no long-range ones) involve a restructuring of production to rationalize the pattern of output, to the extent that this is feasible under monopoly capitalism. In other words, the debate over industrial policy that has recently emerged in the United States (and Canada) is — much to the horror of the most conservative supply-siders like Mr. Reagan himself — indicative of the fact that the only option fully acceptable to the capitalist class is to be

⁵⁶ Baran, *The Political Economy of Growth*, p. 121; Foster, "Marxian Economics and the State."

found in this general direction. Needless to say, this situation is fraught with dangers. For what is to keep the mass of the population, and the more utopian reformists, from thinking that just about anything goes, once some kind of industrial planning, even if only "indicative," is introduced? That this is not just a ghostly spectre facing capital can be seen in the industrial policy debate itself, which has widened the range of acceptable political discourse.⁵⁷ Moreover, the vested interests have no reason to believe that any form of planning would validate their current investment strategies — except where the relatively minor factor of "high technology" is concerned.

The upshot is that monopoly capital is under a lot of pressure to construct a corporatist political strategy, capable of setting the limits of any supply-side interventions designed to influence the direction of investment. As a political form corporatism attempts, in Leo Panitch's words, to integrate "organized socioeconomic producer groups through a system of representation and cooperative mutual interaction at the leadership level and mobilization and social change at the mass level."⁵⁸ In less scientific language, we can say that it is a political form that brings the state under the more direct control of capital, while appending any conservative labor leaders. It means that even as the role of the public realm visibly increases, the flow of power must head the other way, toward semi-official or parastate structures controlled by the capitalist class.⁵⁹ Given the current political reality of U.S. society, this would only be a change of degree. In the first place, it would necessitate an expanded role for those special interest and policy formation entities through which capital exerts much of its influence. In fact, most of these organiza-

⁵⁷ See Sidney Blumenthal, "Drafting a Democratic Industrial Plan," *The New York Times Magazine* (August 28, 1983); Felix Rohatyn, *The Twenty Year Century* (New York, 1983), pp. 38–42.

⁵⁸ Leo Panitch, "Corporatism in Canada," *Studies in Political Economy*, Vol. 1, No. 1 (Spring 1979), p. 44.

⁵⁹ The confusion about "corporatism," "corporativism," "the corporate state," etc. — to mention only a few among a confusing array of terms — revolves around the fact that while they are all meant to postulate a complex set of linkages between state and society in which special interests play a dominant role, and an increasingly institutionalized one, there is lack of clarity about the direction in which power is actually flowing. My own observation here is rooted in R. Jeffrey Lustig, *Corporate Liberalism: The Origins of Modern American Political Theory, 1890–1920* (Berkeley, 1982), p. 13.

tions, like the American Assembly, have already been at the forefront of the industrial policy discussion. In the second place, it would involve the creation of new structures, like investment banker Felix Rohatyn's proposed Reconstruction Finance Corporation, modeled after the early New Deal organization.⁶⁰

Rohatyn's initiative is illustrative of the economic and political climate of our times, which is very similar to that of the First New Deal in the United States, when supply-side economic perspectives were combined with a corporatist political strategy, symbolized above all by the National Recovery Administration (and to a lesser extent the Reconstruction Finance Corporation).

What brought the First, more conservative, New Deal to an end, and set the ground for the Second, more popular, New Deal was a mass revolt from below.⁶¹ This, and not for want of trying, was the real reason that a full-fledged corporatism was never developed in the United States. It would appear that we are now facing the possibility of something like a political replay of what Steinbeck in his most rebellious book called "the dubious battle" of the 1930s. What will come out of this may very well depend on the extent to which capital's present imperatives have the effect of letting politics get loose among the masses. Already there are signs of stirrings in the Black community, the labor movement, and even the Churches, which could bring the issue of "We the People" back to the fore.⁶² In any event, it is certain that the whole framework of "political capitalism" is currently in a state of transition.

Imperial Instability

When Lenin stated, in *Imperialism, the Newest Stage of Capitalism* (the real title of his book), that, "if it were necessary to give the briefest possible definition of imperialism we should have to say that imperialism is the monopoly stage of capitalism," he meant that the reality of imperialism — widely recognized at the time by conservatives, liberals and radicals alike — was simply a

⁶⁰ Rohatyn, *The Twenty Year Century*, pp. 125–137.

⁶¹ See David Milton, *The Politics of U.S. Labor: From the Great Depression to the New Deal* (New York, 1982).

⁶² See Jeremy Brecher, "Crisis Economy: Born-Again Labor Movement?," *Monthly Review*, Vol. 10 (March 1984), pp. 1–18; and John C. Hort, "The Bishops Confront Capitalism," *Dissent*, Vol. 31, No. 2 (Spring 1984), pp. 142–145.

reflection of a highly concentrated and centralized capitalist order, in which the antagonism between the great powers and between the great corporations was enormously intensified.⁶³ Although imperialism could be associated with certain basic impulses — such as the requisite export of capital, the need to secure territory and markets, the drive for raw materials, the desire for a higher rate of profit (in some undefined sense), and the politics and ideology of the center states — all of this was obviously too general to constitute a theory of imperialism as a *polity*.⁶⁴ For Lenin, imperialism was the organic reality of monopoly capitalism at its global level. Or, as Baran and Sweezy later put it, "imperialist exploitation . . . is simply the international face of monopoly capitalism."⁶⁵

Still, there is a sense in which imperialism can also be a definite state policy, tied to "the protective reaction of the system." The distinction between imperialism in this narrower sense and the larger phenomenon is somewhat arbitrary, since they imply each other, and could hardly exist apart from each other. Imperialism of any kind is ultimately backed up by an international war machine, and either force or the threat of force have to be present at all times. What I wish to emphasize here is that imperialism is not simply due to the unchecked worldwide expansion of the corporations, supported where necessary by the state. On the contrary, imperialism in the U.S. case often works the other way around, with the state moving in and pulling the corporations after it. Thus where American monopoly capitalism is concerned, imperialism is accelerated by a strategy for securing global hegemony, an internal pattern of accumulation that relies heavily on military production, and the promotion of aggressive nationalism as a substitute for progressive social change.⁶⁶

All of this of course has deep roots in U.S. history but as an explicit policy can be dated back to the planning of the new

⁶³ Lenin, *Imperialism: the Highest Stage of Capitalism* (Moscow, no date), p. 83; Editors' Introduction, Foster and Slatyer, ed., *The Falling Economy*.

⁶⁴ See Harry Magdoff, *Imperialism: From the Colonial Age to the Present* (New York, 1978), pp. 94–100.

⁶⁵ Baran and Sweezy, *Monopoly Capital*, p. 280.

⁶⁶ "Just as the fight against Communism helps the search for profits, so the search for profits helps the fight against Communism. What more perfect harmony of interests could be imagined?" Harry Magdoff, *The Age of Imperialism* (New York, 1969), pp. 200–201. For the United States imperialism is not only an economic condition but a political one as well.

world order during the Second World War. Cordell Hull, Roosevelt's Secretary of State, stated in July 1942:

Leadership toward a new system of international relationships in trade and other economic affairs will devolve very largely upon the United States because of our great economic strength. We should assume this leadership, and the responsibility that goes with it, primarily for reasons of pure national self interest.⁶⁷

Clearly, U.S. hegemony — particularly in relation to the third world — was not to be based simply on its "great economic strength," but on its great military strength as well.⁶⁸ Up until its encounter with the Vietnamese peasantry the strategy worked pretty well. These were the years of uncontested U.S. hegemony in the capitalist world and sustained growth in the world economy. In Vietnam, however, the U.S. overreached itself. Despite the fact that it dropped more bombs in total explosive power on Vietnam than it had in all of the Second World War, despite the use of hundreds of thousands of U.S. troops, despite 50,000 American dead, the United States lost the war. In the meantime, it had exploited the position of the dollar to export much of the cost of the war, by means of payments deficits, to the rest of the world. The secular upturn in idle productive capacity, which began in 1969 after the Tet offensive and popular resistance at home, convinced the U.S. state to slowly unwind the war.

But Vietnam had a larger impact on U.S. policy than the military defeat itself necessitated. The U.S. peace movement in these years reached truly vast proportions, and became a significant political force in its own right; so much so that it prevented Nixon, as he later admitted in his memoirs, from carrying out the threat that he had conveyed to the North Vietnamese in 1969 to drastically escalate the war (which included, according to H.R. Haldeman, the threat of employing nuclear weapons).⁶⁹ In any case, Americans of all persuasions readily grasped the im-

⁶⁷ Quoted in Gabriel Kolko, *The Politics of War: The World and United States Foreign Policy, 1943-1945* (New York, 1968), pp. 250-251; Cf. Magdoff and Sweezy, *The Deepening Crisis of U.S. Capitalism*, pp. 185-187.

⁶⁸ Harry Magdoff and Paul M. Sweezy, "Where Are We Going?", *Monthly Review*, Vol. 35, No. 7 (December 1983), p. 2.

⁶⁹ Daniel Ellsberg, "Call to Mutiny," *Monthly Review*, Vol. 33, No. 4 (September 1981), pp. 15-16, 23-24.

possibility of victory over the Vietnamese. This was the lowest common denominator in what right-wing thinkers were to label "the Vietnam Syndrome," preventing the U.S. from using direct military force in the years 1974-1982.

The full significance of the Vietnam Syndrome can only be perceived through an examination of the political-cultural role that militarism normally fulfills for the system. One of the best explanations of this was provided by Thorstein Veblen, in his usual sardonic style, in *The Theory of Business Enterprise*:

The direct cultural value of a warlike business policy is unequivocal. It makes for a conservative animus on the part of the populace. During war time, and within the military organization at all times, under material law, civil rights are in abeyance; and the more warfare and armament the more abeyance. Military training is a training in ceremonial precedence, arbitrary command, and unquestioning obedience. A military organization is essentially a servile organization. Insubordination is a deadly sin. The more consistent and the more comprehensive this military training, the more effectually will the members of the community be trained into habits of subordination and away from the growing propensity to make light of personal authority that is the chief infirmity of democracy. This applies first and most decidedly, of course, to the soldiery, but it applies only in a less degree to the rest of the population. They learn to think in warlike terms of rank, authority and subordination, and so grow progressively more patient of encroachments on their civil rights.⁷⁰

With Veblen's argument in mind, it would appear that the Vietnam Syndrome was most evident, not in the fear of another war as such — though that has obviously been the most widely shared response to the Indochina War — but in a breakdown in the pattern of political-cultural hegemony that had previously formed a natural counterpart of American militarism and imperialism. However limited the popular dissent of the late 1960s and early 1970s may have been from a radical standpoint, it is certain that it disrupted not only the Vietnam War but the domestic political "consensus" as well, encouraging insubordination and the inclination "to make light of personal authority." Warlike endeavors no longer served, quoting Veblen again, "to direct the popular interest to other nobler, institutionally less hazard-

⁷⁰ Thorstein Veblen, *The Theory of Business Enterprise* (New York, 1935), pp. 391-392; Baran and Sweezy, *Monopoly Capital*, p. 209-210.

ous matters than the unequal distribution of wealth or of creature comforts."⁷¹ On the contrary, there was a tendency to link international and national issues in a way which led to unrest throughout the political economy. A restoration of the imperialist ethic, and of the unwillingness to question authority that normally went with it, therefore became an essential part of any capitalist strategy to reimpose discipline inside, as well as outside, the United States.

The general feeling in the U.S. that the relative decline of American military and economic power in the late 1960s and early 1970s, on the one hand, and the onset of world economic crisis, on the other, were two aspects of the same problem was not simply due to a narrow nationalistic sentiment. As we saw in the first part of this paper, there is a strong gravitational pull under conditions of monopoly capitalism toward stagnation. The long wave expansion of the first quarter century after the Second World War was based on a number of special historical conditions, associated with a U.S.-centered accumulation process, that provided the stimuli for a strong upward trend in the world economy. Most notable among these were: (1) the European recovery from the destruction of the Second World War; (2) U.S. hegemony and the global rise of the dollar; (3) a second great wave in automobilization (including the expansion that this entailed in relation to the construction of highways and growth in the glass, rubber and steel industries); (4) the growth of a peacetime arms industry; (5) the Korean and Vietnamese Wars; and (6) a vast acceleration of the credit/debt structure, backed up by the inflationary financing of the state. "The turn from prosperity" and "the spread of stagnation," as Harry Magdoff has argued, can be attributed to the waning of each of these special stimuli. The rebuilding of the European economies, the contradictions of what turned out to be an inflationary dollar system, saturation of the automobile market worldwide, defeats imposed on imperialism by revolutions, and the threat of global financial crisis, all had the effect of bringing the long wave of relative prosperity to a close.⁷² Since this is, at bottom, an histor-

71 Veblen, *The Theory of Business Enterprise*, p. 393.

72 John Bellamy Foster, "The Political Economy of Joseph Schumpeter: A Theory of Capitalist Development and Decline," *Studies in Political Economy* (forthcoming, 1984);

ical problem, and not one of a mechanical long cycle as some theorists have supposed, we have no way of knowing for sure how and when the present long wave of stagnation will be transcended. The Great Depression was only brought to an end by the Second World War.⁷³

This is more than ominous. The Reagan Administration's answer to the diminishing credibility of U.S. military power, and to the world economic crisis, has been to step up the use of force and the threat of force. Already this has begun to have the predictable effect on the population as a whole (witness the reaction to the U.S. invasion of Grenada). Moreover, U.S. interventions have taken a particularly virulent form with the open attacks on Grenada and Nicaragua. In contrast to other regions of the world, where the U.S. in the past has mainly attempted to prevent revolutions from succeeding, in this hemisphere it has frequently engaged in the open use of U.S. military and paramilitary force against already existing post-revolutionary societies — most recently, the Bay of Pigs, Chile, Grenada and Nicaragua. The likelihood of a generalized Central American War as a result of such attempts to turn back the clock, and the very real possibility of escalation into global nuclear war if U.S. failures in the region cause it to turn its war machine on Cuba, are too terrible not to contemplate.⁷⁴

As a strategy, the attempt to regain the ground lost by U.S. imperialism during the last decade and a half is bound to fail. Economically, the destabilizing effect of military outlays, which current budget plans set at approximately \$300 billion for fiscal year 1985, are becoming increasingly obvious. It is the heavy reliance on this type of non-reproductive spending as a means of sustaining demand, for example, that accounts for the widening structural deficit. Rohatyn has pointed out that "another five years of . . . deficits [at present levels, in excess of \$200 billion] will push the national debt up from its present \$1.2 trillion to almost double that amount, or between \$2.2 trillion and \$2.4 tril-

Harry Magdoff, "International Economic Distress and the Third World," *Monthly Review*, Vol. 33, No. 11 (April 1982), pp. 2-8.

73 Paul M. Sweezy, "Why Stagnation?," *Monthly Review*, Vol. 34, No. 2 (June 1982), pp. 9-10.

74 Victor Navasky, "Caribbean Endgame," *The Nation* (April 7, 1984), p. 401.

lion.⁷⁵ Meanwhile, the Reagan administration attempted to deal with the problem in its budget for fiscal year 1983 by concentrating 60 percent of the proposed cutbacks in federal spending within the 6 percent of the budget previously devoted to the poor and disadvantaged.⁷⁶

Internationally, the United States is facing the prospect of combatting a rising tide of revolution, to no avail. At bottom, the problem has to do with the fact that just as the world economic crisis has had the effect of increasing U.S. imperialism, it has also had the effect of increasing the necessity of revolution in the third world. For one thing, the terms of trade for the staples exporting countries of the third world have deteriorated.⁷⁷ For another, this has been accompanied by a massive increase in external debt. The situation is illustrated by the Dominican Republic. In January 1983, the International Monetary Fund agreed to lend some \$400 million to the Dominican Republic, which, like Brazil and Mexico before it, had fallen into technical default. As usual, however, harsh austerity measures directed at the mass of the population were imposed by the IMF in its terms of conditionality. This resulted in popular protests in April 1984 when food prices were more than doubled. In the government crackdown that followed 55 people were killed and more than 200 injured.⁷⁸ The external debt of underdeveloped countries as a whole is commonly estimated as somewhere between \$800 and \$900 billion at present, and at the current rate of expansion will soon reach the \$1 trillion mark. Meanwhile the Third World debt exposure of the 9 largest U.S. banks has risen to 341 percent of the banks' capital base.⁷⁹ Since the process is of a cumulative character, the dangers of further revolutionary uprisings in the underdeveloped world, and of global financial collapse (although still unlikely at present), increase from month to month.

75 Rohatyn, *The Twenty Year Century*, p. 28. The federal deficit is one of the chief means through which stagnation is countered. Yet, it is rapidly becoming a source of instability in itself, given the fact that the deficit as a percentage of fixed investment in the U.S. has risen approximately tenfold since the early 1960s. See Harry Magdoff and Paul M. Sweezy, "The Federal Deficit: The Real Issues," *Monthly Review*, Vol. 35, No. 11 (April 1984), pp. 1-12.

76 Rohatyn, *The Twenty Year Century*, p. 28.

77 See Harry Magdoff and Paul M. Sweezy, "Two Faces of Third World Debt," *Monthly Review*, Vol. 35, No. 8 (January 1984), p. 4.

78 *The New York Times* (May 4, 1984).

79 Magdoff and Sweezy, "Two Faces of Third World Debt," p. 8.

Politically and culturally, the United States itself is in a state of turmoil. The logic of the system suggests that the present institutional and ideological framework of monopoly capitalist society must be adjusted in order to once again "attain conditions of stability, predictability, and security — to attain rationality — in the economy"; this, as the preceding analysis has shown, is the recurring dilemma of "political capitalism."⁸⁰ Yet, any enlargement of the field of political discourse is bound to result in a partial desublimation of politics; so that it actually threatens to break loose among the masses in an uncontrolled manner. It is here that the imperialist ethic undoubtedly has a part to play, from the standpoint of the ruling class, in maintaining order during a period of political and cultural realignment. Still, there is every reason to suspect that this strategy will fail under present circumstances. The Vietnam Syndrome persists not only in the fear of another U.S. involvement, but also in the fact that an increasing proportion of the population have begun dimly to suspect that all may not be right with the U.S. role in the world; and from there it is a relatively small step to the suspicion that something may be seriously wrong in "the State of Denmark" itself. An interventionist foreign policy is therefore likely to come up against popular forces at home as well as abroad. Although a powerful tendency toward economic stagnation, arising out of overaccumulation and underemployment, and made much worse by the effects of international competition, can be taken as a given for some time to come, the political path that U.S. society will follow remains far less certain. "It is not impossible," David Milton tells us, "that the present generation of workers might take up the old working-class slogan: 'the rich have their money, and the poor have their politics.'"⁸¹ When this happens one can be assured that the all-important struggle in the heart of the empire has begun anew.

York University
Downsview, Ontario, Canada

80 See the discussion of Kolko's ideas above.

81 Milton, *The Politics of U.S. Labor*, p. 167.