

# What is happening to British Capitalism?

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For a century now Marx and his successors have been foretelling the final collapse of capitalism. This collapse has been regarded as inevitable—however uncertain the date of its coming may be—because of certain 'contradictions' that are held to be inherent in the system of capitalist production. So far, however, capitalism, though repeatedly threatened by economic crises of varying severity, has always somehow continued to recover and to resume the process of expansion, usually at a greater pace than before. The most threatening crisis yet experienced occurred in 1931, after premonitory mumblings in 1929 and 1930. Since then, over a period of more than twenty years, there has been no crisis of the familiar kind. For the first time in history capitalism has managed to carry on, in the leading capitalist countries, for a long period with almost uninterrupted high employment—for most of the time, with what has amounted very nearly to full employment. Does this mean that, contrary to what Marx believed to be possible, capitalism has so overcome its contradictions that its final crisis is unlikely to occur at all, or at any

rate to occur in a near enough future for Socialist policy to be usefully framed in expectation of it? Or is it merely that, for special reasons, the period of capitalist prosperity has been longer than usual, but that the forces making for its disintegration are still fully at work beneath the surface appearances? If the latter, Marxists remain free to base their policy on the expectation of a coming crash, and to suggest that the crisis, when it does come, is certain, or at least likely, to be the worse for being so long delayed. But if the former, a large part of the Marxian theory needs to be at the least drastically revised, and certain elements of it to be scrapped altogether. It is therefore of the first importance for those who have accepted the Marxian diagnosis to consider very carefully what has actually occurred, and what it means.

On what grounds did Marx and Engels so confidently forecast the inevitable collapse of capitalism? According to Marx the ultimate cause of crisis was to be found in the insufficiency of the available markets to absorb the growing product of industry; and this insufficiency was

to be accounted for by the limits placed on the purchasing power of the main body of consumers. Under capitalism, in Marx's view, the owners of the means of production, by appropriating the 'surplus value' for themselves, secured the benefits of rising productivity. There were, however, relatively narrow limits to the amount these appropriators of surplus value desired themselves to consume. When these limited requirements were met, they desired to invest the residue of the appropriated surplus value in additional means of production, in order to acquire yet more surplus value in the future. These additional means of production however, could not yield the desired surplus unless the additional products could be sold at adequate prices; and such sales were prevented from occurring by the poverty of the main body of consumers.

The capitalists thus found themselves prevented from investing remuneratively the part of their surplus value they did not wish to consume, with the consequence that either they stopped investing or, if they did invest, could do so only by displacing some of the capital

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already invested, by bringing more efficient instruments of production into play. What actually occurred was that, at a certain point in the 'trade cycle, demand began to fall behind rising production so that a number of the less efficient producers were forced to close down, and others to reduce output and employment further narrowed the market, making the situation worse; and there followed a crisis, in the course of which a great mass of existing capital was rendered valueless and had to be written off and, to put the case in more real terms, a great mass of actual productive assets were scrapped. The total productive power was thus sharply reduced; and the process continued until the destruction had gone far enough to bring usable productive power and demand back into balance at a low level. Investment could then begin again, and the entire process be repeated unless and until there arose a crisis too severe for capitalism to recover from by the method of self-destruction. When that occurred, capitalism would be doomed, and the time would be ripe for the reconstruction of the economic system on a basis of social ownership and social appropriation of the values created in production.

### "Increasing misery"

That is, I think, the hard core of the Marxism theory. But with it go certain further doctrines which are closely related to it in Marx's exposition. One of these is the theory commonly known as that of 'increasing misery'. Marx argued that, as capitalist ownership of the means of production enabled the capitalists to appropriate the benefits of rising productivity, the rewards accruing to the actual working producers were held down to subsistence level. This, however, was not to be regarded as an absolutely fixed standard of physical consumption: it was rather whatever level of consumption would suffice, at any particular time and place, to induce the workers to reproduce their kind and to acquire such skills or dexterities as might be required of them. It was therefore quite possible for the workers, by taking advantage of a favourable conjuncture, to improve their subsistence levels or, alternatively, to reduce their hours of work; but it was equally possible for the capitalists, by seizing their opportunities to force down the workers' subsist-

ence levels. Marx held that the "course of capitalist development favoured in this respect the capitalists rather than the workers, both because traditional skills were being continually destroyed and rendered valueless by the advances in industrial techniques and because, at all times of crisis and depression, the pressure of the reserve of unemployed labour served to force down wages and conditions.

Thus, workers who had enjoyed a relatively privileged position—for example, as skilled artificers—were being continually dragged down into the ranks of the proletariat, and also small masters were continually being driven out by bigger capitalists in command of more efficient techniques; and at the same time the main body of unprivileged workers was subject to an ever-increasing pressure to accept lower standards of subsistence as the power of capital became concentrated in fewer hands, and as the struggle for survival was intensified because of the growing severity of the recurrent crises and depressions.

### Falling rate of profit

A third element in Marx's theory was the assertion that under the conditions of capitalist production the rate of profit on capital necessarily tended to fall. Capital itself, being in Marx's view incapable of yielding 'surplus value'—which was entirely attributable to labour—could not be a source of profit save indirectly, through the transformation of a part of the labour-produced surplus value into a return payable to the owner of invested capital. As productive techniques improved, more and more capital was needed to set a unit of labour-power to work; and accordingly the 'composition' of capital changed, relatively more having to be spent on inanimate means of production and relatively less on the purchase of labour power. Since only capital spent in the latter way—what Marx called 'variable capital'—could yield surplus value, the mass of unproductive or 'constant' capital grew continually larger in relation to 'variable capital'.

But the capitalist investor claimed, and was in a position to secure, profit on both alike, with the consequence that the surplus value created by each unit expended as 'variable capital' had to be spread over a rapidly increasing volume of

total ('variable' *plus* constant) capital. Accordingly, the rate of profit tended inevitably to fall; and the actual volume of profit could be maintained or increased only by increasing the rate of exploitation of labour-power. To a certain extent, such an increase was made possible by growing productivity, which enabled the worker to produce the value of his own subsistence in a smaller number of working hours, thus allowing the capitalist to appropriate a larger number as 'unpaid labour'.

This process was in effect an increase in the rate of exploitation of labour; and Marx saw the contemporary labour struggle as a conflict between the capitalists' attempts to intensify the pace of work, so as to get more production out of each working hour and the workers' resistance to such 'speeding-up'. Holding that the difficulties of capitalism in maintaining its profitability tended to grow greater with each advance in productive techniques and with each recurrent crisis, Marx held that the historical tendency of capitalism was towards an intensified depression of the workers' standards of living, and that this tendency led towards social revolution because of the increasingly solid working-class revolt it would necessarily arouse.

### The class struggle

These, I believe, are the three main elements in the Marxian theory of the inevitable doom of capitalism. Behind them lies, of course, the entire historical doctrine of human societies passing through a succession of class-struggles which lead up to the final abolition of classes and the substitution of a fully co-operative, classless society for a society divided into conflicting classes. According to this historical theory, capitalism appears as the highest social form short of Socialism, because under capitalism there is left only one class still to be raised up **out** of subjection, and accordingly this one class is the destined heir of capitalism as soon as the potentialities of capitalism have been fulfilled and it has turned into a 'fetter' on the means of production instead of being a means to their fuller development.

I am sorry I have had to use so many words in setting forth the essentials of the Marxian theory; but I do not see how I could have

made fewer serve the purpose. We have now to ask ourselves how far, in the light of the most recent developments of capitalism, the theory can still be regarded as correct. Obviously, the most easily questionable part of it is that which relates to "increasing misery"; for it is undeniable that, in the most advanced capitalist countries—especially the United States—(a) the purchasing power of the main body of workers has greatly improved since Marx's day, and has improved most of all in quite recent years, and (b) that, though *some* groups of formerly privileged persons have been forced down into the proletariat, the main tendency has been the other way—towards an increase in the numbers—relative as well as absolute—of those holding superior status and income among the general body of employed persons. In plain fact, 'misery' has not increased, but has visibly diminished, and shows every sign of continuing to do so, at any rate in the United States and probably in other advanced countries as well. These things could not have occurred if the workers' income had been held down to 'subsistence level, even in Marx's sense of the term. In effect, on this issue of "increasing misery", Marx was definitely wrong, as far as capitalist development up to now goes. It is of course still possible to argue that the "increasing misery" is merely later in arriving than Marx expected, but is coming none the less. But whoever argues in this fashion is under the need to explain why.

Secondly, where is the evidence that the rate of profit has actually fallen, or is tending to fall? The volume of profit has obviously grown enormously; and there is no sign that the average rate has been falling in recent years. On the contrary, under full employment its natural tendency is to rise, because there is much less capital working either at a loss or at a bare margin of profit. To use Marxian terms, the rate of surplus value seems to have been growing fast enough to maintain the rate of profit despite the vast increase in total capital and the smaller proportion of the total expended in variable form. Moreover, the rise in wage-incomes has helped to swell purchasing power, and has thus removed the need for writing off large quantities of productive assets as valueless. Capitalism appears, at any rate on the

surface, to have sufficiently overcome "the ultimate cause of all crises" to escape for the time being its supposedly impending doom. The worker is, no doubt, still exploited, and will be as long as the capitalist is allowed to continue to extract surplus value from his labour. But he lives, despite his exploitation, at a higher and for the most part at a rising standard; and the fact that he does so, by enabling the capitalists to market a larger total product, actually helps the capitalist system to survive, and renders crises not more but much less severe.

### Exporting immiseration

I am well aware that there are various ways of attempting to reaffirm the truth of the Marxian diagnosis in face of these undeniable facts. I do not mean the argument that the poor have grown *relatively* poorer, even though they have become *absolutely* better off. That argument is not worth considering for our present purpose; for it is certainly not what Marx said or meant. I am referring rather to the contention that the improved position of the workers in the most advanced capitalist countries is attributable to the success of the capitalists of these countries in exploiting the peoples of the underdeveloped parts of the world, and to their sharing the profits of imperialism and colonialism with the workers of the advanced countries, who have thus turned into semi-bourgeois participants in the process of capitalist exploitation. I do not, of course, deny that this exploitation exists, or that the workers of the advanced countries benefit by it. But would they benefit if capitalism did really involve that they should be held down remorselessly to subsistence level? And is it really plausible to attribute more than a fraction of their improved position to this imperialist factor, when it is evident that the principal factor has been the rapid increase of productivity in the advanced countries themselves, however dependent this may be on supplies of food and raw materials from the less advanced areas? The answer is clearly No. It is true that the workers in the advanced capitalist countries have benefited by paying too little for the produce of the less advanced; but it is sheer nonsense to adduce this as

the main reason why Marx's prophecies have not so far come true.

### Contradictions overcome

Have we, then, to accept the view that capitalism has in fact overcome the 'contradictions' that seemed to beset it in the days of Marx, and that there is no reason to expect it to fall victim to any 'final crisis' such as he predicted? My own view is that capitalism has in fact found out how to overcome these particular 'contradictions', and that it is no longer plausible to look forward to its collapse on account of them. It does not, however, at all follow that we must look forward to an indefinite continuance of the capitalist system; for there may be other contradictions against which it is by no means proof. The Marxian 'contradictions' have been overcome precisely because the workers, instead of being dragged down into 'increasing misery' have shown themselves strong enough, by organised pressure, both economic and political, to extract real concessions from capitalism, and thus to provide it with outlets for the rapidly increasing of goods and services produced. Reformist Socialism and Trade Unionism between them have actually worked in the advanced countries; and in the United States Trade Unionism has achieved great things for the workers even in the absence of a Socialist outlook or a working-class political party. Nor is there any reason to suppose that this process has reached its limits. The last stage of advanced capitalism is in fact, not Fascism—at any rate so far—but a kind of capitalism that is led to make concessions to the workers in its own interest as well as to their advantage. The moral, as far as the advanced countries are concerned, is that it is futile to talk about 'revolution, which the mass of the workers do not want and certainly will not want as long as they can continue to extract further concessions without it.

Yes, it may be said; but what will happen to this new kind of capitalism if the less advanced countries grow strong enough to refuse to supply it with cheap foodstuffs and materials to keep its factories at work? What, indeed? The last thing the peoples of the less advanced countries want is that the advanced countries should stop buying their

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products; for they badly need products of the advanced countries in exchange for them. What they want is a more favourable rate of exchange for their products, leading to a lessening of the disparity in standards of living. There is no good reason to believe that advanced capitalism cannot adapt itself to a worsening of its 'terms of trade' with the less developed countries; for such a change would enable the advanced countries to sell more exports to the less advanced, while the smaller quantities of raw produce obtained by them for each unit of exports would stimulate them to improve their productivity faster than ever. This may not hold good for every advanced country; it clearly will not do so for any such country which allows its productivity to fall badly behind its rivals, as Great Britain seems in some danger of doing at present. But even if *British* capitalism were to decline, that would not mean the collapse of the capitalist system in the United States, or in Japan, or in Western Germany, or in the capitalist world as a whole. It would be 'just too bad' for the British, including the British workers; but Great Britain is no longer the leader of world capitalism, and the fate of capitalism as a system will not be determined here.

### Unrelenting pressure

What, then? As far as the purely economic forces go, world capitalism seems unlikely to collapse because of its inner contradictions. It may, however, be destroyed by quite different forces. One such potential destroying force, obviously, is world war, which, if it were allowed to break out, might sweep not only capitalism, but also a great deal else, away. That is why there is good hope of avoiding it, though the danger of it remains real. If, however, we leave aside this possibility, what else remains? Continued, and ever-increasing, working-class pressure for better and better conditions, to be achieved both by Trade Union action and by political action through working-class parties or, in their absence, by 'pressure groups'—to use the American phrase—so as to secure more equitable taxation, more social security, and improved wages and working conditions. This, however, seems to mean, not Socialism, but only the 'Welfare State, and to postulate a continuance of capitalism on a more and more americanised model. Yet more than this we shall hardly get, as long as capitalism can continue, without self-destruction, to make more and more concessions to the workers' immediate claims.

The Revolution came first in

Russia, and not in a country of advanced capitalism, because Russia was the weakest link in the choice of the capitalist-cum-feudal imperialist world. Capitalism is likely to crack next, not where it is strongest—in the United States—but where it is subject to the most severe pressure. This may well be Great Britain, if in a world in which the less advanced countries are more and more able to assert their claims, British capitalism lags behind its rivals and is at the same time subject to unrelenting pressure from its own working class, using to the full both its economic and its political power. For even if American capitalism can afford to go on making concessions almost without limit to the American workers, British capitalism, under these conditions, will not be able to do so, and will have to be superseded if the British people are to survive. That is why it is so important for the British workers to keep up the pressure, and not to be misled into relaxing it on the plea that the 'national interest' must take precedence over their 'sectional' claims. If British capitalism cannot hold the pace, it is the task of the workers to displace it and to take on the task that it lets drop, not by violent revolution, but by the full and constructive use of their combined economic and political power.