

Stock sell-off and the difference between concrete economic analysis and rhetoric

Maoist Information Web Site

In response to the stock market sell-off currently taking place and recent Fed interest cut, there will be a predictable response from social-imperialists calling themselves Marxists. MIWS would like to comment on this for illustrative purposes. Readers may come across articles purporting to analyze the highly publicized financial situation from a Marxist perspective.

The pattern historically is for any change in an economic measure, seen as bad for the u.\$. economy or amerikans, to be treated as a sign of impending, singularly devastating crisis, or the looming dramatic destructive culmination of an unfolding long-term crisis. It could be a change in market indices, employment, consumer debt, investment, economic output, inflation, the trade balance, the current account, company profits, consumer spending, exchange rates, the price of oil, or something else. Many popular articles by so-called Marxists in response to fluctuations boil down to what is basically the same analytically vacuous comment about the anarchy of capitalism, the irrationality of the stock market and other financial markets, the insatiable profit motive, and a decline in the rate of profit; more sophisticated writers refer to the concept of overproduction, but, again, often in an abstract way that doesn't involve systematic analysis. Others just see unemployment and low wages, and discontented labor aristocracy reactions to these, as proof of a coming catastrophic turning point. Politically, the emerging crisis perceived is supposed to lead to instability of capitalism strategically favorable to the proletariat, while worsening their conditions, or to re-proletarianization of the u.\$. labor aristocracy, in the case of those who say that a labor aristocracy exists, but not to the extent that MIWS does.

What is lacking, in the analyses of these revisionists, Trotskyists, crypto-Trotskyists, including utopian so-called Maoists putting their hopes in a future re-proletarianization of the majority u.\$. labor aristocracy, is a concrete analysis using the labor theory of value. Facts taken from media reports are regurgitated without connection to each other or to history, yet are supposed to represent an imminent or fast-approaching collapse of the u.\$. or world imperialist economy due to internal

economic contradictions, a collapse that presents an opportunity for organizing First World workers, or is being hastened by First World workers; some claim that First World workers are already rebelling. Underlying or in the foreground of these analyses is the assumption that a majority of u.\$ workers are proletarian, just better-off than other workers by global standards.

The sham Marxists' analyses focus on appearances and are based on preconceptions. The assumption that a proletariat exists in every capitalist country is untenable today. MIWS could call those analyses a dogmatic in that they impose, without investigation, Marx's concrete analysis on today's united States, but the problem is more than dogmatism. The sham Marxists admit that most amerikans, with massive consumption and the economic and political comforts and luxuries of living in the united States, have more to lose than their "chains," but have equated the First World majority with the proletariat. They have just named the First World petty-bourgeoisie the proletariat.

Connected to this open distortion of Marxist concepts is why these analyses of downturns look the same in terms of method. The analyses raise abstract concepts -- the inherent anarchy and contradictions of production and capitalism, the inherent irrationality of financial markets, the tendency for the rate of profit to fall, and overproduction -- and unchecked speculation and predation and the profit motive, but how important these things are relative to each other and to other things in the situation at hand is not demonstrated. Statements about a decreasing profit rate often even seem not to be based on any investigation, but based on the assumption that, if there is a downturn, the rate of profit must be falling. Concepts, unconnected to materialist concrete analysis, are deployed simply for rhetorical effect or as crowd-pleasing poetry. A theory about the way the economy works does underlie the rhetoric; it is just not Marxist. No analysis applying the labor theory of value scientifically to the world economy can reach the conclusion that most u.\$ workers are exploited. They are net-exploiters, appropriating surplus value. So, these analyses must be employing some other theory. That theory is bourgeois economic theory. Marxist terminology and emotional language is just attached to it as rhetoric. Although, even openly bourgeois writers discuss overproduction and overcapacity in a factual way, as they do with unemployment, deficits, mortgage foreclosures, etc.; so, even just talking about the concept of overproduction, abstractly or matter-of-factly, isn't adequate for appearances. In the absence of correct theory and perspective,

standard economic measures are treated in the most superficial and narrow way such that the importance of changes is magnified, and changes are taken as evidence of a coming or developing crisis, of a decisive nature. The rhetoric fuels militant parasite pressure to increase welfare state benefits and share more super-profits with u.\$ citizens, at the expense of Third World workers.

One would not expect a Trotskyist analysis, with its Theory of Productive Forces, to have the same conclusion as a so-called Maoist analysis, yet that is what happens. The majority of so-called Maoism is crypto-Trotskyism. There is a gap between seeing signs of recession and saying that crisis is impending, but various so-called Marxists that should have different approaches arrive at the same conclusions about crisis and its causes and conditions; they attempt the leap between the first thing, signs of recession, and the second in the same way. There is no real Marxist theoretical substance behind most crowd-rousing "Marxist" agitational articles about economic downturns. The association between recession or signs of recession, and crisis leading to the breakdown of capitalism, is taken as a matter of fact, as if the crisis were supposed to be manifestly obvious. An analysis in terms of surplus value and the structure of production and circulation is missing. When a pseudo-Marxist's commentary on a downtown sounds like a dumbed-down, hyped-up version of Greenspan's "irrational exuberance" speech, it is clear that the phonies should abandon their pretensions to Marxism.

MIWS has been stressing unequal exchange profit as a component of imperialist super-profits. There is also a question involving unequal exchange related to crisis. The united States imports more value than it exports. Because of unequal exchange, the profit rate is higher and can more easily sustain a decrease. Without a correct economic theory, people end up over- or underestimating the profit rate in other ways. National and global rates of profit need to be reconceptualized in light of international transfers and the unproductive sector. This requires a return to the core concept of value in Marx's *Capital*.

Besides unequal exchange, also important is surplus value realization in the unproductive sector of the u.\$ economy and its relation with the profit rate, which cannot be equated with profit margins or declared profits. If u.\$ workers are net-recipients of value or some u.\$ industries don't produce products with added value, it is incorrect to calculate the rate of profit on the basis of an aggregation of profit figures reported by companies. Because of the parasitic characteristic of the

unproductive sector, expenditures on that sector's services are among the first to decrease. The profit rate is higher than it would be if the distinction between the productive and unproductive sectors were ignored. Currently, there are reports of banks' laying off employees. Finance capital will remain an integral part of imperialism, but there may be an adjustment of the financial sector or the unproductive sector as a whole.⁽¹⁾ A temporary contraction of the unproductive sector could signal a decrease in the rate of profit, yet the profit rate is high to begin with, much higher than would be suggested than if the productive/unproductive labor distinction were ignored.

MIWS does not offer here an explanation of the present downturn in Marxist terms except in the most broad outline requiring concrete elaboration. Nonetheless, MIWS would point out the dubiousness of hurrying to suggest that a catastrophic crisis is imminent when actually the rate of profit would be multiple times higher than what most so-called Marxists think it is (if they think about it concretely at all) if what MIWS and others are saying about unproductive labor and other things were true. Where pseudo-Marxists suggest that downturns reflect decreases in the rate of profit, and that these downturns signal a coming crisis, they need to provide a refutable explanation of how further change in the rate of profit will bring about or lead to that crisis. Current practice is to simply relate a downturn to the tendency for the rate of profit to fall in an abstract way and see the downturn as portending crisis or representing an existing crisis, without making any statement about what impact an additional change in the rate of profit would have, and even without quantifying the current rate of profit. The reason why the productive/unproductive labor distinction is ignored or treated as immaterial by many pseudo-Marxists in the context of crisis is that these pseudo-Marxists aren't interested in explaining concrete the relationship between downturn and the crisis of which they speak. The crisis is just assumed, partly because of an overly abstract notion of catastrophic crisis as emerging from a qualitative, decisive change requiring no prediction or explanation in terms of concrete conditions and struggles. With every new downturn, the cycle of non-analysis and rhetoric repeats. One year's so-called analysis is the same as the previous year's. While ignoring parasitism and class structure, pseudo-Marxists like street-corner doomsayers have been saying the same thing about imminent economic collapse for several years, and said similar things during previous recessions in the early 1990s and early 1980s. In explaining why revolution didn't break out in the First World, unemployment declined, and so forth, the cop-out phony "dialectical"

answer is to speak of cycle or spiral, or an unavoidable strategic failure to organize First Worlders for revolution, that supposedly couldn't have been anticipated. MIWS is not the first to point out the crisis of crisis theory in the supposedly Marxist communist movement, but is one of the few who are pointing to the importance of parasitism in relation to crisis.

In regard to questions related to crisis, pseudo-Marxists want to have it both ways. They portray First Worlders as being potentially infinitely productive, so that, no matter how much unequal exchange there is or how much super-profit there is, First World workers will always be net-providers of value. In addition, they emphasize that "productivity" is increasing in the united States, without a proportionate increase in wages. At the same time, the pseudo-Marxists suggest that the rate of profit is so low that imperialism is on the brink of collapse.

If it were supposed that only the global rate of profit is low, while the rate of profit in the First World is higher, pseudo-Marxists would need to explain how it is that the rate of profit in the rest of the world could be so low as to counterbalance the higher rate of profit in the First World. Why has there not already been an insurmountable crisis in connection to the supposed low rate of profit in the rest of the world, not just through interdependency with imperialist countries. Like nearsighted fellow white nationalists, imperialist-country pseudo-Marxists become concerned with crisis mostly when there is a downturn in the imperialist country, or when crises, such as the Latin American and Asian debt and financial crises, threaten the imperialist country. Otherwise, the implications of suggesting that the rest of the world has a lower or higher rate of profit are ignored. As a way of justifying higher First World wages and sometimes to deny unequal exchange, some pseudo-Marxists claim that the Third World has a higher, not lower, rate of profit, with the profits pocketed by capitalists only, not First World workers.

When the emphasis is on the First World rate of profit and First World productivity, pseudo-Marxists may be found suggesting that the First World is so productive as to be potentially self-sufficient in preserving its living standards. Supposedly, struggles against imperialism outside imperialist-country borders don't threaten imperialist-country living standards, at least in the long run; the Third World could disappear, and most First Worlders would consume largely as before. The roughly parallel idea bourgeois economists have in the reverse direction (a u.\$ downturn's impact on other countries), currently circulating in discussions of the u.\$ downturn, for economic

dependencies is "decoupling."⁽²⁾ Without a revolution in the First World, pseudo-Marxists want to speak of a coming collapse of the world capitalist economy, due to contradictions abstracted from class struggle and concrete exploitation, at the same time as they deny the vast majority of parasitism and laud First World labor aristocracy "productivity" and the First World productive forces to the skies. MIWS of course does not deny the economic interconnectedness of First World and Third World nations, and has a particular view of that. The point is that chauvinist pseudo-Marxists raise one idea or concept when it is convenient for justifying imperialist exploitation, and raise another when it is convenient for pumping up First Worlders for a fascist petty-bourgeois "revolution" against a group of capitalists who are millionaires or billionaires. There is no coherence, no real scientific synthesis. There are exceptions; there are sophisticated and refined forms of chauvinism. More genteel chauvinists pay lip service to Leninism on parasitism and sometimes use some of the same language as Maoists, as a way of attracting people to a morass of Trotskyist ideas about the economy, crisis, and strategy, as if national differences and struggles were unimportant. Included among those are ideas that lead to underestimating imperialism's potential for crisis.

So, pseudo-Marxists' conclusions about crisis are contradicted by their own ideas about productivity, profits, and exploitation. Other pseudo-Marxists, completely in fantasy land, make claims that preclude scientific analysis of the economy. Hopelessly unscientific Luxemburgists may still be found asserting that First World workers have subsistence wages. And social-democrats, as if oblivious to the appropriation of labor from Third World workers, continue to make the claim that the united States has the highest rate of exploitation in the world, which has implications for understanding crisis.⁽³⁾ As a result, analyses of crisis arise that either do not take into consideration wages and surplus value as they actually exist, or ignore the amount of surplus value altogether while focusing on structural problems. Where First World workers are believed to be the most exploited workers, but have comfortable standard of living, there is a tendency for downturns to be analyzed in terms of structural problems separately from transfers of value between classes and nations, as though crises may arise outside the dynamics of exploitation and parasitism, and just in the organization of production, circulation, and distribution, as if those things could be separated from concrete class structure and surplus value. There is a notion of structural crisis as overwhelming any class and economic differences between the First World and the Third World.

An analysis of the economy that fully takes into account parasitism will be different than an analysis that does not. Fundamentally, there cannot be a crisis of overproduction connected to low First World wages in any traditional sense, nor a crisis of profitability engendered by increased First World productivity with a corresponding decline in the profit rate. Any theory of crisis that implies or presupposes that a majority of First Worlders are productive sector workers and exploited risks being refuted on factual grounds alone. First World workers, including First World productive sector workers, consume more value than they create. They are exploiters, import consumer goods, and consume luxuries. What there may be is a difficulty in the circulation and distribution of surplus value -- realized in the u.\$ economy, but created by non-u.\$ workers, or appropriated from non-u.\$ countries through investment and debt servicing. MIWS believes that trade has surpassed investment as the predominant source of imperialism's international super-profit. However, finance capital continues to play a major role, in the realization of surplus value -- in the circulation of commodities partly or wholly produced by Third World workers, the circulation of capital in the form of money, and in the distribution of surplus value to various recipients and industries, either as capital or for unproductive consumption. The enormous unproductive sector of the united States is greatly premised on the financial sector. That is the real relationship between finance capital and parasitism today. The crisis of contemporary capitalism is a crisis within parasitism, in the contradictions involved in sustaining an increasing flow of super-profit to the First World. Investment, the use of credit as a source of purchasing power, questions related to the trade balance, and so forth, should be looked at in this context.

In terms of unemployment and strikes, there is little historically to support the idea that a recession will be accompanied by massive impoverishment in the First World, and by destabilizing struggle by the petty-bourgeoisie, even to preserve its oppressor privileges.⁽⁴⁾ The 2007 average unemployment rate was 4.6%, according to the u.\$ Bureau of Labor Statistics, the same as the 2006 rate. In terms of long-term trends, the 2007 rate was actually at a minimum. In 2001, the year of the last recession, the average unemployment rate was 4.6%. Annual average unemployment rates for recession years and surrounding years in the past several decades have not exceeded 10%. In terms of work stoppages, including strikes and lockouts, involving 1,000 or more workers, 2006, in comparison with previous years, was a low year by all accounts (number of workers involved, time idle, etc.). In other ways, it is clear that

the First World so-called working class is in an alliance with the imperialists. That is a fact that must be dealt with, in addition to the reality of First Worlders' exploitation of non-First World workers. Arghiri Emmanuel, H. W. Edwards, J. Sakai, and others, were already saying or acknowledging decades ago that the Euro-American working class was allied with the imperialists. There is no rebellion in the First World against imperialism or even a particular imperialist leader, party or war. Yet, the oppressed in the Third World are fighting imperialism and battling repression. The necessary strategic orientation in the First World for communists is one of dividing the exploiters and uniting oppressed nationals in the united States, to oppose imperialist militarism and repression of the oppressed. As people who are already exploiters, the labor aristocracy responds to threats to its wealth in a reactionary way and seeks to secure its share of the super-profits. Any discussion of organizing a re-proletarianized labor aristocracy amid a crisis can only be based on practice and concrete knowledge of conditions, not unjustifiable assumptions and wishful fantasies. Historically, the labor aristocracy and the larger petty-bourgeoisie in the First World have responded to domestic crises by supporting economic nationalism, fascism, and social-fascism -- not proletarian revolution. That reality cannot be glossed over with a permanent focus on trying to organize a majority of First Worlders, as if class structure and existing class struggles, between imperialism and oppressed nation classes, didn't matter.

Notes

1. In regard to the issue of the relative stability or instability of the unproductive sector and other questions MIWS addresses in this article, it is necessary to note the scientific bankruptcy of the so-called communist movement. Because fundamental topics have not been dealt with adequately, much study and analysis remains to be done. For too long, rhetoric, and abstractions for the capitalist system as a whole divorced from concrete analysis, have taken the place of science. Unproductive labor and unequal exchange are two concepts relevant to parasitism and crisis that have been neglected, except by Maoists like MIWS, and others. MIWS has explicitly focused attention on unequal exchange and has probably given rise to much of the discussion of unequal exchange on the Internet in a political context; at the same time, MIWS recognizes that, that discussion has unfortunately been contaminated by Trotskyists with various goals and priorities in spite of MIWS's delimitations and Maoist approach.

While MIWS is on the topic, anyone who thinks all of this is academic or that MIWS is wrong to raise economic theory questions should abandon claims to "Marxism," because there do not need to be examples of unscientific communism on the Internet. People who even think that having a correct theory of imperialism or a correct theory of crisis, or a correct view of whether the rate of surplus value in First World nations is several times more or less than what someone is saying it is, doesn't matter for communism should either articulate why, or uphold national "socialism" or postmodernism outright. One should not publicly distribute "Marxist" or "communist" writing if one is just going to go with the flow of whatever, or talk about topics, such as crisis, if one has an atheoretical or non-concrete approach. It just makes it easier for the bourgeoisie to infiltrate, using rhetoric or even unoriginal theoretical writing for cover. In giving away answers to theory questions, MIWS may potentially make it easier for people to pose as scientific communist outside the Internet, but if there are to be Maoist Web sites, they need to make advances, either in theory or in the presentation of theory. MIWS has much faith in the masses, that they will seize science and expose false leaders in the course of struggle.

Regarding changes involving the unproductive sector, changes in employment in service industries during recessions present a mixed picture, according to the u.\$. Bureau of Labor Statistics. MIWS is primarily interested in general differences between the productive and unproductive sectors. If in fact the unproductive sector is more stable and growing, that may reflect an increase in parasitism or a shift in its structure, and a deepening of the potential for future weakening crisis as the oppressed nation proletariat's struggle advances.

<http://www.bls.gov/opub/ted/2001/Nov/wk4/art04.htm>;

<http://stat.bls.gov/opub/ted/2001/Nov/wk4/art05.htm>;

<http://www.bls.gov/opub/mlr/2001/10/art1exc.htm>

2.

http://economictimes.indiatimes.com/Stocks_meltdown_shows_world_economies_still_reliant_on_US_Report/articleshow/2721265.cms;

<http://www.livemint.com/2008/01/19002326/The-decoupling-thesis-plunges.html>;

http://www.usatoday.com/money/world/2008-01-22-coupled-decoupled_N.htm;

<http://www.time.com/time/business/article/0,8599,1705860,00.html>

3. Stephen A. Resnick and Richard D. Wolff, "Exploitation, consumption, and the uniqueness of US capitalism," in *New Departures in Marxian Theory*, edited by

Stephen A. Resnick and Richard D. Wolff, London and New York, Routledge, 2006

[4. http://www.nber.org/cycles.html/](http://www.nber.org/cycles.html/); http://www.bls.gov/cps/prev_yrs.htm;

<http://www.bls.gov/news.release/wkstp.t01.htm>

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Emmanuel, Arghiri. *Profit and Crises*. Trans. N. P. Costello. New York: St. Martin's Press, 1984.

MC5. *Imperialism and Its Class Structure in 1997*. 1999.

<http://www.etext.org/Politics/MIM/mt/imp97/impclasstruc.pdf>

Moseley, Fred. *The Falling Rate of Profit in the Postwar United States Economy*. New York: St. Martin's Press, 1992. (MIWS mentions Fred Moseley's work, focusing on the so-called conventional rate of profit, though MIWS does not agree with everything, particularly where international transfers, and global class structure and struggle, are relevant, but de-emphasized. MIWS encourages readers to carefully think about the issues Moseley raises in various writings about unproductive labor and the rate of profit, and in the context of other writings. Since MIWS has focused in this article on basically non-quantitative analyses of downturns, to not mention Moseley's quantitative work could be nihilist. MIWS's generalization about the way in which crisis is widely discussed and thought of by self-identified Marxists and communists is still accurate. MIWS would also point out that some of those who have drawn from others' quantitative analyses of downturns have not drawn correct conclusions about parasitism or class structure. So, there is also a situation where there are smart people using math and statistics, but in ways that are confined and insulated, because of various non-scientific priorities and tendencies.)

Moseley, Fred. "The Rate of Profit and the Future of Capitalism." *Review of Radical Political Economics* 29.4 (1997): 23-41.

Sakai, J. *Settlers: The Mythology of the White Proletariat*. Chicago: Morningstar Press, 1989. (<http://sketchythoughts.blogspot.com/2006/06/settlers-mythology-of-white.html> has links to a PDF.)