Contemporary Stagnation and Marxism: Sweezy and Mattick

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The current Great Recession increasingly looks as another 'great crisis' punctuating capitalist development, and demarcating a form of capitalism from another. **As I have argued in other Chapters**, a comparison can be made with the Long Depression of the late XIXth century, the Great Crash of the 1930s, and the Great Stagflation of the late 1960s-1970s. Paul Sweezy and Paul Mattick were protagonists of the debates in Marxism about the interpretation of these crucial episodes, proposing competing views, and alternative readings of Marx's crisis theory and how to develop it.

In what follows I'll consider only some partial moments of their thought. After some biographical considerations which help to give some background, I shall start with a reminder of Sweezy's understanding of Marx's value theory and his classification of the Marxist debate about crisis. I shall then consider his and Paul Baran's theory of monopoly capital, and his explanation of financialisation. This way of approaching the author opens up the issue of the relationship of Sweezy with Keynesianism, and of how this author read the crisis of the so-called Golden Age of capital and the following Neoliberal era. Paul Mattick is, in a sense, the natural counterpoint, supporting the tendential fall in the rate of profit versus underconsumptionism. However, as I'll try to show, there are unexpected complementarities in their analyses: though their perspectives cannot be accepted as the whole story about XXth century capitalism, they give essential hints to interpreting it, which may be prolonged in an interpretation of the present crisis. Moreover, Sweezy turns out not to be the 'stagnationist' the legend (of friends and foes) depicts, and Mattick is not the usual breakdown theorist as he has been portrayed.

In this confrontation with the two authors I'll introduce a third protagonist, **an author we have already met several times in this book:** the Italian scholar Claudio Napoleoni. He engaged a theoretical dialogue with Sweezy in the 1960s and the early 1970s, years in which he went trough different theoretical outlooks and important changes. In the early 1970s he tried to pursue a rehabilitation of Marx's value theory as the basis of an original crisis theory, based on the social antagonism inside the capitalist labour processes. In this period, he unexpectedly provided an interpretation of *Monopoly Capital* as a book which could have been made compatible with the labour theory of value: a position very far away from the Marxist criticisms of Baran and Sweezy diffused at the time, but which appears to be confirmed by later declarations by Sweezy and eventually by the publication of unpublished chapters of his and Baran's book. In those same years, some element of Mattick's view are (in my opinion) present in Napoleoni's reading of the early 30 years of post-WW2 capitalism.

The Sweezy-Schumpeter debate

Paul Sweezy was an assistant of Schumpeter. Their friendship and intellectual distance are such that the word pupil sounds off-key. As he wrote to his brother Al, though interested in the Austrian economist's theories, he did not feel any particular influence. Personal relationship, however, was quite strong, as if he was the substitute for a missing child. There was a memorable debate between them, of which a record remains, thanks to Paul Samuelson's 'memoir', which appeared in *Newsweek,* 13 April 1970, and the materials made available by John Bellamy Foster in the *Monthly Review*, May 2011.

In Winter 1946-47 the Boston's Socialist Party had asked Harvard's Economics Department to host a debate on capitalism and socialism. Schumpeter regarded as inappropriate that the discussion would take place in the context of his course, suggesting unsuccessfully that the Graduate Student Club would take the initiative. The debate had no sponsors, its protagonists being indeed Schumpeter and Sweezy. Samuelson's report, more than twenty years later, still conveys the excitement for the event:

> Schumpeter was a scion of the aristocracy of Franz Josef's Austria. It was Schumpeter who had confessed to three wishes in life: to be the greatest lover in Vienna, the best horseman in Europe, and the greatest economist in the world. "But unfortunately," as he used to say modestly, "the seat I inherited was never of the topmost caliber." […] Opposed to the foxy Merlin was young Sir Galahad. Son of an executive of J.P. Morgan's bank, Paul Sweezy was the best that Exeter and Harvard can produce and had early established himself as among the most promising economists of his generation. But tiring of the conventional wisdom of his age, and spurred on by the events of the Great Depression, Sweezy became one of America's few Marxists. (As he used to say, you could count the noses of U.S. academic economists who were Marxists on the thumbs of your two hands: the late Paul Baran of Stanford; and, in an occasional summer school of unwonted tolerance, Paul Sweezy.) Unfairly, the gods had given Paul Sweezy, along with a brilliant mind, a beautiful face and wit. […] If lightning had struck him that night, people would truly have said that he had incurred the envy of the gods.[1]

After introducing the participants, Samuelson proceeds with synthesising the 'match' by means of the words he attributes to the moderator, Wassili Leontief. The patient is capitalism. Both speakers regarded it as dying, yet their diagnoses differed. Sweezy thought the case was of an incurable cancer. Schumpeter (whose sympathies went to the system defunct in 1914) attributed the forthcoming decease to a psychosomatic ailment, a neurotic hate of itself, that made it lose love for life. Sweezy himself would be talisman and prophetic sign of this. Unanimous evaluation was that the Austrian economist had lost the match. Reluctant, as usual, to present his vision and analysis, he had engaged in an apology of the United States, probably for his typical love of provocation.

Bellamy Foster[2] supposes that Schumpeter built on Chapter 28 of the second edition of *Capitalism, Socialism, Democracy,* not yet published, where he criticised the 'stagnationist' theses that some authors (most notably Alvin Hansen) had drawn from Keynes. Bellamy Foster has also published Sweezy's notes. The *primum movens* was not innovation but accumulation: a process that does not tend to balance itself. The unbalance between investments and savings systematically reproduces itself, because there is no way to adapt investment to the needs of accumulation, or to ensure that, in case of inadequate investments, capitalists would effectuate compensative consumptions. Thus, it is not true that 'trustified' capitalism is able to generate more stability and mitigate the crisis (as Hilferding claimed about 'organised capitalism'). The reasons of capitalism's tendency to crisis are not sociological or psychological: they are economic, though it makes no sense to attribute the cycle to a single, uniform cause.

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[1] **Samuelson 1969**, p. 84.

[2] **Bellamy Foster 1999**, p. ???

On the other hand, Schumpeter's shadow seems to cast over Sweezy's words, in *Why Stagnation?* (1982), despite his claim about the renewed relevance of the tendency to stagnation:

> *Does this mean that I am arguing or implying that stagnation has become a permanent state of affairs? Not at all.* Some people - I think it would be fair to include Hansen in this category - thought that the stagnation of the 1930s was here to stay and that it could be overcome only by basic changes in the structure of the advanced capitalist economies. But, as experience demonstrated, they were wrong, and a similar argument today could also prove wrong.[3]

Actually, in his 'challenge' with Schumpeter the US-American Marxist had begun by declaring to agree with his antagonist's statement, in *Theory of Economic Development*, according to which capitalism is by nature *a form or method of economic change* and *not only it never is, but it never can be, stationary*.

The way out from academia

Sweezy was born in New York in 1910, the descendant of US upper class, son of a vice-president of the First National Bank. His first writings appeared in the *American Economic Review*, the most prestigious economic journal, before completing his first cycle of university studies. He attended the Philips Exeter Academy and Harvard University, where he graduated in 1931. In 1932-33 he shifted to the London School of Economics, where he was influenced by Laski's thought and got in contact with Marxism. Back in Harvard for his doctorate in 1939, he became Schumpeter's assistant: for him he took care of students and organised a series of seminars. Of particular importance was one involving a very small group, composed of just 4-5 people: among these there was Elizabeth Boody, historian of economics and future wife of the Austrian economist, and Samuelson, future Nobel Prize for economics. A pupil of Sweezy was another Nobel Prize, Robert Solow, who attended his course on socialism's economics. In a beautiful interview to Savran and Tonak,[4] Sweezy recalls how at that time Solow was one of the most radically leftist young economists (one could not say the same about Samuelson, he remarks). Once he got a tenure, Sweezy adds, Solow's radicalism faded considerably. Sweezy does not lean towards a 'moralistic' judgement. Referring to Solow, but also to Eric Roll, he would say:

> It's a kind of opportunism in a way, and yet in these cases it wasn't crass or vicious. It was the kind of thing that the pressures of U.S. society make it extraordinarily difficult for a

[3] 'Why Stagnation?' is a reconstruction from notes of a talk given to the Harvard Economics Club on March 22, 1982, and was reprinted in *Monthly Review*, Volume 56, Issue 05 (October), 2004, reprinted from the June 1982 issue. **It is included in ???.** Consulted online the 11th of May, 2017. https://monthlyreview.org/2004/10/01/why-stagnation/

[4] The interview *A Conversation with Paul Sweezy* from which I am quoting was conducted by Sungur Savran and E. Ahmet Tonak**.** It previously appeared in *Obirinci Tez* (Thesis Eleven), a Marxist theoretical journal publised quarterly in Istanbul, Turkey since November 1985 and then in *Monthly Review*, Vol. 38, April 1987. I quote from the online version consulted the 12th of May, 2017, http://www.glovesoff.org/history_files/sweezy/sweezy_tonak.html.

person to resist, especially if he doesn't have some independent means. You have to understand that I probably would have gone that way, too. I was fortunate in not having to depend on an academic salary.

The interpretation of the title of the seminar he gave on *The Economics of Socialism* was quite 'broad', since Sweezy probed the terrain of a reconstruction of the various theoretical traditions of socialism, well beyond Marxism in a strict sense. In that course, however, Sweezy tried also to develop an academic and rigorous treatment of Marxism; to this purpose, he built considerably on the European literature, also German, which he read in the original. In this way Sweezy gradually crafted one of his most famous works, the true classic that still is *The Theory of Capitalist Development*, the first edition of which was published in 1942, the same year of Schumpeter's *Capitalism, Socialism, Democracy* (his first work was *The Theory of Economic Development,* of 1911).

It is in these years that Sweezy becomes a Marxist, as a self-taught. One cannot say it was a wise choice from an academic viewpoint. His writings of standard economic theory were accepted by the best journals. After the article for the «American Economic Review» of December 1930 (*The Thinness of the Stock Market*), he had published in the «Quarterly Journal of Economics», in 1937 (*On the definition of Monopoly*), and the «Journal of Political Economy» (*Demand under Conditions of Oligopoly*), in 1939. The last article was quickly included in textbooks, and it is still cited today – the (rare) students with some acquaintance with Marxism can't suspect it is the same person. His interest for imperfect competition is testified also by his first book of 1938, his doctoral thesis, devoted to coal trade in England (*Monopoly and Competition in the English Coal Trade*), published by Harvard University Press.

In these years Sweezy is influenced by Keynesianism and by the debate over the presence or absence of a 'stagnation' tendency. In 1936 the *General Theory* had appeared, the USA was since 1929 into what John Kenneth Galbraith appropriately defined *The Great Crash*. In 1932 a quarter of the population was unemployed. The upturn of the mid Thirties stimulated by the *New Deal* was complemented by a lively season of 'grassroots' struggles. However, there was a serious fall back to crisis in 1937-38, when Roosevelt, afraid of the government deficit, pulled the brake. The real exit from the crisis was with World War II. Sweezy was active in those years in some agencies of the *New Deal*, and participated in drawing an important report of 1938, *The Structure of the American Economy*, which made a case for a 'Keynesian' exit from the crisis. Meanwhile he worked at the analysis and research division of the Office of Strategic Services, the future Central Intelligence Agency, editing the European Political Report.

For his publications, and not only for the close intellectual dialogue and friendship with Schumpeter, Sweezy was on the way to a successful academic career. In 1942 he leaves Harvard for a couple of years, for a research journey. At the moment he is under a five years contract. While he is abroad, the opportunity arises for a tenure in that university. Schumpeter strongly supports Sweezy. Yet, Harvard's department does not want him. Sweezy refers of the rumours of his 'firing' from Harvard, yet he disproves them. Back home, he could theoretically stay at Harvard two more years. However he got a clear message that nobody wanted a Marxist as a permanent member of the staff, so after these two years he would have to move. He decided he would not remain 'halfway across a ford'.

In 1953, in the midst of McCarthy's communist witch-hunt, Sweezy is summoned and interrogated in a legal action started by the New Hampshire state. He refuses to answer the questions. He is sentenced, he appeals to the Supreme Court, which in 1957 founds in his favour. The verdict is a turning point, and foreshadows the end of the witch-hunt. At the beginning of the Sixties Sweezy, with Paul Baran, writes *Monopoly Capital*, published in 1966 and translated into Italian by Einaudi. While the *Theory of Capitalist Development* was an introduction to Marxism in its various aspects – from the theory of value to the theory of crisis, to the last part devoted to the theory of imperialism – *Monopoly Capital* deals with the passage from the competition phase of capitalism at Marx's time to the phase of contemporary competition between oligopolies. It is an essay deliberately written in the language of traditional economics, of a Keynesian-institutional type, sometimes even with neoclassical accents.

In 1949 Sweezy had founded, with Leo Huberman, the *Monthly Review*. The journal had an Italian edition between 1968 and 1987, thanks to the initiative of Enzo Modugno, who often wrote an editorial (later Lisa Foa and Luciano Canfora were involved); and initially it was distributed to kiosks, selling up to 20.000 copies. The first issue opened with a famous article: *Why Socialism?* by Albert Einstein. Sweezy and his collaborators at the *Monthly Review* would get in contact with several revolutionary experiences: from Mao to Cuba (on which he published two books with Leo Huberman: in 1960, *Cuba: Anatomy of a Revolution*, and in 1969 *Socialism in Cuba*). The 1960s and 1980s are punctuated with many articles in which Sweezy, alone or with others (in primis Harry Magdoff), proposes an interpretation of capitalism's crisis, drawing it to the crisis of realisation. Yet Sweezy proceeds further and, already in the 1970s, formulates an analysis of the growing financialisation of capitalism. Finance 'counts', both in its contradictory aspect and for its functionality to capital accumulation. On these topics particularly important are the collections of articles from the *Monthly Review*, some of them translated into Italian by Editori Riuniti, such as *The Dynamisc of U.S. Capitalism* (1970) and *The End of Prosperity* (1977), some others not, such as *Stagnation and Financial Explosion* (1987) and *The Irreversible Crisis* (1988).

In these years Sweezy participates in many other debates. On post-revolutionary economies and societies he polemicizes with Charles Bettelheim (*On the Transition to Socialism*). Sweezy has always been critical towards the idea of USSR socialism as the incarnation of socialism. However he did not subscribe to the thesis, of Trockijst inspiration, for which the Soviet Union would be a 'degenerated workers' state', nor to the interpretation of Maoist ascendance for which the Soviet Union would have remained a capitalist economy. If it is true that capitalist elements persist, one has to do in any case with economies and societies no longer capitalist, but post-revolutionary and post-capitalist.

Sweezy's contribution was significant also to other two debates. The first took place in the 1950s, originating from the publication of Maurice Dobb's *Studies in the Development of Capitalism*. Sweezy's position stressed the role of market and trade in the transition from feudalism to capitalism, taking distance from a reading more focused on the sphere of production. The second, concerning the individuation of possible subjects of a revolutionary change, took place in the 1960s and 1970s. Sweezy stressed the tendential integration of the working class in advanced countries, and put his hopes in a revolutionary change at the 'periphery' and in the struggles for national liberation.

Sweezy on value theory

In his 1942 book Sweezy follows Franz Petry's distinction between the *qualitative* and the *quantitative* aspects in Marx's labour theory of value. The qualitative side goes back to the thesis that 'values' are crystals of labour, independently from the 'exchange-values' (that is, from the exchange ratios proportional to the labour directly and indirectly contained in the commodities exchanged. The quantitative side has to do with the 'transformation' of exchange-values into a a second, further system of exchange ratios, the 'prices of production'. The debate which followed showed that Sweezy (like Dobb and Meek) maintains a view of abstract labour which is based on a view of abstraction as *a mental generalization*, and an interpretation of value theory which reduces it to the moment of *equilibrium*. This traditional Marxism (as it has been aptly defined) is articulated in two separate approximations, with exchange-values being the first, and prices of production the second.

As I showed in detail in Chapter seven, Sweezy had the merit of introducing in the academic discussion the path leading from Bortkiewicz's 'correction' to Seton's 'solution' and dissolution of Marx's transformation, viewed as a *simultaneous* d*ualist* price system. The end of the road of this literature was however, as some Sraffa's followers inferred, the *redundancy* of exchange-values as the starting point of the determination of the prices of production. Indeed, in Sraffa we don't see a dual, sequential approach to prices, so that his model may be qualified as *a single price system*.[5] The collapse of the quantitative side of the theory has destructive effects on the qualitative side. In a first model, where the real wage is at the 'subsistence' level, capitalist prices are immediately fixed once given the 'productive configuration' – i.e., what Sraffa defines in his book as 'the methods of production and productive consumption'. In a second model a degree of freedom in distribution is admitted, and prices are determined once the conflictual distribution of the net product between profit and wage is defined through the fixation of one of the two distributive variables. The fundamental thesis according to which the origin of surplus value comes from surplus labour seems to crumble down, since that thesis needs to be grounded in a confrontation between the direct labour objectified by workers in the commodity produced and the quantity of labour which goes back to them objectified in the wage goods. In other words, the comparison strictly depends on the soundness of the argument according to which value (and hence price) exhibits nothing else but labour. The redundancy criticism seems to destroy this argument.

Sweezy, however, demarcated himself from these conclusions, most clearly expressed by Ian Steedman in his *Marx after Sraffa*, and also from the conciliatory position of Maurice Dobb. In a letter to Michael Lebowitz, 30th of December 1973, Sweezy has some critical remarks on Dobb:

> The trouble with them is- and the point of view from which we should (sympathetically) criticize them - that in this day and age it makes no sense to dream of an effective critique of capitalism which is not Marxist. Those, like Dobb for example, who imagine that Sraffism is really a sort of variant of Marxism are on the wrong track. Our job is (1) to try to steer them onto the right track, and (2) to keep the young from following them on to the wrong one. In other words effectively to establish Marxism as what it is, *the* definitive (although of course not in the sense of being incapable of indefinite further development) critique of capitalism with its necessary link to a revolutionary political position.[6]

In an interview of the late 1980s Sweezy returned on this issue:

[5] **As I have shown in Chapter nine**, the opening of Sraffa's archive has complicated this too simple view. Indeed, Sraffa's book may be interpreted as having as his starting point a kind of macro-monetary picture of the capitalist system quite compatible with the labour theory of value (and indeed Marx's labour theory of value was the starting point of his construction of the argument leading to *Production of commodities by means of commodities* in the early 1940s). In this view, the price of the net product (national income) is nothing but (the monetary expression of) living labour, confluctually distributed between wages and gross profits, which can then be interpreted as necessary labour and surplus labour. This, however, was carefully hidden from view by the author himself. This reading of Sraffa, by the way, is coherent with Sweezy's opinion on Sraffa to which I return later in the text.

[6] Taken from **Lebowitz 2004**. Reproduced on line and consulted the 12th of May, 2017: https://www.nodo50.org/cubasigloXXI/taller/lebowitz_310305.htm

Sraffa himself did not see what he was doing as an alternative to Marxism, or in any way a negation of Marxism. From his point of view, this was a critique of neoclassical orthodoxy. And he made that very clear. Joan Robinson was very explicit, saying that Sraffa never abandoned Marxism. He always was a loyal Marxist, in the sense of him self adhering to the labor theory of value. But he didn't write about that. Now that was Sraffa's peculiarity. He started as a critic of Marshallian economics. You remember his famous article in the 1920s. He was in the Cambridge group. He fought these ideological struggles which had their center in Cambridge. He took a certain side in them, but he didn't take it as a Marxist, but he took it as a critic of the orthodoxy of the time. Now that's a peculiar position, but it doesn't entitle anybody to take Sraffa and counterpose him to Marxism, as Ian Steedman does. To make out of Sraffa a whole alternative theory, in my opinion, is quite wrong and has nothing whatever to do with the real intentions of Sraffa, or certainly nothing to do with the real purposes of Marxist analysis. There is no dynamic, no development in Steedman that I can see. Thinking that it is possible to get along without a value theory (using the term in a broad sense to include accumulation theory and so on) seems to me to be almost total bankruptcy. It's no good at all. And I don't think anything has come of it. It was good to show the limitations, the fallacies, the internal inconsistencies of neoclassical theory, that was fine, that was important. But to think that on that basis a theory with anything like the scope and purposes of Marxism can be developed is quite wrong

Even more interesting is the intervention Sweezy pronounced in London, November 1978, on Steedman's book, which was included in the collected volume *The Value Controversy*. What is crucial, in my view, is not so much that Sweezy denied that there is no 'bridge' between the essential dimension of values and the phenomenical manifestation of prices, nor that value analysis is not contradicted by the results of price analysis. The intriguing novelty is the nature of the *explicit self-criticism* Sweezy provides of his 1942 book on this topic. He asks: if it is possible to study capitalist reality just in term of prices, what is the meaning of worrying about the 'essence'? His answer is that *it is not possible to provide an inquiry about capitalism just in term of prices*: it is rather true that, once an understanding of capitalism in terms of value is reached, the same results can be obtained in terms of prices. The reason is the following: *the center of gravity of Marxian analysis is the rate of surplus value*. This was a point which he had not adequately appreciated when he wrote the *Theory of capitalist development*. That is why the sections 5 and 6 on the transformation problem, though not wrong strictly speaking, did not touch the heart of the matter: the *key position of the rate of surplus value* in the Marxian theoretical account of capitalism.

Sweezy on crisis theory

Once we have established that, contrary to a widespread opinion, Sweezy maintained a strong reference to the labour theory of value all along his life, let us see how this is articulated in the different stages of his thought. The starting point cannot but be his survey of Marxist crisis theories in his 1942 book.

The *Theory of capitalist development* is precious for its useful classification of different approaches to crisis in Marx, and in the subsequent Marxist literature. **I have shown in Chapter eleven** how these distinctions have been influential in the debate. Sweezy demarcated the tendential fall in the rate of profit from the realisation crisis, and within this latter he distinguished the crisis due to inter-sectoral disproportionalities and the crisis due to underconsumption. Marx's argument in support of the tendential fall in the profit rate is seen in the idea that the changes in the methods of production gives way to an increase in the organic composition of capital exceeding the rise in the rate of surplus value. An higher ratio of constant capital over variable capital in itself affects negatively the rate of profit; but technical change increasing the composition of capital also determines an upsurge in the rate of surplus value, which instead has a positive effect on the rate of profit. According to Marx the first relation is basic, it is the 'tendency', and stronger than the second, which counts among the 'counter-tendencies'. As a consequence, the rate of profit cannot but eventually fall. Paul Sweezy, as Joan Robinson, was skeptical about this view: both authors insisted in the position **encountered before in this book** that *the countertendencies may more than compensate the tendency*.

On the realisation crisis the stronger influence on Sweezy appears to be the essay *Krisentheorien* by Karl Kautsky.[7] Profits are mainly invested, wages are integrally consumed. The increasingly unequal distribution makes the share of consumption from wages lesser and lesser: as a consequence, the realisation of surplus value requires that the investments share goes up to compensate the gap. A typical underconsumptionist perspective. **As we have seen in Chapter eleven**, the possibility of a disproportionality crisis may be easily derived from the 'schemes of reproduction'. Supply and demand are quantitatively related by the structural internal composition of the sectors. The schemes allow to determine the equilibrium ratios balancing supply and demand (thus denying the 'impossibility thesis' of Malthus and Sismondi). The practical occurrence of those ratios is a 'chance', and it is far from granted that the ex post price allocation in the market can avoid that disproportionalities gives way to a general glut of commodities (thus

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[7] "Of all the attempts to revise, supplement, interpret, and correct Marx which were passed in review in the last chapter, that contained in Kautsky's 1902 article stands out as the most important. Kautsky attempted to carry one stage forward what he understood to be Marx's crisis theory by asking the question, whether in the long run crises tend to become more or less severe. His answer was that they tend to grow more severe, so much so, in fact, that a period of 'chronic depression' must sooner or later set in unless the victory j of socialism should intervene. According to our own interpretation, Kautsky was certainly asking the right question. With the aid of a more adequate analysis of crises than was at Kautsky's disposal, let us test the correctness of his answer." (Sweezy 1942, p. 216)

"If, on the other hand, it can be shown that the counteracting forces are becoming relatively weaker, then we can expect the tendency to underconsumption to assert itself to an increasing extent, and Kautsky's prediction of an imminent period of chronic depression will be supplied with a solid foundation." (p. 217)

"Three forces which counteract the tendency to underconsumption have now been discussed, namely, new industries, faulty investment, and population growth. The first and third have obviously been of enormous importance in determining the actual course of capitalist development; all three still operate but with diminishing strength. This is strong support for the Kautskyan thesis that capitalist expansion inevitably leads to a strengthening of the tendency to underconsumption until it
finally bogs down in a state of chronic depression." (p. 218)

"Our conclusion with respect to unproductive consumption is that its growth, particularly due to expansion of the distributive system, operates as a check on the tendency to underconsumption. Here, then, we have a factor which, from an economic standpoint, weakens the presumption in favor of Kautsky's theory of an approaching period of chronic depression." (p. ???)

denying the ‘equilibrium thesis’ of Say and Ricardo).

In the introduction to a partial 1970 reprint of the Italian translation, Claudio Napoleoni imputed to Sweezy a too rigid separation between underconsumption and disproportionalities, as distinct causes of the crisis. The two roots of the realisation of the crisis are related, according to the Italian economist. The ultimate reason of the crisis is the inability of the price system to coordinate individual firms in the anarchy of the market. When the lucky chance of equilibrium ratios is not occurring, the demand gap would require that investments be coordinated by price movements: but the orientation trough the price mechanism, according to Napoleoni, is effective only if the share of consumption does not fall too much. From this perspective, disproportionalities and underconsumption are like two blades of an unique scissor.

What is, in a sense, surprising is the harsh criticism which Sweezy moved to Luxemburg’s *Accumulation of capital*. He sides with Bukharin’s too easy rebuttal that the “queen of underconsumptionist” was committing elementary errors, like confusing a lack of effective demand with a lack of money as circulating medium, or abstracting from the new demand coming from accumulation itself. In this way he was throwing out the baby with the the bath water: not only because Luxemburg was anticipating - admittedly, in very crude terms) a promising view of capitalism as a macro-monetary circuit; also because she was not an underconsumptionist, but rather an under-investment theorist. The point was clear to authors like Joan Robinson and Michał Kalecki: with the Cambridge economist insisting that Luxemburg’s problem has to do with a lacking incentive to capitalist investment (which is confirmed by the fact that Luxemburg rejected any solution to her problem based by an increase in consumption); and the Polish economist rephrasing her argument so that Marx’s scheme of reproduction profits were the basis to derive the conclusion that gross profits were driven by capitalists autonomous demand (in investements and luxury goods). In both cases, the theoretical puzzle to be solved has to do with the decisions to invest.

A reading of the capitalist crisis as due to an insufficiency of effective demand – in the last instance induced by a too rapid rise of the rate of surplus value - will remain an essential, and may be the fundamental, element of Sweezy’s interpretation both of the Great Crash of the 1930s and of the Great Stagflation of the 1970s. We are here bordering also the problematic which will be very much developed by Sweezy with Baran, with another language and other categories – in *Monopoly Capital*. To this book now we have to turn our attention.

Baran and Sweezy on monopoly capitalism

According to Baran and Sweezy, the stage of monopoly capital deepens the difficulties that the capitalist mode of production encounters on the terrain of the realization of (surplus)value. It is important to understand that this has nothing to do with a dynamic superiority of ‘free competition’ capitalism over monopoly capital as an engine for growth (like in typical underconsumptionist views), or with exogenous limits to accumulation (like those envisaged by Hansen). Sweezy was too much a good friend of Schumpeter to fall in a naïve view of this kind about stagnation. The aim of his and Baran’s book was rather the opposite. First, to show how the potential for growth is incredibly magnified by the monopolistic turn in capitalism. Second, to argue that exactly this intrinsic dynamism of the new form of capitalism reproduce on an enlarged scale a systematic imbalance between production and circulation . namely, a difficulty to find enough outlets to allow for a profitable exploitations of the forces of production. It is the internal powerful innovative vigour of monopoly capital to explain the tendency to stagnation. Third, Baran and Sweezy affirm that this tendency is most often blocked and reversed by significant, and destructive, countertendencies within the concrete evolution in capitalism, so that in reality capitalism accumulation continues, sometimes with bouts of animated energy. The counterdencies, while winning over the tendency most of the time, do not cancel the underlying drive to stagnation, which has to be revealed by the analysis to disclose the wate and irrationality marking this phase of capitalism. What the countertendencies do is to postpone the day of reckoning, so to speak: to delay the inner, but inevitable, periodic return of the crisis – ultimately, a crisis due to a lack of an adequate effective demand. The pivot of this theoretical construction is the substitution to a tendency of the 'surplus' to rise to the Marxian tendency of the rate of profit to fall.

The definition of monopoly capital stage can be provided in these terms: it is the phase of capitalist development where big firms have the power to determine the prices of what they sell and what they buy. According to Baran and Sweezy, dominant oligopolies, thanks to price leadership, may act according like monopolist. The era of monopoly capital began at the end of XIXth century in force of the centralization and concentration spurred by the coming to maturity of the same competitive capitalism, which instead was based on price competition. The 'degree of monopoly' and the battle over the 'quality' of the output becomes central to understand capitalist development and contradictions; but it would be a mistake to infer from this a disappearance of competition, since this latter is integral to the privatistic nature of capital itself. What we witness is a change in the form of competition, not the disappearance of competition, even less the realisation of some kind of capitalist planning. The struggle among many capitals now goes on thanks to the lowering of unit costs through organizational and technical change, the advertisent industry, and more generally all those means which may either contrast the entry on the market of other firms or induce consuption in certain directions or others. The rising surplus has to be absorbed: and this is obtained essentially thorugh two mechanisms: the rise of 'unproductive' costs inside monopolistic firms, and 'Keynesian' public spending (first of all, military spending).

This position is critical of the studies about managerial capitalism like those of Berle and Means, authors who stressed a split between ownership and management. According to this view the ologopolistic firm is ruled by manager largely independent from shareholders. They do not maximise profits, rather they are oriented toward cost minimisation, an increase in market share, a better product quality, the growth of the firms themselves. monopolistica sarebbe ormai diretta da manager indipendenti dai proprietari (tanto i grandi quanto piccoli azionisti), e non sarebbe più orientata alla massimizzazione del profitto ma semmai alla riduzione dei costi, all'allargamento delle vendite, al miglioramento della qualità, allo sviluppo dell'impresa. Baran and Sweezy counters that managers are part of the superior strata of the owners, and that a true divorce between ownership and management isn't just happening. What is going on is rather a differentiation inside ownership. Pure ownership by shareholders, though diffuse, does not really matter. Within the core section of the ownership we may however distinguish some 'active' capitalist, who have a function of control. Whatever the particular aims they are going after in managing the individual capitals they control, all these aims fall within the fundamental scope of profit maximization, but the latter may be pursued in a longer time span than in competitive capitalism. Può anche verificarsi un conflitto sulla politica dei dividendi, ma sempre all'interno di quel fine unico e dominante.

It may be useful to point out that here we find in nutshell a novel vision of imperialism later developed by Harry Magdoff. Imperialism is less and less a inter-capitalist rivalry for new non-capitalist markets and commodity net exports, like in Rosa Luxemburg (the 'center' of capitalism has in fact been able to provide themselves 'domestically' during the second half of the XXth century). Nor is imperialism, like in Lenin, driven by capital exports (again, in the second half of XXth century, more and more the center of capitalism enjoyed capital imports from periphery). Following Baran and Sweezy, imperialism has decisively to do with the defense of their market share by multinationals, and the interests of the military-industrail complex.

Monopoly Capital and Marxian labour theory of value

Monopoly Capital has been fiercely criticised by Marxist. The most delicate point is probably the alleged substitution of the notion of surplus value with that of surplus, connected to the tendential rise of the surplus. Most commentators at the time – both friends and foe, as it were –

took this change as an implicit rejection of Marxian value and crisis theory – either as wrong or obsolete. There was, in a sense, indirect evidence some to confirm this view. First of all, the style of the book, which refrained to be loaded by an argumentative apparatus too explicitely linked to Marxism, and rather leaned toward a Keynesian or even Neoclassical vocabulary, to get in touch with the younger generation in the campuses. Second, authors explicitely declared their reference to Baran's notion of the surplus as defined in his *The Political Economy of Growth*. In that book, surplus – i.e., the difference what the conomy produces and the costs of producing it - was defined according to three different definitons: effective, potential, and socialist. Leaving aside the third (planned economic surplus), we may concentrate on the first two definitions. Effective consumption is the difference between actual investment and actual consumption in society: hence, it is the surplus value which is accumulated. Potential surplus is the output which could be obtained in a given natural and technological environment using productive resources less what is evaluated as "indispensable" consumption. It is the potential surplus which is crucial for *Mononopoly Capital*, to distance themselves with an identification of the surplus with Marx's simpler and most abstract surplus value as the sum of profits and interest and rent, which excluded from the basic theoretical scheme secondary factors as the revenues of state and church, the expenditure of selling commodities for money, unproductive workers' wages, and the like. In this way, all labour which would not be spent in a rational, non-capitalist order, is included in the surplus, even if it appears as a cost in the present society.

A third reason, more or less apparent in the book, was the desire to detach themselves from the tendential fall in the profit rate due to an higher 'organic' composition of capital. Whatever its logical difficulties as a "law", Baran and Sweezy insist that that tendency could not be maintained once competitive capitalism was over. In fact, their notion of the surplus was such that, translated in Marxian terms, the surplus value was determined as a demand-driven notion. The dimension of the surplus depended from the ways it was absorbed – namely, from the 'sales effort' and government expenditure, mainly in the form of militarism (leading to imperialism) rather than civilian givernment spending.

Once again, in the interview I already quoted, Sweezy has some self-criticism: it was an error, he says. With Baran they had planned a couple of chapters detailing the relationship between their reinterpretation of Marxian theory and the original version of the labour theory of value. The chapters were at the stage of unfinished manuscripts when Baran died. In the introduction to the reprint of the Greek translation he complains about the misunderstandings of their intention. What was taken as obvious – their eventual goodbye to Marx's value (and hence surplus value theory) – just wasn't there. Indeed, thei procedure was to begin from the labour theiory of value as granted, and to proceed from there.

We should have begun our analysis with an exposition of the theory of value as it is presented in volume I of *Capital.* We should have then proceeded to show that in capitalist reality, values as determined by socially necessary labor time are subject to two kinds of modification: first, values are transformed into prices of production, as Marx recognized in volume 3; and second, *values (or prices of production) are transformed into monopoly prices in the monopoly stage of capitalism,* a subject which Marx barely mentioned, for the obvious reason that all of *Capital* was written well before the onset of the monopoly capitalist period. *At no time did Baran and I explicitly or implicitly reject the theories of value and surplus value but sought only to analyze the modifications which become necessary as the result of the concentration and centralization of capital*

The point is – as Sweezy recognises elsewhere – that the transformation into monopoly prices has deeper consequence than the transformation of values into production prices, exactly because it leads to the 'law' of the tendential rise of the surplus in monopoly capitalism. discuss on the basis of an empirical comparison between a capitalism with oligopolies versus a free competition one, arguing that the surplus would be bigger in the former than in the latter. In other places, more significantly, they claim that price formation in monopoly capitalism is instrumental in the emergence of an higher surplus than the one which would derive from the dynamics of the immediate process of valorization within production.

Nowadays we may follow their tentative reasoning here thanks to the publication in the 2012 july-august issue of the *Monthly Review* of a 'missing chapter' (preceded by an important introduction by John Bellamy Foster)[8]. A most interesting issue here is the theorising about the wage. An important inspiration came from Sraffa's *Production of Commodities by Means of Commodities*: in that book, after a first approximation in which the wage was resolved in the commodities bought by workers according to a subsistence level, the Italian economist move to consider the wage as a variable share of the net product. Sraffa insisted that in principle the wage should be analysed taking into account both dimensions, the subsistence and the participation in the surplus product – though for mathematical simplicity he chooses to reduce to the wage to its dimension as a share of the new value. In an analogous manner *Monopoly Capital* assume the wage as variable, and consider that part of the surplus may be hidden in the price of labour power. From this outlook it is derived that monopoly capital may increase the surplus non only at the expenses of other capitals, but also of the wage. The wage as a share is inclusive of part of the surplus not just following social conflicts, as in some Neoricardian thinking, but because through wage a fraction of the surplus is absorbed: that is, the surplus finds at the same time its outlet and is concealed as a cost, disguising its true dimension. It is important to understand that the use values bought by workers through this process do not entail a qualitative improvement of workers' 'true' living conditions. Baran's and Sweezy's angle on the compensation of workers in monopoly capitalism opens the way to look at profits as at leat partially dependent on the amount of a "deduction" from the wage, since oligopolies' price determination and the same absorption of the surplus configure a price of labour power higher than the value of labour power (which configure some kind of irreducible minimum for the "normal" reproduction of wage-earners' capacity to work

[8] The chapter was mainly written by Paul Baran, and it went to at least two versions. The first was longer and more complete, while the second was shorter and interrupted. The MR issue also include the correspondence between Baran and Sweezy, so that we may infer some of Sweezy's opinions, and the 'making' of their joint argument on the point.

according to the needed quantity and quality) but lower than it could have been (if monopolies would not have raised their prices pushing back the real wage). In other words, as Sweezy says in the correspondence with Baran, workers succeed in appropriating part of the surplus value but monopolists can try to steal (and actually succeed) some of this surplus value back to them[9].

Napoleoni on *Monopoly Capital*

Once again, it is interesting to look at how Claudio Napoleoni reacted to Baran and Sweezy's book. His interpretation can be found in a couple of interventions. The first is unpublished, and is in the lectures he devoted to Monopoly Capital in 1972/1973. He starts clarifying why that book can be reasonably be seen as departing from Marx's (surplus)value theory. In Volume III of *Capital* Marx recognises that natural or artificial monopolies allows for prices of production systematically higher than prices of production (or values) of the commodities. He however insists that the way prices are determined cannot impact on the formation of value and surplus value: they can only impinge on the distribution of surplus value among capitals. Monopolistic pricing just let some firms appropriate part of surplus value to the expenses of other capitals, instead of spreading it among industries. The other possibility is that some extra surplus-value is gained thanks to a redistribution from wages to surplus value. Market structure comes into the picture when it has to be assessed how surplus value is allocated among capitals, but it can also affect class distribution of the new value.

It is not difficult, according Napoleoni, to reformulate Baran and Sweezy's position about the tendential rise of the surplus so that is made compatible with Marx. It is absolutely true that monopoly capital cannot in itself originate higher surplus value than in free competition, coeteris paribus. But the other factors involved in the creation of surplus value are not invariable. There are indeed two processes which may alter this conclusion, and about which Baran and Sweezy give some hint.

The first has to do with how the productive power of labour develops over time within money capital. If it could be mantained that productive forces, including the productive power of labour, have a tendency to progress in monopoly capital more than the price-competition capitalism, thanks to the use of advanced technology, the presumed contradiction with Marxian theory of (surplus) value vanishes. As a matter of fact, this is consistent with the dismissal by Baran and Sweezy of any romantique criticism of imperfect competition, according to which the latter would entail backwardness. It is also congruent with the intellectual relationship of Sweezy with Schumpeter, which could not but influence the younger Marxist friend even in their difference.

The second process has to do with the price of labour power. The case considered by Marx is when capitalists, benefiting from an oligopolistic position, can raise wages because they can transfer the increase in labour compensation to the prices of the ouput; the wage rise is then diffused to other capitals, determing a squeeze of their profits. Another mechanism is however possible. The growth in firm size pushes for a lowering of unit costs, and makes it easier to adopt new techniques and new methods in the organisation of labour, which again elevate the productive power of labour. Of course, if the intensity of labour and the real wage goes up in the same proportion, the rate of profit stays the same. However, two considerations must be taken into account: trade unions may let wages grow higher than productivity increases; and in

[9] Note than the argument is framed in terms of Marx's value categories.

monopoly capital prices are "made" by oligopolies through collusion. Distributional conflict can be "accomodated" by monetary policies. An inflationary reaction by firms then set in, thanks to the market structure, so that monopolistic firms can defend, or even, increase, their profit margins.

In other terms, while in free-competition capitalism the real wage usually follows the trend of the money wage, things are different in monopoly capital. The upsurge in the productive power of labour brings with it a rise in the money wage which can be eaten away, or more, by inflation.

The consequent tendential rise in surplus (value) is the more relevant the more, in contemporary capitalism, wage is dependent from social conflict, rather than a given subsistence wage. The difficulty of finding outlets for the surplus becomes at this point bigger. If private consumption and capitalist investment are not large enough to absord the surplus, there will be a widening demand gap. If the problem is not solved through other means, the higher profits, possible thanks to the rising surplus, will remain latent – that is, under-utilised capacity and unemployment reveal the fact that realisation crisis is turned into chronic depression.

As we have seen, the realisation problem can be solved through external or domestic devices. Instances of external solutions are the argument advanced by Lenin or Luxemburg. Let us concentrate on the internal solutions. They are: advertising and expenses in circulation to increase sales; the formation of a "middle classe" which act as pure consumer; the swelling of pubic and private bureacracies; the expansion of financial and speculative bourgeousie. The consumption coming from these social strata, which are allied to productive capital, has at its source surplus value. We know also that the other domestic way to absorb capital is deficit government budget (mostly military) spending, when it stimulates the production of use values which do not enter the capitalist reproduction process. Napoleoni commented on this is an entry ("Capital") in the *Enciclopedia Europea Garzanti*:

> These practices configures a capitalism which is aggressive towards external areas, and which maintains relevant degrees of unproductivity inside it. Productivity is here measured according to capitalist standards, and where, on the other side, the reference for the comparison is given by the potentialities implicit in monopoly capital and noy in competitive capitalism, which had what was, for sure, an attenuated dynamical strenght. Therefore, even though monopoly capital has strongly affected the classical cyclical development of the earlier capitalism, it is nevertheless subject to a peculiar instability, because it suffers at the same time of an inflationary tendency due to its ability to manage pricing, and a deflationary tendency springing from the realisation problem it encounters.

Here we have an interpretation going against the usual reading of Baan and Sweezy, but also an extension of the argument which is embodied in *Monopoly Capital*. Indeed, Napoleoni's reframing of the 1966 book as a picture of post-WW2 capitalism is prolonged in a pespective of the capitalist crisis which began in the late 1960s and lasted until the late 1960s. In this view the key (though not the only) element accounting for that crisis is an increase of the relative wage, i.e. of the price of labour power relative to surplus value.

In Napoleoni's vocabulary, monopoly capital escaped from the realisation crisis thanks to the expansion of the share of a kind of Ricardian "rent" in a renewed form at the expense of surplus value – with this expandid area of unproductive labour to be identified with Baran and Sweezy's "waste". It is true that because of this "deduction" actual profits were less than potential surplus value, but the lower potential surplus value could be realised on the market. However, Napoleoni added, an higher wage, compounding the higher costs coming from the unproductive areas essential to monopoly capital, could determine a "profit squeeze". If inflation as a recovery mechanism for profits turned out to be toothless, unable to contain a pressure of the unit cost of labour, wage as a cost supplements the rent as a subtraction to surplus value: the profitability crisis would be confirmed. The more so if, as in those years, the higher unit labour cost came not just from a wage increase, but from a resistance to a pressure for an higher rate of exploitation in the capitalist labour processes. The other possibility, Napoleoni continues, is that the weapon of an inflationary process is effective, but the same unproductive strata becomes strong enough to turn inflation in their favour, so that the profit squeeze and the capitalist crisis are established through a different chain of reactions. The profit squeeze could jointly come from wages and rents.

This line of thought, expressed in Napoleoni's entry (in the section about monopoly capitalism), cannot be found in Baran and Sweezy (and is, at least partially, contradictory with their political conclusions at the end of their book). It is nevertheless important to fully understand the crisis of "Fordism". In the 1960s and 1970s the *Monthly Review* group argued that industrial proletariat were a diminishing minority and to a large extent integrated through consumerism and ideology; the victims of the system were fragmented and heterogenous. The only hope could come from periphery. Napoleoni, on the contrary, believed that in the 1960s and the 1970s the opposite was happening: a deepening and sharpening of class conflict at the "core" of capitalism.

Baran and Sweezy's political conclusions look similar to the one taken by Kalecki written in 1969-1970 in a 1971 posthumously published article with Tadeusz Kowalik on a 'fundamental reform' in post-WW2 capitalism, which was fully realised in the 1960s. Napoleoni's position seems compatible with 1943 Kalecki's article on the political aspects of full employment, which dismantled as an illusion the idea that a capitalism with perpetual full employment, and decent wages, could be a permanent situation: in a reality of that kind, capitalist dispotism would be eroded in the workplace, and capitalists would have never accepted to lose control over the composition of output. In 1943 a "Keynesian" full employment is deemed impossible. In 1970 the argument is that capitalism has experienced an enduring stabilisation, comprehensive not only of full employment and high wages, but also of the implementation a welfare State, and even of the fulfilment of the old and honoured key demand of a 'right to work'. The anti-capitalist attitude has faded away, substituted by radical reformism: anti-capitalism in the center of capitalism could rely mainly on students' protests. It can be objected that for Kalecki and Kowalik the new capitalist equilibrium was temporary, and that Baran and Sweezy bet on the possibility that anti-capitalist struggles spread from the periphery to the core. What's for sure is that all these authors (as Kowalik openly recognised) were downplaying the contradiction of developed capitalism in the "Keynesian" era.

On this Napoleoni's interpretation was more conscious of what was going on. In a polemic with Mario Cogoy (an Mattick), Sweezy argued that the tendency of the rate of profit to fall may have had a temporary cogency and empirical corroboration in late XIXth century. After the Long Depression and the capitalist twist toward monopolisation, it was outdated. For him, the truly fundamental contradiction of the accumulation of capital springing from Marx's value theory remained only the contradiction between the conditions of the extraction of surplus value in the immediate valorisation process and the conditions of the realisation of surplus value. These latter, in turn, are determined by a consumption limited by a lack of purchasing power because of an antagonistic distribution and capital's accumulation drive. It is true that now Sweezy distances himself from the definiton of this crisi theory which he himself contributed to make so famous – underconsumptionism. This term isolates a single element in an organic whole, where what matters is rather the contradiction between self-valorising value and contracting use-value (paradoxically overcome only thanks to an irrational and inhuman consumerism).

We may wish to substitute the label "over-accumulation" to this crisis tendency, to mark the widening gap between the power of production (with monopoly capitalism pushing up the rate of surplus value and the rate of accumulation) and the power of consumption (which is more and more repressed relative to consumers' authentic needs): this however does not displace consumption from its key role as the ultimate cause of crisis or stagnation. Analytically it appears more promising appear a translation of Sweezy's argument in Kaleckian terms. In Kalecki, oligopolies, thanks to their market power, fix prices above prime costs so that they gain a "degree of monopoly": the rate of surplus value, in Marxian terms, is fixed on the product market. The mark-up does not change with capacity utilization, so that the degree of monopoly also determines class distribution. Since the amount of profits is regulated by capitalist autonomous expenditure, and since Kalecki assume that wage-earners consume all their income, it is easy to define the level of production, enployment and workers consumption (the argument can be extended to consider workers' savings, net exports, and government expenditure). It cannot be omitted, however, that the same Kalecki never reached a definitive view over the crucial point of what are the determinants of capitalists' investments.

If this chain of reasoning is sound as long as it goes, it has two limits, from a Marxian point of view. Exploitation is determined in circulation (market power and autonomous demand); and any contradiction within the labour process is cancelled from view. Napoleoni's interventions in the early 1970s debate were significant because they reintroduced this dimension in the theoretical arena: so that the unity of production and circulation does not hide the primacy of production in capitalist totality. This theoretical strength was related (in a mutual causation) with the recognition that in practice class struggle, not only in the distribution but in the production itself of the new value was at the heart of the a great capitalist crisis.

Magdoff and Sweezy on "financialisation"

I shall soon return to this problematic, considering Mattick's orthodox Marxist view about crisis theory and Keynesianism, and how it can be related to the argument I am pursuing here. Before that, however, I want to stress that the following elaboration by Sweezy and the *Monthly Review*, since the mid-1970s until now, is of great import. As I argued elsewhere with Joseph Halevi, and whatever its limits in the assessment of crisis of the "golden age", the MR group realised – much clearly, and also much sooner, than most Marxism and Post-Keynesianism - one systemic answer to the crisi. Together with Harry Magdoff, Sweezy, integrated his and Baran's view of monopoly capitalism with a timely perception of the crucial role of finance and debt: especially household debt. "Financialisation" was captured as a (novel) powerful countertendency to stagnation, and hence higlighted in its dual rôle, of a pathological but functional essential complement to growth and accumulation in the Neoliberal era. In Sweezy's articles, there was a kind of hidden dialogue of Sweezy with Minsky, another economist which cannot be fully understood without considering the (critical, but also positive) relation with Schumpeter.

Already since the 1970s Magdoff and Sweezy saw that the explosion of both public and private debt introduced qualitatively new mechanisms and marked a discontinuity in capitalism. They also insisted on the further fragmentation of the working class and the need to counter it. In a 1977 collection of articles, The End of Prosperity, where they quote favourably Minsky, the two authors clarify the relations between monopoly capital and indebtdeness. The key article is Banking: skating on thin ice, a technical but farsighted piece. Credit expansion was not due to optimistic expectations: it was rather the means to making money betting on the prospective ability to repay the debt, overcoming liquidity constraints but also the fact that the temporal horizon on investment in capital stock as well as its cash-flow yields were longer than the repayment of the debt. In other terms, Baran and Sweezy spotted the tendency of a "shortening" of indebtedness. A few years later, in 1981 The Deepening Crisis of US Capitalism, they registered the systematic growth of household consumption over disposable income. The one and the other phenomenon were consequences of the tendency to stagnation, and at the same time a powerful reply to it postponing its realisation.

In 1987, in Stagnation and Financial Explosion, Magdoff and Sweezy summed up their argument in these terms:

> more important or less understood by economic analysts than the growth, beginning in the 1960s and rapidly gaining momentum after the severe recession of the 1970s, of the country debt structure (government, corporate, and individual) at a pace far exceeding the sluggish expansion of the 'real' economy. The result has been the emergence of an unprecedentedly huge and fragile financial superstructure subject to stresses and strains that increasingly threaten the economy as a whole (Magdoff and Sweezy, 1987, p.13).

We are now in the position to appreciate what Sweezy said in an interview in occasion of his 90th birthday. In his opinion, capitalism is constantly changing, and the capitalism at the turn of the millenium is integrating production and finance to an unprecedented degree. A conceptual understanding of this integration is still in its infancy: there are some hints in Keynes and Marx, but a theoretical inquiry could truly begin in an historical reality like ours. He and Magdoff moved the first steps in this direction, but it is the younger generation that must confront the new problematic.

Paul Mattick on the tendency of the rate of profit to fall

A Marxist intellectual which may seem completely opposed to Sweezy is Paul Mattick sr. I shall deal with his reflection for two reasons: first, he is probably the most coherent and pugnacious defender of the tendency of the rate of profit to fall as the fundamental cause of capitalist crisis; and second, his demolishment of Keynesianism and the mixed economy was the most radical, in a view stressing the substantial continuity of capitalism from the competitive to the monopolistic stahe. It is clear that he formulated judgements on the one and the other issue produndly conflicting with Sweezy. At the same time, I will show how his approach can be seen as complementary to Sweezy's, both in its strength and in its limits., and illuminates important characteristics of the XXth century capitalism.

Whereas Sweezy chose to answer the Keynesian challenge fully appreciating its 'revolutionary' aspects within bourgeouis economic theory, Mattick formulated a contrary view. In the early

1960s he sent to the Monthly Review an article entitle the *Dynamics of the Mixed Economy*[10]. Sweezy wrote back to Mattick November 15th of 1963, after having read the article with great interest, finding it very stimulating, though he has reservations on arguments and formulations: it is however too long and too abstract, and also it presupposes too much background knowledge to qualify as an MR article. A second Sweezy's letter is of November 30th, after he has received some comments "from a professional economist whose outlook is Marxist", and he himself has read it again. The objections are stronger and more resolute: "I don't think your basic case about the impossibility of continously stimulating the private sector through expanding the public sector stands up". If an argument of this sort is proved, Sweezy asserts, it would really be a great contribution: but, "more reluctantly than not", he had come to the conclusion that Matticj did not succeded in his endeavour. "I don't say the trick can be done, in either sense": he does not affirm that the economy can go on permanently thanks to a continous expansion of the public sector, nor he thinks that a possibility of this kind can be "definitively" proved or dispoved.

A subsequent contact between the two Marxists is in 1966, in occasion of Mattick's substantial criticism of *Monopoly Capital*. October 30th of that year, Sweezy's rejoinder is built upon the astonishment that Mattick could really think 'that between 1939 and the present the capitalist system has contracted and become less profitable because of the "tremendous amount of expenditures, which, by no stretch of the imagination could be called an accumulation of capital." Actually during that period (1939-1965), GNP grew by 7.5 times and corporate profits taxes by nearly 9 times. In other words profits after taxes grew about 20 percent more than total demand for goods and services (productive and wasteful all included). This accords well enough with our theory. But unless I simply don't understand what are you saying – which I admit is possible – it completely contradicts your theory." This insistence that capitalism since WW2 confirmed the tendential rise of the surplus rather than the tendential fall in the rate of profits is not meant as an argument "that the system has overcome its contradiction, simply that these now take on new (and, I believe, more violent and destructive forms).'

Let us then investigate Mattick's argument in some detail. The reference will be essentially to the book *Marx and Keynes*, which condenses the best of Mattick's theoretical efforts, and where this author who was politically heretical towards bolshevic communism, proposes an 'orthodox' reappraisal of Marx as an economist, filtered by Henryk Grossmann's contribution on the capitalist breakdown.

According to Mattick, Marx's economic thinking must be liberated from almost the entire tradition of the Second and Third International: a contrast between Marxian theory and Marxist followers which will be taken over and extended by Maximilien Rubel. Like Sweezy is very often identified with a too linar stagnationsim, so Mattick's perspective is seen as inseparable from a breakdown theory resting on the fall in the rate of profit because of the ineluctable rise of the organic composition of capital. What is sure is that Mattick, with all his political approval of Rosa Luxemburg and his background in council communism, is rather dismissive (like Sweezy) of her theory about a collapse because of an eventual and inexorable realisation crisis For him, the lack of effective demand is expressed in an overaccumulation of commodities springing from circulation, and ultimately an inadequacy of consumption. Crisis is instead to be understood – following Marx - as grounded in the dynamics of production, and more specically on a the

[10] The correspondence I am quoting in the text is conserved in the *Paul Mattick Papers*, at the International Institute for Social History, Amsterdam. I thanks Gary Roth for making it available to me.

deficiency of surplus value extracted from workers as living bearers of labour power.

These conclusions must be appreciated in their true import. Marx's Mattick did not expected an automatic capitalist collapse for purely economic motives. The final breakdown of capitalism can come only from revolutionary struggles. Moreover, every real crisis must be examined starting from the concrete situation in which it develops. It must be never forgotten that Marx's "model" of capitalism is an abstraction from where, according to the same author of *Capital*, no empirical forecast or corroboration can be derived. What is the theoretical ultimate result of an uninterrupted accumulation of capital manifests itself in the form of a recurring cycle; and each cycle is, in a sense, the synthetic condensation of the long-run tendency regulating capitalist ascent and crisis. It is only when the crisi erupts that Marxian theory is validated, because it is only then that the abstract value analysis of capitalist accumulation finds its observable confirmation. When capitalism is expanding the fall in the rate of profit is offset by the rise of the mass of profits against a mounting mass of capital.

Whereas Keynes and the Keynesians attributed the problems in the accumulation of capital to an inadequate incentive to invest, Marx traced them back to the fundamental features of production as capitalist production. The upsurge of the composition of capital is indisputable. Whatever the given amount of labour power in capitalism, the mass of constant capital is rising at an increasing rate, and the share of labour power producing new value and surplus value is constantly shrinking. In logical terms this means that a rapid accumulation of capital has to translate, sooner or later, the relative decrease of the rate of profit in an absolute fall. It is only then that reality matches the model of capitalist expansion considered theoretically by Marx.

Capitalist crisis is thus overproduction of capital, but exclusively with reference to a given degree of exploitation. Mattick knows very well that until it is possible to raise appropriately the rate of surolus value the fall in the rate of profit remains latent. It has also to be taken intoaccount that capitalism is not a closed system: as a consequence the escalation in the organic composition of capital may be slowed down thanks to an expansion outside the capitalist area, or improting profits from outside. Mattick also underlinez that the recurrent technological leaps are such that, even if the organic composition of capital stays the same in material terms, it can diminish in value terms, with a positive effect on profitability. Even more important, the same capitalist crisis is the most powerful "counteracting cause", as it is any concrete occurrence which either raise the surplus value of invested capitals or reduce the value of these latter. Moreover, a greater productivity means more use values produced (means of production and wage goods), and this allows to mobilise more workers within capitalist labour processes. Thus, the higher composition of capital does not diminish the actual rate of profits as long as capital accumulates at a quick pace.

Mattick is very negative towards Tugan Baranowsky disproportionality crisis theory, which was the foundation for Hilferding first, and then Lenin and Bukharin approaches: all authors according to which the difficulties in capitalism come from the anarchy of the market. A more organised capitalism should therefore see a softening of the crises. Bolshevics and social-democrats partake the view that the production process is more and more socialised, and that as a consequence the transition to socialism is nothing but as the conquering the State – either as the gradual process of entering into the control room, or the revolutionary break of taking power. Politics would thus be socialised as the economy already is. Mattick sees an originary sin in these Marxist currents, which is also shared by the realisation crisis perspective: the fact that they build their reasoning on the reproduction schemata. The true meaning of thoso schemes cannot be likened to the rôle that general economic equilibrium plays in bourgeouis economics. When capital is dominant, 'social needs' are more and more defined by capital itself. It is the production of capital as capital which governs the dimension and nature of market demand: until there is an adequate demand for capital goods there is no reason why all the commodities produced should not be sold. When the crisis bursts out realities presents itself upside down, since the difficulties which originates from the production of capital as capital can always be interpreted as a realisation problem.

What appears on the surface is that surplus value cannot be actualised because of an overproduction of commodities. In fact, what is "scarce" is the use value of workers as living bearers of labour power (hence, their living labour as the source of new value and surplus value). The cause of the crisis is the shriniking degree of exploitation, relative to the profitability needed for a smooth accumulation of capital. The disproportionality which really matters for Marx is another one than what is the focus of Tugan, Hilferding or Lenin: it is that of surplus labour as surplus value against accumulated capital. When the forces counteracting the decrease in the degree of the valorisation of capital are exhausted, crisis must break out because of an insufficiency of exploitation.

Paul Mattick's *Marx after Keynes*

What Keynes does in his theory is to the focus from the overproduction of commodities (the excess supply on the "goods market") into an overproduction of labour power (an excess supply on the "labour market"). The accelerated growth in the capitalist "centre" after WW2, Mattick claims, is only marginally due to "Keynesian" policies. A crucial factor has been the massive "devalorisation" of capital. One cause has been the 1930s Great Crash itself, another the WW2 destruction of means of production and infrastructures. The consequent chance to rebuild the productive structure with more advanced technology and organisation allowed to combine the capitalist reconstruction in Japan and Western Europe with an upsurge in the rate of exploitation, benefiting for a while from relatively low wages. The decline of profitability was stuck, and even reversed – temporarily but sugnificantly. In the meantime European growth provided US firms with the safety valve consisting in the opportunity to become multinationals, to react to the first signs of a drop in profitability.

It is Mattick's contention that this cannot go so far as to deny the "objective" limits to the accumulation of capital. The Keynesian "mixed economy" had a short time of life left, he insisted. That alleged solution to the economic troubles upsetting capitalism maintains only temporary validity, because the conditions of its effectiveness are fading away. Mattick knows very well that *Das Kapital* was published one hundred years before, and he is the first to stress that Marx underestimated capitalism's resiliency and somehow overestimated its disturbances. He did not consider the possibility of a "second life" for capitalism thanks to State interventionism, nor he could forecast the huge destruction of capital which occurred from the first to the second world war. All this being true, Keynesianism must nevertheless be condemned as a pseudo-solution, able to delay but not cancel the contradictory nature of capitalist accumulation, exactly for the reasons on which Marx focussed his attention. Unless we imagine that there can be governments willing to uproot the social domination of private capital and take full control of the entire economy, the "world of Keynes" is doomed to crumble.

A claim advanced by Mattick deserves some words more. Effective demand originated by the government spurs an increase in the production of goods leading to employment, and hence to an higher recruitment of labour power. This output, however, is financed from the given surplus value, and it does not spring from a higher employment of "productive" labour: government spending is the expenditure of income, not of capital. What Mattick is arguing is that the area of the capitalistically productive labour is dwindling, while the share of unproductive labour is rising. Sooner or later this cannot but create tensions in the accumulation of capital, and has to find its expression in inflation - first, creeping; then, accelerating. A long quote from Mattick is in order, since it summarises the argument so far in a nutshell:

> The profitability of the existing and relatively stagnating capital can nonetheless be maintained through an accelerated increase in the productivity of labour, that is, through labour displacing and capital-saving innovations. The more government-induced production grows, the more urgent is the need for greater productivity to maintain the profitability of capital. Yet the steady increase in production and productivity reproduces the need for further vast increases in productivity on an ever-narrowing base of private capital production. Even if capital-saving innovations check the discrepancy between that capital invested in means of production and that invested in labor-power, and in this manner curb the fallof the rate of profit, the consistenr displacement of labor by labor-saving devices will entail this tendential fall. Yet capitalism cannot do without the staedy displacement of labor as the only effective means of coping with the intensified pressure on the rate of proft brought about by the increasing mass of non-profitable production. While the increase of productivity through labor-displacements is a way out for capitaism, it is a way which ends in a *cul-de-sac.* (p. 191)

The full utilisation of productive resources has been granted through the expansion of production not-for-profit. According to Mattick, the true output of capitalist production should be a larger capital; (production of exchange values) but the ultimate output of the government-induced production is just a bigger production as such (production of use values). From the point of view of private initiative, any production which is commanded by the State – pubic works, social expenditures, armaments – must be seen as consumption. State-driven production decreases the total amount of profits relative to the total mass of capital. Keynesianism is then conclusive evidence that the crisis of private production of capital has not yet be overcome. The only significant change is that deflationary depression has been replaced by inflatinary depression.

It is clear why Mattick concludes that capitalism can always be characterised as being in a state of permanent crisis. When Keynesian State intervention is intensified, and from 'anti-cyclical' and discretionary turns into structural and permanent, the pressure on directly productive wage workers strengthens. However, says Mattick, the eventual reappearance of the tendency to capitalist breakdown does not encourage any hope in an automatic tendency towards the emergence of revolutionary politics. The motive is that the absolute impoverisment of the masses has been suspended. The theoretical conclusion about the comeback of "collapse" as a concrete possibility reopens the viability of an antagonistic praxis, though this cannot be ever be forecast as a certainty. Luxemburg's alternative "socialism or barbarism" is still valid.

Permanent crisis

Mattick's train of thought is extremely rigorous. There are however some key points in which it is not completely convincing.

First of all, about the soundness of the "law" of the falling rate of profit in its traditional formulation, as an upshot of the rise in the so-called organic composition of capital. As a matter of fact, and as the same argument in *Marx and Keynes* let us understand, what is relevant here is the value composition of capital – namely, the ratio between the monetary expression of the elements of constant capital relative to the monetary expression of variable capital, this latter acting as a proxy of the living labour that the labour power bought by the wage may put in motion. The trend of the organic composition, Marx writes, is the composition of value as long as it follows the movement in the technical composition of capital: the physical ratio means of production over workers. From here it is of course necessary that organic composition must grow over time, since Marx assumes mechanisation and automation as the prevailing form of technical change. With this kind of labour-saving technical progress, the reasoning amounts to an evaluation of the means of production (and the means of subsistence) at the "old" prices, before the innovation, without taking into account the "devalorisation" both of labour power and of commodities which is the necessary outcome of the struggle of competition among the many capitals. But, as I have reminded, to assess the consequences on the rate of profit it is the value composition of capital which matters, and hence the revolution in prices following innovations must be fully taken into account.

This consideration makes perfectly appropriate the proposition that it is quite possible that a rise in the rate of surplus value (with its positive effects on the rate of profit) may neutralise the rise in the value composition of capital (with its negative effect on the rate of profit), even reversing the falling trend of profitability. The point can be put in a starker way. Let us imagine, as Marx some time does, that we are in the extreme case of workers living on air and working the whole day. The rate of profit would reach its maximum level, and is the inverse of the composition of capital – which is now measured as (the monetary expression of) constant capital over new value, which is ideantical with (the monetary expression) of living labour. It is true that, with a given working population, the numerator has a limit. But even in this case it cannot be rejected the possibility that the denominator would constantly diminish, because of the conceivable devalorisation of the elements of constant capital, so that there is no necessary tendency of the rate of profit to fall. In fact, it is perplexing that Mattick, who have showed in detail all the arguments leading to this conclusion, could not realise it himself.

A second objection regards Mattick doubtful assertion that disproportionality crises or a lack of effective demand are always manifestation on the surface of contradictions arising from circulation. In Capital Marx affirms a tendency of a relative fall of the value of labour power. This is nothing but the converse of the systematic extraction of relative surplus value on which he insists so much as typical of the contant capitalist revolutionising of the mean of production. Capitalist innovations raise the productive power of labour: this lead to a fall in necessary labour (the labour contained in the value of labour power), which is by the way quite compatible with a rise in the real wage (as long as it accompanies a fall in the relative wage). The share of the new value which is appropriated by capitalists (and the ruling classes) is going up: it is a surplus labour in the form of a surplus value. The important point to understand is that these investments embodying innovations which, at the same time, gives way to a squeeze of the wage share, on the one hand, and to a constant upsetting of equilibrium exchange ratios in the schemes of reproduction, on the other hand. As a consequence, it is the same dynamics springing from the capital relation in production which is more and more disseminating the conditions of disproportionality crises, and these latter may easily degenerate in realisation crises. When the excess supply is materialised in important branches, the firms experiencing losses will stop investing in new capital goods and start firing employees. The investment and consumption demand will begin to fall, and the disequilibrium will be communicated to other industries, in a cumulative fashion. A general glut on the commodity market, or a capacity excess with involuntary unemployment on the labour market, will be the end result.

A third point is about Keynes. Mattick does not consider that government spending gives way – directly and through the multiplier, to an absolute increase of productive labour which is commanded by capital: it is a production of capital which would be non-existent without that public intervention. That new aggregate demand, in its turn, gives way to an acceleration of capitalist investent, and therefore to further production of capital: the reason being that an higher utilisation of plants, if protracted, may pull firms in enlarging their productive capacity.

Yet, to would be a serious mistake to sidestep Mattick's contribution, dismissing his conclusions too quickly, the truth being that he put his fingers on a major issue. Mattick is right in thinking that Marxian crisis theory has as its essential starting point the tendency of the rate of profit to fall

Mattick vede bene un punto chiave. But a satysfying elaboration from that foundation has to allow for more mediations that he is willing to concede. I think that the falling rate of profit is rather a meta-theory, which includes in itself a shifting balance between tendency and counteracting forces; a meta-theory, moreover, which extends into a "reasoned history" of the ascent and crisis of the different forms taken by the capitalist mode of production. The tendency of the rate of profit to fall in its originary formulation is a good explanation of the Long Depression of the late XIXth century. A wave of technical and organisational innovations, together with trustification and imperialism, was instrumental in the devalorisation of constant and variable capital, and in rasing the rate of surplus value. The prevailing of the counteracting causes paved the way to the Great Crash of the 1930s as a realisation crisis due to a lack of effective demand. Thus, a crisis determined by too much (potential) profitability descended from the systemic reaction to a crisis of too high profitability.

Here we meet a second crucial point put forward by Mattick. Keynesian economic policies guided to a "full employment" of productive resources and workers mainly through a non-targeted government spending, in large part leading to the expansion of unproductive labour. This is, in point of fact, a theme where his reflection tangentially, but fittingly, touches that of Sweezy and the *Monthly Review*. From both Mattick and Sweezy, we may argue that – in force of distinct, but related and complementary mechanisms – the dependence of capitalist accumulation (and economic growth) from a rising rate of surplus value in the productive area was heightened. The stage was prepared for another great crisis for lack of profitability – the so-called Great Stagflation. The key factor this time was not so much an increase in the value composition of capital, but antagonim over living labour within the contested terrain of capitalist labour processes- Crisis was instigated by class struggle in the immediate process of valorisation, putting in question the same capital relation.

Of this crisis in the social relations of production, Mattick and Sweezy did not fully see the terms. They were trapped in the two opposite corners dividing crisis theory: the former, realisation crisis because of consumption falling behind production, the latter the falling rate of profit because of the organic composition of capital going up. But the two discourses could be combined, and circulation be articulated with production. From this integration, a third approach to crisis could be detected, relevant to explain the downfall of the Golden Age. We met in Claudio Napoleoni an author who came near to this reconstruction of the critique of political economy.

Conclusion

If Mattick is not the breakdown theorist one would expect – a great crisis itself is the condition for the rebirth of capital accumulation, Sweezy is a reluctant stagnationist: if he is a stagnationist at all. As I have shown before, it is true that he forcefully insists that monopoly capital is characterised by a "tendency" to stagnation. At the same time, his constant theoretical effort is to show how and why this tendency is not realised. It is interesting here the line o demarcation he himself defines relative to Sweezy. In 'Why Stagnation?' he reminds the three limits to capitalist growth which Hansen had in mind: the end of geographical expansion, a decline in the rate of population growth, less capital-using new technologies. The combination of the three elements slowed down the demand for new investment, exactly when the propensity to save of the society went up. They were, so to speak, "external" constraints, sometimes irrelevant (it is not population that matters, but purchasing power), sometimes unprovable. Sweezy and his coauthors, on the contrary, want to argue that the tendency to stagnation is the result of the internal forces coming out from an accumulation process initially driven by a strong incentive to invest.

Much nearer is Sweezy to Kalecki. Investment is dual: it is a portion of effective demand, but it is also addition of new capacity. As accumulation of capital, it is driven by the expected rate of profit, positively affected by current investment as demand, but also negatively influenced by past investment as augmentation of productive capacity. In the cycle, after expansion has gone on for a while, the second side of investment becomes the stronger one, provoking a decline in investment and activity so that capacity contracts until the cycle may start again. 'The tragedy of investment is that it causes crisis because it is useful. Doubtless many people will consider this paradoxical. But it is not the theory which is paradoxical, but its subject –the capitalist economy.' Since gross profits depends from investment (and capitalist consumption), and since the accumulation of capital is after a while self-defeating, Kalecki concludes that without external factors (semi-exogenous Schumpeterian inovations, Luxemburghian net export, Keynesian-Kaleckian domestic export in the form of government, mainly military, spending) there is no reason supporting the view of an endogenous upward trend, so that capitalism "spontaneously" oscillate around a situation of long-term simple reproduction.

All this notwithstanding, Sweezy is always looking to what are, in the definite situation, the counteracting forces winning over the stagnation tendency. Again in "Why Stagnation?" he says: "Does this mean that I am arguing or implying that stagnation has become a permanent state of affairs? Not at all. Some people – I think it would be fair to include Hansen in this category thought that the stagnation of the 1930s was here to stay, and that it could be overcome only by basic changes in the structure of the advanced capitalist economies. But, as experience demonstrated, they wer wrong, and a similar argument today couyld also be wrong. " The forces of reversal are not internal, and usually are destructive. But they cannot be cancelled from view.

It is only against this background that we may understand what happened after the demise of Fordism, the Neoliberal counter-revolution, what was the true meaning of the Great Moderation, and the current Great Recession. We can understand it thanks to Sweezy and Mattick, but also going beyond them. Capital's reaction to the Great Stagflation walked on two legs. On the one hand, the fragmentation of labour (the casualization within the labour market and the precariousness of the working conditions), the aggressive competition between oligopolies contributing to capacity under-utilisation, centralisation without concentration and the emergence of a productive structure oriented towards a network of plants and of productive units rather than the vertically integrated big firm or the traditional small and medium enterprise. It is a world of transnational value chains, of outsourcing and in-house-outsourcing, of migrant workers, of a "feminisation" of the labour force. On the other hand, we have so-called finacialisation. Facilitated by flexible exchange rates and the globalisation of capital, with the ensuing uncertainty, the renewed primacy of finance has taken the form of a money manager capitalism: of a capitalism of institutional and pension funds, which saw the explosion of private debt, mainly consumer debt, thanks to a capital market inflation. The generic label financialisation does not fully capture the meaning of the process, and I have proposed to name this process as a real subsumption of labour to finance (financial markets, housing, banks and intermediaries). While including in a subordinate way households to finance, this dynamics has accelerated the deconstruction of labour through many channels (last but not least through the influence on the corporate governance of firms), reshaping capitalist labour processes, and stimulating consumer demand through a very active monetary policy. A paradoxical financial and privatised Keynesianism.

Seen from this angle, fictitious capital has firmly established in the system non fictitious consequences. It deepened exploitation in workplaces, fostering together absolute and relative surplus value; and it temporarily banished the realisation problem. This is a world which cannot be entirely reduced in the straightjackets of underconsumptionism or the falling rate of profit in their traditional configuration. A possiblea, and even probable crisis, the signs of which were clearly present in 1982, was postponed thanks to that monetary activism according to which the Central Bank was the lender of first instance to speculation, with one asset bubble after the other driving capitalist growth. Thanks to the asset bubbles and collateralised lending, the indebted consumer in the Anglosaxon countries could provide profits to Neomercantilist countries thanks to their net exports. A world in which instability was repressed by an ultimately unsustainable mechanism, so that when the crash was one way or the other inevitable the systemic crisis of capital resurfaced again, in a new and violent form.

Subsumed in Neoliberalism, and then left to bear the risk and the price of the collapse, have been consumers and savers, as well as workers. Under fire are, in a list which is far from complete, housing, education, penson, health, care labour. In the meantime, wages are cut, the working day is extended, the aggression to the body and the life workers continues, as well as the plundering of nature. That is why the new systemic crisis asks for a radical socialisation of bank and finance, of employment, and of investment. A socialisation which cannot be divorced by a deep transformation of the mode of production, of the workers' condition in the workplace, and of the "how, how much, what" to produce. This goes well beyond the illusory catchphrase of a return to Keynes. The alternative "socialism or barbarism" is still in front of us.