CHAPTER 8

Notes on the Class Struggle in Late Capitalism

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On the Structural Limits of Capitalism

In the central social formations at the end of the 1960s, and particularly following the 1973 economic-oil crisis, the Keynesian growth model, linked to what was known as ‘organized capitalism’, began to show signs of demise, which also brought about the predominance of the reformist or ‘social democratic’ option in capital/labour relations.

That collapse can be explained by certain structural factors that have ultimately worsened to leave capitalism increasingly degenerated; however, these factors are not addressed in institutional explanations of the crisis.

Automation, or the general tendency of forces of production to develop, which is inherent to capitalist accumulation (and which underlies the permanent weakening of social relations and the created structures involved in this mode of production), presents various contradictory processes:

1. On the one hand, automation generally leads to a greater use of (and innovation in) capital intensive technologies, or in other words, less use of labour force per unit of invested capital, and in sum, less living labour in the direct production and restructuring of the labour force’s qualifications. Implicit in this process are:
   a. The devaluation of labour, replacing workers’ knowledge with machinery.¹
   b. A structural tendency towards the elimination of jobs.² But at the same time, and with the significant reduction in manual

¹ Science goes beyond collective labour to establish universal labour, which accumulates infinitely across generations, forming a stock of free knowledge that increasingly intervenes in production and is privately appropriated by capital (see Martins, 2009).
² This results in growing demands for increased GDP to guarantee the creation of jobs (which also sustains the tendency to destroy more jobs during each capitalist recession.
 labour, automation redefines the social demands of labour, shifting them towards intellectual work, linking productivity to the increased value of the labour force, which then depends on the increased time spent training workers. Capital counteracts this contradiction by reducing the price of intellectual labour through importing cheaper qualified labour. It does so as well by the restructuring of education to lower the cost of providing this labour force (see the Bologna process in Europe). The widespread expansion of a specific technology takes care of the rest, increasing the quantity of qualified labour consistent with this expansion and weakening the value of this labour force with each new advance.

c A chronic process of over-accumulation of invested capital per unit of value that it is able to generate. As the relative weight of fixed capital to variable capital increases in the organic composition of capital, the profit it is able to generate falls proportionally. In other words, as the mass of value represented by the labour force decreases, the impacts of increased productivity on the rise in the rate of surplus value become increasingly restricted, and the conversion of extraordinary surplus value into extraordinary profits, the basic aim of capitalist investment, is also limited.

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than can be regained in the subsequent recovery (Katz, 2010). In both the United Kingdom and the United States, for example, unemployment among unskilled young people is around 22 per cent. The number of people in involuntary under-employment in these two countries is currently around 14 per cent. A great deal of investment and cyclical reversal capacity is required to enable them to enter the labour market in a normalized ('competitive') way.

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3 One of the main explanations of this process is as follows. As the organic and technical composition of global social capital increases, the rate of surplus value also increases (the proportion of excess labour to necessary labour is higher). However, the total mass of surplus value does not increase in the same proportion. This is because the necessary labour (that which workers are paid for to reproduce their power) left over for capitalization shrinks dramatically as this investment and organic composition of capital advances. In other words, 'necessary labour' decreases at the same rate as the increase in 'excess labour' (i.e., that worked by producers exclusively for the profit of those who buy their labour power). But as this necessary labour diminishes, appropriating the remaining labour becomes more costly. 'Through each advance in labour productivity, part of the remaining collective working day is reduced; this necessary labour time becomes surplus and is appropriated by capitalists in the form of surplus value for the purposes of accumulation' (GPM, 2012: 1). This leads to a fall in the general rate of average earnings, regardless of whether certain capitalists might increase their profit rate (for a more in-depth, numerical explanation of this issue, see Piqueras [2011]). This arises as a result of a growing 'over-accumulation' of capital in relation to its capacity to generate profits.
2. On the other hand, and as a result, an increasingly onerous R&D battle is unleashed, since rapid technological obsolescence does not allow invested capital to be amortized satisfactorily.

These processes underlie the crisis of value of capital that triggered the decline of Keynesianism and are the source of the profound or historical cause of the anguished prolongation of capitalism’s current degeneration, a decline that the capitalist system has only been able to escape fleetingly or ‘fictitiously’, as we explain later.

On Attempts to Escape the Limits:
‘The Class Struggle’ from Above

In effect, since then capital as a historical subject has attempted to recover its profit rates through an interwoven array of measures that represented a new disorganization of the mode of production, which, at the same time, achieved global heights and involved a unilateral class offensive on all fronts against the population that lives by its labour.

A new model of accumulation came into being, known as the neoliberal model, some of the main foundations of which are as follows:

1. Increased exploitation of the labour force.

This occurs both extensively (length of working day, extra hours, increased number of days worked per year, raising of the retirement age, etc.) and intensively (through the technification of production processes and, in general, through the development of forces of production).

These changes met with little resistance from the population due to the high labour force replacement capacity afforded to capital by essentially three factors:

• Mass importation of labour and, in general, the creation of a global labour force with increasing migratory potential, ready to act as a universal reserve army;

• the growth of this universal reserve army when the Second World (USSR, China, etc.) entered the capitalist sphere, providing a far cheaper workforce; and

• business relocation, which entails companies emigrating to places where the labour force is cheaper, the fiscal demands less stringent and raw materials and energy resources are closer at hand.

As a result, the working population’s social bargaining power plummeted everywhere, and trade union strength was seriously diminished. (The unions, moreover, had adapted their structures and strategies to agreements and institutionalized conflict).
This is clearly seen in the loss of purchasing power among the general labour force, and the redistribution of social wealth in favour of capital that has taken place during the neoliberal era.  

2. Exacerbated spatial displacement of capital.

‘Exportation’ of part of the surplus capital to the peripheries of the system, where the over-accumulation process has not yet occurred (because of the lower organic composition of capital, or the incorporation of sectors that are still not entirely organized on capitalist lines), with a view to making a profit there, and where production costs are also lower.

Such capital has been mainly exported either in the form of direct investment (with a high repatriation of profits) or as loans that guarantee future interests to be collected (such as interests on interests, etc.).

3. Accumulation by dispossession or universal plundering (as in the ‘primitive’ accumulation of capital).

- Privatization of social and cultural wealth accumulated over generations (among other aspects, this affects public services such as health, education, transport and communications; public infrastructure like rail networks or installations; and built heritage).

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4 In Spain, the refined participation of salaries fell from almost 75 per cent to 61 per cent of the GDP, calculated at factor costs, between 1967 and 2007, which is consistent with the fact that the average real salary has been practically stagnant since the beginning of the 1980s. The number of hours worked has also risen: according to the figures for the years 1999 and 2002 from the CIS (Spanish National Survey of Working Conditions), 46.4 per cent of workers worked longer than the nominal working day, and a fifth of all salaried workers (22.3 per cent) were not paid for these extra hours. According to Eurostat, full-time employees work an average of 8.5 extra hours per week, of which 4.7 hours are unpaid (meaning that more than 10 per cent of the regular working day, determined through negotiated agreements, is given to the employer at no cost) (on these data, see Schweiger and Rodríguez [2007]). This does not refer to temporary work or the general precariousness of the Spanish labour market, which is one of its most significant characteristics, affecting 30 per cent of low-skilled jobs in 2009 compared to the EU average of 17 per cent; and 23 per cent of higher-skilled jobs, compared to 11 per cent in Europe. The rate of temporary work is much higher among immigrants with a job contract. Spain registered a 44 per cent rate of temporary employment among immigrants as compared to an average of 24 per cent for the Spanish-born population, which sets it apart from other countries.

5 So-called development cooperation has been the traditional tool and channel used in both processes, with striking persistence in the latter, which generates huge amounts of repayable debt from the peripheries to the centres of the system. In the mid-1990s, the peripheries were repaying around 200,000 million dollars a year solely as interest on debt (a large part of which had been caused by ‘development aid’. In 2007 the total amount of debt (public and private) of all peripheral social formations amounted to 3 trillion 360,000 million dollars.
• Privatization of natural heritage. Commercialization of nature in all its forms (dramatic reduction of available resources).
• Land-grabbing. Elimination of communal or collective properties. Displacement of peasant populations (replacing peasant or family agriculture with agribusinesses; and disappearance of alternative forms of production and consumption).
• Commercialization of genetic resources.
• Intellectual property rights or patents taken out on others’ resources.
• Corporatization and privatization of public institutions (such as universities and even government administrations).
• Direct military appropriation of the most sought-after resources and raw materials.

This dispossession also includes the regressive policies that concentrate wealth in the hands of the capitalist class (distribution of collective wealth to the capitalist class), which has, among others, the following pivotal points:
• Reduction in employers’ social security contributions.
• Regressive tax reforms.
• Increased opportunities for surplus capital investment through mass privatizations.
• Cuts in the corporate contribution to society as a whole. Essentially, more tax exemptions for high capital rents and the rich in general, while the tax burden on the working population continues to grow.6

6 In Spain in 1995, labour was taxed at 16.4 per cent, whereas tax on capital was 7.4 per cent, less than half that amount. Thirteen years later, in 2008, the situation had hardly changed: 16.7 per cent for labour taxes and 8.6 per cent for capital taxes. This means that tax collected today from the working population is more than nine times the total amount collected from capital, without taking into account consented tax evasion, such as consented tax havens. According to GESTHA, the organization of technical staff and inspectors of the Spanish Department of Taxation (http://www.gestha.es/), tax evasion by large Spanish fortunes and corporations totalled 42,771 million euros in 2010 alone. If evasion by small- and medium-sized companies is added to this figure, according to the same source, the total rises to 59,030 million euros. When social security fraud perpetrated by the informal economy is included, the huge sum of 90,000 million euros is reached (subsequent rectifications to the data take the first of these two sums up to 70,000 million euros and the total to somewhere over 100,000 million euros). In the period 2010-2013, the PSOE (Spanish Socialist Workers’ Party) government introduced social cuts of 50,000 million euros. In other words, all cuts could be avoided if the agents of capital paid their share (which is already proportionally low compared to tax paid by the rest of society). Even before the crisis at the end of the first decade of the new century, Spanish data shows that
4. Techno-organizational displacement towards what is known as ‘immaterial’ production, leading to a certain ‘software-ization’ of the economy.\(^7\)

5. Substantial reduction of capital channelled into investment in production. Because the profitability of productive capital is increasingly less secure due to the process of over-accumulation, capital has taken flight towards loans and stock market ‘gambling’, that is, basically speculation, relying on the mistaken belief that money can continuously generate more money on its own, independent of production. But behind this illusion, what it actually generated was a colossal inverted pyramid of credit-debt and speculative capital in relation to real capital. In other words, a huge amount of fictitious capital was created, actually the main driver of the brief and timid neoliberal boom in profit rates, which is why we term it ‘fictitious’ here (and which is another mechanism for appropriating generated collective wealth without having contributed in any way to its generation).

In the *BIS Quarterly Review* of June 2011, the Bank for International Settlements reported receiving banking data till December 2010 for a total of 601 billion dollars in issued derivatives, which represents more than 10 times the global GDP. However, other sources estimate this amount of fictitious capital to be around 30 times the ‘real’ global wealth (see Dierckxsens, 2011b).

This has been possible because of the deregulation of the banking and financial systems, which allowed growth funded by borrowing (a process known as ‘leveraging’; in this case we refer to ‘fictitious growth’, since leveraging was done with ‘fictitious’ capital). At the same time, states relinquish their sovereignty, allowing central banks their independence, and issue debt securities in the global financial markets. States are, therefore, ranked alongside all other financial entities in the ‘international risk ratings’ determined by private agencies and are obliged to implement orthodox monetary and fiscal policies that are subjected to the interests of international financial capital.

This package of measures as a whole has required the elimination of controls over world capital flows, which implicitly entails the

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\(^7\) The ‘computer revolution’ was at the basis of what was termed the ‘new economy’, which would supposedly trigger a virtuous cycle of growth, but which ended at the end of the 1990s with the cataclysmic dot-com stock market crash.
transnationalization of productive, commercial, financial and speculative capital. Concern for governance or governability for capital on a global scale is determined by this transnationalization, to ensure that this set of interventions can be implemented without labour revolt.

But the combination of this latter aim with the previous ones can only be achieved at the expense of a significant reduction in the quality of democracy, even in the realm of consumption or the circulation of capital (see note 7), along with the degradation of citizenship. Indeed, the really decisive agencies increasingly fall outside any citizen election or intervention possibilities because they are supra-state entities, distanced from any election process or citizen control, whereas elected bodies are gradually losing meaningful content. This is also in line with capital’s increasing renouncement of any mediation by administrators, managers or bureaucrats (increasingly termed the ‘political class’, however erroneously) in order to further their class domination. Instead, capital has moved towards taking direct control of managing society, opting increasingly to use the state as a class instrument and making the process increasingly visible, a strategy that, on the other hand, may undermine its legitimacy.

But at the moment perhaps, capital’s greatest problem with regard to governance and management of accumulation at a global scale lies in its inability to provide a ruling-administrative body for this global dimension (as the state was for the national dimension).

On the Persistence of Limits: Degenerative Capitalism

No less of a problem in the sphere of immediate reproduction is the fact that the organic composition of capital has continued to rise despite all the efforts described earlier and the resource of extensive exploitation of both the old and the new labour forces. The increase in the ratio of machinery to labour has taken place in all sectors involved in transnational business activity. The computerization of production processes, specifically that which was initially designed to trigger a new cycle of capital accumulation, was especially responsible for this change.

This has made the link between capitalism and employment an increasingly difficult one.

By the year 2006, the ‘replacement effect’ – the replacement of manual work by computers or computer systems – was occurring at an annual rate of 7 per cent in the service sector, bringing an end to secure employment in the ‘more advanced’ capitalist countries.

This process of substituting waged labour left

the job market [...] currently polarized: A great many of the middle-skill jobs that used to support a solid middle class lifestyle have been automated – leaving

213
us with high skill/high wage jobs that require lots of education and training and lots of low skill jobs with very low wages. (Ford, 2011) 

All of this hinders the creation of sufficient jobs and adequate wages to maintain a robust final demand. The high possibilities for the existence of middle classes in advanced capitalist countries has declined because the conditions that created these classes no longer exist, namely, secure jobs and decent salaries.

Therein lies the great capitalist drama, since in the end it depends on who makes the final consumption, which only has a fleeting connection with the state (as an intermediary), and in the final instance largely rests with citizens themselves (without whom state consumption would also dry up). The serious systemic contradiction of capitalism (the great weakness of capital against labour) is precisely that producers and consumers are the same agents. The more the producers’ purchasing and general living conditions deteriorate, the more their very bases for functioning as a system are undermined. 

For this reason, the attempt to solve the crisis of value by impoverishing the population and curtailing public spending has generated yet more obstacles to the creation of profits (that can only be raised through sales). This is known as the ‘crisis of realization’, which, despite all attempts to avoid it through credit, built-in obsolescence of products or luxury consumption, among other options, has only been aggravated by mounting social and wage cuts. As a result, the now chronic crisis of value has become even deeper, entering into an overproduction-underconsumption loop that in other moments in history was only abandoned by means of economic expansion into new territories, or war.

Far from combating this loop, the measures taken are pro-cyclical, in other words, they perpetuate and reinforce the crisis. Hence, the growing timidity of state investment, the depletion of social services, the lowering of salaries, the increased taxes for the working population, the widespread loss of purchasing power among the population and the dramatic drop in consumption, all contribute to worsening the crisis of realization (i.e., by obstructing sales, which is how capitalist profits are made). Similar to and consistent with this process is the substantial loss of quality of

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8 Martin Ford refers to the paper by Autor and Dorn (2011).
9 Also for this reason, the only democracy that capitalism has been able to put forward is a schizophrenic democracy: opening fees can be gained in the sphere of circulation or from realized surplus value, where people are susceptible to becoming consumers-citizens, but the system cannot offer any democracy in the sphere of production or generation of surplus value, where people are labour force commodities, deprived of decision and vote in the production-distribution-consumption process.
democracy in the system as a whole and an increase in repressive aspects of the system in response to the growing difficulty to integrate through consumption (this means that democratic options are also reduced in the sphere of circulation: as consumers’ possible ‘choices’ decline, likewise the possibilities for constitution and options as citizens also decline and associated political rights are jeopardized or they deteriorate).

In summary, the class war from above, unilaterally unleashed by capital when in the central societies labour had sleepily become integrated in the capitalist consumer order (although in recent decades this was due to credit – also fictitious to a large extent), only proclaims the exhaustion of the possibilities of reformism.

We now turn to some other considerations that reinforce this limit. On the one hand, the chances of consumer capitalism based on the central society model spreading to the rest of the planet are practically nil, and are increasingly fraught in the centres of the system, given that:

a. The earth’s carrying capacity is exhausted with the present global population of 7,000 million people. There is no ‘natural’ way of preventing this figure from rising to 10,000 million by 2050 (except through environmental or health catastrophes or war).  

b. Many of the basic energy and material resources that sustain late capitalism have reached or are close to their peak extraction levels.

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10 I am grateful to my colleague Paulo Campanario at the Observatorio Internacional de la Crisis for pointing this out. According to a study published in 2010 by Global Footprint Network, an organization with a long history of monitoring human impact on the environment and whose scientific methodology is described on its website, the world ecological footprint was 2.7 hectares per inhabitant in 2010. In contrast, the biocapacity (the resources actually available on the planet per surface area and citizen) was calculated at 1.8 hectares per person. In other words, on average each person is consuming one hectare more than the actually available resources, which translates in an overexploitation of the planet with potentially dramatic consequences. This consumption, however, is clearly not evenly distributed; 15 per cent of the population, located mainly in the central formations, consumes 6.1 hectares per inhabitant when its biocapacity is half that amount. In contrast, the ecological footprint of the remaining 85 per cent is practically the same as its biocapacity. In other words, the vast majority of the planet’s citizens live sustainably in their environment. Only 15 per cent upset the balance, which they can afford to do only by consuming the resources of others. According to Global Footprint Network, 22 August 2012 was earth overshoot day, the date when the planet entered into ecological deficit. The available resources for that year had been used up in less than 9 months. The report’s warning for the immediate future is that ‘even with modest UN projections for population growth, consumption and climate change, by 2030 humanity will need the capacity of two Earths to absorb carbon dioxide waste and keep up with natural resource consumption’ (Global Footprint Network, 2011, emphasis original). For the central social formations to continue consuming these scarce resources, everybody else has to stop doing so. To achieve this objective and also prevent their hegemonic, economic and political-military decline, the only option left to these declining centres is war.
Other resources will reach these levels in the decades up to 2050 (Dierckxsens, 2011a).\textsuperscript{11}

On the other hand, if the periphery economies (with scant internal demand, not easily reversed at present) linked to the two drivers of globalization, the USA and the EU, were incorporated, it does not seem likely that they would substitute the central formations in medium-term growth and global demand by continuing to follow this systemic logic.

The separation of other social formations would then follow another socio-economic logic outside the capitalist law of value (or at least limiting it considerably), which for future continuity would also require regional integrations of great scope and intensity (such as a Latin America union).

This separation could be favoured by the growing delegitimization of the capitalist mode of production and its intra- and inter-state forms of domination, similar to the substantial and generalized decline of possibilities for consumption and claiming social benefits in its centres (with degraded citizenships). These central formations will predictably also lose the capacity to attract the rest of the planet through the ‘demonstration effect’ of wealth and ‘welfare’ that the capitalist system is capable of generating and has flaunted to date.

In addition to the processes described above, the outcome is a serious deterioration of some of the connections that capitalist-Western civilization had spread across the world and that have become practically synonymous with capitalism:

- capitalism and growth
- capitalism and welfare
- capitalism and democracy

To these must also be added the increasingly widespread and profound questioning of:

- the myth of development

Taken together, they explain the now declining capacity of late capitalism to:

- employ the population that it proletarianizes\textsuperscript{12}

\textsuperscript{11} Also, in general, the work of the Observatorio Internacional de la Crisis (http://www.observatoriodelacrisis.org), and work on political ecology. See also, for example, Fernández Durán (2011) on this subject.

\textsuperscript{12} Since the mid-1980s, the population of the globalized world economy has more than doubled, from 2,500 million to 6,000 million people. According to the International Labour Organization (ILO), the working class potentially available for exploitation by transnational capital doubled from an economically active population of 1,460 million in 1985 to almost 2,930 million in 2000. The ILO report of 2011 stated that on a
transform money into capital.\textsuperscript{13}

Equally, the idea that quality of life is enhanced by the incessant production of commodities or the infinite reproduction of the exchange value is also increasingly challenged. In contrast, in a world of finite resources (with an ever-smaller biocapacity), only the prevalence of values of use, of forms of production with a high possibility of natural replacement, can open channels of acceptable survival for all humanity.

But that would unquestionably require abandoning the present mode of production and embarking on a widespread post-capitalist transition.

The possibilities for this transition seem necessarily linked to some unavoidable key questions: what is the link between deterioration and majority rebellion? How and when might widespread disaffection occur? What possibilities will this disaffection have to put forward projects for a different mode of production?

The negative response that has been given to the first question is largely explained by the potential for restraint that global capitalism has shown to date thanks to its enormous labour replacement capacity,

global scale, the employment-to-population ratio, which indicates whether a country or region's capacity to generate employment is increasing or in decline, fell from 61.7 in 2007 to 61.2 in 2009, and in 2010 it was around 61.1 per cent. Of the 64 countries for which quarterly data was available up to the second quarter of 2010, twice as many had a declining employment-to-population ratio as those with a growing ratio. In 56 countries for which data was available, according to the ILO report, the labour market was 1.7 million young people short of forecasts based on long-term observed trends. This finding reflects a considerable increase in despondency among young people, who are not included in unemployment figures because they are not actively seeking work. In consequence, references are now made to a 'lost generation' in an increasing number of countries. International unemployment figures, which stood at around 210 million in 2010, are only a pale reflection of the real situation, since these do not include the huge contingents of people who make up the informal, grey, black economy, the self-employed or mere subsistence economy, nor those who remain beyond the boundaries of their own capacity to reproduce.

\textsuperscript{13} Capitalism today has no 'engine', no 'locomotive' to pull it, no 'universal' economic sector that could impact all other sectors and take it forward, as did the railways in the 19th century or the motor industry in the 20th century. The 'light' nature of the IT sector, which has expanded universally across the entire economy, seems to be a constraint to its development of this role. The aerospace industry is a possible candidate for this challenge, but it is still in its early stages and currently may be more a source of losses than profits (for further detail, see Rojo [2011]). The large-scale arms industry is clearly a resource for activating profit, as long as it is accompanied by the widespread use of arms and their continual replacement, which is also currently limited due to its destructive repercussions. For these reasons and the permanent over-accumulation generated in late capitalism, money is increasingly left out of production, as money-commodity, ready to inflate the fictitious-financial side of the capitalist economy. (World financial assets in 1982 were 13.9 billion dollars. In 2004 they amounted to almost 150 billion dollars, i.e., three times the world GDP, which stood at around 50 billion dollars).
its overwhelming success in achieving the ideological subordination of labour, and in consequence, to the serious gap between labour and its forms of organization and consciousness to keep step with such capitalist universalization.\textsuperscript{14} It does not seem likely however, that the constant reliance on substituting one labour force for a cheaper, more docile one will be able to prevent or oppose the reaction of increasing masses of the world population faced with the dramatic deterioration of their living conditions or even possibly written off as consumers.\textsuperscript{15}

Forced by the offensive of capital, we are in all probability entering into a new era of class confrontations with unforeseeable consequences.

References


\textsuperscript{14} Consciousness also appears to be outdated in some social formations, depending on the degree of capitalist decline or socio-economic deterioration they are experiencing or will experience in the immediate future.

\textsuperscript{15} Life’s resistance to being denied has historically been a factor in generating agents of opposition in any socio-economic order. In capitalism, this ‘agency’ gave rise to historical subjects that were able to provide alternative global projections, which can be drawn on today (accumulative legacy?) in response to the new heightened antagonisms.


