

SOCIAL RIGHTS, CRISIS, CAPITALISM

Can Marx Rescue Capitalism?

Dzemat Sokolovic
Institute for Democracy, Bosnia

ABSTRACT

The current crisis raises the issue of social rights more than ever and more profoundly as never before. Once again it raises the question of capitalism and its logic, but also the question of a new society as its alternative and even recall on socialism despite of its compromised experience. For the first time, however, it appears these questions are posed in a fundamentally new way. The crisis in its current form points the responsibility from a broader way. It includes not only the capital and its role but also the responsibility of working class as fairly integrated in both capitalist production and capitalist property. As the capital's greed for profit is to blame, so too working and middle class's involvement in consumer society pleasures are to be probed. In earlier crises the pauperisation of working class was a consequence of its own national capitals. Today, the crisis is based on a more general greed which includes workers of the most developed countries of the West. So, as the outcome of the former crises was not only pauperization of national working classes, but also bankruptcy of many capitals, so today the consequence of the unlimited greed of the West as well as new emerging economies for profits, will be not only the pauperisation of the third countries but also the bankruptcy of the most developed countries, including the USA, and emerging market economies such as Brazil, China, India, Russia.

This opens the question of capitalism from a totally new standpoint. The Capital is questionable this time not from a class or ideological point of view but from a more general, global, which is to say – mankind's standpoint, as well as from an environmental point of view. Modern crisis endangers not only one social class but entire human society, not only humans but the survival of natural life, not only parts of the world but the Globe. Crisis opens the most fundamental question of the purport of wealth as such, and even urges the necessity of stopping it growing unlimitedly.

Capitalism's Quo vadis becomes the question of history, its continuation or the end.

And yet, the current structural development of capitalist societies invokes inevitably if Marx's critique of capitalism is still working and fruitful enough to meet the question of crisis. The author claims that his concept of crisis is appropriate to offer a long-term and sustainable answer to the uncertainty of capitalist production. Moreover, profoundly comprehend Marx concept of crisis can contribute to the salvation of the mode of production based on capital and profit. It is much less known that he has, although himself a fundamental critic of capital, had very positive views on capital and its role in human social history. This paper discusses Marx's concept of crisis, therefore the most problematic side of capitalist mode of production, and then the applicability of it in resolving the present crisis.

The topical question is whether the West or modern capitalism is aware of this. Frankly speaking, one can ask: whether Mr Obama can properly face economic crisis in his country and in the world? In all appearances, he is just undertaking the steps which are in tune with Marx's dialectical attitude towards capital. Mr Obama deems, it seems, bad sides of capitalism, but is also aware of its necessity and even its good sides. He promised millions of new, but not simply working, but productive working places; he also promised increasing investments in science and research in order to increase productivity of human labour. Nothing else would be done should someone act from a Marx's view how to overcome the crisis.

It seems that Mr Obama grasps that crisis is not only a matter of finance or economy; he also grasps that the crisis is a matter of social rights above all. This is where he meets Marx. But, we shouldn't say this too loudly since there are still so many, on both sides, of those still believing that both Marx and political economy, as a right subject of his critique, are matter of ideology. Therefore: schhhhhhhh!!!!, if we want to keep our optimism and expectations alive.

Keywords: Social rights, unemployment, crisis, Marx, Obama

INTRODUCTION

Experience is undoubtedly an unavoidable source of knowledge. This is not to underestimate the theory, either the one we have inherited from others or our own. Quite the reverse, experience is just an exam and test for theoretical knowledge. However, experience is also a precise and inexorable correction of theory.

The author of these lines has been passing through two essentially different socio-economic-political experiences: one socialist and other one capitalist. Both were the tests of theoretical knowledge found on also ambivalent education and research – the one rooted in Marxism and other one rooted in civic tradition. I dare to say that the outcome of such a double experience entailed a dialectical perception of not only the experience of socialism and the experience of capitalism, but also a dialectical revalorization of both theoretical orientations. While I lived in a system that labelled itself as socialist, and was educated on theoretical fundamentals coloured by, besides Marx, both Herbert Marcuse, and Erich Fromm, and Rudi Supek, I did not give up of alternative theoretical thought, which included both Joseph Schumpeter and John Keynes, Max Weber and Emil Durkheim, Hegel, and Aristotle. Now, while living in capitalism, I do not think one should renounce Marx, for it appears to me Joseph Stiglitz and others are not sufficient to grasp the contradictory character of the world we live in.

When Bosnian refugees began arriving to Scandinavia in 1992, coming from a country that has until recently been socialist, I listened to their almost unanimous comments: “This is genuine socialism!” I did not hear anybody saying: “What a wonderful free market!”

I have got the impression that the perception of these common, often uneducated and ideologically totally indifferent, people did not differ from mine which some might consider as ideologically determined by my theoretical background.

The experience of a former colleague of mine, from the University of Sarajevo, is perhaps even more illustrative. He taught in the then socialist Sarajevo the subject overtly called ‘Marxism’. I met him in New York, as refugee, while delivering pizzas. He told me: “When I talked to students about Marx and Das Kapital, I myself believed neither in what I was telling. Now, while delivering pizzas in New York, I deem he was totally right.”

It seems one should trust the experience. Double experience even more. And the theory that has passed experience must be trusted the most.

FUNDAMENTAL SOCIAL RIGHT: RIGHT TO WORK

The right to *life* is natural and as such it is a *substantial* right of man. Every living being has right to life and man does not differ from other living beings by that.

The right to *human life* is a human right and as such it is an *essential* right of man. Human life inheres only to humans and hence man has *obligation* to live in a human way. We have to fight for the right to human life in order to be human beings at all. (For the very same reason this conference is also a kind of the struggle for the right to human life.)

Right to sheltering, education, social security, health, right to association (political, union, professional), freedom of opinion, right to free movement, right to citizenship, legal protection, right to information, etc. are all the forms of man’s right to human life. Man is, however, not only human but also a social being. Right to human life, in whichever form, is simultaneously a social right for man is social being. It precisely means that the fulfilment of right to sheltering, or the right to running water or electricity, is not satisfied as such if fulfilled as the right of a social group or social strata. Social right, in whichever concrete form, is the right of every single man. Only as individual right it is social right. The realization of any social right is a great achievement in human social (political and economical) history.

In the basis of all man’s rights to human life stands the right to work, job, employment, working place. Right to work is hence a basic social right while all others are derived from it. Fundamental character of the right to work stems from the simple fact that it is prerequisite for the satisfaction of man’s essential right to human life. Man of course can live without satisfying the right to work, but then he does not live in a human manner.

Unemployed man is a man without any *de facto* rights. All other rights can even be guaranteed *de iure*, but their factual state is worthless if it is about a man without job. All derived social rights are dependent on

the social level of satisfaction of the right to work. This is to say that the satisfaction of any derived social right depends first of all on employment rate, unemployment respectively in a society. Cause-consequence relation between the right to work, as basic one, and all other social rights, does not mean that derived rights can be more or less independent from the basic one.

However, the satisfaction of any of social rights is first of all individual satisfaction and as such depends on the individual satisfaction of the right to work. For that reason the percentages and averages can be rather misleading.

The right to work itself is a social right. Attribute 'social' inevitably raises the question when it is satisfied as such. Whether this social right is satisfied with 95%, 90% or n% employment? A social right is social only if it is the right of every individual. Therefore, a social right is satisfied only when it is satisfied as the right of every single individual. There is an intrinsic difference between the unemployment rate of 2,1%, as it is in Norway now, and an unemployment rate of 45%, such as we currently find in Bosnia. Social right to work in these two extreme cases is satisfied to apparently different extent, but neither of which is realised as social right. Satisfaction of any social right, including the right to work as a fundamental social right, is basically an individual right of every human, and is fulfilled as social right only when it is satisfied on individual level of every human being. The right to work as social right is not satisfied by whichever unemployment rate, but is satisfied only when the last member of a society capable to work is employed. Full employment is only synonym for the right to work as a social right.

Pragmatic Dilemma: Unemployment or Full Employment?

Besides and in spite of what has been said foregoing a pragmatic dilemma arises: What is more lucrative from the standpoint of a society – full employment or unemployment to certain extent?

In praxis we find intercessors of both views. The example of two extreme European instances (Norway and Bosnia) corroborates that praxis is entirely controversial. The whole diapason of different unemployment rates within these two extremes also confirms that such a pragmatic dilemma is empirically widely spread.

Likewise, theory is a theatre of the two extreme and excluding standpoints: the one pleading for full employment and the other one conceding unemployment and deems it as normal and, moreover, lucrative.

The view which, more or less, advocates unemployment, apart from its drastic dimensions, can be called the standpoint of liberal economy. Neoliberal view rests theoretically on the premise that working force is a commodity just like any other one. It implies that working force is exposed to the impacts of market, supply and demand, so that its value has exchange value, respectively the form of value, just like any other commodity. Unemployment is requisite for it is a normal market phenomenon. However, what makes the essence of neoliberal view is a fundamental pragmatic interest: unemployment is good and useful for market economy. Consequently, unemployment is good for the position of all other commodities in the market and for economy as a whole. Liberalism does not say much about the position of unemployed people and their interests – and rights.

The standpoint which is more critical towards unemployment views it beyond the market rationality. Karl Marx as, primarily, a critic of 'political economy', thus the theory of capitalist mode of production, and not the critic of 'capitalist production', as suggested by the translations of *Das Kapital* into English, is the representative of such a point of view. Marx explains this pragmatic view of liberalism on unemployment by his idea of 'production of surplus-population or industrial reserve army' in the *Capital*. Speaking elementary, the army of unemployed people is necessary to capital in order to keep the price of labour power under control. Speaking overtly, 'industrial reserve army' is necessary in order to make the wages as lower as possible.

Liberalism maintains, without hiding it, unlike Marx, that this is in the interest of entire society. Low price of labour force is an input of each commodity making therefore lower the price of each commodity as well. Theoretically. And eventually, this is indeed the interest of the whole of society, including working class – of course. Labourer can live better even with lower wages insofar as the prices of all commodities are lower too. This also sounds logical. In theory, again. However, the praxis speaks otherwise. Praxis is namely determined not only by ideas and good intentions, but interests as well.

Contrary to liberalism stands, likewise, a classical John Keynes's view on full employment. No wonder that Keynes was not a Marxist. But what is curious is the fact that he was member of Liberal Party for whole life, although having had such a view on unemployment. Keynes's view rests on the premise that

entire wealth of society is made by human work. Speaking elementary, it means: the more a society works, the larger is the wealth of a society. Speaking frankly, a larger wealth of society does not necessarily mean either larger social wealth, or wealth of each social class, social layer, or a group. And especially not of every single individual.

And yet, one must admit that John Keynes's and Karl Marx's views come closer here, although Keynes thereby does not become socialist. Therefore, the dilemma – full employment or unemployment must have one more dimension. I name it ideological one.

Ideological Dilemma: Full Employment or Unemployment?

In a common perception of socialism and capitalism one of distinctions relates to the issue of full employment, respectively unemployment. Socialism has been perceived as society of full employment, while capitalism, in spite of theoretical disputes, has been perceived as a society having considerable number of unemployed people. As we know, socialism was not a wealthy society in spite of full employment, while capitalism was a wealthy society in spite of the fact that a considerable number of people was out of the process of wealth production. Consequently, one has been concluding that a society with a certain unemployment rate can be more productive than society in which all work.

However, such a perception of socialism and capitalism was ideological indeed. In reality one could have seen quite the opposite. In former Yugoslavia, though declared as socialist, unemployment rate was very high, with a considerable number of workers employed abroad, permanently increasing and approaching a number of one million. Bosnia was a quite representative part of such a picture: unemployment rate was extremely high while a considerable number of workers had jobs in other countries and other parts of Yugoslavia as well. In Scandinavia, the most representative part of which is Norway, although declaratively capitalist, employment approaches almost 100%, more than in any other part of Europe.

And yet, and despite the ideological dilemma or prejudice about full employment and unemployment, Scandinavia is one of the richest part of the world, while Bosnia, former Yugoslavia and the Balkans, are among the poorest in Europe. Therefore, neither the experience of Scandinavia nor experience of former Yugoslavia, do not fit the ideological perception of socialism and capitalism. Although Yugoslavia had 'industrial reserve army', i.e. a considerable unemployment rate, it made it neither more productive nor richer; Scandinavia, however, although having nearly full employment, just like some of "socialist" countries, was, and unlike these countries, both more productive and richer.

Therefore, one has to conclude that the wealth of a society depends on the magnitude of social labour, but of many other agents, including both the market and the state. In strict confidence, one should emphasise: although market and state determine the magnitude of the wealth of society, the determination goes in both directions: increasing it but also decreasing it.

As far as I personally am concerned, my perception of Norway and Scandinavia, since I live in this part of Europe, is inspired by Weber's classical analysis of ethical foundations of capitalism. Impressed by what I have been experiencing so far, I think of writing a book titled: "Protestant ethics and the spirit of socialism". There is alternative as well: "Socialist ethics and the spirit of capitalism".

Purely Theoretical Question: Can Marx Rescue Capitalism?

Contemporary crisis of capitalist world as well as the decay of alleged socialism, have raised the following question: can Marx, taken exclusively as social theoretician and not as an ideologist, help rescuing capitalism. Here is our answer.

Crisis is a response to full but false employment, in the basis of which lays false (unnecessary) wealth. Free market ("liberal economy") is the source of false employment and false (unnecessary) wealth. The state is, if not social (welfare) enough or more than necessary (as it was the case with former Yugoslavia), the source of false employment and false (and often destructive, as in the case of both the U.S.A., Norway, and former Yugoslavia) wealth as well. Crisis is hence a response to either the imperfection of market or the faults of state interventionism. Therefore, it must be that there is an utmost cause beyond both the market and the state.

In this occasion let us deal with the market as the source of crisis and even beyond.

CRISIS AND ITS PHENOMENAL FORM

The *covetous* king Midas of Pessinus, Phrygia, has once gotten, by his own desire, from the god Dionis, for a favour he did to him, as a gift the capability of transforming into gold anything he touches. The *wealth* he was gaining that way could have cost the old king – life, for everything, including drinks and foods, transformed into gold. And even gold, although precious, just like many other forms of wealth, can be used for neither eating nor drinking, and one must both to drink and eat, just as to breathe, in order to live! So it had happened that Midas (Just like Iceland today, and tomorrow perhaps all of us.) found in *crisis*, and he had to beg the god to take the gift back.¹

The word crisis (gr. *krisis*, from *krinein*) means, among others, *decision*. Being in crisis means to be in the state in which one has - to decide.

Abstract Wealth

We have reminded of the myth about the king Midas' destiny because this is, presumably, the first case of crisis (i.e. inflation as its phenomenal form) that man has experienced throughout the history. Likewise, because the case is that eloquent - just like, after all, all mythical messages are, unlike those scientific, so that it will be helpful in apprehension of all forthcoming forms of crisis (inflation). The king solved his crisis by deciding to renounce the wealth, just as those currently in crises would do the same, only if the gods would want to take back the presents they gave them.

Crisis therefore appears as inflation. *Inflation* (lat. *inflare* – to blow into) is, generally speaking, as demonstrated in the case of Midas, the transformation of *concrete*, useful wealth, into *abstract*, useless wealth, which does not serve to the satisfaction of man's wants, but to the want for possession, and which utterly springs up from man's covetousness, irrespective of the form it manifests. Concrete wealth, hence, is not limitless, for it is limited by human needs, while abstract wealth can be 'blown into' unlimitedly, for need for possessing is unlimited. Abstract wealth, only the original form of which is Midas's gold, is the wealth separated (abstracted) from its useful, use side, not serving to human needs. As such, abstract wealth is the *thing for itself*. Abstract wealth exists neither in its concrete form, as the *thing by itself*, nor in its use form, as the *thing for us*. Just like gold, so too any other good can appear in its abstract form: as consumption over needs in a consumption society, as useless investments, as unnecessary bureaucratization of state, as the militarization of production and, in particular, as waging the war! In a word, as all forms of wealth that do not serve the satisfaction of concrete human needs or serving wrong, determined needs, along with the simultaneous neglect of human genuine and primary needs.

Use Value vs. Value, Exchange Value and Money

The highest historical form in which abstract wealth appears is *exchange value or money*, while the activity within which it can most effectively be acquired is *commodity (and money!) circulation*. As a matter of fact the circulation of commodities and money is mere crisis, although it appears for us just in the circulation of commodities only in its inflationary shape. Moreover, although commodities, i.e. goods, can appear in its inflationary (blow into) form, crisis turns out to be existing to us only as the inflation of money.

It is Aristotle who has already written about the money as an abstract wealth in the following way: "It is often thought that wealth comprises a lot of money because money is the means of the skill of enrichment and trade. But, on the other hand, it seems that money, as such, is the thing without value and its value is given by a convention, and not by nature, for when it is replaced by those using it, money loses any value and is not capable of satisfying basic needs. It often happens that a man having a lot of money will lack the most necessary food. Such a wealth the owner of which can die of hunger is senseless."² (Translated by Dz. S.) The one, who hungers though being rich, is apparently in a crisis. To get rid of it, he has to renounce mere wealth. In the case of Midas, it was gold, and for common people his fate appears in the form of money. Humankind has never had as much money as today, and yet the world's reserve of food are insufficient to satisfy needs of all people. To renounce of abstract wealth can only the one who is able to solve the problem of mere activity generating it – inflation.

Money is the essence of modern abstract wealth, the wealth separated from its concrete purpose – the satisfaction of human needs, manifested in its *phenomenal* form or the *phenomenal* form of mere essence of abstract wealth. It means that modern abstract wealth comprises also of other forms than monetary one, but money is the dominant and the most apparent form of abstract wealth. As the process of metamorphosis of

the “concrete” into the “abstract”, use-value into exchange value – money, inflation is mere *essence* of private property appeared in its *phenomenal* form or the *phenomenal* form of mere *essence* of private property, the essence in its naked form, for the reason of which it can be seen even by those who otherwise have troubles with the essence of things. Inflation is hence the most developed and the highest form of exploitation, while money is the form of wealth on which inflation rests and to which it thirsts for. After all, inflation is the most hypocritical form of exploitation: the more money people have, the more exploited they become.

This property of concrete, genuine or natural wealth to abstract itself stems from money, from the exchange value of products, thus, from mere exchange, as soon as commodity is given its price. ”A price therefore implies both that a commodity is exchangeable for money, and also that it must be so exchanged.”³ ”Because money is metamorphosed shape of all other commodities, the result of their general alienation, for this reason it is alienable itself without restriction or condition.”⁴ Therefore, the opposition between concrete and abstract wealth, or the process of transformation of the former into the latter, does not come from anything else but from mere exchange. ”Commodities, first of all, enter into the process of exchange just as they are. The process then differentiates them into commodities and money, and thus produces an external opposition corresponding to the internal opposition inherent in them, as being at once use-values and values.”⁵ Contemporary notion of crisis is founded on the opposition of concrete and abstract wealth, the opposition of commodity and its form of value or exchange-value – money, which rests on the deepest, substantial antithesis between use-value and value within mere commodity. ”In a crisis, the antithesis between commodities and their value-form, money, becomes heightened into an absolute contradiction.”⁶ In this respect, crisis can, of course, be considered as something negative and a threat to the wealth of society.

For those not knowing what crisis is, one should warn that they will neither learn it easily. For their comfort, it can be revealed to them, in contradiction to how crisis engenders and which causes of crisis are, that it is much easier to grasp the form in which it appears and in which it is recognizable, albeit neither it is totally easy to grasp.

The crisis is, admittedly, a market phenomenon and emerges necessarily from the internal (intrinsic) opposition of commodity as a use-value and value; it is the culmination of that opposition. But crisis is also solution of the antagonism, the response to the separation of exchange form of commodity from commodity and repeatedly the return of exchange value, money, to its own substance - commodity, and its use-value respectively, without which it is fully valueless. Crisis is thus the negation of use-value, but also the negation of this negation – exchange-value, and once more the acknowledgement of use-value. So Marx writes:

“No one can sell unless some one else purchases. But no one is forthwith bound to purchase, because he has just sold. (Underlined by Dz. S.) Circulation bursts through all restrictions as to time, place, and individuals, imposed by direct barter, and this it effects by splitting up, into the antithesis of a sale and a purchase, the direct identity that in barter does exist between the alienation of one’s own and the acquisition of some other man’s product. To say that these two independent and antithetical acts have an intrinsic unity, are essentially one, is the same as to say that this intrinsic oneness expresses itself in an external antithesis. If the interval in time between the two complementary phases of the complete metamorphosis of a commodity become too great, if the split between the sale and the purchase become too pronounced, the intimate connexion between them, their oneness, asserts itself by producing – a crisis. The antithesis, use-value and value; the contradictions that private labour is bound to manifest itself as direct social labour, that a particularised concrete kind of labour has to pass for abstract human labour; the contradiction between the personification of objects and the representation of persons by things; all these antitheses and contradictions, which are immanent in commodities, assert themselves, and develop their modes of motion, in the antithetical phases of the metamorphosis of a commodity. These modes therefore imply the possibility, and no more than the possibility, of crises. The conversion of this mere possibility into a reality is the result of a long series of relations, that, from our present standpoint of simple circulation, have as yet no existence.”⁷

It is useful to repeat once again: crisis is the antagonism of commodity and its exchange form – money, the opposition between use-value of commodity and its exchange value. But, although it itself is already an *external* opposition expressing the *internal* antithesis of commodity as use-value and value, which is more difficult to comprehend, crisis can be seen only when it really comes up on the surface: as circulation split up into a sale and a purchase.

The separation of sale and purchase, thus, is the *immediate cause* of crisis, while the opposition of sale and purchase is its *immediate form*. As such, as *phenomenon*, the crisis also exists for our intercessor (advocate) of ‘real’ (which is to say - market) economy and ‘real’ (which is to say – market) economic laws. But, as such, in its phenomenal shape, crisis is just the external appearance of the opposition of a supply and a demand in the *essence* of which lies the intrinsic (internal) opposition between use-value and value,

concrete and abstract labour, concrete (useful or necessary) and abstract (useless or unnecessary) wealth. In the essence, in its notion, crisis does not exist for our liberal intercessor of market, for he would then have to admit that just market, the circulation of commodities, is mere crisis. The intrinsic (internal) antithesis of commodity, the antithesis of commodity as use-value and value, can assume the external antagonistic shape, the form of crisis, only in the circulation of commodities, with the separation of a sale and a purchase, when the antithesis develops enough as the antithesis of the use-value and the form of value, the opposition of commodity and its exchange value, money.

Crisis does not emerge with the appearance of money, in the simple commodity circulation, but it takes place without money neither. That is why the separation of the sale and the purchase, which occurs with the emergence of money, is unavoidable condition for the crisis to become possible. The break, which Marx speaks about, in which “no one is forthwith bound to purchase, because he has just sold”, having been arisen owing to the separation of the sale and the purchase, is the birth place of *alienability* of money, and thereby the alienability of all commodities (their utility) into money. For the crisis to emerge, for the separation of sale from purchase to assume the shape of the opposition of commodity and its form of value, and to grow up to “absolute contradiction”, it is necessary for the simple commodity circulation to be developed up to the developed commodity circulation, commodity production into capitalist commodity production.

The absolute antagonism between concrete and abstract wealth (Let us analyse this antithesis once again, but now in a deductive way.), between concrete and abstract labour, the use-value and value, commodity and its exchange value, money, therefore *crisis*, it is obvious, does exist *today* and is *world's* crisis. Evidently, according to the ‘real’ economic laws of ‘real’ economic thought, as the opposition of the ‘supply and demand’, the crisis exists *only since recently*, but in its essence, for “abstractly humanistic” social intelligentsia, which warns on “consuming euphoria” and “militarization of capital” for more than three decades, crisis as the opposition of concrete and abstract wealth exists – *long since*.

If crisis exists - something we can empirically make sure of, and if its causes are known – the theoretical proofs of which one can find only by reading Karl Marx (II, III, IV chapter of *Capital*, Vol. I), then it is apparent that current world's “economy” rests on the developed commodity circulation (“the general formula of capital”), capitalist market and on the commodity mode of production which has tendency to develop towards a true capitalist commodity production. Herein lay the roots of crisis. What contemporary capitalism still lacks, and what might ease the crisis, is “historical tendency of capitalist accumulation” (Marx). The tendency Marx speaks about, something which is the most positive acknowledgement of mere capital, is the tendency inherent to capital to transform the cooperative and global form of production, for which capital itself deserve credit, into a overthrow in the sphere of appropriation and property. The fact that this transition of the mode of production still occurs in a very *vulgar* capitalist form (for a more sophisticated one we are still, most likely, not capable), for the character of the form, it has no any meaning. After all, neither all capitalisms are same - among the ones having no ideological restrictions to admit that. It is not true that there are no differences among, say, Scandinavian, West European, North American, Latin American, East European and Balkans' capitalism. And all and sundry, including Scandinavian one, are not yet the *true* capitalist mode of production. The war in Iraq, for instance, is an outcome of the American capitalist mode of production, but waging the war has nothing of the capitalist in itself, let alone of the true capitalist. The crisis of capital appears on a large scale of escalation in different forms of capitalism; the crisis of American capitalism is more profound than that of European one, because American one is farther from the true capitalism than European one.

Inflation

Crisis is thus what we have just set out, and the inflation is crisis. If the opposition between the concrete and the abstract wealth, the utility of a thing and its money shape - the opposition which grows sharp to the extent the concrete wealth transforms into the abstract one, useful things into money, is mere *notion* of crisis, that of what *crisis essentially is*, then the *inflation*, i.e. the “absolute contradiction” of the opposition, is the *phenomenal* side of crisis or simply the *crisis in appearance*. Inflation is the transformation of the *use-value into money*.

The inflation, or crisis, in the modern sense of the word, is not the fruit of simple commodity circulation, let alone of barter. The only form of the relations of production in which inflation can emerge is the developed commodity circulation, capitalist exchange or the “general formula of capital” (M-C-M). “The simplest form of the circulation of commodities is C-M-C, the transformation of commodities into money, and the change of the money back again into commodities; or selling in order to buy. But alongside of this form we find another specifically different form: M-C-M, the transformation of money into commodities, and

the change of commodities back again into money; or buying in order to sell. Money that circulates in the latter manner is thereby transformed into, becomes capital, and is already potentially capital.”⁸ If this is the capital, and indeed it is and cannot be anything else, then the relations of production in the world are long since, and not since 1929 or 2008, and not even since the industrial revolution(s), exposed to the risk, but also to the opportunity (chance) called crisis. Crisis has therefore started long ago, although not for those who are able to recognize it only in its phenomenal form, from the moment when it assumed its inflationary level.

The world’s (and not American, Chinese or Norwegian) transformation of the concrete into the abstract wealth, the crisis in global inflationary form, is an elementary paradigm of the “general formula of capital”, of buying in order to sell more expensively or, speaking in a more understandable – including for monetarists, language, the transformation of the use-value into money, the substance into the abstraction. The inflation is not only the inflation of money; it can also be the inflation of commodities as well as the inflation of goods. However, the inflation of money, which emerges in the circulation of commodities, is the source of the inflation of goods, or unnecessary goods, to be precise.

Why is the capitalist circulation, the general formula of capital, the *crisis* by itself, and hence necessarily contains the *possibility of inflation* in itself? The transformation of *value* into *capital* pursues the following path:

M(oney) (\$100) – C(ommodity) (value of 100 hours of labour) – M(oney) (\$120)

The money increased for surplus value (\$100 + \$20 = \$120), which stems from the circulation, will never be able to purchase the commodity sold for it, or the commodity of same value. Former seller, thus the former owner of commodity, and now potential buyer, thus the current owner of money, will never be able to buy a commodity of same value, as it was his commodity for which he got money he now possesses, with that money, although now increased for the surplus. It would be pointlessly if the (former) buyer, or (current) owner of commodity, sells his commodity for the same amount of money he himself has already paid for it. He has bought not in order to use the use-value of commodity, but in order to sell it, of course more expensively. Commodity behaves in developed commodity circulation in the same manner as money does; it enters the circulation only if it brings the surplus of value. However, both commodity and money in developed commodity circulation acquire the surplus only by making each other mutually valueless, or reducing each other price. (In fact, by increasing each others price!!!) The developed commodity circulation thus makes both the commodity and the money less valuable. Commodity in the hands of new owner becomes also dearer: the one who bought it for M’ sells it only for M’’. For that reason, the owner of M’ can only buy a commodity of less value:

M’ (\$120) – C (100 – 20 = 80 hours of work) – N’’ (\$140), and so on:

M (\$140) – C (60 hours) – M (\$160)

M (\$160) – C (40 hours) – M (\$180)

M (\$180) – C (20 hours) – M (\$200)

M (\$200) – C (limitless little of work, i.e. valueless commodity) – M (limitlessly lot of money)

Inflation is therefore Midas’s destiny of modern man. Economy that rests on money – and money is the starting point and the purpose of developed exchange, the general formula of capital, has to end in abstract wealth. Wealth in the form of *value* (as the abstraction of use-value), i.e. in money as its exchange shape - the purpose of which is the fecundation (???) of value, is *endless* by itself, unlimited by the satisfaction of needs as its own purpose, so as it is useless it is also pointless – alike as Midas’s gold. Namely, value can be fecundated (???Increased) only in the process of labour, there where it is only produced, after all. The value of labour product, i.e. commodity, does not increase in the exchange. However, the buyer in order to sell enters actually exchange in order to gain the surplus value. The seller does the same as soon as he becomes the possessor of money. For the sake of that all become poorer in exchange, although all wanted only surplus value, the wealth.

Inflation is simultaneously both the outcome of and the most developed form of the general formula of capital. Marx has proven - by the general formula of capital and the solution of its contradiction, that the fecundation (???) of value, thus the surplus value, “can not come from the exchange, as well as that it is impossible not to come from the exchange” (?????), by including into the process of circulation a specific commodity which makes value – working force. Our intention is to prove that the *worthlessness* of wealth, i.e. pauperisation, takes place in exchange, in the form of general formula of capital, on its *inflationary* level, and not only by the abstraction of use-value into value and then this one into its exchange form, money, but also literally by decreasing of the total magnitude of value.

The general formula of capital, i.e. the appropriation of surplus value through the market, assumes the shape of inflation at the point when the appropriation of surplus value in the market, in the purchase in order to sell, becomes higher than the production of surplus value is, and higher than the appropriation of surplus value in the process of production is, which is to say in the process of labour as the only place where the creation of value occurs. At that point the appropriation of surplus value in the circulation of any commodity becomes more attractive than that of the appropriation of surplus value ensuing directly from labour process; the exploitation in the circulation begins to become more profitable than the exploitation in the process of production. Labour process ceases to be a reliable source of surplus value, while the appropriation of surplus value in the exchange becomes less risky. On account of that many retreat from the production and enter the trade. New investments mainly go into exchange rather than to production, while those entering the production chose rather the sectors the products of which will easily find their place in the market. The purchase in order to sell begins to dominate over the purchase in order to produce. The market becomes the obsession of the owners of capital just as the gold was for the king Midas.

Peak hours of this contradiction are achieved when the capital in the form of general formula of capital (M-C-M), the purchase in order to sell, predominantly moves to the sphere of finance, into the purchase of money in order to sell money: M-M'. That is why the generator of current crisis is financial capital, which is to say the wealth in the shape of exchange value or the wealth in the form of value, in a word – money, while its first victim was the wealth in its most natural shape of the use-value – apartment or house.

However, due to the illusion that all can get rich in the market all will soon get poor. Whereas surplus value can not be created in the market, but solely in the process of production, by the labour, the domination of the appropriation of surplus value *in the market* over the appropriation of surplus value in *production*, i.e. the domination of exchange over production, it indispensably has to entail the *general worthlessness of the wealth* of a society. Inflation, thus, as the process of transformation of concrete into abstract wealth, assumes a double crisis character: on the one hand, it is the transformation of use-value into exchange value, money, and on the other, it is the reduction of a magnitude of wealth in the form of value into a decreasingly magnitude of value. Where the circulation – and the circulation of money, M – M', in particular, becomes the most attractive source of surplus value, where therefore the trade, in all its dirtiest shapes, becomes the means of enrichment, there the entire mass of labour have to decrease more and more, and so too the magnitude of value it creates.

Inflation as the form of the general formula of capital is, at least from the standpoint of capital, the appropriation of surplus value to some percentage (rate) in the interest of one social layer, though the narrower it is the higher the percentage is, and the longer the process lasts. But, after certain stage, in its galloping form, at the stage when the appropriation of surplus value overcomes the capacity of labour to produce it, inflation necessarily must transform into the process of *general* alienation of value into its exchange shape, money, and thereby into the worthlessness of the wealth of *all* as well, thus those who have also been becoming rich in the market owing to inflation. That is why the richest people are those most afraid of inflation and crisis, whereas they can lose the most.

As a matter of fact, the inflation is a *vulgar* form of the general formula of capital, and therefore it turns out to be an undesirable anomaly even from the standpoint of capital that hence endeavours to eschew it. As a vulgar form of capital, i.e. as the process of general *worthlessness* of wealth, it is the outcome of capital contending to the mere essence of capital – the fecundation (????) of value. For the reason of that the inflation is an *unhistorical* manner of the overcoming of capital, the form of the relations of production which does not ensure the overcoming of capital by the historically higher relations of production, but heads towards historically retrograde relations of production and the modes of production as a whole.

That is, therefore, the *notion* of inflation! The *question*: Do those who are supposed to stop the inflation and settle the crisis know it?, is nearly equally important as the *answer* to the question: What is inflation? For, whether the inflation will be stopped, and the process of pauperization of society will be broken, depends more on the answer to the former question, than to the latter question. Gathering to what it is being done, it is hard to say if we have any prospects.

As the *crisis* form of the antithesis of the use-value of commodities and their exchange shape, the inflation has achieved the level of “absolute contradiction” at the point when the transformation of wealth into an alienated, exchange shape surpasses mere possibility of creating the wealth. Such a level has already been achieved and one can recognize it in the continuing decrease of entire wealth of society. Yet, at the very same moment the crisis begins acting as possibility of getting out of it or as the solution for the antithesis of use-value and value, the concrete and abstract wealth, the antithesis which appears as antithesis of sell and purchase.

Subject of Crisis

It seems that the overcoming of crisis, as well as the curbing of inflation, can be settled solely by measures which are related to the sphere of circulation, just because the crisis appears, and in particular in its inflationary form, first of all in the market. The basic response of the monetary solution to the crisis today consists of decreasing of interest rates – in some extreme cases, almost in abandoning the interest. However, the one who is truly anxious about subduing inflation must be aware that crisis and inflation, in their developed shape, are market phenomena, but that the market is not the subject of itself and that the one who wants to have it under its control must undertake necessary measures which do not relate directly to the sphere of circulation.

The *subject of circulation*, inclusively of its inflationary form, is *value*. If the crisis is the antithesis between commodity and its exchange form, and inflation is the peak of the antithesis or an open process of worthlessness of wealth, than the anti-inflationary measures must not comprise only of reducing or increasing bank interests, freezing up or liberalism of prices, controlling or liberalism of prices of labour force, total freedom of some prices and total control of other prices, etc., in a word – in fiscal measures. Only the measures targeting directly and essentially the value of total product of social labour can be anti-inflationary efficient, thus perform against the worthlessness of social wealth or against the alienation of concrete wealth into its abstract, exchange form, which is pretty much the same. Measures of this kind must be directed to the achievement of two basic aims: 1. The augmentation of total magnitude of value, something that can be attained by increasing the total magnitude of social labour, or by increasing employment in sectors producing the value, and 2. The decrease of value of individual product, something that one attains by increasing the productivity of labour or productive forces of labour. Therefore, the subject of value, irrespective of the fact that it dwells mainly in the sphere of exchange, lies *outside* the market.

The *subject of value*, whereby of the market as well, is *labour*. Only the *increasingly mass of labour*, the labour productive from either standpoints, from the standpoint of value and the standpoint of use-value, is capable to hinder or, at least, relieve the antithesis between commodity and its exchange form, and therefore the possibility of alienation of commodity into its money shape. This requires concretely: the augmentation of employment in the sectors producing goods useful from the social standpoint, use-values as such, and those requisite for human life first of all. This also, presumably, means the decrease of employment in unnecessary sectors, and in the sectors producing nothing useful, in particular. It is only a far larger mass of labour, instead of increasingly mass of exchange-values, that can be efficient against crisis and against an inflationary worthlessness of wealth and its alienation in the sphere of circulation.

And yet, value will never, no matter how much labour was used to produce it, be able to completely remove the market antithesis between a sale and purchase, and its antagonism of commodity as the use-value and its exchange, monetary shape. It is so because even the wealth in the form of value is not the genuine wealth, whereas it is only the wealth in its concrete, useful form, the form of use-value. The magnitude of value depends on the mass of labour, but the quantity or quantum of use-values, the things used for the satisfaction of human needs, does not depend exclusively and primarily on the mass of labour that creates them. It means that the magnitude of the wealth of a society, as well as the mass of labour requisite for its production, depends on something lying outside mere labour. How large the wealth of a society will be, how much of hard labour will be needed for its production, thus how large mass of value will be at the disposal of society, it depends first of all on the *productive force of labour*. However, the productivity of labour is determined by the agents that are *outside* of labour.

One should not forget that also Nature, in addition to labour, is the source of wealth of a society and even the agent of productive force of labour. Nature is not the source of value, but it is rather often a considerable source of wealth, moreover the wealth in its very concrete, useful form. It is necessary to stress the relevance of nature as the agent of social wealth, in contemporary circumstances in particular, as natural resources are becoming limited and nature as a whole exposed to pollution and destruction – although this is not focal topic of our consideration at this point.

The fundamental *subject of labour*, and therefore of the productive force of labour as well, which means the subject of value, and consequently also the subject of the form of value or exchange value, money, and eventually of the market, including its crisis form, is – *knowledge*, above all *science*. For that very reason it is indispensable, for those who want to be the masters of market, to begin above all to reign over as much as possible mass of knowledge. In contrast to the growth of the magnitude of value, based on the increased mass of labour, as essentially anti-inflationary agent, at first glance contradictory – the tendency of *valuelessness* of single commodity performs in parallel. Owing to the knowledge, and first of all scientific one, the productive force of labour grows, and along with the increased productivity of labour grows the

mass of commodities, but the value of individual commodity decreases, since the mass of labour needed for its production decreases.

Therefore, by defining the notions of crisis and inflation, as eminently market phenomena, we view value, labour and knowledge as subjects that determine the functioning of all exchange processes. Measures aiming to set up the balance at the market or to remove the “antithesis of a sale and purchase”, have to be directed towards the three (knowledge, labour and value), and not to the exchange value, money respectively. The word money stands at the *entrance* of the market labyrinth - not at the *exit*.

Generally speaking, these measures *against inflation*, as well as against mere sources of *crisis*, one can single out two mutually both contradictory and coherent groups the goals of which are: the *enlargement of entire magnitude of value*, based on all concrete steps which are to increase the mass of social labour and to fully employ all people, and the *valuelessness*, which can be achieved by improving the productive force of labour based on human knowledge and creativity and innovation decanted into new technologies.

Investment into new jobs, in the situation when crisis has already sprung up, is necessary but a *short-term* measure; as long as market exists crisis will consecutively return. Investment into research, natural and technical science first of all, but into a *critical*, and not apologetic, social science, as well, is a *long-term* measure the goal of which is the ultimate control of crisis, inflation, market and – the wealth based on value, the form of value and money. Both thus aim to remove the abstract wealth and make society concretely fortunate.

Instead of the control of market based on the control of the exchange form of commodity, money, the *control of market* based on the *control of value*, is the *historical* change of labour or the improvement of its productive force. As there is an *unhistorical* worthlessness of wealth, which occurs in inflationary phases of market, there is also the valuelessness of wealth which is *historical* by its character. The outcome of the former is pauperization or reduction of total wealth of society, while the goal of the latter is just the *enlargement of the wealth of society*, never unlimitedly of course, based on the metamorphosis of the wealth from its *value* form into its *useful, concrete or use-value* form. In order to ensure the *true* control of market, both the market form in which the wealth is accumulated at the expense of pauperization of one part of society, so too the form of market in which pauperization becomes common, it is necessary to perpetually *revolutionize* labour process. In the periods of crises, those revolutionizing permanently the process of labour, innovating the instruments of labour in particular, will be affected by the consequences of crisis the least.

Increasing of productive force of labour, thus knowledge, is the condition in order to rule the work, the mass of value, and through it over mere *market* as well. That is why the *capital* is so anxious to *master the knowledge*. For that reason the master of knowledge pleads loudly for the free market hypocritically *mastering market*. The rationality of capital rests, therefore, not only on knowledge but on *lordship (mastership)* as well.

Left-wing critique of market and capital, which stands for the control of market and insisting in particular on the role of state, however, takes for granted mere critique, believing that the control stands on the view of knowledge because being simply the critique. It forgets that there are also states which are not knowledgeable. So it happens at times that just the control of market stands sometimes under the historical level of free market. That is what gives a revolutionary role to the capital at times making the left historically conservative.

To oppose free market and crisis, as its outcome, can only Knowledge, liberated Inventor, who is only capable to confront the Master by his/her unlimited intellectual potentials.

Does Barak Obama know all of this? Gathering from his promise to create three million jobs (which is far from being enough) and promise to take up researching, he definitely knows, even without being Marxist. But, is he going to fulfil his promises? Perhaps, he will not, not only in order not to appear as a Marxist, but because he would thereby, in doing so, jeopardize the Interest. Perhaps his own as well. For, “if mathematical axioms would rend into the interest of people, they would negate them too” (Marx).

FOOTNOTES

¹ Robert Graves, *The Greek Myths*, London: Penguin, 1955;

Thomas Carlyle, *Past and Present* (1843), <http://www.gutenberg.org/etext/13534>; <http://www.online-literature.com/thomas-carlyle/past-and-present/0/>

Fridrich Engels, *Nacrt za kritiku nacionalne ekonomije*, in Marx-Engels, "Rani radovi", Naprijed, Zagreb 1967

² Aristotel, *Politika*, I, G1.3, 16, BIGZ, Beograd 1975

³ Karl Marx, *Capital*, Vol. I, Progress Publishers, Moscow, 1974, p. 105

⁴ Ibidem, p. 112

⁵ Ibidem, p. 106

⁶ Ibidem, p. 138

⁷ Ibidem, p. 115

⁸ Ibidem, p. 146