

Fictitious Capital and the Transition Out of Capitalism

By Loren Goldner

The following is a “thought experiment” which attempts to see fictitious capital in relation to the end of capitalism. By pursuing the concept of fictitious capital as far as we can, by illuminating the unbelievable distortions it has fomented in what is called “economic development” on a world scale, we can highlight the nature of contemporary struggles as well as explain why there are not more struggles. We can also address the reasons why a “society beyond capitalism” seems such a remote possibility at present.

In discussing fictitious capital, we must never forget that it is subordinate to, and derivative from, capital generally. It is important not to foment the illusion that the struggle is against “fictitious capital”, leaving “real” capital itself unexamined. But at the same time, it is indispensable to sort out the fictitious dimension of the contemporary economy, if only conceptually. Many people today, including people on the radical left, regard contemporary capitalism as functioning normally, more or less the way it always has. I could not disagree more. Perhaps, as contemporary ideologies assert, capitalism has “reinvented” or is “reinventing” itself, as it has done several times in the past. Be that as it may, the post-1973 period presents one of the strangest, if not the strangest phases in the history of capitalism.

What, then, is fictitious capital?

Fictitious capital is, on first approach, paper claims on wealth (in the form of profit, interest and ground [rent](#)) in excess of the total available surplus value, plus available loot from primitive accumulation.

There is \$33 trillion in outstanding debt (Federal, state, local, corporate, [personal](#)) in the U.S. economy, three times GDP. (No one knows how much is tied up in the international hedge funds and derivatives.) The state (including Federal, state and local levels) consumes 40% of GDP.

The net U.S. debt abroad is \$3 trillion (\$11 trillion held by foreigners minus \$8 trillion in U.S. assets abroad) That amount is growing by \$500 billion a year at current rates. Foreigners hold an increasing percent of U.S. government debt; the four major Asian central banks (Japan, China, South Korea, Taiwan) alone hold over \$1 trillion. It is the Federal government’s debt which makes possible the reflationary actions of the Federal Reserve Bank. If Doug Noland’s notion of “financial arbitrage capitalism” is right, the old conceptualization of the role of the banking system and the Fed’s (apparent) ability to expand and contract [credit](#) availability through it, is superceded; increasing amounts of “virtual” credit are created by “securitized finance” independent of banks. One must also consider the government-linked entities (Freddie Mac, [Fannie Mae](#)), which backed the reflation of mortgages of the past 4 years, leading to an incredible housing bubble. This entire edifice depends on 1) low inflation in the U.S., as higher inflation would scare off foreign lenders; 2) the willingness of U.S. “consumers” to go more and more heavily into debt (with debt service now taking 14% of incomes, as opposed to 11% a few years ago) 3) the willingness and ability of foreigners to go on re-lending U.S. balance-of-payments deficits back to the U.S.

Let's shift to another level altogether: the extent of unproductive labor and unproductive consumption in the U.S. economy. Marx defines the state debt as fictitious; he defines labor performed for revenue (as opposed to capital) as unproductive. Many Marxists would agree that military expenditure performed for the revenue of the state is unproductive labor, even if it produces a profit for an individual capitalist. One can extend that paradigm, I think, much farther in terms of other goods and services commanded by state revenue, and/or the fictitious capital of the state debt. To be productively consumed, surplus-value that is concretely means of production (Dept. I) or means of consumption (Dept. II) must RETURN to C or V for further expanded reproduction; by that criterion, it would seem that unproductive consumption in the U.S. economy must be enormous.

Now perhaps for the most controversial point: what do individual reported corporate profits mean in such a situation? Do they really correspond to a proportional amount of surplus-value? The amount of profit from interest and ground [rent](#) relative to profit from manufacture grows every year. Even within profit of "manufacture", what does this mean when companies like GE and GM are now earning more profits from their financial departments than from production? And if a significant amount of that production (with GE, a very significant amount) is for (unproductive) capitalists' consumption (i.e. military) then what does the expanded M' that returns to each corporation as profit mean? What does it correspond to in terms of C and V in their material form that must be productively consumed in further expansion for the capital circuit to continue?

We know the countervailing tendencies that must partly subsidize the circulation of so much fictitious capital and so much capitalist's consumption: primitive accumulation (non-payment of equivalents) for goods imported from the less advanced parts of the world, for labor power recruited from Third World petty producer economies; pushing labor power below its reproductive value; using fixed capital past its replacement time; looting of nature (non-replacement of resources) or destruction of the [environment](#) as a whole.

All of this adds up to a pretty grim picture, looking like nothing so much as a vast bankruptcy subsidized by foreign creditors, who would themselves be bankrupted by the contraction of the debt pyramid sustaining the whole operation. This is far bigger than the biggest Spanish bankruptcy of the 16th century in terms of its current and potential impact on the world economy.

When Marx was writing Capital the trends described above were far less prominent. Fictitious capital was pretty much destroyed with each decennial crisis; the amount of unproductive consumption in the economies he studied was nothing compared to what is has become (though it was already surprisingly widespread) . I think his conceptual apparatus is still perfectly contemporary for sorting out what is what.

Historical Overview

Let us briefly review how things got to this state of affairs.

Capitalism in 1890-1914 was approaching the crisis of the British-dominated world system. While the “sterling standard” never came close to the levels of U.S. international indebtedness until the 1914-1945 “Thirty Years War” and its aftermath, British industry no longer could back up Britain’s financial role under the impact of U.S. and German competition. The extended single crisis of 1914-1945 must be understood as a “substitute depression”, (punctuated by an actual depression from 1929 to ca. 1938) in which the classic bankruptcy proceedings were carried out on British capital’s world hegemony.

Germany and the U.S. battled for the spoils; the U.S. won.

But “underneath” the financial and geopolitical transformation of that period—one still the basis of current world arrangements—a more fundamental transformation was occurring, namely the passage of world capitalism from its phase of “formal domination”, with a preponderance of absolute surplus value based on the lengthening of the working day, to its phase of “real domination”, based on technological intensification of the labor process. This was accompanied by a revolution in agricultural productivity and transportation costs which reduced the cost of food in the average worker’s consumption from 50% (in the mid-19th century) to a far smaller share, thereby opening the way to “mass consumer durables” which came on stream in the 1920’s, symbolized first of all by the automobile.

This “automobile-oil-steel-rubber” complex of production and consumption was the heart of the world capitalist boom from 1945 to 1975. Beyond the immediate process of production, the automobile-centered economy had a huge impact on the development of cities, suburbs (and ultimately exurbs), hence of real estate, construction (including highways), and all the sectors that feed into construction, not to mention the environmental impact. Mass public transportation in countries such as the U.S. was gutted in the interests of this economy. Necessary travel time to and from work was significantly increased. Working-class urban culture, and public life, was weakened by the flight to the suburbs.

Fictitious capital played an important role in the 1945-1975 boom phase, though still small by comparison with the role it has played since. U.S. government debt coming out of World War II was \$250 billion, roughly 110% of GDP in 1945 dollars. (Today it is conservatively estimated at \$11 trillion, or three times GDP.) The postwar arrangements that established the IMF, World Bank, GATT (predecessor to the WTO), and the Marshall Plan (cf. Michael Hudson’s *Super-Imperialism*, 2nd ed. 2002) cannot concern us here. But the dismantling of the British and French empires and the subordination of Europe and Japan to U.S. hegemony created the global “economy of scale” necessary to accommodate the new productive forces that had been building up during the 1890-1945 period, setting the stage for the longest boom in capitalist history, based on a new standard of value expressing the increased average social productivity of labor. The reconstruction costs from World War II in Europe and Asia, however, and the role of the U.S. in providing needed liquidity for both reconstruction and the later impressive development of Japan, Germany, France, and Italy largely concealed the problem of fictitious capital from view until the system began to sputter after 1958, and headed into real crisis after 1968 (March 1968 closing of foreign exchange markets), becoming official in 1970 (Penn Central bankruptcy and liquidity crisis), 1971 (U.S. tears up Bretton Woods) and 1973 (final collapse of fixed exchange rates and emergence of an outright dollar standard, closely related oil crisis).

Theoretical Intermezzo

Where does fictitious capital originate? It is not discussed in the “pure capitalist” model of vols. I and II of Marx’s *Capital*, centered for the most part on the single enterprise and the “immediate process of production”, what Marx (at the end of vol. II) calls the “abstract” mode of presentation. It is introduced in a brief chapter in the middle sections of vol. III, and in scattered references to the fictitious nature of the state debt, etc.

Fictitious capital is also absent from the Byzantine academic debates, based on the first section of vol. III, about the so-called “transformation problem” (values into prices) and the rate of profit, a debate which abstracts entirely from the problematic set out above and specifically from Marx’s repeated admonition that

“Accumulation requires the transformation of a portion of the surplus product into capital. But we cannot, except by a miracle, transform into capital anything but such articles as can be employed in the labor process (i.e. means of production), and such further articles as are suitable for the sustenance of the worker (i.e. means of subsistence).
(*Capital*, vol. I, 1976, p. 727)

This means that profits derived from such sectors as luxury goods and military production, when arriving at the general rate of profit and hence the total surplus value available for expanded reproduction, have to be treated differently than profit from the production of machine tools and bread. They cannot continue the cycle as expanded C and V, and therefore are a net deduction from the total profit available to the capitalist class for new investment. They represent objects of consumption of the CAPITALIST class; they are revenue.

In real capitalist practice, means of production and other income-producing assets are not valued in terms of their historic costs or in terms of their current replacement cost; they are valued as a CAPITALIZATION of an expected flow of income based on the asset. Capitalization means that in a general [environment](#) in which the rate of profit is 5%, an asset producing an annual profit of \$5 will be “worth” \$100. “Underneath” that surface, the distribution of the average rate of profit, plus or minus the higher or lower profits going to individual firms which are above or below the average social productivity of labor, does its work, and ultimately asserts itself in crisis and recomposition. But the capitalist class, the central bank and the capitalist state do everything in their power to preserve those capitalized—fictitious—values as long as possible, even at the price of gutting the “real” economy. The actual surplus value available to the capitalist class as a whole to support those capitalized values comes not merely from the immediate process of production but also, once again, from non-replacement: the looting of nature, primitive accumulation of petty producer populations, and sometimes non-reproduction of C and V.

Thus it is possible to refine the definition of fictitious capital offered initially; it is not merely the paper claims (stocks, bonds, income from the sale and rental of land and real property) in excess of total surplus value; it is the capitalized “current value” of total income-producing assets in excess of their value, defined as the socially necessary labor time of REproducing them today. The fundamental tendency of capitalism, through increased productivity of labor, is to cheapen all commodities, including the universal commodity labor power (the source of all value), while at the same time the capitalist class, central bank and capitalist state are mobilized to preserve existing capitalizations, at least for the class as a whole (while periodically sacrificing the weaker

capitals) until they are overwhelmed by the next crisis.

We now get to the nub of the matter: has capitalism exhausted itself as a mode of production capable of expanding the material reproduction of humanity? Has capital, in Marx's formulation, become an obstacle to itself?

In the era of fictitious capital, where it is the drive to preserve existing capitalized values that dominates production rather than the expansion of production which (as in all the cycles prior to 1973) produced over time fictitious values capitalized in excess of current social costs of reproduction, (capitalized values that then, in the crisis, collapsed down to levels reflecting real costs, allowing a new cycle to begin), the classic cycle of boom-crisis-recomposition and new takeoff is deeply distorted. Instead of a 1929-style bust, capitalism since 1973 has undergone a "hidden depression", with a gradual wearing down of material reproduction under the weight of the managed mass of fictitious capital.

The fundamental question is: does this post-1973 reality express the "fact" that the socially necessary time of reproduction on a global scale can no longer serve as the "numeraire", the universal standard of exchange? Can global reproduction still be expanded in the value form? Or has global society become too productive to be contained within it? Capital since 1973 seems to be trying to recompose the relationship between surplus-value, variable and constant capital into the foundations for a new expansion, but its main result, on the global scale of social reproduction, seems to be more large-scale destruction than expansion.

The answer to the above questions is inseparable (following the Theses on Feuerbach, namely that activity is objective) from the ability of the proletariat to supersede the value form and found a new mode of production. There is always the possibility of the "mutual destruction of the contending classes" as a mode of production exhausts itself (as Marx indicated in the Communist Manifesto).

My hypothesis is that since the appearance of a communist current in the working class (1848) every "classical" crisis of the pre-1914 period (the decennial crises of 1846, 1857, then the "great depression" of 1873-1896) has been, within the "core" of the system (the most advanced production and most advanced working class) a dress rehearsal for the end of capitalism, in which the proletariat "was compelled to do" (Marx) what was necessary to dissolve its status as commoditized labor power: hence the appearance of a communist current, always a minority (1848, 1871, 1905, 1917-1921, to a lesser extent in 1968-1976). It is not an exaggeration to say that ever since 1848 every major development in capitalism (and no less true for the post-1973 period) must be understood within the framework of exorcising the "specter of communism". (It is also important to note that three of the four major historical upsurges of the proletariat occurred as a boom was peaking: the formation of the First International in the 1860's run-up to the Franco-Prussian War, the Commune, and the 1873 depression; the formation of the Third International that emerged from the worldwide strike wave which preceded World War I and which continued in 1917-1921, i.e. at the beginning of the "thirty-year crisis"; finally, the worldwide surge of 1968-1977 as the post-World War II boom was peaking. In counterpoint to this is the formation of the Second International after 1889, in the midst of the 1873-1896 "great depression" or "great deflation" as it is sometimes called.

Capital can only be understood in relationship to its inseparable historical counterpart, the proletariat, and the proletariat is historically important, not as passive "variable capital" in

capitalism's balance sheet, but as an ACTIVITY that tends to constitute the "class for itself", pointing beyond the capitalist mode of production. "The working class is revolutionary or it is nothing" (Marx).

The recovery from each capitalist crisis, once again, involves a vast "recomposition": fictitious capital is wiped out through bankruptcy, fixed capital is devalored (often below its cost of reproduction), and the new "numeraire", or standard of value, unleashes commodities cheapened by the new generalized labor productivity. The working class "bill of consumption" (V) might contract in value terms (as a percentage of the total product), yet be larger in material terms because of an overall cheapening of consumer goods. Accumulation can resume with an adequate rate of profit.

Ever since 1973, world capitalism, without [resort](#) to full-blown depression or a Third World War, has been struggling to establish a new standard of value to supercede the exhausted one associated with the postwar boom. To do so, it must re-equilibrate the existing total paper claims on wealth (profit, interest, ground rent) with existing surplus value in a new, acceptable rate of profit, at the same time that it expands the reproduction of global society. Yet, because of the preservation of fictitious capital against devalorization, at the expense of material production, it has failed to find this new equilibrium.

It has, of course, by opening up the Soviet bloc, China, and parts of the Third World through "globalization", increased the total volume of production; it has cheapened commodities; it has innovated new technologies and increased the productivity of labor (although more slowly than in the postwar boom). By the unceasing demand for the "reform" (the Orwellian [word](#) par excellence of our time) and "flexibilization" of the wealthy, more "mercantilist" economies of Europe and East Asia, it may succeed in extending this process. But it has not undergone the "clearing of the decks"—full-scale deflation of fictitious valuations in harmony with a prevailing rate of profit in the production of commodities which can "return" as expanded C and V. On the contrary, by the devastation it has wrought and is wreaking in Latin America, Africa, eastern Europe, Russia, Ukraine, Central Asia and rural China, not to mention austerity in the U.S. and Europe, it has compelled the world's working population and relative surplus population to bear the brunt of the crisis. American world power today stands as much in opposition to a new "healthy" phase of global capitalist expansion, (assuming one is possible) as British world power did in 1900.

World Capitalism After 1973

This process is essential to understanding the post-1973 period. One can, I think, "write the history" of the post-1973 era around the efforts to prop up the growing mass of "nomad dollars" or "hot air" which brought down Bretton Woods and to postpone (for over thirty years!) the inevitable deflationary crash. More specifically: the 1975 U.S. reflation (under Ford and continued by Carter) took the world into the 1979-1980 near-inflationary blowout ([gold](#) at \$850 an ounce, oil at record levels after the Iranian revolution, a threatened world flight from the dollar). This was followed by the Reagan-Volcker super-austerity: U.S. interest rates hitting 20%, leading to a massive recovery of the dollar, the latter made possible by equally massive foreign lending to the U.S., particularly in the Japanese acquisition of Treasury bills. This "wringing out" of the 1970's inflationary economy --provoking in 1981-1982 the deepest recession of the entire post-1945 period to date,-- set off the stock market boom of 1982-

2000.

I contend that the U.S. [stock market](#) boom of the 80's and 90's was a continuation of the reflationary strategy begun in earnest with the 1968-1973 onset of crisis, a strategy which has not yet run its course (currently manifested in the mortgage refinancing boom) , and which constitutes in effect the largest "Ponzi scheme" in history. This paper boom has taken place, not in conjunction with a real global expansion as in 1945-1975 (however qualified by some of the downside mentioned earlier) but large-scale DESTRUCTION on a world scale: the deindustrialization and downsizing of the U.S., extended mass unemployment in western Europe, absolute retrogression in Latin America, Africa, much of Asia, of Eastern Europe, and of the former Soviet bloc (both in Russia and Ukraine and even more so in Central Asia), and more recently for the 900 million Chinese peasants and workers left out of the "Chinese miracle". The social "balance sheet" of this paper boom is to be found in various phenomena of decay ranging from the destruction of the blue-collar world in many countries (even China has had a net loss of 22 million industrial jobs), the expansion of the parasitic FIRE (finance-insurance-real estate) sector (most recently in the preposterous world housing boom, centered once again in the U.S.), environmental destruction (most notably global warming), the growing role of international crime (e.g. the drug trade), ongoing economically-preventable epidemics, the disintegration of 60 economic basket cases into "failed states", and fundamentalism (Christian, Moslem, Jewish, Hindu). Having knocked down many of the economic "great walls of China" this circulation of fictitious dollars is apparent today in the growing pressure on Japan and Germany (in particular) to "financialize" on the Anglo-American model, with the same effect of gutting the "real" economy, particularly as it affects working people. The instability of this "dollarization" and "financialization" of the world economy has been apparent in the Japanese deflation (1990-present), U.S. recession and real estate collapse (1991), Mexican crisis (1994), the Asia crisis (1997-1998), the Russian default and collapse of LTCM (1998), the Brazil crisis (1999), the U.S. dot.com collapse (March 2000) the Argentine crisis (2001) and the 35% decline of the Dow Jones Industrial average from March 2000 to September 2002. All told, roughly \$3 trillion is paper wealth was destroyed in 2000-2002. Since that time, the acceleration of "financial arbitrage capitalism" (the term is from Doug Noland, expanding on ideas of Hyman Minsky), with the mortgage refinancing boom, has preserved the "U.S. consumer" as the "buyer of last resort" in the world economy. (As one wag put it recently: "I've finally understood supply-side economics. Other countries supply the goods, and then they supply the money to buy them".)

It must also be mentioned that this circulation of fictitious capital has brought into existence new productive forces as companies compete in ever-tighter markets, expressing the pull of devalorization. In sum, on a world scale, a smaller percentage of production workers in the work force as a whole is producing a larger volume of goods, goods that have been cheapened by technological innovation. This is, as noted earlier, part of a classic pattern of capitalist crisis and recomposition. But it must equally be stressed that, in contrast to the 1945-1975 period, where expansion of the productive forces was driving the creation of fictitious capital (on a small scale compared to the present), today it is the necessity of circulating fictitious capital which is driving the development of production. The total deficits of the U.S. state from American independence to 1980 totaled \$1 trillion; since 1980, that total has increased to \$4 trillion. (That total does not include the "off-balance" sheet sums transferred through internal accounting from the Social [Security system](#) to smooth out the reported Federal deficit.) (It is also interesting that the post-1980 U.S. government debt is almost exactly equal to the \$3 trillion

net indebtedness of the U.S. The U.S. government debt is the “totem” of the world system. This difference from the historical character of earlier capitalist expansions will matter terribly when the “debt-deflation” phase hits, and capital (not to mention debt-strapped workers and other “consumers”) will have to pay off enormous debts (at historic cost) with the greatly depressed current prices and wages expressing current costs of reproduction (and in reality well below the latter).

What has been presented thus far is basically a merely “economic” analysis, as critique of political economy. But to understand the weight of fictitious capital in the current context, it is necessary to look beyond the merely economic to the class struggle. Despite the colossal efforts of ideology to deny or trivialize social antagonism, everything today is shaped by class struggle, both the one-sided class struggle waged for 30 years by the capitalist class, and even more so the potential threat of a two-sided struggle to re-emerge into the open, as it has already begun to do (Argentina 2001, Bolivia 2005, ongoing working-class ferment in China, the return of the wildcat in Italy, Germany and Britain).

The classical workers’ movement from ca. 1840 to 1945 was fundamental in pushing capital into the phase of “real domination”, above all in the century-long struggle for the 8-hour day. It had its finest hour in the 1917-1921 period, in the Russian and German revolutions, in the Italian factory occupations, a pre-revolutionary situation in Britain (January 1919), and major strike waves in France, Spain and the U.S. But the 1917-1921 radical upsurge failed because capitalism still had a large colonial and underdeveloped world, barely under the formal domination of capital, into which to expand, as well as significant potential for recomposition (cheapened mass consumer goods) and primitive accumulation within the advanced sector itself (50% of the U.S. and French populations, for example, still lived in rural areas and small towns in 1918). The 1914-1945 “Thirty Years’ War” and its immediate aftermath, through the New Deal/Keynesian welfare state (the U.S., Britain), Social Democracy (northern Europe) Stalinism and then the Third World Bonapartism that emerged from de-colonization made the classical workers’ movement, expressed most succinctly in the dominant Lassallean wing of German Social Democracy part of official society. Thereafter, in a way far more visible than in the pre-1945 period, progress in class struggle came from the unofficial workers’ movement, most notably the growing wildcat strike wave (above all in the U.S., Britain and France) in the 1955-1973 period. A mere listing of the high points of social polarization and struggle on a world scale captures the climate of the end of the postwar boom:

U.S. 1968-1970 biggest (and largely wildcat) strike wave since 1946; black revolt; youth revolt; Vietnam debacle

U.K. 1972 flying-picket strike wave

Canada 1972 (Quebec general strike)

France 1968 (May-June general strike)

Germany 1969 (September strikes)

Italy 1969-1973 “creeping May”

Spain 1976 (strike wave at end of Franco regime)

Portugal 1974-1975 mass strikes, factory occupations, end of fascism

Poland 1968; 1970 (student movement, Gdansk-Gdynia shipyards’ uprising)

Czechoslovakia 1968 (some workers’ councils appear under Dubcek)

Chile 1973 (proto-dual power situation under Allende)

Argentina 1973 (general strike)

Uruguay 1973 (general strike)

Brazil 1968 (strike wave against the military dictatorship)

Mexico 1968 (student movement and bloodbath, October 1968)

China 1966-1969 working-class independence emerges in “Cultural Revolution”

Posed more dynamically, world capitalism in 1973-1975 confronted a general “leftward” surge expressed in this ferment, and most dramatically the working-class upsurge in Spain, Portugal and the “southern cone” (Argentina, Uruguay, Chile), the “Euro-communist” advance in western Europe, “national liberation” victories in Mozambique, Angola and Guinea Bissau (contributing to a radicalization of the situation in South Africa), a “Marxist-Leninist” coup in Ethiopia, and the Stalinist victories in Vietnam, Cambodia and Laos. One could add to this the ephemeral (1975-1977) Third World convergence in the United Nations demanding food, oil and [debt relief](#).

The French authors Tizon and Lonchamp are not far wrong in saying that “ca. 1976 the top political priority of every European government was heading off the outbreak of proletarian revolution”.

Yet world capitalism managed to put out every one of these fires. But the post-1973 glaciation must be understood precisely as a response to that moment, in order to better see its depth and its limits.

These social and political developments are inseparable from the economic unraveling of those years. As in the wake of 1917-1921, world capitalism survived the late 1960’s/early 1970’s upsurges because it had further room for expansion. Once it had evolved its overall method of fictitious financialization, centered in the U.S. and to a lesser extent in the U.K., it pushed its way into the Soviet bloc, China and the semi-autarchic protected regimes of the Third World to implement its planetary leveraged buyout. The period since 1973 must be understood as one extended counter-revolution against the movements of the 1960’s and 1970’s. The Italian auto maker FIAT, which was plagued by mounting wildcat activity through the 1970’s, spent billions to rationalize its Turin factories and de-centralize to “cottage” production around Italy, and this can be seen as pretty much a paradigm for how capital responded to the crisis globally.


Counter-revolution has taken many forms: the dismantling of the old “worker fortresses” (large blue-collar concentrations), yuppies, gentrification, real estate expulsion of working people and the poor from the world capitals and many other major cities, the unhinged development of the FIRE sector, the proliferation of the euphemistically-named “creative classes” in the growth of media, NAFTA and all [free](#)-trade zones, (tantamount to corporate mergers resulting in downsizing and layoffs), the growth of income disparity on a world scale to dimensions unknown since the 1920’s, the growth in the gap between “developed” and “underdeveloped” countries, just-in-time, kanben, QWL committees, worker-management cooperation, the slashing of social safety nets, flexibilization, endless calls for “labor reform”, de-regulation, dumbing down of education and culture, perfect markets=perfect democracy, surveillance through the internet and most recently “anti-terrorist” legislation,

It is instructive to look, by contrast with the late 1960’s/early 1970’s, at struggles throughout the world in recent years. In contrast to the sketch of the earlier period, it is necessary to include some vaguely defined “inter-classist” movements (e.g. anti-globalization) and the movement against the Iraq war, in addition to strike activity.

After the isolated, losing struggles against plant closings and de-industrialization in the U.S.,

Britain, France, Belgium and Spain in the late 1970's and the 1980's, we see the following:

U.S. Los Angeles riot (1992), Seattle riot (1999), anti-globalization movement, antiwar movement (2003)
 U.K. mobilization against the Iraq war (2003); some wildcats
 Anti-globalization movement: Seattle, Quebec, Prague, Goteborg, Genoa
 NGO movements against child labor; anti-logo; sweatshops
 France: antiwar movement; April-May 2003 public employees' strikes
 Germany: wildcats, mobilization against Hartz IV
 Denmark: general strike, 1998
 Italy: workers' refuse to ship Iraq war material (2003), wildcats, struggle over pensions, education
 Norway: oil workers' strikes
 Australia: longshore strike, 1998
 Mexico: Zapatistas
 Columbia: civil war
 Venezuela: mass movements pro- and anti-Chavez
 Peru: general strike, 2004
 Argentina: December 2001 insurgency
 Brazil: landless movement, public functionaries' strikes
 Bolivia: 2003, 2005 insurgencies
 Ecuador: general strikes, 1999, 2005
 Algeria: civil war, 1990's
 Nigeria: regional struggles over oil
 Ivory Coast: anti-government riots, threat of civil war
 Palestinian struggle; (Islamic fundamentalism)
 Israel: general strikes against austerity
 Uzbekistan: riots, 2005
 Kyrgyzstan: riots. 2005
 Tajikistan: fundamentalist movement
 Georgia: US-backed liberal takeover
 Serbia: US-backed liberal movement
 Ukraine: "orange revolution", 2005
 China: riots, strikes
 Indonesia: overthrow of Suharto (1998)
 Korea: general strike, 1997
 Taiwan: some labor actions
 Nepal: Maoist guerrilla insurgency

Further, Islamic fundamentalism and some terrorism, right-wing populist movements (some, as in Austria, Switzerland, France and Belgium with a significant working-class base) must also be considered struggles after a fashion against globalization (struggles having nothing in common with a radical left perspective). One thing leaps out, in contrast to the earlier period: social issues such as the pensions crisis, globalization, the [environment](#) , immigration and anti-immigrant mobilization, international criminal activity (e.g. the Mexican drug gangs active in the U.S.), have impinged on the working class as much if not more as the issues of the earlier period (e.g. speedup).

supra-national trade areas (EU, NAFTA, CAFTA). In North America and western Europe,

most working-class struggles of the past 25 years have been defensive, whether at the point of production, or in reproduction, in the battle over the creation of the “lean and mean” state (social benefit cutbacks, in welfare, unemployment benefits, health care, pensions and retirement, environmental controls, health and safety legislation, or the gutting of education).

Program: The Determinate Negation of the Existent or the Future in the Present

Most discussion of the program on the radical left (in all its Marxist, libertarian and anarchist variants) focuses on the important question of the forms of working class rule: workers' councils, soviets, or a political party or parties. One must of course add to this the Trotskyist transitional program, a program to be raised in capitalism on the way to revolution, understood as soviets plus the vanguard party. Few if any of these discussions look at the material reproduction (or non- reproduction) of society under capitalism, or after capitalism. The following, then, can be understood as mainly the material “content” of the forms that have been discussed ad nauseam in the past 40 years.

I propose to use the following “heuristic” device to explore fictitious capital in the world economy: imagine world production from the vantage point of a world soviet after successful world working-class revolution.

I think that the main reason for the eclipse of the type of struggles dominant in the 1960/s and 1970's and the relative absence of such struggles today is the globalization of the stakes. There is no meaningful reformism on the level of society as a whole (in contrast to specific local and defensive struggles that can have temporary victories). That is why the [word](#) “reform” is now the slogan of reaction. If, as Marx said in 1844 “in France, it is enough to want to be something to want to be everything”, today in order to be something it is necessary to become everything.

The following offers nothing more than the bare bones of a program for the expanded material reproduction of society; it does not begin to discuss the equally if not more fundamental transformation of life, the “development of human powers as its own goal” that would be the essence of an actually communist society.

The old “imagination” of working-class revolution was a general strike or mass strike, occupation of the factories, establishment of workers' councils and soviets, the political overthrow of the capitalist class, and henceforth a direct democratic management of socialized production. This “imagination” was based on the experiences of the Russian, German, Spanish and Hungarian revolutions and revitalized by the French May-June strike of 1968.

I think this model has lost touch with contemporary reality because capital-intensive technological development, downsizing and outsourcing has reduced the “immediate process of production” to a relatively small part of the total work force (not to mention total population), and even the production workers who remain are often involved in making things (e.g. armaments) that would have no place in a society beyond capitalism. More contemporary workplaces would be abolished by a successful revolution than would be placed under “workers' control”.

On a world scale, the total number of production workers, as a percentage of the capitalist

population (wage-laborers and capitalists), has been shrinking even as the total global “output” has grown.

As I said, a heuristic device, but perhaps a useful one.

The first task of such a soviet would be to organize the global transition out of the production of value (in Marx’s sense of value). The world revolution will have presumably taken place when the ratio of C (constant capital) to V (variable capital), the organic composition of capital, is already very high, meaning that value is already obsolete. But what is the basis of value? It is the social cost of reproducing the existing productive work force of the two departments I and II. The revolution would accelerate the development of the productive forces on a global scale to truly [free](#) production and reproduction from the value form.

What we need is a basic grasp of the total resources available on a world scale, in terms of existing labor power and means of production, to effect such a transition. The cost of reproducing world society in today’s terms is the “foundation” of a measure of “fictitious capital”. Here the is the minimum, “first 100 days” program:

- I. abolition of the dollar standard, etc. and an “organized deflation” of the world economy
- II. abolition of all socially unnecessary and noxious labor
- III. retraining of the work force freed by II.
- IV. global expansion to uplift world population to an acceptable worldwide standard of living
- V. shortening of the working day
- VI) transition out of the automobile/ steel/ oil economy; dismantling of the urban/ suburban/exurban sprawl produced by the needs of that economy;

Tentative Final Remarks

Here are further programmatic points, offering more detail within the above framework, for this victorious world soviet, very tentative. They amount to “Chapter 11” bankruptcy proceedings for the capitalist system.

In abolishing fictitious capital, we impose “global accounting standards” or “world resource accounting” to take an “inventory” of total existing means of production and labor power, in terms of use values (The goal is pushing all production beyond the necessity of exchange, so that social “measurement” occurs neither in price nor in labor-time but is strictly in use-value terms of real goods and services produced.)

- 1) implementation of a program of technology export to equalize upward the Third World.
- 2) creation of a minimum threshold of world income.
- 3) dismantling of the oil- auto- steel complex, shifting to mass [transport](#) and trains.
- 4) abolish the bloated sector of the military; police; state bureaucracy; corporate bureaucracy; prisons; FIRE; (finance- insurance- real estate); [security guards](#); intelligence services.

- 5) taking the labor power freed by this to begin retraining and reeducation around real needs.
- 6) crash programs around energy: nuclear fusion power, solar, wind, etc.
- 7) application of the “more is less” principle to as much as possible. (examples: satellite [phones](#) ☑ supersede land-line technology in the Third World, cheap CDs supersede expensive stereo systems, etc.)
- 8) a concerted world agrarian program aimed at using food resources of the US, Canada, Europe and developing Third World agriculture.
- 9) integration of industrial and agricultural production, and the of breakup of megalopolitan concentration of population. This implies the abolition of suburbia and exurbia, and radical transformation of cities. The implications of this for energy consumption are profound.
- 10) automation of all drudgery that can be automated.
- 11) generalization of access to computers and education for full working-class participation in global and regional planning.
- 12) free health and [dental](#) ☑ care.
- 13) integration of education with production.
- 14) the shift of R+D currently connected with the unproductive sector into productive use
- 15) the great increase in productivity of labor makes as many basic goods free as possible, thereby freeing all workers (e.g. cashiers, etc.) involved in collecting money and accounting for it.
- 16) global shortening of work week.
- 17) centralization of everything that must be centralized (e.g use of world resources) and decentralization that everything that can be decentralized (e.g control of labor process within the general framework)
- 18) measures to deal with the atmosphere, most importantly the phasing out of fossil fuel use.

Once again, in conclusion, the usefulness of such a basic program, much of which can be quickly implemented by working-class power, is that it cuts through the appearances of the deep distortions of fictitious development since at least World War II. It cuts through the debates about “forms of organization” (party, class, councils, soviets). We don’t want soviets and workers’ councils in finance, insurance, real estate, and many of the other sectors mentioned which exist only because the system is capitalist; we want to abolish those sectors.

[This text is from the Break Their Haughty Power web site at http://home.earthlink.net/~lrgoldner](http://home.earthlink.net/~lrgoldner)

