Goodbye, Mr. Keynes?

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Paul Mattick, *Business As Usual: The Economic Crisis and the Failure of Capitalism*. Reaktion Books, London, 2011. 126 pp.

Paul Mattick has produced a succinct and clearly written orthodox Marxist account of the origins of the present global crisis of capitalism. I say "orthodox" because—consistent with the famous argument in Marx's *Capital*, Vol. 3—he claims that the current crisis is the result of there being an insufficient amount of profit produced by workers relative to the amount necessary for a substantial expansion of investment. The crisis, says Mattick, was not caused by "exogenous shocks" to the system, still less by "Wall Street greed," but by the tendency of the rate of profit to fall as capital investment grows more quickly than the only source of value for the capitalist system as a whole: labor. Real profitability in productive industry, he argues, never recovered from the decline of the late 1960s; in Mattick's words, "[w]hat we are faced with today is a further, more serious manifestation of the depression that first announced itself dramatically in the mid-1970s, but which governmental policy was able to hold at bay . . . largely by a historically unprecedented creation of public, private and individual debt . . . for 30-odd years."

Those who hope for a Keynesian, government-stimulus-package way out of the crisis are bound to be frustrated by Mattick's analysis. Though Keynesian policies saved capitalism from depression in the 1970s, such measures are virtually impossible for governments to execute today. Keynesians, Mattick claims, have refused to consider the ultimate costs of ever-increasing government debt, which in the U.S. has risen from $16 billion in 1930 to $12.5 trillion today. This public debt, combined with an unparalleled growth of corporate and private consumer debt, ran into the continuing failure of the capitalist economy proper to expand at an adequate rate, and the result was the crisis of 2007-onward. Now, with Keynesian measures already exhausted, capitalist governments are torn between fears of resistance to austerity measures as the crisis "plays out" and the dangers of further stimulus spending, leading to disastrously high levels of sovereign debt.

On this point, however, Mattick has an insufficient appreciation of public finance, of what can be demanded of the state and what the state can actually be made to deliver. In the U.S., at least, Keynesianism is not as dead as he thinks it is; potentially it can be radicalized beyond the wishes of mainstream politicians. As Barry Finger has argued, fiat money—state currency not pegged to gold or any other currency or basket of currencies—gives Keynesianism much broader sweep and allows public financing to be detached from the tyranny of bond holders. Socialists can still raise realistic and bold demands for public employment, guaranteed incomes, national pensions, green energy alternatives, quality education and decent public accommodations from a U.S. state which, at the national level, can fully fund such demands. It can do so precisely because it is not revenue constrained and does not need to redistribute demand first from the private sector so that the public sector can spend; it can create that demand *ex nihilo*. State spending by entities that are fully sovereign with respect to the issuance of currency adds net assets to the economy; it is not a drain.

Perhaps Mattick's strongest argument is that mainstream economists—both right-wing and left-wing—lack an adequate theoretical understanding of capitalism. For most economists, the point of any economy is the allocation of resources to meet consumer demand, with profit-making being a device for getting people with money to invest in the production that serves consumption. However, as Mattick says, capitalism is a system "not for the production of useful things but the increase of capital"; it does not provide "employment" as an abstract goal but employs people who produce profits. Keynesians like Paul Krugman therefore do not understand that "the problem is not insufficient consumer demand but insufficient profits for business expansion (which in turn determines the extent of consumer demand).” Further, Mattick—echoing other Marxist economists such as Hillel Ticktin—understands that we are living through the decline of capitalism: “The very idea that companies like AIG, the Bank of America or Citicorp are ‘too big to fail’, and must be supported by government funds, amounts to a declaration of the failure of the market economy.”

Also in decline, however, are the global left and the labor unions. Yet Mattick is not troubled by this, as (according to him) the unions, mass parties and sects of the left long ago proved themselves to have “lost all significance as agents of social transformation”; with capitalism’s increasing need for state intervention, “what had remained of the left was swept away: into the politics of the welfare state, into sectarian insignificance or into some combination of one (or both) of these and service to the Russian state.” This may seem broadly plausible where the U.S. left is concerned. What is not plausible, however, is Mattick’s spontaneist strategy for overcoming capitalist social relations—occupying empty housing, seizing stocks of food and other goods, occupying and operating the means of production and distribution, etc. However much such a strategy may fit with the current “Occupy” Zeitgeist, it cannot substitute for the rebuilding of an organized workers’ movement which—yes—will necessarily take the form of unions and parties. Mattick’s aversion to these forms—and to any idea of reforming them—stems from his “left communist” politics, inherited from his (economist) father, the late Paul Mattick, Sr. For left communists, building mass workers’ organizations under capitalism inevitably leads to their control by the capitalist class—they become tools of capitalist rule. But it is just as true—if not more so—that spontaneism can lead to the “tyranny of structurelessness.” It is a mistake to underestimate the importance of workers learning to manage their own affairs—their own organizations—*under capitalism* prior to taking political and economic power.

Strategic problems aside, *Business As Usual* deserves a wide readership. If its politics are ultimately weak, its understanding of the fundamentals of capitalist accumulation is strong and deserves close attention.