LESSONS FROM AN ECONOMIST

By Phil Sharpe

This article is not concerned with the detailed economic arguments of John Strachey's 'Contemporary Capitalism'. (1) Instead we want to evaluate his strategy for transition to socialism and to establish its relevance for the present period. This is because the issue of strategy is of vital importance in relation to the issue of the possibility of transition to socialism. Strachey's work is based on the confidence that the working class can make continued progress towards socialism. He is optimistic because of the advances that have already been made because of the development of the welfare state. However, since the 1970's we have had the neo-liberal offensive that has led to the reassertion of an ascendant capitalism, and the labour movement has been put onto the defensive. Does this mean that Strachey's perspective is out-dated and irrelevant for the present? This is the question that it is vital to address because his standpoint is based on the view that the working class has been able to improve its situation within capitalism, and so will be able to advance towards socialism. This very perspective seems to have been repudiated because of the defeats of the last 40 years and the apparent ability of capital to reassert its domination over society. Events seem to justify the views of those that argue there is no alternative to capitalism.

Strachey's approach is based on the view that Marx's theory of value cannot explain the improvement of the working class within capitalism. He contends that Marxism implies that wages are the expression of the value of what is required in order to reproduce labour for the purpose of capital accumulation. Hence wages cannot rise above subsistence level: “For if it is true, it proves that the real wages of the worker will never substantially rise above what is necessary to sustain him and his family, i.e. subsistence. For that is the value of what the worker has to sell, i.e. his ability to work.”(2) This implied that with the actual development of the productive forces the surplus of the capitalist would increase at the expense of the size of the wage fund. Such a standpoint is connected to the view that the increased application of technology does not produce a labour shortage, and the related pressure to increase wages, but, on the contrary the result of this situation is excess labour in relation to the utilisation of more productive capital. This means economic development will not enhance the possibility to improve wages. (3) This situation explains the cyclical crisis of capitalism, because: “For if you pile up wealth at one end of the social scale, in the hands of a tiny minority, while holding down the consumption of the rest to a subsistence level, you will continually tend to destroy the market for your final products. The rich will not need, and the workers will not be able to buy, the ever growing stream of commodities which will emerge upon the market. They will remain unsold and slump will ensue.”(4)

The point that Strachey is making is that this situation was only relevant for the period before 1940 and the development of the war economy, and the post-war role of USA domination of the world economy. Hence the significance of the subsistence wage represented a tendency and not the iron law envisaged by Marx. Thus whist there may be important economic reasons to explain the operation of this tendency, it can also be repudiated in certain empirical circumstances. Primarily, Marx underestimated the ability of labour to act in order to overcome the operation of the law of value as a tendency. Thus labour could in certain circumstance act to increase its wages above subsistence level. This understanding was not accepted by Marxists because the interpretation encouraged by the theory of imperialism was that monopoly capitalism would increase the economic power to drive down wages, and the contradictions of this situation could only be overcome by imperialist expansion.(5) But this understanding has been refuted by the practice of labour in the advanced capitalist countries which has acted dynamically to raise wages above minimum levels: “Far from the rise being due to the automatic operation of capitalism, it has been imposed upon the system by sheer political and trade union power, in the face of the most determined opposition, both practical and theoretical.”(6) The tendencies of capitalism have been overcome by the dynamism of the activity of labour, which has utilised its growing strength in order to counter-act the logic of the tendencies of capital accumulation and the operation of the law of value.

Strachey concludes that Marx was both right and wrong: “Marx was right, too, in believing that his whole prognosis of the future of capitalism turned on the question of whether the wage earners' standard of life rose or fell, and that the capitalist system operating in the political and social environment which he alone knew, contained a strong tendency to hold down the wage earners' standard of life to a subsistence level and so reserve the whole of the ever growing surplus for the rich to spend or accumulate.”(7) But it has also been proved practical to transcend this economic law by the methods of human intervention and collective class activity. Hence it has been possible to improve the conditions of labour because of the role of the trade unions and the application of political strategy. Thus it has been proved possible to reform and improve the situation of the working class within capitalism despite the tendency restricting the ability of going beyond subsistence. Strachey admits that the figures show that the tendency towards equality is still only modest within society, and he admits that without economic and political action the subsistence condition of the working class would remain. He contends that it is the role of political democracy which has enabled an improvement of the conditions of the working class within capitalism.

In the United Kingdom the character of democracy is representative, or based on the election of a party to be a majority within Parliament. This party is effectively either the Tories or Labour. The development of the Labour Party meant the democratic system was at least partially based on the interests of the working class. Under the electoral system based on the Liberal-Tory alternative, modest improvements were permitted that allowed for small wage increases and limited reforms that were possible within the limits established by the imperatives of capital accumulation. However, the development of Labour government means the transformation of capitalism so that the increase in wages becomes the basis to establish the dynamics of economic activity. The question becomes: “Will our contemporary representative institutions prove so deeply rooted that they can perform the immense task of remodelling the economic and social system in accordance with the will and interest of the wage earning 90% of the population?”(8)

The answer to this question has been in the negative since Strachey wrote his book. The various Labour governments since his time have been concerned with managing capitalism in the interests of profitability, and have not been primarily concerned with improving the conditions of the working class. His perspective has been upheld by various left wing forces within the Labour Party. But primarily, his strategy was undermined by the very determination of the forces of capital to restore profitability at the expense of the interests and conditions of the working class. This has occurred in the form of monetarist and deflationary politics that has attempted to undermine the social power of the trade unions. The Labour party has adapted to this situation in terms of its 'new realism', and has rejected any consideration of the role of a Parliamentary majority in order to promote the interests of the working class. However, the election of a new left wing leader of the Labour Party may revive interest in the strategy of Strachey. This is because he is interested in how it is possible to transform capitalism using democratic methods. He immediately rejects those who deny the role of representative democracy because they can only uphold their policies using methods of coercion. He argues that people have the potential to establish popular control over the government because of the right to vote for a majority party in Parliament. Hence he contends that contested elections ensure that coercion does not become the basis of political policy within representative democracies. This is a naïve view because the state, even in a representative democracy, has the monopoly use of coercion, but he seems right to suggest that this type of political system can still produce a government which expresses accountability to its supporters, via the generation of a majority within Parliament. However, the problem has been that the influence of bourgeois ideology has meant that virtually all Labour governments have rejected any conception of the transformation of society in the interests of the working class. Hence he ignores the importance of reformism, which has meant Labour governments adapt to the interests of capitalism, and so reject any notion of promoting the process of change to socialism. He is aware that representative democracy has a tendency towards consensus that undermines the possible dynamics of transformation. Hence he argues that a truly principled party would combine intransigent opposition to the party of the status quo without rejecting the option of compromise. This standpoint ignores the fact that the Labour Party has rarely vigorously opposed the interests of capital, and is instead generally receptive to conciliation of the opposing pro-capitalist party. Hence his perspective would seem to require a new and principled Labour Party if it is to intransigently advance the interests of social transformation.

In other words the dilemma is that the system of representative democracy has not generated a type of Labour Party that would promote the type of socialist policies that are advocated by Strachey. On the other hand a political system lacking the role of genuine democracy, as under the single rule of Communism, results in unaccountable government. This situation is also not conducive to the promotion of a system that is in the interests of working people. Thus the only political system that can promote the aims of the working class is representative democracy despite the fact that it can mean the election of parties that are hostile to socialism, and the generation of cautious parties that are reticent to advance socialism because they think that this may result in a loss of support. The point is that Strachey is developing his approach in terms of the most optimistic possibilities, and so is glossing over the problems that may result. Strachey assumes that the electoral system will be based on the importance of compromise between parties and the common acceptance of the implicit rules of a contest between two parties. This means he rules out the standpoint of insurrectionary politics that would imply the overthrow of the political system in the name of the aims of revolution and socialism. He implies that this disruption of the electoral system is more damaging to the cause of the working class than the possibilities expressed by the dynamics of revolution. But what if the class struggle has taken an extra-Parliamentary character, and so implies that it is possible to transform society without the role of elections? Instead of an absolute condemnation of this development, it would be necessary to reconcile the role of Parliament with the generation of class struggle. The absolutist logic of Strachey's position is to support the importance of the institutions of Parliament against the class struggle. The German Social Democrats had this standpoint in 1918 and it led to support for counter-revolution against the claims of the workers councils. They did defend bourgeois democracy against the rival claims of proletarian democracy. In order to oppose this reactionary logic, Strachey should not rule out all eventualities, and should instead attempt to revise his approach which implies that legitimate political change can only arise from the role of the institutions of representative democracy.

Strachey' implicitly attempts to resolve these questions by supporting the role of a principled party that would uphold the interests of working people in an adamant manner. This is indeed an aim that should be supportable. We would aspire to support a Labour Party that was serious about upholding the interests of the working class. It is also principled to support this type of party when it attempts to utilise Parliament in a manner that upholds the aims of socialism, and therefore introduces reforms that advance the prospects of transition to socialism. But what is omitted from Strachey's approach is a recognition that the most dynamic and primary aspect of the process of realising socialism is the development of extra-parliamentary class struggle. It is the formation of a rival form of political sovereignty, in terms of the creation of workplace councils that will indicate whether the working class is becoming receptive to the prospect of revolutionary change. Hence in this situation it would be preferable for the institutions of representative democracy to support this process of transformation. But Strachey rules out this type of change because he associates insurrectionary developments with the role of a Communist party. Hence he considers that various forms of the class struggle are anti-Parliamentary. Hence he appears opposed to the development of workplace councils for these reasons, and this means he rejects their possible contribution to the process of transition to socialism. Thus paradoxically, Strachey praises the role that trade unions can make to the improvement of the system of representative democracy, but he does not seem to recognise that this role could become the basis of a very challenge to the power of the capitalist system, in the form of rank and file militancy and the possibility of a general strike. Instead in a vague manner he implies that the dynamics of contemporary democracy, which include the role of the trade unions, can bring about the transformation of the capitalist economy into socialism. Instead of outlining strategic guidelines about how to advance democracy against capitalism, Strachey instead makes this warning: “Economic power threatens to submerge political power unless political power can at the critical moment obtain control of economic power.”(9)

Unfortunately in answer to his question, the importance of the role of the political seems to have been submerged by the re-assertion of the importance of capital in the last forty years. In the period when Strachey was writing it did seem that it was possible for various political institutions and the trade unions to influence the economic priorities of the state and capital. The result of this situation was the promotion of the priorities of consumption: “For example, contemporary governments can and do, attempt to control the economic climate, as it were, so that by artificially stimulating ultimate consumer demand – in round terms by giving people money – it always will seem profitable to the entrepreneurs to invest. Or, again, governments can supplement the investments of profit making entrepreneurs by themselves investing, either by way of creating new mean of production or by creating public works.”(10) The problem is that Strachey defines this situation in terms of the development of last stage capitalism that could be transitory to socialism. It would be more accurate to suggest that what is being generated is a form of capitalism that is adapting to conditions of worldwide boom. But Strachey suggests that the role of the forces of democracy are transforming capitalism in terms of the aims of increased consumption and aspirations that are not exclusively based on profit making. The conception is that a regulated capitalism is changing into something different, which is democratic socialism.

But what the 1950's proved was that concessions to the working class were not the expression of transitional changes to a new system. Instead the situation did express the recognition that Keynesian ideas, as Strachey outlined, were important for regulating the capitalist system. The result of this situation was the introduction of reforms and the improvement of the situation of the working class. But these advances did not mean that an historical dynamic was being created which would mean the possibility of evolutionary transition to socialism. Indeed, Strachey is aware of the difficulties of the very process he is advocating. Hence he argues that: “In the end the power of contemporary democracy must encroach upon capitalism until its last stage also has been completed: or, alternatively, capitalism must encroach upon democracy until this young, vulnerable and experimental method of government has been destroyed.”(11) Thus in a perceptive manner he is aware that the very prospect of change also represents counter-tendencies that may undermine the realisation of the most progressive development. Consequently he recognises that the very concentration of economic power within a few monopolies is an expression of economic opposition to the progress of democracy. This situation is confirmed by the control of the media by a few large companies or important private individuals.

However, the experience of the Labour government of 1945-51 has shown that the state may no longer be an agency of domination of the economically powerful ruling class: “They will never face the fact that what they fear is the use of the state to remodel the national economy, and the national life generally, to suit the wage earners better and the upper and middle classes less well.”(12) In this situation, Strachey warns of the possibility of big capital ending democracy in order to re-establish its control of the state. What he did not anticipate was that the Conservative party would utilise democratic institutions in order to introduce an authoritarian populist regime in order to undermine the influence of the working class within society. Instead he outlined how in the political conditions of the 1950's the traditional ruling class parties in the USA and UK were often inclined to implement measures in the interests of the working class in order to obtain electoral support. He argues that it is difficult and contradictory for conservative parties to satisfy both the ruling class and working class, but he accepts that this reconciliation was achieved in the 1950's. We could also argue that this accommodation of diverse class interests was also achieved in the more difficult circumstances of the 1980's and after. But, instead of the repeat of accommodation to the working class which occurred in the 1950's, there was instead the development of a national political bloc in the 1980's based on the primary interests of finance capital.

Strachey also argues that if a left wing party cannot utilise democratic institutions in order to uphold the interests of the working class it will be discredited, and the very role of representative democracy will be undermined: “If the operation of democracy – if the actual process of changing the distribution of national income in particular - is continually frustrated and aborted, democracy can perish just as easily from a loss of faith on the part of its own natural supporters as because of the inevitable hostility of those who its pressures adversely affect.”(13) Strachey suggests that this possibility can be avoided by the continual election of Labour governments determined to utilise democracy in order to transform society. In actuality, the various Labour governments since the 1960's have adapted to the interests of capitalism and rejected any perspective of the transformation of society. The actual process of change has been carried out by Conservative governments attempting to increase the economic power of capital over labour. Thus the actual limitations of Labour governments indicates that the most effective expression of democratic change is connected to the class struggle and extra Parliamentary action, as Meszaros outlines: “To be sure, the conscious organised revolutionary movement of labour cannot be contained within the restrictive political framework of parliament dominated by the extra-Parliamentary power of capital. Nor can it succeed as a self-orientated sectarian organisation. It can successfully define itself through two vital orientating principles. First, the elaboration of its own extra-Parliamentary programme orientated towards the comprehensive hegemonic alternative objectives to secure a fundamental systematic transformation. And the second, equally important in strategic organisational terms; its active involvement in the constitution of the necessary extra-Parliamentary mass movement as the carrier of the revolutionary alternative capable of changing also the legislative process in a qualitative way.”(14)

The problem with Meszaros's approach is that he does not connect the dynamism of extra-Parliamentary struggle with the role of representative institutions, which he defines as expressing the requirements of capital. However, he has outlined quite vividly the social power of the mass movement and its ability to advance the principles of popular democracy within society. In contrast, Strachey ignores this aspect because he considers the advance of democracy to come exclusively through the institutions of Parliament. We should overcome the strategic one-sidedness of both approaches and instead try to reconcile representative democracy and popular democracy. In this context we should consider that the dynamic impetus of popular democracy should become the basis to elect a revolutionary government within Parliament. However, if the elections to Parliament provide a majority for the Conservatives we should accept that the obligations of democracy are effectively higher than the demands of the class struggle. We have to accept that this situation implies that the balance of class forces is not favourable for the revolutionary transformation of society. Hence in the last analysis, Strachey is correct to suggest that any temptation to overthrow capitalism which undermines democratic principles should be rejected. It should also be added that this development would mean the creation of one party rule. This would mean the rule of an elite rather than the genuine creation of a relationship between democracy and socialism.

Strachey's argument that the Labour Party should not be diverted from its primary task of connecting democracy to socialism because of the threat of communism has become an anachronism. Instead the primary problem has been one of adaptation to the ideology of Conservatism in order to maintain electability. In this context the perspective of utilising democracy in order to promote socialism has given way to moderation and acceptance of capitalism. Hence Strachey was not wrong to believe that the Labour Party could become the bulwark of the status quo, but he was inaccurate to blame the communist threat as the reason. Instead the very concern to get elected has led to the ideological conformity of the Labour Party and the rejection of any perspective of utilising democracy in order to obtain socialism. Strachey suggests that the Labour party can remain principled in relation to its objective if it remembers the Conservatives are its major opponents. But this understanding was precisely what was rejected after the mid 1980's. The Labour leadership adapted to the Conservatives in order to get elected, and this meant even reformism was replaced by pragmatic new realism.

Strachey predicts the possibility of the democratic control of the economy and the transformation of the situation of the domination of the monopolies into an alternative of their regulation by the institutions of democracy on behalf of the people. He believes that the formation of the welfare state is the beginning of the process of the democratic transformation of society. However, the contradiction between the character of the economy and the alternatives posed by democracy has still not been resolved. Progress has been made in the democratic modification of the role of the economy, although he admits that the result of this change is uncertain. He concludes: “Even if democracy's chances were very small (which I do not believe), the experience of the first half of the twentieth century proves that it would still be out duty to devote ourselves to its preservation. For the struggle of democracy is in our type of society the decisive aspect of every other form of social struggle. It is true that we shall often find ourselves fighting for other causes: for peace, for liberty, for socialism, for equality. But the outcome of these particular struggles will depend on whether contemporary democracy can be preserved and made into an effective instrument of social transformation. Everything else will be won or lost on this battlefield.”(15)

This conclusion seems to be right. The struggle for socialism depends on the development of the process of the democratic transformation of society. But, unfortunately, the Labour party has rejected this perspective and has instead adapted to the requirements of capitalism in an uncritical manner. It has accepted the ideology of Toryism, and has therefore rejected the revolutionary implications of the role of democracy. Furthermore, the Conservatives have utilised democracy in a regressive manner in order to uphold capitalism and undermine the influence of working people. It is this approach which has been accepted by the Labour Party. Therefore the approach of Strachey cannot be promoted by the Labour Party and instead what is required is the role of the extra-Parliamentary development of a mass movement of class struggle. In this manner the generation of popular democracy will enable the possibility of the democratic transformation of society to become a practical and credible question. This means that the Marxist conception of revolution is still credible because the historic role of reformism has not been to promote the democratic transformation of society, and to advance socialism, but instead it has upheld capitalism. Hence the Marxist perspective of class struggle still retains its validity. In this context the role of the class struggle is to promote the potential to connect democracy with the aim of socialism. However, Strachey is right to warn us that only with genuine democracy can socialism be realised, and therefore Communist regimes cannot be an expression of authentic socialism. Instead they represent repressive single party regimes. Therefore the Marxist party should not attempt to distort the democratic potential of the class struggle in terms of the establishment of a revolutionary regime that denies the importance of the multi-party system, universal suffrage, and regular elections. But these problems of the past process of revolutionary experience do not mean that Strachey is right to suggest pessimistically that democratic socialism is an 'act of faith'. (16)

We knew that capitalism as a profit making system is opposed to the welfare and material needs of working people. Hence its claim to be the most efficient and effective economic system is ideological and based primarily on the limitations of Stalinism. The actual material advances of working people have been because of class struggle and not because of the ability of capitalism to promote human welfare. Hence, those societies that lack effective trade unions are still based on poverty and terrible social conditions. It has been the social power of the proletariat that has led to advances within capitalism. Strachey is right to suggest that capitalism has historically been based on deflationary economics that have not promoted the high consumption of the people. This situation is increasingly evident since the recession of 2008 and the promotion of austerity politics. Consequently, the struggle to improve the material standards of the people requires the democratic transformation of society and the realisation of socialism. However, Strachey has been proved wrong to suggest that the Labour party could be an adequate instrument of this perspective. (The role of the Corbyn leadership of the Labour Party will be interesting in relation to whether it can support Strachey's strategy). We would suggest that the class struggle still represents the dynamic to connect democracy and socialism. In this sense, Marxism is not antiquated and is still relevant for society.

The conclusion we would make is that instead of relying on the Labour Party as the primary agency of change, it is necessary to develop a mass movement with socialist aims. Indeed, the development of mass struggle would help to revive the socialist aspirations of the Labour party. At present this development is still being undermined by the hegemonic ideology of bourgeois political economy. But the situation is becoming increasingly favourable for the regeneration of socialist politics. This is because the effective split within the Tories over the EU referendum means the ruling class no longer has an effective political form of expression. The populist revolt within the Conservative party means that the aim of capital to continue to be a part of the EU is being undermined. In this situation of acute crisis of the Conservative party, the labour movement could assert its alternative vision of democracy, socialism and conception of the EU. But this process would be advanced if Corbyn proved to be more assertive and began to convincingly reject the traditional Labour party adaptation to the Conservatives. In this sense support for the perspective of Strachey would represent an advance. Instead of being a tame instrument of conservatism, the Labour party could become a truly effective opposition to the system. This development, alongside mass struggle, would begin the attempt to connect democratic transformation with the aim of socialism.

FOOTNOTES:

(1)John Strachey: Contemporary Capitalism Victor Gollancz, London 1959

(2) ibid p84

(3) ibid p89

(4) ibid p90

(5) ibid p96-100

(6) ibid p109

(7) ibid p129

(8) ibid p161

(9) ibid p180

(10) ibid p206

(11) ibid p255

(12) ibid p261

(13) ibid p272

(14)Istvan Meszaros: Historical Actuality of the Socialist Offensive, Bookmarks, London 2010 p34-35

(15)Strachey op cit p284

(16) ibid p294