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Ernest Mandel and Economy

The economics of Ernest Mandel, yesterday and today

- Features - Ernest Mandel Archive -

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A quarter of a century after the death of Ernest Mandel, this article is not intended as a tribute. In the spirit of living Marxism that he embodied, we will limit ourselves rather to showing how his economic writings are still relevant, while sketching the questions, old or new, that they suggest.

The diffusion of Marxism

Mandel played a key role in the dissemination of a Marxism freed of its Stalinist garb, always taking care to establish a link between economic analyses and militant action. His first important contribution is *Marxist Economic Theory* published in 1962. This synthesis benefited from wide international circulation and contributed to the revival of a living Marxism, free from dogmatism and seeking to integrate recent developments. Chapter XI, devoted to periodic crises, gives a good example: Mandel already outlines a synthesis between theories based on underconsumption and on disproportionality, referring to the contributions of economists such as Harrod, Kuznets, Samuelson, Goodwin, Kalecki and Joan Robinson. He finds that they are "excessively simplified" but that they "nevertheless contribute important material".

In 1963, Mandel gave a series of lectures during a weekend educational school organized by the Paris Federation of the Unified Socialist Party (PSU). These lectures gave rise to a short (80-pages) book, *Introduction to Marxist Economic Theory* which was reprinted several times. [1] Even though it obviously deserves to be updated, it is a remarkable text, very educational, and very revealing of Mandel's constant concern to build bridges between the most demanding theory and the education of activists.

In 1967 Mandel published *The Formation of the Economic Thought of Karl Marx*. [2] This book was particularly interesting because it made known a fundamental work by Marx – the *Grundrisse* – even before the first French translation by Roger Dangeville was available. We should read in particular the chapter devoted to "the dialectic of working time and free time", which is a perfect introduction to the theme of the reduction of working time.

We can see that Mandel set out to disseminate Marx's economic thought, always with the concern of offering a non-dogmatic version. It is therefore no coincidence that he was asked to preface the English edition of *Capital* (published by Penguin Books), which was, by the way, an indication of how well Mandel was known in the Anglo-Saxon world. Unfortunately, these introductions to the three books of *Capital* are not available in French, although they have been translated into Spanish and put together in a book called *El Capital. Cien Años de Controversias En Torno a la Obra de Karl Marx*. They constitute a remarkable introduction to the major work of Marx.

The problem of "transformation"

We can extract from it a passage devoted to the problem known as the transformation of values into prices. This theoretical question is important because it has given rise to a critique of Marx's theory of value: there is supposedly an insurmountable contradiction between Book I of *Capital* (values are proportional to the labour expended) and Book III (prices are proportional to the capital advanced).

Mandel's answer consists in challenging the fundamental hypothesis of Marx's critics that the prices of the production of inputs (what goes into production) are identical to the prices of outputs (what is produced) : " the inputs of the current cycles of production are data , which are known at the start of the cycle, and have no retroactive effect on the equalization of profit rates between the different branches during this cycle. It suffices to consider that they are also calculated in production prices and not in values, but that these production prices are the result of the equalization of profit rates during the previous cycle , and all inconsistency disappears (...) Production prices of raw materials, like those of all inputs used in production (...) are the result of the equalization of the rates of profit which took place during the previous period. In a few words, the solution was thus delivered. But, curiously, Mandel's position would remain without follow-up on his part : in the collective work entitled *Ricardo, Marx, Sraffa*, he only dealt with the problem of transformation from the angle of the role of gold and money. [3]

The trajectory of capitalism

The performances of post-war capitalism (low unemployment, growth in purchasing power) went against the theses on the inevitable collapse or on the pauperisation of the proletariat defended by the Stalinist economists. To analyse this new configuration, Mandel spoke of neo-capitalism (a term which he later abandoned) but began to mobilize the idea of long waves.

As early as 1963 - in his *Introduction to Marxist Economic Theory* which we have already mentioned - , Mandel refers to Kondratiev, then stresses that " the long-term wave which started with the Second World War and in which we are still - let us say the 1940-1965 or 1940-1970 wave - was, on the contrary, characterized by expansion ". This made possible " a tendency for the standard of living of workers to rise". There is therefore a farsighted anticipation of the coming reversal, which was specified in a remarkable article published in 1964 in the review *les Temps modernes*, where Mandel predicted the imminent end of the post-war expansion, which was not yet being called the " Thirty Glorious Years". [4]

With the theory of long waves, Mandel returns to the elaborations of the early twentieth century, including those of Parvus and Trotsky. We reproduce the original curve appearing in Trotsky's article of 1923 and its French transcription. [5] It already outlines the key idea of long wave theory, namely that capitalism spans historical periods : " 20 years of very gradual capitalist development (AB) ; 40 years of energetic rise (BC) ; 30 years of protracted crisis and decline (CD) "and Trotsky points out that these are not cycles, as wrongly thought by Kondratiev, because " their character and their duration are determined not by the internal play of capitalist forces, but by the external conditions which create the conditions of their development " .

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The rate of profit

Mandel always referred to the classic formulation of the law of the downward trend of the rate of profit. This is evidenced, for example, by the presentation he gives of it in his text "Partially independent variables and internal logic in classical Marxist analysis" : " the rise in the organic composition of capital leads to the tendency of the the average rate of profit to fall (...) In the long term, the rate of surplus-value cannot increase in proportion to the rate of increase in the organic composition of capital, and most of the counter-tendencies tend at least periodically (and also in the very long term) to be supplanted in their turn". [6]

This traditional formulation is, however, subject to debate, because the incontestable increase in the physical composition of capital (the number of "machines" per worker) does not necessarily entail that of the organic

composition (in value) because between the two, there is labour productivity. The fact remains that the unfolding of long waves has something to do with the rate of profit. But that does not mean that the expansive phase is triggered automatically as soon as the profit rate crosses a certain threshold. This is a necessary but not sufficient condition. The way in which the rate of profit is restored must at the same time provide an adequate response to other questions, particularly concerning the valorisation of the product by selling it on the market.

The rate of profit is however a good synthetic indicator of the double temporality of capitalism, as Mandel insisted. The establishment of a coherent productive order results in its maintenance at a high and more or less "guaranteed" level. After a certain time, the play of the fundamental contradictions of the system degrades this situation, and the crisis is always and everywhere marked by a significant fall in the rate of profit. This reflects a double inability of capitalism to reproduce the degree of exploitation of workers and to ensure the selling of goods, more than an upward trend in the organic composition of capital. It is in this way that we think it useful to reformulate the law of the downward trend of the rate of profit: the latter does not fall continuously, but the mechanisms which push it down always end up prevailing over what Marx called the counter-tendencies. The turnaround is endogenous, and the demand for a remodelling of the productive order therefore reappears periodically.

In any case, Mandel never made this law the alpha and omega of the explanation of crises. In the chapter of his book *The Second Slump: A Marxist Analysis of Recession in the Seventies* (NLB, London, 1978), devoted to this question, Mandel enumerates the causes invoked by various Marxist schools: "The over-accumulation of capital? Without a doubt (...) The under-consumption of the masses? Without a doubt (...) The anarchy of production and the disproportionality between the different branches? Without a doubt (...) The fall in the rate of profit? Without a doubt. Regarding this last approach, he specifies "but not in the mechanistic sense of the term either, which suggests a straight causal chain ". Mandel thus clearly rejects any monocausal explanation of the crisis and in particular the downward trend in the rate of profit, which is for some Marxists a pledge of orthodoxy.

In which wave?

Logically, the question that is posed is to know where we are. Our answer is that we are still in the long recessive wave that started with the general recession of 1974-75 and continued through that of 1981-82. This requires several clarifications.

The first is that Mandel's theory never postulated that each long wave should last between 25 and 30 years. Admittedly, this was more or less the case in the past, but this observation does not mean that this should be the rule, simply because long waves are not cycles. It is absolutely necessary to reject this faulty assimilation, which we have found for example under the pen of Robert Boyer, one of the founders of the school known as that of regulation : " we cannot be satisfied with the rather mechanical interpretation proposed by N.D. Kondratiev, recently taken up by E. Mandel, who represents the history of capitalism as the succession of waves of strong then of weak accumulation, lasting approximately a quarter of a century (...) No teleological principle guarantees either the mechanical succession of ascending, then descending phases, or the automatic passage from a regime of mainly extensive accumulation to a predominantly intensive regime". [7]

This is a gross error of understanding Mandel's writings, to be compared with what Mandel explained in the first version in 1980 of his book on long waves : "The emergence of a new long expansive wave cannot therefore be considered as an endogenous product - more or less spontaneous, mechanical, autonomous - of the previous long depressive wave, whatever the duration and the severity of it. It is not the laws of development of capitalism, but the results of the class struggle during an entire historical period that determine this decisive turning point. In other words, our thesis is presented as follows: historical development goes through a dialectic of objective and subjective factors, within which subjective factors are characterized by relative autonomy. They are not directly and inevitably

predetermined by what has happened in the past in terms of fundamental trends in capital accumulation, trends in technological change, or the impact of these trends on the process. of organisation of work itself". [8].

Or to sum it up: "Long waves are more than just movements of increase and decrease of the rate of growth of capitalist economies. They are, in the full sense of the term, specific historical periods. "

It is from this point of view that we must analyse the trajectory of capitalism since the turn of the 1980s. Admittedly, the rate of profit recovered, at least until the crisis of 2008, but that is not enough. Indeed, nothing is more foreign to the theory than to postulate that it is enough to reach a certain threshold to start a new expansive phase. What is new is that this recovery in the rate of profit (which some Marxist writers dispute) has not been accompanied by a recovery in accumulation, growth or productivity gains. In our view, this last point is primordial: the slowdown, or even the exhaustion, of productivity gains, is the most significant indicator of a loss of dynamism of capital.

Now, these productivity gains are made possible by the introduction of major technological innovations. In the theory of long waves, there is an organic link between the succession of long waves and that of scientific and technical revolutions. However, this connection cannot be reduced to a vision inspired by Schumpeter where innovation would be in itself the key to opening a new long wave. From this point of view, the mutations linked to new technologies undoubtedly constitute a new " techno-economic paradigm " but this is not enough to found a new expansive phase. This is the whole debate on secular stagnation, which starts from the observation that considerable innovations in all fields do not generate productivity gains.

Automation

Some people imagine that the new technologies carry the potential for productivity gains, which would also imply significant job cuts. Admitting that this prognosis holds true, one should question the social model associated with these transformations. On this point, it is useful to refer to an essential text by Mandel, which dates from 1986 : "Marx, the present crisis and the future of work" [9]. He sketches a very pessimistic - but rather premonitory - picture of the effects of capitalist automation, evoking the prospect of a " dual society which would divide the current proletariat into two antagonistic groups : those who continue to participate in the process of production of surplus value, that is to say the capitalist production process (with a tendency to reduce wages) ; those who are excluded from this process, and who survive by all means other than the sale of their labour power to capitalists or the bourgeois state : social assistance, increase in "independent" activities, small peasants or artisans, return to domestic work, "playful" communities, etc., and who buy capitalist goods without producing them. A transient form of marginalization from the "normal" production process is found in precarious work, part-time work and, moonlighting which particularly affect women, young workers, immigrants, etc. "

Mandel and the coronavirus

This anachronism is deliberate: its intention is to emphasize that the interest of Mandel's economic works does not only lie in the analyses they provide but also in the methodological tools they offer us. That is why their reading, or re-reading, remains useful a quarter of a century after the disappearance of Mandel.

Long wave theory is largely based on the distinction between endogenous factors (which refer to the " normal " functioning of the system and its internal contradictions) and exogenous factors (which are in some way external to the system). Mandel devoted a large part of his reflections on this distinction, and we refer here to Francisco Louça's

text , " Ernest Mandel and the pulsation of history". [10] But this discussion remains topical: should we or should we not consider the coronavirus crisis as an exogenous crisis?

In a recent article Philippe Légé answers this question positively. [11]

However, all the exogenous shocks inflicted on capitalism do not give it the possibility of rebounding towards a new expansive phase. Certainly, capitalism will have to react in order to return to a form of "business as usual" . Its objective will obviously be to restore its rate of profit, since this is its only barometer. Freezing or lowering wages and social spending, accelerated automation, downsizing: we can see the direction the recovery is already taking. But these reactions, which are in a way the reflexes specific to capitalism, will in no way reduce the contradictions already at work even before the outbreak of the crisis.

Here again, Mandel's contribution must be brought in: for an expansive wave to emerge, it is not enough for the rate of profit to recover or for technological innovations to appear. It is necessary that a productive order be established which ensures the conditions of reproduction of the system. However, these conditions are not fulfilled, for a reason that I consider to be essential, namely the exhaustion of productivity gains. Failing to rediscover what is its propelling force and the source of relative legitimacy, capitalism is condemned to an unstable and fundamentally anti-social reproduction. This was true before the virus; it is even more so afterwards.

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[1] English version first published in 1967, by the Young Socialist Alliance, New York.

[2] English translation, London, Verso, 2015.

[3] Ernest Mandel, Alan Freeman (eds.), *Ricardo, Marx, Sraffa* London, Verso, 1984, [here](#).

[4] Ernest Mandel, "L'apogée du néo-capitalisme et ses lendemains ", [les Temps Modernes no 219-220, 1964](#) .:

[5] Leon Trotsky (1923), " The curve of capitalist development " ; in *Problems of Everyday Life*, New York, Pathfinder, 1973.

[6] Ernest Mandel, "Partially independent variables and internal logic in classical Marxist economic analysis," *Social Science Information* 24, 3, 1985 ; reproduced in Ulf Himmel strand (ed.), *Interfaces in Economic and Social Analysis*, Routledge, 1992.

[7] Robert Boyer, "La crise actuelle: une mise en perspective historique", [Critiques de l'économie politique new series n° 7-8, 1979](#).

[8] Ernest Mandel, [Long Waves of Capitalist Development. A Marxist Interpretation](#), Cambridge University Press, 1980.

[9] Ernest Mandel, ["Marx, la crise actuelle et l'avenir du travail humain"](#), *Quatrième Internationale*, No. 20, May 1986 :

[10] Francisco Louçã , ["Ernest Mandel and the pulsation of history"](#). Originally published in *The Legacy of Ernest Mandel*, Gilbert Achcar (ed.), London, Verso. 1999.

[11] Philippe Légé, June 2020 "[Une crise mixte avec des conséquences décisives](#)".