Socialist Standard: In your recently published book, *Business As Usual* (reviewed in the May 2011 Socialist Standard), you give an account of the causes of our present economic situation. Could you summarise the argument for our readers? In your view, just what is this crisis all about really?

**Paul Mattick:** This crisis, like those that have punctuated the history of capitalism since the beginning of the nineteenth century, is due to the inadequate amount of profit produced by workers in the capitalist economy, relative to the amount required for a significant expansion of investment. This problem, which first made itself known in the post-World War II period in the mid-1970s, has been hidden by the enormous expansion of debt – public, corporate, and even private – since that time, which continued the expansion of debt in all capitalist nations in response to the long-lasting deep depression of the 1930s. The credit-money created by governments and spread throughout the system by financial institutions created the basis for an apparent prosperity, though one marked by the usual cyclical pattern of ups and downs. But the underlying problem made itself visible, though one marked by the usual cyclical pattern of ups and downs. But the underlying problem made itself visible, for those who cared to look, in many forms – the persistent inflation of the 1960s, the ‘stagflation’ of the following decade, the debt crises of Latin America and eastern Europe, the currency crises, real estate busts, stock market crashes, and massive bank failures of the last thirty years, as well as the general tendency, worldwide, to substitute speculation for real capital investment. Finally, the capacity of the system to put off dealing with its underlying problem seems to have reached its limits at the end of 2007.

**SS:** According to most commentators in the mainstream press, the Great Recession, though serious, is now over. Do you agree that it is?

**PM:** Between the time you asked this question and the present moment, many have become anxious about the arrival of a ‘double dip’ recession. In my opinion, the so-called second dip is merely the continuation of the crisis that began in 2007. There are of course economic fluctuations throughout periods of depression as well as periods of prosperity; in addition the government stimulus after 2008, however inadequate, had a certain effect (for instance in China, where the state promotion of an enormous real estate bubble involved the importation of machinery and other goods from Europe and elsewhere). But the fundamental problem, the low profitability of capital, has not been overcome.

**SS:** And in your view, the low profitability of capital can be explained by Marx’s law of the tendency of the profit rate to fall? Can this law be demonstrated to be true empirically?

**PM:** Yes to your first question; your second raises complex issues. The theory Marx worked out in *Capital* is an extremely abstract one: it is an attempt to analyze the dynamics of capitalism as a global system, over the long term. It is couched in terms of the quantities of ‘socially abstract labour’ – labour performed in the production process as represented by money when products are bought and sold – because Marx looks as capitalism as fundamentally, like all social systems, an organization of the process of reproducing the human population (and its social relationships). But in the world of
business, money is used to symbolise more than the actual activities of social production – it represents, for instance, claims on the social product based on the control of natural resources, and also – to a large extent, in fact – promises to pay in the future, promises to pay off bets made on the way production prices will work their way through the market. And national income statistics, even ignoring the enormous inaccuracies involved in calculating them, are drawn up on the basis of business accounting systems and orthodox economic theorising, which do not distinguish between actual productive activity and speculative hopes. As a result, the data available cannot really be used to prove or disprove Marx’s theory.

This is not to say that Marx’s ideas can’t be measured against experience. His predictions need to be compared with the history of capitalism over the last 200 years. From this perspective, Marx’s ideas come off very well, as the main tendencies he predicted for capitalism – towards the supplanting of human labour by machinery, the concentration and centralisation of capital, the spread of wage labour, the tendency towards widescale unemployment, and above all the recurrence of periods of depression – have been realised. In fact, I would say that Marx’s theory of the tendency of the rate of profit to fall over the long term is the only convincing account of the business cycle that there is. A particular aspect of this is of personal interest to me: in the 1960s, my father, Paul Mattick, wrote a book, Marx and Keynes, challenging the generally accepted view that Keynesian methods could control or eliminate the business cycle. He asked: if Marx is right, what will happen? And what he predicted has in general come about. This is one of the very few examples of a successful prediction in the social sciences!

SS: Could you expand on your claim that the tendency of the rate of profit to fall is the only convincing explanation of the business cycle? Perhaps the most important new work to emerge from the Marxist tradition on crisis in recent years is that of David Harvey. He says, on the contrary, that the tendency of the rate of profit to fall cannot be made to work – it’s too compromised by the countertendencies identified by Marx, among other objections. He instead views all the conflicting Marxist accounts of the business cycle – profit squeeze, underconsumption, disproportionality – as possibilities that represent but don’t exhaust possible departures from balanced growth. What is your view of the competing Marxist accounts of crisis, including Harvey’s?

PM: Many Marxist writers have taken some version of the tack Harvey follows, invoking a variety of causal factors to explain crises.

The problem with this is that these disparate factors are not operating on the same analytical level. If wages would really squeeze profits, accumulation will decline, putting downward pressure on wages, so this will quickly correct itself. This is why, so far as we can tell from statistics, there have been no notable profit squeezes associated with important downward movements of the economy, despite claims sometimes made that there have been. Similar considerations hold for disproportionality explanations: capitalism in fact is always developing disproportionally, as there is no central regulating agency, but this is also constantly subject to correction by market forces. The explanation of crisis by reference to underconsumption is one of the oldest – it dates back to Sismondi and Malthus in the early 19th century – but also one of the least convincing: clearly, not all the product can ever be consumed, or else there would be no capital accumulation; as well, a constant feature of the system cannot explain the crisis cycle. As Marx points out, of course there is a lack of effective demand in a depression period. But why? His answer is that accumulation – which equals as it determines demand (for consumer goods, via wages, and production goods) – slows in response to declining profitability. And this is in accord with what statistical information we have, as was demonstrated long ago by the American economist Wesley Mitchell and has been recently shown by a number of researchers. Of course, the profits of statistics are, as I have pointed out, not the profits of Marx. But Marx’s theoretical considerations provide an explanation for the fluctuations of observable business profits. What is odd is the resistance to Marx’s theory when it is in such good accord with the history of capitalism. I believe this is largely due to the fact that most theorists are still in thrall to the economists’ idea of capitalism as a naturally self-regulating system. Thus Harvey, for instance, needs to find a reason why it goes out of balance. In fact, however, capitalism is always in disequilibrium. On the broadest scale, it is the crisis that makes continued accumulation possible, just as it is accumulation that leads to a lowering of the rate of profit. This highly abstract statement ignores the countering factors, the list of which Marx borrowed from J.S. Mill. It is not hard to show – it was done by Grossmann and others – that over the long run these factors cannot overwhelm the tendency of profits to fall. But we already know
But I think these experiences, drinking, discussing, lovely adults. moved around the legs of smoking, real initiation into radical theory. I Rab and others, in some ways my economics in Boston, taught by involved very much. I still remember very good ones – I liked the people there's no hope of reviving them.

What is your memory and present opinion of the WSPUS and our socialism), we see you as a child sat in the 1970s. And since the Keynesian card has already been largely played, capitalist governments are now torn between fears of further unraveling of the private-property system and the dangers of further increasing sovereign debt.

Your father was connected with our American party, occasionally publishing in its journal. In a newly published biography of one its members (see http://wspus.org/2011/02/role-modeling-socialism), we see you as a child sat at your father's knee while political discussions raged around you. Do you have memories of these times? What is your memory and present opinion of the WSPUS and our political tradition generally? You say in your book that the heyday of the left and the trade unions is over and there's no hope of reviving them. So what can be done? What's the alternative?

My memories of the WSP are very good ones – I liked the people involved very much. I still remember going to classes in Marxian economics in Boston, taught by Rab and others, in some ways my real initiation into radical theory. I remember, with equal pleasure, the 'socials' – parties – when we kids moved around the legs of smoking, drinking, discussing, lovely adults. But I think these experiences, precious though they are to me as an individual, belong to the past. For most of today's young people – and most of their elders – the political ideas of the past have little meaning. And not only ideas – the political movements of the past no longer exist as serious forces. The trade unions have long been in decline worldwide, and the political parties of the left are either fully integrated into the capitalist political system or have become minute, unimportant sects. To an extent, this is good, as it seems to me that leftwing political organizations have historically stood in the way of creative responses to social crises, obsessed as they have been with their own agendas. But in any case, the response to the coming depression and the suffering to be imposed on people by the world's masters (and nature, as a result of the workings of the capitalist economy) is something people will have to work out for themselves, with little help from the past, in response to evolving conditions. To solve their problems, people will have to take direct, concrete action – occupying empty housing, seizing stocks of food and other goods, and eventually, if all goes well, occupying and beginning to operate the means of production and distribution. This lies in the future, but already one can see steps in this direction, in phenomena like the Greek cry 'We won't pay!' and French occupations of defunded schools. Even the action of tens of thousand of young Spaniards, simply meeting in the centre of Madrid and other cities, like the Egyptians in Tahrir Square, to discuss politics, is a step towards autonomy from the political wing of the ruling classes, a step towards an autonomous working-class control of social life.

We see your point, but we would also say that as people begin to work these things out for themselves, they will also probably be drawn to some of our conclusions: namely, that state power will have to be reckoned with in an organised way, and alternatives to the present system discussed and agreed upon. That's at least a possibility, isn't it?

Both of your points seem to me quite true. We can already see the state mobilising its forces in defence of capitalist social relations, even when they are barely challenged, and radical confrontation with the current social order will definitely involve finding ways to counter the military forces that will be deployed. Meanwhile, exploring alternatives to the present system, after a long period during which even the idea of an end to capitalism has been nearly unthinkable, is of great importance. This is especially true because earlier models of social change have been rendered obsolete by the development of capitalism as a system: for instance, an idea like that of the network of workers councils so important to revolutionary thought after the First World War requires thoroughgoing reformulation in a period when large numbers of workers have insecure jobs, and no longer identify themselves as workers within particular industries, not to mention workplaces, while gigantic masses of people all over the world struggle to exist without employment, and when many production processes involve workers and workplaces in different countries, as when Chinese workers assemble iPhones from parts produced in other places. Then, the developing ecological catastrophe raises novel issues which will require serious, large-scale efforts of a technological as well as a social nature. At the same time, the growing proletarianization of the world's people and the greater level of international integration of populations and cultures, make the old slogan of "world revolution" in some ways more realistic than ever before.

Thank you, Paul, very much for talking to us.