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AESA
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Comments on the Analysis of Current Problems of the U.S. Economy.

Joseph E. Medley*

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*Assistant Professor of Economics, School of Business, Economics and Management, University of Southern Maine, Portland.

The onset of tensions and problems in the U.S. (and world) economy since the late 1960's offers a new opening for economic analyses carried out in class-theoretic frameworks. To be most effective, this paper will argue, those frameworks should use concepts of class which are open, complex and multiple. Open in that they refrain from presuming that class processes are constituted by a priori abstract logic of development. Complex in that they understand class processes as themselves shaped and formed by all other aspects of social life. And multiple in that they do not reduce capitalist class positions down to the basic antagonistic duo, the capitalist and the worker. That is, these frameworks should stress the overdetermined effectivity of fundamental and subsumed class processes and non-class processes.[1]

This paper is in part motivated by the proposition that careful attention to the competing claims lodged by agencies in these positions and consideration of their effects will produce important implications both for any analysis of problems in U.S. capitalism since the 1960s and for the viability of various proposals for change. I will illustrate that proposition by beginning with a critical analysis of an important and substantial argument which, in my view, runs into trouble precisely by its failure to make such an analysis. The argument in question is made by Bowles, Gordon and Weisskopf in Beyond the Wasteland.

In the book Bowles, Gordon and Weisskopf identify declines in the rate of growth of productivity and consequently in profit rates as the proximate causes of the recent sustained period of economic crisis in the U.S. They argue that the erosion of a "post-war system of corporate power" underlies these declines.

This system is constituted by three major institutions: "Pax Americana," "The LImited Capital-Labor Accord," and "The Capitalist-Citizen Accord." Under "Pax Americana" U.S. military and political dominance secured a stable climate for rapid overseas investment and trade growth, as well as access to foreign raw materials and energy on terms favorable to U.S. firms. Under the domestic "Capital-Labor Accord," major U.S. corporations recognized union bargaining legitimacy over wage and benefit issues, in return for which they retained

> "absolute control over the essential decisions governing enterprise operations -- decisions involving production, technology, plant location, investment, and marketing." (p. 73)

This informal structure of dominance was initiated politically through legislation such as the Taft-Hartley Act and through the post-war union purges, and nourished by steady real wage gains. Finally, the "Capitalist-Citizen Accord" institutionalized the provision of state protection against some of the roughest aspects of life in a wage-labor economy, as political shifts of the 1930s had called for. Keynesian interventionism along with the automatic stabilization implications of military expenditures and a generally expanding government share smoothed cyclical downturns for several decades. The social security system along with other social insurance programs and gradually expanding government spending on health and education ameliorated negative aspects of market forces.

If each of the three institutions is conceived as a structure of domination through which capitalist power is expressed, each in turn induces resistance -- of foreigners, workers, and citizens. As the book argues,

> "Although worker, Third World, and popular resistance to business offensives now seem muted, they played a crucial role in the early erosion of the postwar corporate system. The resulting institutional decline disintegration produced economic decline." (p.64)

Resistance grows, costs of maintaining capitalist dominance rise, and capitalist power erodes: the crisis begins.

As the authors argue, the crisis entered a second phase marked by capitalist counter-attack around 1973. Through the state capitalists employed restrictive monetary and fiscal policies, transformed budget priorities (military expenditures are emphasized to the detriment of social welfare expenditures), and implemented aggressive foreign policies to reassert their domination. In this process an enormous amount of resources are wasted, needs go unmet that could be fulfilled, and democratic freedoms are threatened and curtailed. The costs of crisis are passed on to all subordinate groups.

This formulation of the post-war history of the capital accumulation process is in one way a very great and important improvement over most formulations. It helps to effect an important general shift of terrain along the following lines: since capital accumulation is conceived as a thoroughly social process, its dynamic can only be understood as molded by a variety of social processes -- political and cultural as well as economic. To make sense out of the accumulation of capital one must then theorize and thoroughly integrate these other social processes rather than simply begin with a logic thought to inhere in abstract "laws of motion" emanating from the nature of capitalist firms or from patterns thought to necessarily structure the accumulation process. Beyond the Wasteland both embodies that principle in its argumentation and performs a more specific service by theorizing a variety of aspects of American society since World War II which are important influences on the accumulation of capital.

At the same time the argument utilizes a method of reasoning which substantially undermines its usefulness. The subtitle which the authors provide for the section of the book which introduces the argument just presented is "The Logic of the Postwar Corporate System." Indeed the book's argument does construct a logic: a view of capitalist history in which events are interpreted as reflecting the success or failure of hierarchical structures of power in limiting and controlling rebellion against that power.

I suggested earlier that the problems which the U.S. economy has confronted since the mid-60s provide a potential opening for the dissemination of critical arguments about economic behavior. Beyond the Wasteland, as we can now see, promotes as an alternative a view which makes sense out of capital accumulation first of all in terms of power and dominance relationships and the resistance which they do or do not provoke. That approach, of course, provides a politically pointed punch line structured into the very terms of the economic analysis -- a punch line of presumably wide appeal in the United States today. If you do not like hierarchically repressive systems, you probably do not like the postwar corporate system. Moreover since the book goes on (I believe rightly) to argue that corporate methods of domination produce massive levels of waste in various forms, a more democratically organized economy is presented as more efficient as well as less repressive. Again a characteristic likely to appeal to many people.

But the price which Beyond the Wasteland's argument pays for that potential political appeal is high. That price shows up most clearly and directly in the book's pivotal argument that the decline in U.S. productivity growth rates after 1966 is primarily attributable to the erosion of the corporate system's power to dominate workers, the capital/labor accord.

If the rate of growth of productivity is a central determinant of both profitability and living standards, the decline in productivity growth rates after 1966, as the book argues, provides a central site over which contending theories must battle. Accordingly the book purports to "solve the productivity puzzle". It does so by regressing annual rates of productivity growth (real output per hour of production-worker labor) from 1948 to 1979 against several variables representing "social" as well as more traditional economic variables.

The regressor variable on which I would like to focus is presented as an index of "employer leverage over workers." It is presented as a measure of the intensity of the labor effort forthcoming from production workers. It plays a central role in the argument because, along with a proxy for worker motivation, it is said to account for 63% of the initial productivity slowdown in the period 1966 to 1973. Thus the econometric results produced by entering this regressor variable forms the heart of Beyond the Wasteland's case that its approach is capable of explaining this central and mysterious decline. As the book argues,

> "The mystery is solved. Our additional explanatory variables explain all of the previously unaccounted-for slowdown in productivity during the first phase of the crisis." (P. 144)

The variable, in outline, is constructed as the product of two other variables: the "rate of supervision" and the "cost of losing your job." (p. 396) The cost of losing your job represents "the average number of week's worth of overall income lost by a worker who laid is off." (p. 88)

It is in particular the other variable which makes up the measurement of employer leverage over workers, the rate of supervision, about which I would like to think a bit more closely. The rate of supervision is simply the ratio of non-production workers to production workers in the non-agricultural labor force. (p.130) As a table in the book presents, this ratio rises steeply from about 14% in 1948 to 20% in 1966. From 1966 to 1973 its rise falters: its stands only 0.8% higher in the latter year (p. 130). Thus it rose by a total of 6 percentage points in the 18 years before 1966 and by less than 1 percentage point in the six years which followed 1966. The book uses its rate of growth rather than its level in constructing the explanatory variable which it points to in support for its argument that the productivity slowdown is in part explained by a decline in the power of the stick corporations wield to extract labor from labor power: their supervisory control and their power to fire.

Many things could be and undoubtedly will be said about the econometric reasoning utilized at this point. I will confine my remarks solely to the one aspect of the reasoning at which concepts of class most directly impinge upon it. That is the following: if one understands the ratio of non-production to production workers as a complex aggregate in which many or most non-production workers are performing all sorts of activities other than supervising the performers of labor, this variable cannot be understood as representing the firm's power to extract productive labor. In other words, if class is not reduced to one single dimension -- a dimension of power between workers and managers at the workplace -- the reasoning is suspect.

The pattern of association between the rate of growth of the ratio of non-production to production workers and the rate of growth of productivity is clear: both decline in the years between 1966 and 1973 relative to their earlier pace. But is it not plausible that the causal reasoning adduced in Beyond the Wasteland to interpret that pattern is, to speak loosely, reversed? That indeed firms added non-production workers at a faster pace than production workers during the post-war boom because productivity growth enabled them to do so and changes in the dynamic of capitalist competition -- competition between firms for market shares, new products, and political protection -- required them to do so? And that the rising costs of managerial labor of various sorts which that expansion produced then provided a likely target for corporate cost-cutting efforts when more difficult profitability conditions developed after the mid-sixties?

In short econometric reasoning which perhaps makes some sense if one believes that class relationships can be reduced to a single antagonistic power struggle between workers and firms over the labor effort makes little sense in the context of a more complex conception of class. In that more complex conception capitalist enterprises must necessarily undertake a variety of activities in order to extract and realize profit. And various class positions -- including those subsumed class positions held by the like of corporate lawyers, public relations officers, lobbyists, advertising and sales directors, finance officers, and all those who assist their efforts -- are all vital aspects of those efforts; each introduces in turn effects of their own on economic life and on profitability.

The interpretation applied to the "supervisory ratio" in Beyond the Wasteland indicates in dramatic fashion a problem in the general argument. In asserting that the logic of dominance relationships structures the accumulation process the book focuses in on and sees relationships of direct antagonism -- the worker-capitalist struggle over labor performance in this case -- but does not focus in on or see a variety of other class and non-class processes vitally at work in the current conjuncture.

Beyond the Wasteland's theorization of the capitalist-worker opposition as a dominance-resistance relationship can not support its many contentions concerning crisis, its resolution, and the role of industrial policy. The framework it outlines provides no substantial explanation for the existence and fluctuation of power. In this context it is possible to both construct conditions for the reconstitution of capitalist "dominance" and to question the feasibility of the book's industrial policy proposals. The latter would produce changes in processes which currently secure the conditions of existence of the capitalist class process and would likely produce conflicts which would undermine popular support necessary for the implementation of the policies.

The authors never make clear who, precisely, reached the "capital-labor accord," how it was reached, how it was observed, and how it was enforced. The dynamic of its erosion is clear. Workers were able to demand wage and benefit increases in excess of productivity increases in part because capitalists were unable to translate their "control" into sufficiently increased productivity. Profitability was impaired. Capitalists counterattacked to reassert control, lower wage demands and increase productivity. Isn't it conceivable that the counterattack is a success? Hasn't the challenge to profitability been, conjuncturally, repulsed? Since Bowles, Gordon and Weisskopf do not specify the conditions of either power or interest, but instead presume them, they do not provide a basis for understanding activities which may not just "erode" in response to unspecified degrees of "resistance." They can show neither that reconstitution of capitalist growth is blocked, nor that its interruption is beyond the significance of a fluctuation, with no appreciable loss of democracy.

Though they have not demonstrated a basis for the necessity of extensive reconstitution, their vision of what must be done in opposition is quite clear. The steps they propose, oppose processes which may secure the conditions of existence of the capitalist class process.

For example, their proposal for wage-led growth would produce low levels of unemployment in the context of steady growth. Opportunities for better jobs would proliferate. What in this situation would enforce discipline on wages and protect levels of profits, within and between industries? Why would capitalists plan to utilize high-wage labor if they have another choice? How could capitalists positively influence their relative competitive position?

Bowles, Gordon, and Weisskopf neglect to fully consider the effects of wage-led growth on class relations. Substantial decreases in the level of unemployment, in the context of capitalist relations, might well lead to real wage increases substantially in excess of productivity increases. They argue that price increases could be discouraged by increased output. (p. 295) But since worker's incomes are increasing the issue of number of dollars versus number of goods, which they raise, is not resolved. Implicitly they recognize this by proposing a system of tax disincentives to discourage price increases (p. 297). However, with wage increases likely and price increases not, profits become directly dependent upon productivity increases -- with no guarantee that gains from those increases will accrue to capitalists.

Bowles, Gordon and Weisskopf argue that productivity will increase, as a result of increased worker participation and control and because it will be stimulated by socially mediated profit-sharing (p. 299). Both these policies, however, seriously impinge on capitalist prerogatives and both may further restrict capitalist share. At a minimum they reduce capitalist ability to influence profitability.

Thus, in the policy context Bowles, Gordon and Weisskopf construct, capitalists have severely constricted control over the conditions of profitability and over its disposition. They face the likelihood of a "profit squeeze." Or, if they mechanize in response to the push towards "high-wage production" they may be unable to maintain their rates of profit as profit increases, influenced by low levels of unemployment, fail to keep pace with rising levels of capital stock.

The conditions that produce wage-led growth may directly undermine the ability of capitalists to: control the process of production; influence the level of wages; possess the product and the freedom to dispose of it as they choose; and thus their ability to positively influence their competititive position. Bowles, Gordon and Weisskopf's proposed policies would directly challenge capitalist ability to extract surplus value and to influence its distribution. Effectively, capitalists would no longer produce for <u>themselves</u>. Instead they would produce for "their" workers and for the citizens of "their" nation. That is, these proposals challenge the continued existence of capitalists as capitalists.

Since the prospects for successful policy implementation are in part reliant upon the conditions they create, a careful analysis of the impact of such changes on class relations and struggles would seem important. Such disruption of class relations would, in part, promote struggles. Bowles, Gordon, and Weisskopf's analysis does not provide sufficient basis to analyze such struggles over class issues because it does not extensively theorize, but instead presumes, the motivations and conflicting pressures operating upon the class positions at stake. As argued previously, these positions are multiple, and include subsumed classes as well as the fundamental capitalist class duo, workers and capitalists. In <u>Beyond the Wasteland</u> only the latter are focussed upon, and the strengths of capitalists and workers are sketched only in terms of a polar opposition of an undefined power and dominance relationship.

A "solution" to the economic crisis has been implemented. It does not involve a specific set of "industrial policies." It also has not led to increased, general popular opposition because of heightened oppression or reduction in the perceived level of democracy. The solution consists of traditional variants of monetary and fiscal policies. Initiated during the Carter administration and continued under the Reagan administration, restrictive monetary policies reduced the supply of credit to the growing debt-dependent economy. The rate of growth of demand, investment and employment were curtailed. Incomes fell and unemployment rose. A sharp recession resulted. The rate of inflation slowed markedly.

Relaxed monetary policy, in mid-1982, permitted an expansion of credit, primarily to consumers, albeit at continuing high real rates, and spending increased. Employment and incomes increased. Productivity and corporate profits rose rapidly. Investment (primarily in inventory rebuilding and in residential, office, and retail oriented construction) has risen. The federal deficit and real interest rates remain high. The deficit has apparently been financed both by the tax-savings of fiscal policy beneficiaries and by the inflow of savings from private foreign agencies. The United States is perceived as a haven for the maintenance and likely reproduction of money capital. This constitutes a recovery from the recession -- but is it an end to the crisis?

Economic recovery driven by segments of debt-supported consumer spending, tax cuts skewed to high income savers, and increased military spending, will not spread its benefits evenly. Capital flight will likely continue, discrimination will persist (especially in areas hard hit by loss of industry either to runaways or mechanization), and, very likely, in the context of continuing massive federal deficits, significant cutbacks in government social programs will continue.

But even though some parts of some communities have been devastated, other haven't. In a period of recovery with corporate profitability restored, employment rapidly increasing, lowered inflation and renewed growth of income and credit, all do not suffer. In this situation capital mobility benefits some communities even if they are subordinated in some respects to other groups. Problems are more likely conceived as individual or family problems rather than social problems. Attempts at advocacy for the still negatively affected groups become "special interest" pleading.

The aspect of capitalism of which Bluestone and Harrison refer in their excellent book The Deindustrialization of America, as "creative destruction" is a constitutent element of a permanent "crisis" of capitalism. Aspects of this crisis are periodically "resolved" by precisely those struggles (with winners and losers) to reproduce conditions for the accumulation of capital. Thus the question of crisis devolves upon specification of the conditions for capitalist reproduction, how it can be disrupted and how it can be reconstituted.

Forcing (or persuading) workers to work harder or longer, i.e. the focus of Beyond the Wasteland, is only one possible dimension of the complex struggles constituted, in part, by class relations in a period of crisis. At least two others deserve mention in this context. Capitalists can implement new techniques to assist the extraction of additional surplus value. These may include an increased degree of mechanization of direct production. The implementation of the new techniques may require less labor time and lower overall costs per unit of output. If this is the case, we can expect two sets of possible effects. The costs of inputs into consumption and investment may be reduced. If this occurs, and if the displacement of labor power permits appropriate conditions in labor markets, the real costs of labor power per unit of output, across sectors, can be reduced. This process, the production of "relative" surplus value, permits increased extraction of surplus value. Yet it requires neither increased effort nor reduced rewards for employed workers. It can, however, either increase the extent of unemployment or slow the absorption of additional workers into the process of production. It has, then, potentially uneven effects on various groups of workers.

Capitalists can utilize these methods of production of relative surplus value in order to reconstitute their position vis-a-vis crisis or to deflect opposition and undermine any broad-based push for "industrial policy" by demonstrating that, for most groups, it is not necessary. Profits can be increased, a majority of direct producers can be employed at unreduced standards of living and only a minority will suffer exclusion. The problems of this minority, or their communities, then may be characterized, as previously mentioned, as pertaining to other, non-economic, non-class aspects of their situation, e.g. personal, family, sexual, or racial aspects.

Another dimension of possible struggles is international. For a firm headquartered in the United States conditions at "home" may be less conducive to securing conditions for the extraction of surplus value than those "abroad". Trade (including intra-multinational trade) and foreign (indirect and direct) investment may be reasonable alternatives.

Again, these initiatives need not be characterized either by force or by an obvious escalation of oppression. Extension of the international division of labor may foster additional employment in limited locations over the globe, marginally raise incomes (and hence be welcomed), and, simultaneously, allow capitalists to increase the degree of extraction of surplus value. Capitalists have an alternative to expanded domestic reproduction. They can secure some of the conditions necessary for reproduction internationally.

The international alternative need not, but may lead to reduced domestic employment and incomes and increased intensity of struggle. Results will depend upon specific conditions. Serious challenges to the ability of capitalists to secure their conditions of existence will likely encourage, along some dimensions, recourse to this alternative. The effects of such moves are likely to be uneven: they may be felt most directly at the locus of the challenges and/or perhaps isolated to those challenges. For example, while capital flight may decimate the communities from which capital flees, the increased levels of surplus value derived from extension to the international sphere may permit increased transfers to the sites of processes subsumed to, and supportive of, the capitalist class process. That is, the domestic administrative, financial and marketing functions of the firms may be expanded even while processes involving direct producers may be curtailed. In one set of sectors employment and income rises, while in another, isolated not just economically but perhaps also culturally and politically, employment and incomes fall. Bowles, Gordon and Weisskopf fail to theorize in any serious manner the international extension of the capitalist class process and the processes which secure its conditions. They are unable, then, to adequately conceptualize the effects of this extension on any national attempt to manage capitalist production and distribution.

Bowles, Gordon and Weisskopf argue persuasively that the costs of the corporate system have risen. My disagreement concerns general principles of the construction of the discourse about the U.S. economy. In the current view a class analysis must be employed to begin to specify the conditions for relative power and cohesion among various conflicting groups. In particular, the conditions of struggles over class positions must be clarified and specified.

This is best accomplished by self-consciously setting about to define the fundamental class process by theorizing the various processes which mold it by securing (or not securing) its conditions of existence. Included prominently among these is the process of distribution of surplus value to various agents in processes subsumed to the capitalist class process.

This shift of focus would quickly lead to several implications. First, analysis of the crisis in terms of the conditions that affect the security and extended reproduction of class relations would include theorization of the conditions of the production of both absolute and relative surplus value. It would also reconceptualize some costs of state activity as costs of supporting subsumed class processes. Further it would emphasize the significance of the growing internationalization of processes which may secure conditions of existence of the capitalist class process. Finally it would demonstrate how the above are related in the extension of subsumed class processes which, in part, have and may continue to secure the conditions of existence of the capitalist class process, while effecting conditions for complex class struggles.

For example, as Beyond the Wasteland emphasizes, costs of non-production workers employed by capitalist firms have risen strongly in the post-War period. But the dynamics of this rise are not reducible to the capitalist's need for greater supervision of production workers in order to raise profitability by intensifying work effort -- or in Marxian terms increasing the production of absolute surplus value. Rather, many of these added non-production workers are primarily engaged in activities intended to secure the competitive positions of their respective firms vis-a-vis other capitalist enterprises. The conditions of existence of the survival of individual firms have changed, in this respect, the nature of capitalist competition in recent decades.

Competition among firms for market shares may well have fueled a secular rise in subsumed class payments of certain types which would constitute a mounting source of costs for U.S. enterprises. Included among these "competitive" subsumed class expenditures are allocations funding marketing and public relations, certain administrative and supervisory functions, legal and lobbying processes, accounting and financial procedures, and the other support functions that these require. Agents in these positions secure transfer of surplus value by virtue of their control over, or participation in, processes necessary or conceived to be necessary for firm survival in historically changing competitive conditions.

These expenditures are not necessarily limited to direct payments to these agents. A host of expenditures support "corporate consumption." These include business travel, food and lodging, meeting and entertainment expenses. They also include expenditures on the buildings, furnishings, materials and equipment utilized in the processes subsumed to the capitalist class process. Strictly speaking expenditures in this second category are not subsumed class payments. But neither are they productive (of surplus value) consumption of capital and hence do not directly (or in any sense necessarily) augment the capacity to extract additional surplus value.

The increased costs associated with subsumed class processes may lead over time to reduced rates of profit. It is likely that each firm will support extension of these processes only to the extent they anticipate increased net revenues as a result. (Since the set of decision makers is not identical to the set of profit appropriators, that is not necessarily the case.) However, their expectations may not be fulfilled.

Certain types of subsumed processes may, when extended, indirectly facilitate the increased extraction of surplus value (or in terms of firm decision-making, result in improved profitability). Two examples are increased supervision of direct producers and research and development of new production techniques. Increased supervision may induce intensified and/or improved work effort from direct producers and thus lead to increased output with substantially unaltered costs of production. A new production technique may enable production at lower unit costs. If a relative advantage is obtained the firm may increase its level of profitability (the positive impact on the production of relative surplus value is, of course, less direct but still conceivable). Neither result is guaranteed. Increased supervision may as Bowles, Gordon and Weisskopf note, provoke worker rebellion and consequently disrupt the production process. Increased R&D expenditures may simply drive up relevant input (including labor-power) costs without yielding the desired improvement. Or, conversely, the improvement may be gained, but simultaneously surpassed by competitors so that the desired result, improved profitability, is not achieved despite the increased expenditures.

A second category of subsumed processes is of more concern here. In these, expenditures are directed toward increasing the likelihood of appropriating (or realizing) already existing value by increasing (or protecting) market share at the expense of competitors.

Expenditures for marketing are obvious examples of such expenses. Each dollar spent to develop or promote a product may have an impact on a consumer's decision to buy. FOr firms in large markets small changes in market share can have major impact on revenues. Yet the effects of a firm's expenditures can be counteracted by those of a competitor. Each increases expenditures without necessarily gaining an increase in revenues.

Another perhaps less obvious example involves administrative processes. Decisions concerning such corporate necessities as purchasing, production, and marketing are made under conditions of incomplete and uncertain information. Decisions made by each unit within a firm must be coordinated with each other. For a large firm each decision, and the proper coordination of each decision with others, may involve the possibility of large financial gains or losses. A bit more information of a slightly higher degree of reliability or completeness processed more effectively and carefully coordinated with other decisions may weight the balance in favor of one competitor -- or it may not. The gathering, evaluation, retention and processing of information at each step to produce arguments for or against a particular decision, the processing and cross-checking necessary to coordinate them, may involve considerable expenditures -- with uncertain or possibly counteracted results on net revenues.

For some economies, market or planned, such subsumed costs may be minimal and, in aggregate, inconsequential. The specific competitive conditions molding the contemporary U.S. economy, however, prohibit that possibility. Instead, with rising "competitive" subsumed class payments, total costs for many large firms can accumulate without producing corresponding increases in total revenue. That is, these and other aspects of capitalist competition can be conceived as a "zero-sum," but necessary, game. The object is to achieve or maintain advantage in market share. The cost of playing can easily escalate. The cost of refraining may be concession of gain to an opponent (or acceptance of loss without corresponding reduction in cost), or even exit from the competition and expulsion from a capitalist class position. Unless revenues rise to cover costs, net profit rates fall and the division of surplus value will hamper the accumulation of capital.

On the other hand the increase in these subsumed class expenditures may induce utilization of otherwise dormant capacity and in some instances have spillover effects which stimulate secondary increases in capacity. That is, possible tendencies towards stagnation because of "underconsumption" difficulties will be counteracted.[2] The growth of these subsumed class payments has certainly been a primary contributor to employment growth in the U.S. in recent decades.

Significantly (and perhaps in contrast to stagnation in other employment sectors) by providing increased access to stable, "white-collar" jobs within various levels of the administrative hierarchy, subsumed class positions, even if they do not provide more income, give the impression that it is possible to move up to the "top" (if sometimes only vicariously). As an alternative to unstable "blue-collar" work and as a perceived avenue to "success", positions in subsumed class processes are an important aspect of the "American Dream." Further, the effects that constitute the sites of those positions have important effects on the constitution of political alliances. These may contribute to broadened and stabilized alliances in support of capitalist relations.

In the current view it is possible to construct an analysis of class relations and struggles using the concepts of fundamental and subsumed class processes that demonstrates both the "positive" and "negative" impacts of the growth of subsumed class processes on capital accumulation. That analysis cannot be further developed here, but several important implications of the current approach for theorizing possible capitalist responses to profitability crises may be identified.

The character of the difficulties presented by rising subsumed class expenditures is quite different from that of the difficulties posed by underconsumption tendencies. Neither are rising subsumed class costs strictly analogous to rising costs of productive labor (profit squeeze). The problem they pose is neither insufficient aggregate demand nor insufficient production of surplus value rather the problem is that utilization of surplus value for purposes that support the extraction of surplus value but do not directly augment it is, or seems to be, necessary. This diversion of surplus value from utilization as productive capital may slow the rate of accumulation.

These differences are not necessarily obvious at the level of the firm. For example, within a firm direct labor costs, the cost of productive capital, subsumed class expenditures, and corporate consumption, will all be considered costs of production. Increases in any will seem to "squeeze" profits. Failure to sell products priced to include an average amount of profit above all these costs will suggest insufficient demand. Thus the responses of capitalists to these problems may be misdirected.

Workers' greed, consumers' self-indulgence (failure to save) or corporate managers' failure to innovate more effective technologies may be cited as the "source" of difficulties. Measures to reduce wages or increase work intensity (production of absolute surplus value), to increase the level of savings (e.g. through regressive consumption taxes) or spur technological development (e.g. through tax credits) may be implemented. But even with these changes non-inflationary growth may be difficult to renew in the context of rising subsumed class costs.

Another direction capitalist response might well take is extension zof the international division of labor. Arguments have been raised (in countries such as France as well as the U.S.) that preservation of basic industries or even sectors is not essential to national economic development and well being. Beyond the production of certain highly specialized goods (such as high-technology and military products), the argument runs, such production can be supplanted by what have here been termed subsumed class payments. The process funded by these payments would be integrated with internationally dispersed fundamental class processes. Direct production would be located where labor, material, and social costs were lowest per unit output; surplus value would be transferred through its realization under the control of agents located at the sites of the various subsumed class processes. This would not require any "unequal exchange" -- merely the absorption of surplus value by the costs of administration, finance, marketing and merchanting. This internationalization of the processes which constitute, and those which may secure the conditions of existence of, the capitalist class process would permit continued high employment, high incomes, and consumption at the (national) sites of concentration of subsumed class processes. It would, however, also very likely further internationalize the class aspects of struggles.

These "solutions" may fail, from the perspective of many firms, to adequately resolve the problems posed for continued capital accumulation. The increasing importance of subsumed class costs create conditions which may induce capitalists to seek to reduce them, while maintaining their functions. Though it runs counter to the ideology that positions in the corporate bureaucracy (and their supporting staff) are the most "productive," such reductions may be perceived as part of a necessary rationalization, especially if domestic or foreign competitors have proceeded in similar directions.

In this context, one likely response is the employment of technology and complementary information processing and decision-making procedures to augment the capacities of some employees at the expense of others' jobs. In the current view it would be fruitful to pursue an analysis of the impact on class relations of capitalist's attempts to reduce the costs of corporate bureaucracy by "mechanizing" (and displacing) white collar labor. Such measures might reduce the amount of surplus value transferred to the various subsumed positions and thus might increase the portion retained as profit available for investment and capital accumulation.

However, a second set of effects, not apparent at the level of the firm, might also be produced by such developments. The mechanization of white collar work, by displacing labor and increasing the competition for jobs, might further demean the quality of work and increase the inequality of income distribution. The stability of employment in these positions might diminish. This, arguably, has been the situation for years in secretarial/clerical positions. It is likely to extend up the job "pyramid" with subsequent reduction of opportunities for advancement. This constitutes a potential undermining of other social conditions, whether political, economic, or cultural, which support the continuation of capitalist relations. In general terms such effects may deliver a fatal blow to the "American Dream" and the political alliances enabled by its perceived viability. The implications of these changes, indicated only in general terms by the current framework, need to be developed further.

In order to theorize the social conditions for the development and implementation of policies in response to crisis, which might alter capitalist social relations to a considerable extent, it is necessary to thoroughly construct the context within which these changes will occur. This paper has argued that both class and non-class social processes are complexly constituted rather than reducible to a single dimension such as power. With that view in mind the paper has tried to begin a reformulation of the history of the crisis, the tendencies currently at play, and the consequent possibilities for new economic, cultural, and political conditions and struggles.

Footnotes

1. The key published work developing these concepts is Wolff and Resnick (1982). A slightly different presentation is made in Medley (1981). Resnick, Wolff and other define the initial distribution of extracted surplus value (S.V.) as the subsumed class process. In this essay processes are considered subsumed to the capitalist class process if S.V. is transferred to them to attempt to secure conditions of existance of the capitalist class process. In Resnick and Wolff only the sites of initial distribution are defined as (subsumed) class positions, so that the sum of these initial distributions $(\;_{i}\; SC_i)$ is equal to S.V. This essay argues their formulation obscures the class aspects of the other participations in these processes. Instead it defines all positions in these processes supported by transfers of S.V. as subsumed class positions (i.e., per Medley (1981), as positions in processes subsumed to the capitalist class process.) Then S.V. is exhausted by the <u>retained</u> transfers of income to all such positions. For example, within the capitalist enterprise these might include directors of financial and marketing processes, heads of administrative departments, lawyers and other staff, and those in managerial/supervisory, technical/professional, secretarial/clerical and maintenance positions who assist in the performance of those functions. Outside the enterprise they may include agencies which occupy positions in government, finance (banking, brokering and insurance, etc.) and merchanting as well as other subcontracted functions (e.g. advertising).

2. Competition in the context of capitalist social relations may promote: attempts to profit maximize (cost minimize); high savings ratios; and pressure to accumulate capital. A tradition in political economy (including some Marxists) emphasizes the effectivity of these tendencies by analyzing the "realization" of surplus as the key difficulty within capitalist economies. Obviously this tradition, which includes Steindl, Baran and Sweezy and more recently D. Levine, has been influenced by Keynes. Many of its insights are sound and are necessary aspects to an understanding of competition capital accumulation and growth. However, insufficient aggregate demand, though always a potential problem, is not necessarily the only "source" of capitalist crisis. The argument proposed in this essay is that increased transfers to extended subsumed class processes may have contradictory effects: promoting spending, incomes and employment in such a fashion that the <u>share</u> increase of these particular types of spending, incomes and employment leads to a decrease in the <u>share</u> of spending on productive accumulation of (constant and variable) capital. Thus is a certain sense it limits the "potential" rate of growth. This limitation, and its effects I would suggest is only manifest in the "boom" phase of any recent cycle.

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