THE ECONOMIC THEORY OF KARL MARX AND THE PRESENT CRISIS OF CAPITALISM

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The polarization and deep class division of present-day bourgeois society into hundreds of millions of proletarians and a handful of capitalists can no longer be covered up by the reformist demagogy about «the harmony of interests of deproletarianized capitalism».

IN THE WHOLE HISTORY OF MANKIND IT IS DIFFICULT TO FIND ANOTHER PERSON WHOSE IDEAS AND ACTIVITY HAVE HAD SUCH AN INFLUENCE ON THE PROCESS OF REVOLUTIONARY TRANSFORMATION OF HUMAN SOCIETY AS KARL MARX.

Karl Marx is the founder of the scientific economic doctrine. His fundamental work, «Capital», is the synthesis of a titanic scientific work which combined in itself the profound and detailed study of facts, with many generalizations of the highest level, and through analysis of the capitalist mode of production and its laws of development, with the scientific prediction of the inevitable destruction of that mode of production. By analyzing all the economic categories of capitalism in their dialectical development on a scientific basis, Marx discovered the specific economic law of motion of the capitalist mode of production and of bourgeois society, which is based on the production and appropriation of surplus value. As Engels pointed out, the discovery of surplus value threw light on a field where all were wandering in the dark and fell on the head of the bourgeoisie «like a bolt from the blue».

The all-sided analysis which Karl Marx made of capitalism from its basic economic cell, the commodity, to the reproduction of social capital and crises, proves that capitalism as a socio-economic order is riddled with antagonistic contradictions, and is historically limited. Marx's economic theory provided scientific proof of the necessity for and the inevitability of the struggle of the proletariat against the bourgeoisie and of its victory. It armed the working class with a truly scientific understanding of the way to liberation from the wage slavery by smashing the capitalist system and establishing the dictatorship of the proletariat. To prove theoretically on a scientific basis the inevitability of the overthrow of a society which, at that time, was still in the ascendant and to argue the necessity for the organization of the proletariat to destroy it in practice, was an exceptionally bold revolutionary prediction of genius which defined the objective course of history a century in advance.

The main special feature of Marx's theory is that it develops ceaselessly, parallel with the development of the objective reality. Using Karl Marx's method in «Capital» as a basis, V.I. Lenin elaborated the doctrine on imperialism which arms the proletariat with the theory of the socialist revolution in the conditions of developed capitalism. Lenin proved scientifically that in the phase of imperialism, capitalism is in complete decay, that the antagonistic contradictions arising from its economic features become exacerbated to the maximum and that socialist revolutions and national liberation movements are inevitable.

Proceeding from the Marxist-Leninist methodology, the Party and Comrade Enver Hoxha have analysed the imperialism of our days and the general crisis which has swept the capitalist-revisionist world system and have
drawn important conclusions about present-day world development. The capitalist and revisionist world today is experiencing a period of grave economic and political crises of its structures and superstructures which this system has shown itself to be objectively incapable of overcoming. As Comrade Enver Hoxha pointed out at the 8th Congress of the PLA, "In all directions and aspects the present crisis proves that Marx's analysis of capital and Lenin's conclusions about imperialism remain not only correct but also the fundamental scientific basis for understanding the present social processes of the capitalist world and the tendencies of their development." 1

1. THE CURRENT IMPORTANCE OF MARX'S THEORY ON CRISSES AND THE PECULIARITIES OF THE PRESENT ECONOMIC CYCLE

Karl Marx was the creator of the scientific theory on economic crises in capitalism. He was the first to prove that the cyclical character of capitalist reproduction is linked with the operation of the fundamental contradiction, which is the economic basis and the main cause of crises. The fundamental contradiction, which expresses the ever increasing antagonism between the social character of production and the private form of appropriation, finds its expression in the contradictions between labour and capital, and between production and consumption, as well as in the organization of production on the enterprise's level and the anarchy of production on a social level. While describing crises as the mode of movement of capitalist production, Karl Marx pointed out that crises are always only a temporary and violent solution of existing contradictions, the violent outbursts which temporarily re-establish the disturbed equilibrium. 2

The whole history of the development of capitalism proves that crises are an inevitable phenomenon of capitalism and that the destructiveness of their consequences increases parallel with the exacerbation of the fundamental contradiction.

The bourgeois and revisionist ideologists have always made attempts to prove that capitalism can develop allegedly without crises and economic and social disturbances. It is characteristic of these ideologists that in periods of the temporary rise in the economy they have propagated the possibility of a "cycle without crises", "state regulation of the economy", etc. The fact that after the Second World War up to the beginning of the 70's there was no crisis in the capitalist countries with consequences as destructive as the crisis of the years 1929-1933, was used by them to proclaim that capitalism had entered a new period of development without conflicts and crises. However, the crises of the 70's and especially that of 1974-1975 turned the hopes of the bourgeois and revisionist economists to dust and ashes. They proved that Marx's theory about the inevitability of crises in capitalism and their increasing acuteness is more than valid.

In pointing out that "there are no permanent crises", Karl Marx revealed their periodic character, which is linked with the reproduction of the fundamental capital. He pointed out the tendency to the shortening of economic cycles which depends on the level of the development of the productive forces. In the addition which Karl Marx made to volume I of "Capital" in the French publication, he pointed out, "Hitherto a cycle has covered 10 to 11 years. However, there is no reason for this period to remain unchanged. On the contrary, the operation of the laws of capital creates a basis to think that this period will alter and, little by little, will be reduced."

This forecast by Karl Marx has stood the test of time. The more capitalism developed, the more the productive forces developed, the more frequently crises began to occur and with more destructive consequences. Thus, in the period since the Second World War, under the influence of a series of main factors, such as the militarization of the economy, the intervention of the capitalist state in the economy, the development of the technical-scientific revolution, the crisis of the colonial system, etc. the crises repeated themselves approximately every 3 to 4 years. Within the economic cycle the extension of the phase of crisis and depression and a reduction of the phase of growth is observed. Indeed, the crises of the 70's show that in many capitalist economies the economy fell into the state of crisis when the first signs of the phase of growth had only just begun to appear or had still not begun.

Basing themselves on the Marx's theory about economic crises, which also includes the true scientific methodology for the study of the economic cycle in various stages of the development of capitalism, our Party and Comrade Enver Hoxha have drawn important conclusions about the peculiarities of the present crisis and its economic and social consequences. At the 8th Congress of the PLA Comrade Enver Hoxha pointed out that, "The present crisis has proved that irrespective of the external forms it might assume during its development, the bourgeois system cannot ensure an harmonious growth of the economy, cannot ensure work and food for all the working people, cannot avoid economic catastrophes, and the destruction of productive forces and the national wealth created through the sweat and blood of the working people." 3

The fall of rates of production, the non-utilization of productive capacities, the marked rise in prices, the mass unemployment, the high level of chronic inflation, and the great, constant deficits in the balance of foreign trade, in the balance of payments, etc. are indications of crises which are found in all capitalist and revisionist countries. The crisis has gripped the main branches of the economy such as metallurgy, the energy industry, oil and its by-products, transport, building, production of machinery, etc. The crisis of the years 1974-1975 which was deeper and had more serious consequences to the capitalist economy, included virtually all the imperialist and revisionist countries as well as the developing countries, assuming a world character. Thus, the synchronization of economic cycles manifests itself in a harsh but clear way, on a world scale. This phenomenon has added to the difficulties of manoeuvring the world market and has exacerbated the contradictions between imperial-
ist powers, as well as those between the imperialist powers and the developing countries.

Another peculiarity is that unlike the crisis of 1929-1933 when prices fell appreciably, in the present crises prices are going up continually. In the history of crises, in the crises of the years 1969-1970 the first inflationary rise in prices did not spread beyond the USA. In the crises of the years 1974-1975, however, this phenomenon became a distinctive feature including all countries. At the foundation of the combination of the economic crisis with the inflationary rise in prices which the bourgeois literature has called "stagnation", lies the high level of capitalist exploitation, the decline in rates of fundamental investments, the transformation of foreign relations into a sphere of deep contradictions, the profound disturbances of the system of the state monopoly "regulation" on a national and international scale, etc. On the other hand, there is another phenomenon emerging in the present crisis, that of the combination of mass unemployment with inflation. In the crises before the Second World War, unemployment increased in periods of crises of over-production and decreased in the phases of revival and growth. Now the army of the unemployed has not been reduced in the period of revival after the crisis, but has increased overall.

The present crisis shows that not only is the mechanism of state monopoly "regulation" of the economy incapable of averting crises, but it has been transformed into an additional factor increasing the economic difficulties. As Comrade Enver Hoxha pointed out at the 8th Congress of the PLA, time has proved that "the intervention of the monopoly state and capitalist programming are unable to eliminate competition, to ensure the full employment of the population and to eliminate obstacles to extended social reproduction." At the present time state monopoly capitalism has become one of the special features of contemporary capitalism. By increasing the state military consumption and the non-productive expenditure for the maintenance of a bureaucratic and police apparatus to extraordinary proportions, state monopoly capitalism has further intensified the process of the decay of the imperialism of our days.

Vying with one another for spheres of influence and markets, the imperialist states and, especially American imperialism and Soviet social-imperialism, are ceaselessly increasing their expenditure for arms production.

As Karl Marx pointed out by encouraging the increase of social production allocated to arms production, the militarization of the economy removes large material and human resources from the sphere of production. By absorbing a large part of production in the branches devoted to war, the military expenditure has created difficulties for extended reproduction, intensifying the disproportionate development and the crises, in general. At the present time the militarization of the economy is one of the main factors of the budget deficits, inflation, and rise in prices in all phases of the economic cycle.

The bourgeois-revisionist ideologists hoped that the technical-scientific revolution would make possible the development of capitalism without disturbances and crises. However, it has not saved the bourgeois-revisionist world from crises, but on the contrary, has made them even more acute and more frequent. In fact, in the process of the economic cycle the technical-scientific revolution has had a contradictory character. Thus, the introduction of advanced technology in the process of production, on the one hand, has had an influence on the temporary enlivenment of the economy. On temporarily increasing the market demand, but on the other hand, by serving as a factor encouraging the acceleration of the moral consumption of fundamental capital, for the birth of new branches of the economy, and for mass bankruptcies in the branches with more backward technology, it has brought about the growth of unemployment to large proportions. At the present time the technical-scientific revolution has further exacerbated the contradictions of capitalist reproduction and, especially that between production and consumption, making the crisis even more acute. As Karl Marx pointed out, "In this way, every element which opposes the renewal of crises of the old type conceals in itself the embryo of a much deeper crisis in the future."

2. THE WORLD CHARACTER OF THE ECONOMIC CRISIS AND THE EXACERBATION OF CONTRADICTIONS OF THE CAPITALIST SYSTEM

The present economic crisis has gripped both the developed imperialist and revisionist countries and the underdeveloped countries. The world character of the present crisis is conditioned by the further increase of the concentration of production and capital on an international scale, by the extension of the activity of multinational companies, and the increase of their weight in world production,
by the crisis of the system of neocolonialism, the crisis of the international currency system, etc. The influence of all these factors has been to interlock the economic cycles of various countries closely with one another. Consequently, the economic and financial crises which have affected the USA have also had grave results for the other capitalist countries.

As is known, after the Second World War the ratio of forces in the capitalist world altered in favour of American imperialism. The British Empire declined and its position in the world market was gradually weakened. France emerged from the War with its positions greatly shaken, while Germany and Italy, defeated in the War, lost any possibility of competing in the world market. By means of blocs and alliances, the USA harnessed the countries of Western Europe and Japan to its policy. With the passage of time, however, after the Federal Republic of Germany, France and Japan, rebuilt their economies, they began to compete for markets and spheres of influence.

Speaking about this problem at the 8th Congress of the PLA, Comrade Enver Hoxha pointed out that, «Today the political and economic power of the United States of America is declining compared with that of Western Europe. The competition from the Common Market and Japan has become a very powerful and threatening.» The proportion of American production in total capitalist world production began to decline, its gold reserves were reduced appreciably, and the deficits in its balance of trade, balance of payments, etc. increased markedly.

As the capitalist country with the greatest economic and military potential, the USA tries in various ways to saddle its allies with part of its difficulties. Thus, to meet the great deficits in the balance of payments, American imperialism employed the inflationary issuing of the dollar in international currency and banking relations. As a result, the capitalist and the revisionist world was seized by the financial crisis and massive currency speculations. The pouring of dollars into the channels of international circulation served as a main impulse to inflation on a world scale and the rise in prices. The fact is that in practice, the dollar crisis struck not the USA but mainly its trading partners. The fall in the exchange rate of dollar improved the positions of American exporters. On the other hand, the rise in the currencies of their competitors led to the relative and absolute rise in prices for the commodities of these competitors. Apart from this, a fall in the exchange rate of the dollar meant a real devaluation of the foreign debts and obligations of the USA.

At the beginning of the 80's the chronic rise of prices and the devaluation of paper currencies gave rise to a new problem for capitalism, the high cost of credit, that is, the increase in the rates of interest on money capital. The clearest expression of this is the so-called policy of dear money, which the Reagan administration is applying in the present. In 1981 bank interest rates in the USA were raised to 20 per cent. This policy has created many problems in the world market and has made emergence from crisis more difficult.

In his work «Capital» Marx pointed out that the increase in the interest rate is a law-governed reaction of the credit system on the basis of the sharpening of contradictions in capitalist reproduction. «In crisis periods», pointed out Karl Marx, «the demand for loan capital and along with that the percentage of interest reach their maximum.» He explained also that the rise in the interest rate leads to improvement in the balance of payments, and in the exchange rate of the currency for the countries which use it.

According to statistical data, the capital exported to the USA in 1979 amounted to 32.7 billion dollars, in 1980 to 54.8 billion, while in 1981 to 60.1 billion dollars. This tendency for capital to flow into the USA, which is becoming more marked, has led to demand for the American currency, increasing its exchange rate. In 1982 the exchange rate of the dollar rose 35 per cent, in comparison with 1980, intensifying the instability of the exchange rates of other imperialist countries. As a counter to this, the banks of Western Europe and Japan sold 122 billion dollars on the currency markets during the years 1981-1982 to stop the rise of the exchange rate of the dollar and have also raised the interest rates in their own countries. The big rise in interest rates, accompanied with the attraction of capital in the USA, has left the countries of Western Europe short of the financial means which could have been used for the reconstruction of branches of the economy which are now in depression. On the other hand, the American policy of increasing interest rates has hit the competitive ability of other capitalist and revisionist countries. Since 55 per cent of the exchanges on the world market are done in American dollars, the rise in exchange rates has led to dearer raw materials for the states of Western Europe. This applies not only to American goods, but also to many raw materials including oil. Consequently, in recent years obvious changes have been seen in the state of the balance of payments of the USA and the countries of Western Europe. The improvement of the balance of payments of the USA has come about to a considerable degree on the basis of the worsening of the economic position of the majority of West-European countries in the world market.

The policy of «high interest rates» which the United States pursues has made the inter-Imperialist contradictions even more acute. First of all, the contradictions between American imperialism, on the one hand, and the European countries and Japan, on the other hand, have become exacerbated. By raising interest rates the USA has hindered productive investments, prolonging the period of crisis on a world scale.

On the capitalist world market, the contradictions between the imperialist powers and the undeveloped countries over the production and use of raw materials have become more acute. At the foundation of the problem of natural resources in capitalism at the present time lies the contradiction between the overall rise in the demand of raw materials and food products, on the one hand, and the socio-economic conditions of their use within the context of the capitalist mode of production, on the other hand. In the
conditions of capitalism today, this contradiction is expressed in the form of relative over-production or of shortages of raw materials and food products. The multi-national oil companies have played a special role in the outbreak of the energy crisis. Holding dominant positions, both in oil extraction and in the processing and sale of oil by-products in different regions of the world, they have been able to exert a decisive influence on world prices, on the volume of oil extracted, and the directions in which it is exported.

The big monopolies, the multi-national companies and the imperialist and revisionist states hoped that the developing countries, rich in resources of raw materials and energy, would submit to their domination for ever, but as the events of recent years have proved, those countries have risen against the imperialist and revisionist dictate, and forms of neo-colonialist domination. At the 8th Congress of the PLA, Comrade Enver Hoxha pointed out, "The big imperialist and capitalist powers are now unable to completely dominate the sources of raw materials and to dictate their prices. The producing countries, which have woken up and are defending their interests, which are seeking development, want to make investments in industry, agriculture and other sectors of their national economy, are resisting the pressure for low prices for oil and raw materials."

To raise the rate and total of their profits the monopolies, the multi-national companies, have increased the prices for finished industrial products, justifying this with the rise in prices for raw materials and fuels from developing countries. However, if the rates of increase in prices for raw materials are compared with those for finished industrial products, it turns out that the latter are much higher. The developing countries are facing a stern fight with the imperialist powers for a fair position in the sphere of international relations, including the field of setting prices for raw materials.

At the beginning of 80's, too, the tendency has been for finished industrial products to rise in price continually. The mounting inflation on the developed capitalist countries, which are also the main exporters of industrial equipment to the world market, has had and will continue to have an influence towards increasing the costs of production. In order to unload this burden on to others. The monopolies have raised and will continue to raise prices on the world market. This cannot fail to impel the undeveloped countries, which are the main importers of industrial equipment, to take counter-measures.

In these conditions, during the next 10 years the influence of the crisis over the increasingly acute problems of energy, raw materials and food-stuffs, as a result of monopoly domination and the use of them, will create an even more unstable situation fraught with many unforeseen disturbances in the world capitalist market. Operating together with the currency and financial crisis and inflation, this will intensify the general instability of the world capitalist system and lead to its further decay, to new destruction of productive forces and the general sharpening of contradictions.

3. THE PRESENT CRISIS — AN EXPRESSION OF THE COMPLETE DECAY OF THE WORLD CAPITALIST SYSTEM

Marx's economic theory condemned capitalism as a system of wage slavery. On the basis of the antagonistic contradictions of bourgeoisie society, it revealed that the exploitation, unemployment and poverty of the masses and crises are inseparable accompaniments of capitalism which can be eliminated only by overthrowing this mode of production. «Thus, from day to day, it becomes ever more clear that the relations of production in the context of which the movement of the bourgeoisie is created, do not have a single, simple character but a double character,» points out Marx, «that in the framework of those same relations in which wealth is produced, poverty is produced, too; that in the framework of those relations in which the development of productive forces takes place, oppressive forces are developed, too, that these relations create the bourgeois wealth... while forming a proletariat which constantly increases.»

The present crisis proves more than ever the correctness and force of Marx's ideas that the bourgeoisie system is incapable of ensuring harmonious growth of the economy. It cannot avoid economic catastrophes, the destruction of productive forces and the national wealth, created with the blood and sweat of the working masses, etc. Capitalism has become an obstacle in the way of the further development of mankind, and the deep ulcers of its economic and social decay, which are quite obvious, are evidence of this. The chronic non-utilization of productive capacities in many branches of the economy, the unprecedented increase in the ranks of the reserve army of industry, the grave consequences of inflation on the standard of living of the working masses, the continual reduction of their real wages, the ruthless deepening of the absolute and relative impoverishment, the misery and ignorance in which hundreds of millions of working people live in the world today, etc., are serious problems of present-day bourgeois society.

Karl Marx showed that the iron laws of capitalist exploitation bind the worker in the chains of capital «more firmly than the hammer of Hephaestus chained Prometheus to the rock.» «Consequently, the accumulation of wealth at one pole, is at the same time the accumulation of poverty, heart-breaking toil, slavery, ignorance, anger and moral degradation, at the other pole.» The ultimate cause of all economic crises is always the poverty and insufficient consumption of the working masses, which capital restricts to the minimum of means of existence. Bourgeois statistics show that while the average real wages in the USA at the end of the Second World War covered 80 per cent of the essential minimum livelihood, at present this level is only a little over 60 per cent. In the years 1974-1975 real wages in that country were reduced from 9.5 per cent. As a result, while there are more than 30 million people who live below the official
poverty line in that country which represents the main metropolis of the capitalist-revisionist world, in the rest of this world of oppression and exploitation, in the dependent and backward countries, there are more than 1.5 billion people who suffer from chronic hunger and epidemic diseases, while more than 700 million people are illiterate.

Contrary to the preachings of bourgeois and revisionist ideologists, old and new, Marx and Marxism-Leninism do not see the causes of the deep social ulcers of capitalist decay in the "eternal laws" of nature, and in its "limited fertility", but in the economic and class contradictions and antagonisms of capitalism. The polarization and deep class division of present-day bourgeois society into hundreds of millions of proletarians and a handful of capitalists can no longer be covered up by the reformist demagoguery about "the harmony of interests of deproletarianized capitalism". In the 50's the proportion of age workers in the population of developed capitalist countries was less than 70 per cent, whereas today it amounts to 85 per cent, and on this basis, the contradiction between labour and capital which is fundamental in present-day bourgeois society, has become more acute than ever.

In the present crisis the model of the "consumer society" received a heavy blow and was unmasked along with the economic theories of modern capitalism which inspired a series of revisionist countries in their economic reforms. The economies of the Soviet Union and other revisionist countries are characterized by falling rates of production, non-utilization of productive capacities, mounting inflation, prices, unemployment, etc. On this basis, the standard of living in those countries has deteriorated and the class contradictions have become exacerbated. The events in Poland, Yugoslavia, and elsewhere, exemplify this.

Present-day bourgeois society has caused an unprecedented decline in all moral values, a decline which is taking place in the context of the ideological crisis of capitalism. As Karl Marx pointed out, in revealing the capitalist decay in this field, too, "the spontaneous development of... culture leaves nothing but a desert behind." This can be seen clearly in the present crisis of the bourgeois superstructures, in which the all-round intensification of reaction and the boundless development of political, moral, and physical corruption are causing degeneration, desperation, and confusion in all fields of life.

Marx showed that the growth of capitalism objectively created the material premises for its destruction as well as the social force — the proletariat — capable of executing the sentence of history upon this exploiting order, "with which the pre-history of mankind closes". He showed that along with the increase of the exploitation of the proletarians and the other working masses, which makes the yoke of capital even heavier, the revolt, organization and the struggle of the proletariat against the bourgeoisie mount, the elements of revolutionary outbursts are multiplied, and the revolutionary crisis is intensified. Every new crisis brings the destruction of the capitalist mode of production nearer.

It is more than a century since the capitalist mode of production became predominant on a world scale. Likewise, however, for more than a century the proletariat has become a class in itself and has taken to the barricades of the sternest class struggle in human history, the struggle against the bourgeoisie and the system of wage slavery. Today the class struggle of the proletariat as a "class for itself" and the other working masses has assumed unprecedented proportions and a wide range of forms in one of the period most critical for the capitalist system. During the 70's more than half a million people took part in strike and political demonstrations in the capitalist world and their struggle was directed especially against consequences of the economic crisis which the bourgeoisie loads on to the backs of the workers. In face of the increasingly acute class struggle, the monopoly bourgeoisie has thrown off all disguise in most of the capitalist countries, where there are mounting demands for "strong government, denying the working people those few rights which they have won at the cost of bloodshed. Evidence of this can be seen in the fascist regimes and dictatorships which have been established or are knocking on the doors of many countries of the world. Military putsches, terrorism and political anarchism have increased with the encouragement of the ruling bourgeois governments which are trying to contain the mounting class struggle. All this system in a chaotic state of decay is kept on its feet through the violence of the army and the countless police, armed to the teeth, to suppress any kind of resistance which goes beyond the bounds of "bourgeois democracy".

As Comrade Enver Hoxha pointed out at the 8th Congress of the PLA, "World capital is making great efforts to escape the crisis, to protect itself from the people's liberation struggles and from the revolution, this terrible iron grip which has it by the throat and is strangling it. But escape is impossible because it is the capitalist system itself which creates this political economic and ideological crisis and which fuels them and intensifies them to the highest degree. In order to emerge from the chaos which capitalism creates, to escape once and for all from capitalist oppression and exploitation, the neo-colonialist yoke of foreigners and the domination of reaction, there is no other course apart from the revolution, the overthrow of imperialism and capitalism." 12

1 Enver Hoxha, Report to the 8th Congress of the PLA, p. 181, Eng. ed.
3 Enver Hoxha, Report to the 8th Congress of the PLA, p. 199, Eng. ed.
4 Idem, p. 179.
6 Idem, p. 214.
7 Enver Hoxha, Report to the 8th Congress of the PLA, p. 182, Eng. ed.
9 Enver Hoxha, Report to the 8th Congress of the PLA, p. 182, Eng. ed.