



Chapitre de livre

2024

Published version

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Introduction to Ernest Mandel's Late Capitalism: "Scrutinizing Capital with One's Eyes Wide Open"

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How to cite

DURAND, Cédric Michel. Introduction to Ernest Mandel's Late Capitalism: 'Scrutinizing Capital with One's Eyes Wide Open'. In: Late Capitalism. Ernest Mandel (Ed.). [s.l.] : Verso Books, 2024. p. vii–xviii.

This publication URL: <https://archive-ouverte.unige.ch/unige:181083>

Late Capitalism

Ernest Mandel

Introduction by Cédric Durand



VERSO

London • New York

Introduction: Scrutinizing Capital with One's Eyes Wide Open

First published in German in 1972 and in a revised English edition in 1975, *Late Capitalism* remains to this date an unmatched attempt to ally robust Marxist economic theory to a general interpretation of the historical unfolding of modern capitalism. The ambition of the work cannot be detached from the context of its composition. Belgian economist and Holocaust survivor Ernest Mandel was, at the time of publication, both a renowned intellectual, who had published a decade earlier the monumental *Traité d'économie marxiste* (*Marxist Economic Theory*, published in English by Merlin Press and Monthly Review Press in 1968), and a leading figure of the Trotskyist United Secretariat of the Fourth International. While he was working on the book, in the early 1970s, he was thus organically embedded in the tumultuous global socio-political battles of a rising left.¹ 'L'histoire nous mord la nuque' ('History is snapping at the napes of our necks'), wrote French philosopher and Mandel's comrade Daniel Bensaïd in the wake of May 1968. Feeling the heat of an historic turning point, Mandel aimed at providing the global wave of insurgency with a proper interpretation of the conjuncture to inform the systemic revolutionary tasks on the agenda. This is ultimately what *Late Capitalism* is about: a general analysis of 'the epoch in history of the development of the capitalist mode of production in which the contradiction between the growth of the forces of production and the survival of capitalist relations of production assumes an explosive form'.²

1 François Vercammen, 'Biographie d'Ernest Mandel', Ernest Mandel, in *Le troisième âge du capitalisme*, Nouv. éd. rev. et corr, Paris, 1997, pp. 541-50.

2 Ernest Mandel, *Late Capitalism*, London, 1999, p. 562.

AN ORIENTATION TOWARDS TOTALITY

Buoyed by favourable historical winds, *Late Capitalism* is nonetheless hugely ambitious and creative. In the author's own words, it 'tries to explain the post-war history of the capitalist mode of production in terms of the basic law of motion of capitalism discovered by Marx in *Capital*'.³ As Michael Löwy (another philosopher and Mandel's comrade) noted, it is arguably 'the first attempt to explain contemporary capitalism as a whole' since the epoch of classical Marxism, that of Rosa Luxemburg, Hilferding and Lenin.⁴ We can say that it has also been the last. Since then, and despite the persistence of a lively Marxist intellectual scene, I cannot name another endeavour to capture an epochal shift in capitalism while attempting to systematically articulate the economic argument in the vein of those giants of the past.⁵

Such a goal requires adopting the methodological standpoint of the concrete totality of capital: 'Only the whole is true, says Hegel, and the whole is the unity of the abstract and the concrete,' writes Mandel.⁶ This means that his inquiry must, on the one hand, show how capitalism as an organic system absorbs and subordinates all elements of society to its internal laws of motion while, on the other hand, acknowledging that contradictions, complex causality and exogenous shocks allow for a (limited) space of indeterminacy and for strategic human agency to confront the structural constraints of the system.⁷

This attempt to capture the transformations of the social totality along with the respiration of capital accumulation fascinated cultural theorist Fredric Jameson to the point that he established his own cultural periodization of Realism, Modernism and Postmodernism

3 Ibid., p. 10.

4 Michael Löwy, 'Ernest Mandel, Le Troisième Âge Du Capitalisme, Édition 10/18, 1976', *L'Homme et La Société* 43, no. 1, 1977, pp. 234-6.

5 Twenty-first century masterpieces of Marxist political economy such as Brenner's *Economics of Global Turbulences*, Duménil's and Lévy's *The Crisis of Neoliberalism* or Anwar Shaikh's *Capitalism* are more narrowly focused on advanced economies and more concentrated on strictly economic issues. The historical component is overall less present in David Harvey's exploration of capital's inner logic, while Nancy Fraser's recent *Cannibal Capitalism* does not properly engage with economic analysis. Carlota Perez's research is very directly inspired by the long wave paradigm but abandoned any explicit reference to Marxism.

6 Mandel, *Late Capitalism*, p. 14.

7 Marcel Van der Linden and Jan Willem Stutje, 'Ernest Mandel and the Historical Theory of Global Capitalism', *Historical Materialism* 15, no. 1, 2007, pp. 37-47.

alongside Mandel's general thesis 'that there have been three fundamental moments in capitalism, each one marking a dialectical expansion over the previous stage. These are market capitalism, the monopoly stage or the stage of imperialism, and our own, wrongly called postindustrial, but what might better be termed multinational capital,' or 'late capitalism', as Mandel proposed.⁸

In a distant echo of this cultural reading, the phrase 'late capitalism' became, in the 2010s, a popular meme for 'the indignities and absurdities of our contemporary economy, with its yawning inequality and super-powered corporations and shrinking middle class'.⁹ Despite its looseness, this conception echoes Mandel's core hypothesis: throughout its multiple concrete manifestations, capitalism is an historically constituted whole that can only be intellectually and politically grasped from a global perspective.

This totalizing approach is the single most important reason for the lasting influence of the book. It still acts as a powerful counterweight to the growing atomization and fragmentation of knowledge. This plague is especially prevalent in economics, in which dominant approaches adopt a positivist epistemology and an exaggerated methodological reductionism that overlook the socio-historical complexity of economic problems and the intertwining of levels of causality.¹⁰ Technical sophistication leads to a pretence of knowledge that is far from an in-depth understanding of the mechanisms at work¹¹ and leads to cumulative collective failures to understand the big issues of our time, such as financial instability,¹² the mirage of green growth¹³ or the drivers of inflation.¹⁴ Considering that economics remains – along with management – the most

8 Fredric Jameson, *Postmodernism, or, The Cultural Logic of Late Capitalism*, Durham, 1990, p. 11.

9 Annie Lowrey, 'Why the Phrase "Late Capitalism" Is Suddenly Everywhere', *The Atlantic* (blog), May 1, 2017, [theatlantic.com](https://www.theatlantic.com).

10 Marion Fourcade, 'Economics: The View from Below', *Swiss Journal of Economics and Statistics* 154, no. 1, January 25, 2018, p. 5.

11 Ricardo J. Caballero, 'Macroeconomics after the Crisis: Time to Deal with the Pretense-of-Knowledge Syndrome', *Journal of Economic Perspectives* 24, no. 4, November 1, 2010, pp. 85-102.

12 Chris Giles, 'The Economic Forecasters' Failing Vision', *Financial Times*, December 15, 2008, sec. Financial Times, [ft.com](https://www.ft.com).

13 Jason Hickel et al., 'Degrowth Can Work — Here's How Science Can Help', *Nature* 612, no. 7940, December 2022, pp. 400-3.

14 Zachary Carter, 'What If We're Thinking About Inflation All Wrong?', *New Yorker*, June 6, 2023, [newyorker.com](https://www.newyorker.com); Isabella M. Weber and Evan Wasner, 'Sellers' Inflation, Profits and Conflict: Why Can Large Firms Hike Prices in an Emergency?', *Review of Keynesian Economics* 11, no. 2 (2023), pp. 183-213.

isolated social science discipline,¹⁵ the multiplication of intellectual debacles is so embarrassing that policymakers, such as the ECB chairwoman Christine Lagarde, feel obliged to acknowledge the problem and call for a wider range of inputs into economic analyses.¹⁶

DISSECTING THE FUNDAMENTAL PROPORTIONS OF CAPITALISM

Mandel's approach is decisively opposed to the fetishization of modelling prevalent in contemporary macroeconomics. On the contrary, it is open to the indeterminacy of the historical movement and the interplay of extra-economic shocks. In the meantime, his framework is far from being purely descriptive. As he candidly writes, he hopes to 'explain the history of the capitalist mode of production and above all [its] third phase' through an analysis of the combination of 'the fundamental proportions of the capitalist mode of production'.¹⁷ Those 'proportions' are defined by six key variables: 1) the organic composition of capital (ratio of constant to variable capital, that is, fixed and circulating capital to wages); 2) the distribution of constant capital between fixed and circulating capital; 3) the rate of surplus value (rate of exploitation, that is, ratio of surplus value to wages); 4) the rate of accumulation (ratio of the invested surplus value to the stock of capital); 5) the turnover time of capital; and 6) the development of relations between department I (means of production) and II (consumption goods).

As he summed it up, 'Our thesis is that the history of capitalism, and at the same time the history of its inner regularities and unfolding contradictions, can only be explained and understood as the interplay of these six variables.' An additional variable manifests the

15 Alexandre Truc et al., 'The Interdisciplinarity of Economics', *SSRN Electronic Journal*, 2020.

16 'Many economists are actually a tribal clique,' said Lagarde. '[They] are among the most tribal scientists that you can think of. They quote each other. They don't go beyond that world. They feel comfortable in that world. And maybe models have something to do with it. If we had more consultations with epidemiologists, if we had climate change scientists to help us with what's coming up, if we were consulting a bit better with geologists, for instance, to properly appreciate what rare earths and resources are out there, I think we would be in a better position to actually understand these developments, project better, and be better economists.' Thomas Moller-Nielsen, "'A Tribal Clique': Lagarde Denounces Economists at Davos', January 18, 2024, euractiv.com.

17 Mandel, *Late Capitalism*, p. 42.

changing general state of the system: 'Fluctuations in the rate of profit are the seismograph of this history, since they express most clearly the result of this interplay in accordance with the logic of a mode of production based on profits, in other words, the valorization of capital.'¹⁸

Such a project is very appealing and still relevant today. We can follow it in Anwar Shaikh's *Capitalism*, whose 'central goal . . . is to demonstrate that a great variety of phenomena can be explained by a very small set of operative principles . . . This is the system's mode of turbulent regulation, whose characteristic expression takes the form of pattern recurrence.'¹⁹ Shaikh's insistence that 'whatever form it may take, capitalism will remain bound by the laws of real competition on which it rests'²⁰ is very close to Mandel's assertion that the dynamic of capitalism 'should emerge in the interplay of all the laws of motion of capital . . . [which] yields the mediation between "many capitals" and "capital in general"'.²¹

TOO MANY PROMISES

While Mandel was right about its intentions, *Late Capitalism* does not deliver on all its grandiose promises. The most obvious tension is between the historical and the abstract dimensions. He states that his aim is to elucidate the system's trajectory 'without resort to exogenous factors alien to the core of Marx's analysis of capital', but, in the meantime, he acknowledges that the inner logic of the long-term process of accumulation and valorization collides with the historical unfolding of diverse factors such as wars and revolutions, the dynamic of the class struggle, changing conditions regarding access to raw materials, and innovation processes.²² While those factors are not completely foreign to the system's endogenous movement, they nonetheless partly respond to autonomous determinations. Throughout the book, Mandel is at great pains to relate historical processes in a consistent manner to systemic tendencies and their interrelated and moving causal relations.

¹⁸ Ibid., p. 39.

¹⁹ Anwar Shaikh, *Capitalism: Competition, Conflict, Crises*, Oxford, 2016, p. 5.

²⁰ Ibid., p. 761.

²¹ Mandel, *Late Capitalism*, p. 42.

²² Ibid., p. 42.

More generally, his desire to achieve an all-encompassing view leads him to engage in some confusing or obscured developments, especially in the chapters concerning the arms economy (Chapter 9) and, in part, the one on inflation (Chapter 13). The chapter on neo-colonialism and unequal exchange (Chapter 11) now looks mistaken with respect to its stress on the limits imposed on economic development in East Asia. And his insistence, contrary to Marx, that all labour in services is unproductive is also quite problematic (Chapter 12).

At times, the argument is logically flawed, artificially rigid or based on dubious empirical evidence.²³ Methodologically, he is also far from consistent. For instance, while he rightly rejects the use of the reproduction schemes for dynamic analysis at the beginning of the book, he mobilizes this ad hoc mode of reasoning on several occasions.²⁴

One interesting dimension concerns Mandel's handling of the tendency of the profit rate to fall. He follows a rather orthodox view when he considers that technological change under the pressure of competition leads necessarily to a rise in the organic composition of capital – and thus to a fall of the profit rate, as the share of variable capital generating surplus value over total capital decreases: 'In the long run, the rate of surplus-value cannot rise proportionally to the rate of increase in the organic composition of capital, and most of the "countervailing forces" tend to be superseded in their turn.'²⁵ In his view, countertendencies and, above all, an increase in the rate of surplus value are not sufficient to contain the force resulting from the rising organic composition of capital.

However, as noted by both Bob Rowthorn and Michel Husson, this position fails to account for the link between, on the one hand, the productivity of labour, innovation and the rate of accumulation and, on the other hand, the value of constant capital (both fixed and circulating). Taking into account those aspects opens up the possibility of a decline in the value of new fixed capital, of an increase in the turnover of circulating capital or of an accelerating obsolescence of the stock of

23 For a systematic critical examination see Bob Rowthorn, 'Late Capitalism', *New Left Review* 98, 1976, pp. 59-83.

24 Michel Husson, 'After the Golden Age: On Late Capitalism', in Gilbert Achcar, *The Legacy of Ernest Mandel*, London, 1999, pp. 82-3.

25 Ernest Mandel, 'Partially Independent Variables and Internal Logic in Classical Marxist Economic Analysis', *Social Science Information* 24, no. 3, 1985, p. 488.

capital. All those powerful elements mean that rapid capital accumulation and the increasing technical intensity of the labour process do not mechanically entail an increase in the organic composition, which depends on the value of capital. As summarized by Husson: 'Given a constant rate of surplus-value, the organic composition of capital increases only if the technical composition of capital grows more quickly than the productivity of labour.'²⁶

PEARLS OF AUDACITY

With the hindsight of five decades, the lucidity of Mandel about the conjuncture he was analyzing is striking. His first instinct is on the side of the optimism of the will. He insists that the rising assertiveness of the forces of labour could pave the way for a systemic transformation, since the increasing socialization of labour seems more and more at odds with the atomistic logic of commodity exchange:

Capital assembles a constantly increasing number of workers together in a consciously organized labour process. It combines larger and larger sections of mankind in processes of production which are objectively socialized and connected to each other by thousands of threads of reciprocal dependence. The fundamental contradiction of the capitalist mode of production – the contradiction between the increasing objective socialisation of labour and the further continuance of private appropriation – thus corresponds to the contradiction between the increasing disappearance of private labour (not only in the context of individual factories, but also of large or world-wide companies) on the one hand, and the survival of the commodity form of exchange value or profit as the goal of production on the other, which is based on private labour.²⁷

While these epochal structural changes indicate an immediate possibility of socialism, he simultaneously warns against the illusion of a harmonious regulation of capitalism. When the first edition of the book was published, the 1973 recession had not occurred, and it was not obvious that the post-war accumulation regime was

²⁶ Husson, 'After the Golden Age: On Late Capitalism', p. 86.

²⁷ Mandel, *Late Capitalism*, p. 565.

running out of steam. However, Mandel lucidly observed that budgetary stimulus and inflation could not allow the rate of profit to bend durably upwards and relaunch an expansionary phase. With impressive foresight, he concluded that a monetary tightening would be the only way out for capital, stating that 'if capital seeks to defend the rate of surplus-value, let alone increase it, it must therefore somehow reconstitute a reserve army of labour. This is not possible without restrictions in credit.'²⁸ This is precisely the logic that led to the rise of interest rates by the Fed with the so-called Volcker shock of 1979, which inaugurated the neoliberal turn, laying the macroeconomic ground for a subsequent readjustment of the social and international balance of forces in disfavour of global labour and Third World countries.

THE ANTINOMIES OF CAPITALIST TECHNOLOGICAL CHANGE

Beyond this crucial and early assessment of the systemic turning point of the seventies, it is not possible to render justice in the limited space of a preface to the breadth, depth and variety of developments proposed in *Late Capitalism* and the numerous gems they contain. For that, there is no alternative than to do one's own digging into the text. Here, I will just pick up three arguments related to the role of technological change to give the reader a taste of the kind of ammunition they can find in these pages and how powerful they could be to tackle the current challenges that Marxist political economy must address.

The first one concerns competition. One of the main strengths of Mandel's book is the emphasis on the role of industrial innovation in competition dynamics and its international reach. 'Late capitalism, far from representing a "post-industrial society", thus appears as the period in which all branches of the economy are fully industrialized for the first time.'²⁹ This drive towards general industrialization is motivated by the dwindling of opportunities of surplus profits, such as sectoral and geographical displacement, which results in a competition regime characterized by 'a permanent

²⁸ Ibid., p. 456.

²⁹ Ibid., p. 187.

pressure to accelerate technical change . . . a constant hunt for “technological rents” which can only be obtained through permanent technological renewal’.³⁰ Strikingly, Mandel perfectly perceived the growing role of the intellectual monopolization processes at stake:

Technological rents are surplus-profits derived from a monopolization of technical progress — i.e., from discoveries and inventions which lower the cost-price of commodities but cannot (at least in the medium-run) become generalized throughout a given branch of production and applied by all competitors, because of the structure of monopoly capital itself: difficulties of entry, size of minimum investment, control of patents, cartel arrangements, and so on.³¹

Such an argument anticipates current research concerning the negative consequences of patenting, the impact of digitalization in competition dynamics and the special role of Big Tech.³² In this regard, Mandel’s hypothesis of a ‘dual rate of profit’³³ — one higher for monopolized sectors where capital’s inflow can be blocked, and one lower for the non-monopolized sphere where capital continues to flow freely — is an inspiring lead to explore ongoing industrial stratification, although the current hyper-centralization of ownership in the hands of asset managers further complexifies the issue.³⁴

A second crucial insight concerns automation and touches on the socio-economic limits of technological change under capitalism. Technological advances in information processing and engineering have nourished a wave of fear concerning the ‘rise of the robots’ and its destructive effects on employment.³⁵ As rightly stressed by Aaron Benanav, such fears are wildly exaggerated and at odds with

30 Ibid., p. 192.

31 Ibid., p. 192.

32 Cecilia Rikap, *Capitalism, Power and Innovation: Intellectual Monopoly Capitalism Uncovered* (Routledge Studies in the Economics of Innovation), Abingdon and New York, 2021; Cédric Durand, *How Silicon Valley Unleashed Technofeudalism*, London and New York, 2024; Ugo Pagano, ‘The Crisis of Intellectual Monopoly Capitalism’, *Cambridge Journal of Economics* 38, no. 6, 2014, pp. 1409-29.

33 Mandel, *Late Capitalism*, p. 542.

34 Benjamin Braun, ‘Asset Manager Capitalism as a Corporate Governance Regime’, in Jacob S. Hacker, ed., *The American Political Economy: Politics, Markets, and Power*, Cambridge, 2021, p. 270; Brett Christophers, *Our Lives in Their Portfolios: Why Asset Managers Own the World*, London and New York, 2023.

35 Martin Ford, *Rise of the Robots: Technology and the Threat of a Jobless Future*, New York, 2015.

sluggish investment dynamics that, on the contrary, prevent the restructuration of production processes and limit productivity gains.³⁶ But, interestingly, this kind of discourse about full automation speaks precisely of what capitalism could never deliver. And, on this point, Mandel's reasoning is as good today as it was decades ago:

The absolute inner limit of the capitalist mode of production lies in the fact that the mass of surplus-value itself necessarily diminishes as a result of the elimination of living labour from the production process in the course of the final stage of mechanization-automation. Capitalism is incompatible with fully automated production . . . because this no longer allows the creation of surplus-value or valorization of capital. It is hence impossible for automation to spread to the entire realm of production in the age of late capitalism.³⁷

No workers, no profits. It is as simple as that, and it points to the fact that capital's inner logic prevents the realization of the full technological might of readily available scientific knowledge and blocks some of its emancipatory potentialities.

Here, Mandel's thought takes on an ambivalent but subtle tone concerning the nature of technology and the social content of productive forces, which is the third aspect I want to raise. As we have already seen, he considers that, with accelerated technical change and related increasing socialization of labour processes, capitalist relations of production fetter the development of productive forces, which call for a revolutionary change in economic relations:

The age of late capitalism with its accelerated technological innovation and concomitant massive extension of intellectually qualified labour, drives the basic contradiction of the capitalist mode of production to its highest pitch. The socialization of labour is taken to its most extreme extent as the total accumulated result of the scientific and technical development of the whole of society and humanity increasingly becomes the immediate precondition for

³⁶ Aaron Benanav, *Automation and the Future of Work*, London and New York, 2020.

³⁷ Mandel, *Late Capitalism*, p. 191.

each particular process of production in each particular sphere of production. With the achievement of full automation this would be realized in a literal sense. Private appropriation of this socialized production leads to the crying contradiction that this vast scientific and technical 'capital' at mankind's disposal is subordinated to the conditions of the valorization of actual capital, and is consequently withheld from millions of people or made available to them only in a deformed or fragmentary fashion. Only when the forces of production finally cast off the shell of private appropriation surrounding them, will the revolutionary powers which are still for the most part slumbering in contemporary science be able to be fully utilized to serve the liberation of labour and the liberation of man.³⁸

However, it is remarkable that his reflections on technology and the productive forces move beyond the techno-optimistic view. In Chapter 16, dedicated to 'Ideology', Mandel develops at length a rather cautious view on technology. He denounces the 'fetishism of technology' and what we would call today the 'solutionist' mirage,³⁹ according to which, thanks to technical change, 'the system is capable of overcoming all the fundamental socio-economic contradictions of the capitalist mode of production'.⁴⁰ More profoundly, Mandel advanced that 'threats to the environment are not due to any "technical necessity" but to harmful technological decisions determined by private interests', and he criticized among bourgeois and Marxist thinkers alike 'the naïve or apologetic belief that only the technology developed by capitalism is capable of superseding the inadequacy of simple human labour'.⁴¹ On the contrary, he argued that 'men and women under different social conditions, increasingly liberated from mechanical labour and progressively unfolding their creative capacities, should be [able] to develop a technology answering the needs of a rich "individuality"'.⁴²

Such a defiant tone against capitalist technology and the view that a different technological path could be envisioned under

38 Ibid., p. 268.

39 Evgeny Morozov, *To Save Everything, Click Here: The Folly of Technological Solutionism*, New York, 2013.

40 Mandel, *Late Capitalism*, pp. 506-7.

41 Ibid., p. 504.

42 Ibid., p. 503.

different relations of production is perfectly aligned with Kohei Saito's warning against the reification of nature, and his explanation of the embeddedness of human beings in the capitalist forces of production and the necessity to find beyond capitalist growth the resources for a transformed metabolism between humanity and nature.⁴³

Mandel was above all a theoretician of late capitalism, a powerful analyst of the inner logic of the turning point of the 1970s. While his all-encompassing ambition was not able to fully deliver on his own objectives, what he achieved sets a high bar to which Marxist political economy should aspire to. Marxism is a paradigm that proposes to dissect how the unfolding of capital valorization touches every corner of the contemporary historical *devenir*. While it is not within reach of any individual to digest such a totality, it is still a collective task of Marxism to elaborate an intellectual grammar indifferent to no socio-economic questions in order to grasp our epoch as a monstrous whole.

Cédric Durand
February 2024

⁴³ Kohei Saito, *Marx in the Anthropocene: Towards the Idea of Degrowth Communism*, Cambridge and New York, 2022, Chapter 5.