Seventeen Contradictions and the End of Capitalism

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Contradiction 12
Disparities of Income and Wealth

An analysis of the Internal Revenue Service income tax returns for New York City in 2012 showed that the average income of the top 1 percent in that year was $3.57 million, while half of the population in this extremely high-rent and high-cost-of-living city were trying to get by on $30,000 a year or less. In three days the ultra rich made more money than most New Yorkers made in a year. By any standards, this level of income inequality is astonishing, surely making New York City one of the most unequal cities in the world. On the other hand these figures should not surprise anyone, given the enormous earnings of the leading hedge fund managers (five of whom earned, in the wake of the crisis, more than $3 billion each in 2009) and the huge bonuses customarily doled out by the leading banks in the city. Nationally, as might be expected, the income disparities are nowhere near as dramatic, even though they had been increasing markedly since the 1970s or so.

There is no point here in attempting anything other than a highly simplified account of aggregate global trends in inequalities of wealth and income. Struggles over distribution of the social wealth have been incessant throughout the history of capitalism. Outcomes have varied greatly from one state, region or city to another, as different groups have struggled for advantage against others as well as against dominant groups and classes for what they regard as their fair and proper share of the product of social labour. Given the powers of the state to extract taxes and to redistribute wealth and income, much has depended on which faction or political alliance holds state power and what it does with it.

Struggles over distributional shares have often been fierce and the outcomes hard to predict. In the wake of a coup, such as that which occurred in Chile in 1973, it was to be expected that distributional shares would shift dramatically towards greater inequality as the elites that backed the coup cashed in. In Russia, a small band of oligarchs collared, in an astonishing act of pillage, most of the natural resource wealth of the country after the collapse of 1989. The ex-Soviet Union now boasts one of the highest concentrations of billionaires – an authentic oligarchy – in the world. In Britain after 1945, however, a Labour government built a welfare state that supported the least affluent for a whole generation, much as the Scandinavians had done before them. The strong influence of communism during the Cold War over social policies in the capitalist world, coupled with strong social democratic impulses within that world (deriving from a history of working-class organisation and a sharpened class consciousness), meant capitalist states in general had to put a floor under conditions of life for whole populations. The welfare state that resulted was far from being socialist. It had strong elements of gender bias and was paternalistic and even pro-capitalist to the extent that it became demeaning, punitive and bureaucratic in its approach to its own clientele. To be a ward of the welfare state was more often than not unpleasant and inhuman, even as some state benefits (like social security and old age pensions) brought more security to everyone. This was the kind of state that was criticised by the progressive left and then later obligingly abolished during the Thatcherite neoliberal counter-revolution of the 1980s. The collapse of communism in 1989 removed the external pressure on states to either look to the well-being of their populations or face strong political opposition.

Even in the absence of such dramatic realignments, the to and fro of social struggles between classes and ethnic/racial groupings, along with the fluctuating conditions of boom and slump in the economy, have impacts on distributional arrangements that vary a great deal from one part of the world to another. The distribution of income and wealth in Nordic countries, for example, has until recently been much more egalitarian than that in the United States, even before the Reagan revolution started to shift the balance of concern away.
from labour and the poor towards subsidising and rewarding capital. But both the USA and Sweden are solidly capitalist. Capital seems to work just fine in a variety of distributional settings.

This variability and adaptability of capital to complex configurations of distribution does double duty when inserted into the incredible complexity and diversity of social groupings that can exist throughout capitalism in general. Gender, sexual, racial, ethnic, religious, cultural, national and place-bound distinctions are everywhere in evidence and questions of status, skills, talents, respect and admiration for achievements and values confer differential opportunities and life chances both for individuals and for distinctive ethnic, racial, sexual and religious social groups within capitalist social formations. To the degree that these characteristics are associated with differential access to and remunerations in, for example, labour markets, wide-ranging differentiations in economic and political power result.

Not all economic distinctions within capitalism are attributable to capital. But neither is capital innocent when it comes to fomenting conflict within and among social groups. This is one of the crucial levers it has to consolidate its control over labour. On the other hand capital often appears indifferent as to which particular social differentiations to support and which to discriminate against. It tends to support whatever form of social emancipation gains traction (such as gay rights and multiculturalism in recent years) provided that this does not challenge overall strategies of labour control and provided that it forms a distinctive niche market to be exploited. But the fact that these social distinctions take on economic and material forms leads inevitably to fierce competition over distributional shares among social groups within a population. We are here positioned at one of those key and sometimes confusing and confounding points of interaction where capital and capitalism cannot be kept clearly asunder. This is particularly the case with regards to questions of race. Racial issues in many parts of the world (such as the United States) have long been so intertwined with questions of class as to make the two mutually reinforcing if not sometimes indistinguishable categories.

A good deal also depends on dominant ideas as to what might constitute 'just' or 'ethically acceptable' disparities in wealth and income and by what means injustices might be rectified. Concerns of this sort are not confined to workers alone. There has been a long tradition of bourgeois reformism in which the presence of appalling misery and poverty, even when it is no threat to public health (as it was in cholera epidemics that did not stop at class boundaries), is judged unacceptable in any civilised society. Polls repeatedly show, for example, that most Americans have strong egalitarian views and that they are committed not only to equality of opportunities (as the right wing ritualistically maintains) but also to equality of outcomes. In a 2005 survey of more than 5,000 people in the United States, the respondents, irrespective of political party or income, said they believed on average that the top 20 per cent should own no more than 32 per cent of the wealth. When shown (without attribution) the wealth distribution from Sweden (where 38 per cent of the wealth is held by the top 20 per cent) and parallel data from the United States (where 84 per cent of the wealth is held by the top 20 per cent), 92 per cent of respondents preferred the Swedish distribution. The respondents, it turned out, had little or no idea of what the actual distribution of wealth in the USA actually was. They believed that the top 20 per cent controlled 58 per cent of the wealth rather than the 84 per cent which was actually the case. Either way, this was a far cry from the 32 per cent they thought would be fair.

So why is there so little political movement in the USA to rectify this lopsided distribution in the face of their beliefs as to what should be? The answer mainly lies in the intense popular hostility towards state interventions. This prevents the one institution capable of rectifying income and wealth disparities from doing very much about it. In the debate over Obama's health care law, for example, Republicans did not oppose the principle of universal access to decent health care, but violently denounced the right of the 'nanny' state to mandate it or to mandate individual behaviours. And so it goes with any tax proposals to redistribute from the rich to the poor. In recent times the redistributions have actually been in the other direction in the name
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of austerity, budget deficit reduction, tax cutting and mandating a smaller and less intrusive government. It is hard not to conclude that capital's intense interest in putting a downward pressure on wages lies behind these budgetary and fiscal manoeuvres.

Struggles over the distribution of wealth and income are not the only kinds of distributional struggles that matter. Struggles for recognition, respect, true equality before the law, over citizenship rights and cultural and religious freedoms, over proper political representations, educational opportunities and access to job opportunities and even over the right to be lazy are ongoing. Many of these struggles are collectively waged by particular segments of the population seeking redress or advantage as the case may be (for example, women, LGBT groups, racial, ethnic or religious minorities, senior citizens, trade unions, chambers of commerce, to say nothing of the social and political institutions that seek to defend the interests of labour). The flux and flow of these social struggles produces diverse outcomes, many of which have side implications for the distribution of wealth and income. Access to educational opportunity, for example, has clear impacts on future income distributions.

Capitalism, taken as a whole, is riven with such conflicts and struggles. But the questions I wish to pose here are far narrower. In what ways does capital, understood as the organisation of the economic engine of capital circulation and accumulation, rest upon certain basic principles for the distribution of wealth and income? Are the identifiable large-scale shifts in income distributions that have occurred over the last forty years attributable to the way the internal contradictions of capital have been reconfigured? Finally, does the plainly intensifying contradiction between poverty and wealth pose a threat to the reproduction of capital?

The statistical evidence confirms the adaptability of capital to wildly disparate distributional arrangements. But while there clearly is no unique distribution of income and wealth that might be considered optimal from the standpoint of the reproduction and growth of capital, no one believes that perfect equality of distribution is possible. It has been suggested, on the other hand, that grossly lopsided distributions might spell trouble not only because of the social instability and unrest they may provoke (a fear the IMF and the Davos conferences of the global capitalist elites frequently invoke), but because the historical evidence suggests gross inequalities might be a harbinger of a macroeconomic crisis to come. This is so because the contradictory unity between production and realisation becomes far harder to keep in balance when realisation depends on the vagaries and discretionary habits of wealthy people as opposed to the solid and reliable non-discretionary demands of the working poor. The last time the USA experienced equivalent levels of inequality to those now prevailing was the 1920s and this clearly played an important role in fomenting if not triggering the depression of the 1930s. The situation today seems broadly comparable. Can we hope to get out of the current stagnation without radically reordering distributional arrangements?

Consider some recent trends in distribution. An Oxfam media briefing offers the following capsule description:

Over the last thirty years inequality has grown dramatically in many countries. In the US the share of national income going to the top 1% has doubled since 1980 from 10 to 20%. For the top 0.01% it has quadrupled to levels never seen before. At the global level, the top 1% (60 million people) and particularly for the more select few in the top 0.01% (600,000 individuals – there are around 1200 billionaires in the world) the last thirty years has been an incredible feeding frenzy. This is not confined to the US, or indeed to the rich countries. In the UK inequality is rapidly returning to levels not seen since the time of Charles Dickens. In China, the top 10% now take home nearly 60% of the income. Chinese inequality levels are now similar to those in South Africa, [the most unequal country on earth, where incomes are] significantly more unequal than at the end of apartheid. Even in many of the poorest countries, inequality has grown rapidly. Globally the incomes of the top 1% have increased 60% in twenty years. The growth in income for the top 0.01% has been even greater.
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The crisis of 2007–9 onwards made matters worse: "The top 100 billionaires added $240 billion to their wealth in 2012 - enough to end world poverty four times over." Billionaires have erupted all over the place, with large numbers now recorded in Russia, India, China, Brazil and Mexico, as well as in the more traditionally wealthy countries in North America, Europe and Japan. One of the more significant shifts in the world is that the ambitious no longer have to migrate to the affluent countries to become billionaires – they can simply stay at home in India (where the number of billionaires has more than doubled over the last few years), Indonesia or wherever. As Branko Milanovic concludes, we are witnessing the rise of a global plutocracy in which global power is held by a relatively small number of very rich people. The threat to the contradictory unity between production and realisation in the global economy is palpable.

Yet by other measures the world is a much more equal place than it once was. Millions of people have escaped from poverty. Much of this has been due to the phenomenal growth of China, along with substantial bursts of growth in the other so-called BRIC countries (Brazil, Russia and India). Disparities in the global distribution of wealth and income between countries have been much reduced with rising per capita incomes in many developing parts of the world. The net drain of wealth from East to West that had prevailed for over two centuries has been reversed as East Asia in particular has risen to prominence as a powerhouse in the global economy. The recovery of the global economy (anaemic though it was) from the traumas of 2007–9 had largely been based by 2013 on the rapid expansions in so-called 'emerging' markets (mainly the BRIC countries). This shift had even extended to Africa, which was the one part of the world that seemed to have escaped almost entirely from any effects of the crisis. The uneven impact of the crisis within Europe, however, meant rapidly widening disparities in economic well-being between southern and northern countries. But none of these trends seemed very stable. At the mere mention of a shift in Federal Reserve monetary policy in mid-2013, for example, there was an immediate outflow of capital from emerging markets such that the latter went into a swoon, only to revive when the Fed announced it was rethinking its policies.

There has been a double movement over the last forty years: on the one hand a general trend towards a levelling up in per capita wealth and incomes across states (apart from those, like Greece, hit hard by the recent crisis) and on the other dramatic increases in income and wealth disparities among individuals and social groups in almost every country of the world. Very few states or regions have bucked this trend and for the most part in backwaters of the global economy (for example, a country like Bhutan or, for a while, the state of Kerala in India). Only in Latin America have we seen some reductions in social inequality as a result of state policies. Disparities in monetary wealth are far harder to get a handle on compared to incomes. But in some respects monetary wealth is more important, since it has a long-standing rather than a volatile relation to political power. The monetary measure of wealth is difficult because the valuation of certain assets – everything from art collections to expensive jewellery and property – is often a matter of guesswork and in any case fluctuates wildly, as in the case of the market value of stocks and shares. In most countries the distribution of monetary wealth seems even more lopsided than the distribution of incomes.

Why these general global trends? Has there been something going on within the contradictory evolution of capital that would make them inevitable, or even necessary for the survival and reproduction of capital? Do increasingly lopsided wealth and income distributions within so many countries signal the existence of a moving contradiction and, if so, what sort of movement is it (for example, cyclical or linear)? Does this movement account for rising levels of unrest and social instability (as witnessed in 2013 from Stockholm to Istanbul and a hundred or so cities in Brazil)? Is it a harbinger of a grumbling and still unfolding macroeconomic crisis?

To answer these questions requires first that we establish how inequality is foundational for capital. The inequality derives from the simple fact that capital is socially and historically constructed as a class in dominance over labour. The distribution of income and of
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wealth between capital and labour has to be lopsided if capital is to be reproduced. Distributional equality and capital are incompatible. Certain distributional disparities actually precede the rise of capital. Workers must be dispossessed of ownership and control over their own means of production if they are to be forced into wage labour in order to live. This distributional condition precedes the production of surplus value and it must be maintained over time. Once capital circulation and accumulation become general, the wage level has to be kept within limits that permit profit making. Any drive to maximise profits means driving down wage rates or increasing labour productivity. Fierce competition between capitals leads to a general reduction in wages no matter whether individual capitalists will it or not. The distributional share between wages and profits is a product of some mix of labour scarcities and the state of class struggle. The resultant configuration is geographically uneven.

A sufficient share of the total output of social value must flow to the capitalist class to (a) incentivise the capitalists by showering them with conditions of consumption worthy of some leisure class and (b) provide them with sufficient surplus to keep the economic engine of capital working and expanding powerfully and smoothly. The 'Faustian dilemma' that lurks within the breast of every capitalist between personal enjoyment and reinvestment can be resolved only with considerable surplus generation and appropriation. A disproportionate amount of the surplus must always flow to capital at the expense of labour. This is the only way for capital to be reproduced.

The superior economic resources that accrue to capital allow it and it alone to invest and create jobs in a purely capitalist economy. This provides the right-wing rationale for public policies (taxation arrangements in particular) that favour capital over labour. While the uneven income distribution may appear unfair, it is said, it actually is advantageous to labour because capital is in command of job creation and the more the capitalist class possesses the more job creation there will be. Unfortunately, this is not the whole story. Capital reinvests in job creation only when that activity is profitable. The last three recessions in the United States have been followed by jobless recoveries because profitable opportunities were lacking even though wage rates were falling and labour surpluses were everywhere in evidence. Capital either 'warehoused' its cash or used its surplus incomes for speculative gains on the stock market, in property, in asset purchases (resources and land in particular) or in playing a casino game with new and unstable financial instruments. If it invested in production at all, it was more likely to invest in labour-saving technologies that increased unemployment rather than in job creation.

Meanwhile, the increasing concentration and centralisation of incomes and wealth within a capitalist class permitted it to exercise disproportionate influence and control over the media (public opinion) and the capitalist state apparatus. Capital procured privileged access to protection by a state which claims a monopoly over the legitimate use of violence and a monopoly over the means of money creation. It uses these privileges to protect its interests and perpetuate its power. Central banks always bail out banks but they never bail out the people. This is what the drift towards the formation of a global plutocracy and the incredible increases in the disparity of wealth and income in most countries around the world signal.

On the other side of the class divide, the neediness of workers accounts for very little or nothing as far as capital is concerned, except when the total aggregate demand exercised by workers is insufficient for the realisation of capital accumulation in the market. Capital is most immediately interested in keeping wage rates as low as possible. This defines a central contradiction, as we earlier saw, between realisation and production. The capitalist ability to manage the wage rate rests upon the availability of an 'industrial reserve army' of surplus workers. The function of this reserve is to supply the labour power required for future expansion of capital while acting as a dead weight upon the aspirations of those already employed as they struggle to improve rates of remuneration and working conditions. The industrial reserve army is of two sorts. First, there are the unemployed workers. Technological changes that enhance labour productivity produce layoffs and unemployment. Capital thus acquires
considerable power over the supply of surplus labour at the same time as it manages its own level of demand. In other words, capital is committed as much to the production of unemployment as it is to job creation. Providing tax incentives to capital to reinvest can just as easily lead to the elimination of jobs as to their creation (a fact that is rarely mentioned in political discussions on the subject even though it is as plain as a pikestaff to any worker who has been laid off for technological reasons).

Second, there were and still are latent reserves in the form of extensive peasant populations, the self-employed, women and children who have yet to be subjected to wage labour. The recent vast increase of wage labour in China has entailed a transformation of this kind. Africa still constitutes a vast potential reserve of labour that has yet to be mobilised. Much of the growth that has occurred in the BRIC countries and elsewhere has entailed a mobilisation of this latent reserve. In the advanced capitalist countries the mobilisation of women into the labour force earlier performed an analogous function even as the pool of surplus rural labour was early on drained dry. This latent reserve is not necessarily available in situ. From the 1960s onwards, the Germans turned to Turkey, the French to the Maghreb, the Swedes to the former Yugoslavia, the British to their former Empire and the USA to Mexico for immigrant labour. When a rising anti-immigrant fervour among the working classes grabbed hold, capital migrated to the Mexican maquilas, the Chinese and Bangladeshi factories, in a mass movement to wherever surplus labour was to be had. Even when capital does not migrate, the very threat that it might do so often serves to keep labour quiescent in its demands.

The intricate details of this need not detain us. All that matters is that we clearly register by what general means capital can keep the distributive share of labour in check and can manage it, even in the face of strong currents of organised opposition and the danger of triggering a realisation crisis by stifling workers' effective demand. That it has done so over the last forty years by some mix of labour-saving technological changes and an alleatory globalisation is obvious even as conditions of fiercer international competition have put downward pressures upon profit rates in spite of rising rates of exploitation of labour power. The net effect has been a global trend towards the reduction in the share of labour in the social product. This is what underpins increasing disparities in the individual distribution of wealth and income almost everywhere we look.

There is, however, another piece of the puzzle that has to be put in place. The obvious advantage that capital derives from the presence of a vast reserve of surplus labour poses the problem of how does the reserve population live when it is unemployed? In the case of latent reserves, this problem is often dealt with by what is called 'partial proletarianisation'. Where labour reserves are drawn from rural regions, then workers can return to their rural base when thrown out of work and eke out a living there as they have always traditionally done. Much of the cost of reproduction and child rearing is also borne in the rural areas on the basis of remittances sent home by urban workers. This has been true of China, for example. It also applies to migrant (particularly undocumented) workers in the USA who return to Mexico, where they were born, when they are laid off or get sick (from excessive exposure to pesticides, for example). But, obviously, this does not work when whole families migrate into the city and cut their rural ties. Informal economies spring up (including those that entail criminal activities) to sustain life on marginal terms in low-cost accommodation in shacks, shanty towns and favelas. The unemployed eke out a living however they can in the urban slums. What this does, of course, is to define a way and standard of life and, even more importantly for capital, a cost of living that defines a lower bound for wage levels in the formal sector. That lower bound can be approached to the degree that workers can easily be recruited from the surplus that survives in the informal sector.

In the advanced capitalist countries this lower bound to wage levels is fixed by the level of social welfare and unemployment insurance established out of a long history of class struggle. This has led right-wing theorists to argue that unemployment arises because the standard of living available to the unemployed is too generous.
The best way to attack unemployment is to reduce unemployment benefits! Employers who cannot profitably produce because wage levels are too high will then increase employment opportunities at these lower wage levels. There is some evidence that something like this can indeed happen. The problem, of course, is that wage levels throughout the whole labour force diminish without necessarily generating much new employment, thus contributing to the rising rate of exploitation of labour and, other things being equal, higher profits for capital and widening income disparities. This was one of the effects of President Clinton's reform of the welfare system in the United States and the introduction of 'workfare' requirements in 1995. The far more punitive conditions of welfare for the unemployed end up, of course, increasing the vast pool of poverty-ridden unemployed who cannot find a job because none are being generated in the face of the twin forces of globalisation (and competition with massive latent reserves) and labour-saving technological changes. Clinton has been handsomely rewarded since by business organisations, earning some $17 million in 2012 from speaker's fees mainly from business groups.

The neoliberal approach to labour force management takes this tack. It comprises a broad offensive against all those institutions—such as trade unions and socialist political parties—that had for long struggled to protect labour from the worst impacts of periodic bouts of widespread unemployment. The conditions prevailing within the labour reserve have, as a consequence, deteriorated markedly since the 1980s for political and strategic reasons. Capital in effect has been deepening income inequalities and poverty in order to sustain itself.

This story is a gross oversimplification, but it provides a neat illustration of how the contradictory unity of production and realisation has been manifest historically through the cyclical movement in income disparities from relatively narrow to explosively expansive. It was also paralleled by shifts in economic orthodoxy. Keynesian demand management dominated economic thinking in the 1960s, as we earlier remarked, whereas monetarist supply-side theories came to dominate after 1980 or so.

This brings us back to the question of what level of social inequality is acceptable and desirable within capitalism. Complete economic egalitarianism is plainly impossible, in contrast to liberal political theory, which advocates (in theory) for equality in political, legal and citizenship rights. The separation between economic and political rights is palpable. But at what point does the contradiction between the production of wealth and poverty here identified as foundational for capital sharpen and become the locus of crisis formation? There are two ways in which crises might be produced.

Chronic inequalities produce imbalances between production and realisation. The lack of effective demand among the masses slows down or blocks the easy circulation of capital. The politics of austerity, widely being applied throughout much of the capitalist world in recent times, reduces effective demand and hinders the creation of profit opportunities. This explains the current situation in the USA, where business profits have been at an all-time high, while reinvestment has been weak. The second way is for unacceptable levels of inequality to fuel social discontent and revolutionary movements. This threat is not confined to situations of absolute deprivation. It can arise out of relative deprivation, particularly when that deprivation is tied to the inferior economic condition of some specific religious, ethnic, gendered or racial group. The labour unrest and the urban uprisings of the 1960s in the United States were of this sort. The social unrest in Brazil in 2013 arose at a time of modest reductions in inequality and could partially be attributed to rising expectations among hitherto marginalised populations and the failure of public services and facilities to keep up with their demands.

None of this explains the astonishing concentrations of wealth among an emergent global plutocracy at the top of the income distribution. But there is a structural explanation for this and it pivots around the rising role of merchant, media and financial capital. Rapidly evolving information technologies and space-time revolutions in communications have revolutionised the possibilities for the geographical mobility of money capital in particular. The emphasis within capital has shifted as a result towards global financialisation.
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The dynamic shifts occurring across several of capital’s contradictions have in effect interacted in such a way as to widen disparities in income and wealth via this financialisation. Let me elaborate.

There have been several bouts of financialisation throughout capital’s history (the latter half of the nineteenth century, for example). What makes the current phase special is the phenomenal acceleration in the speed of circulation of money capital and the reduction in financial transaction costs. The mobility of money capital relative to that of other forms of capital (commodities and production in particular) has dramatically increased. Capital’s penchant for the annihilation of space through time here has a large role to play. This, says Craig Calhoun in a recent essay, ‘facilitates the “creative destruction” of existing structures of capital (e.g. specific modes of industrial production) and spurs the development of new technologies, which in turn spurs the development of new products, production processes and new sites of production’. Uneven geographical developments become even more pronounced as capital searches out and moves to newer and lower-cost locations. The pressure asserted by finance ‘drives investment towards ever more short-term profits and undercuts long-term and deeper growth. It also produces speculative bubbles and busts. It increases market pressure on firms bringing less than median returns to capital, driving disinvestment from still-profitable older businesses and thus driving down wages and reducing the tendency of industrial capitalism to share profits through rising wages. It intensifies inequality’ (my emphasis). But rapid-fire financialisation also ‘leads to returns on invested wealth that far outstrip returns on employment. It rewards traders more than material producers ... It makes all other sorts of businesses pay more for financial services. The 2010 bonus pool for securities industry employees in New York City alone was $20.8 billion; the top 25 hedge fund managers earned $22.7 billion. And this was after the market meltdown revealed the damage that financialisation was doing to the larger economy’. Traders of all sorts benefit, not only those trading in money. Those trading in information and all the accoutrements of the economy of spectacle and the manufacturing of images and fetish desires are also part of the deal, as well as all those who trade in futures, no matter how fictitious these turn out to be. The merchants and the rentiers as well as the financiers are repositioned as the arbiters of capital accumulation relative to industrial capital. This is how the distribution of wealth and income became so distorted from the 1970s onwards.

But this has made capital itself less secure, more volatile and more crisis-prone, because of the resultant tensions between production and realisation of social value when the main arbiters of capital accumulation have little or nothing to do with actual production. The engine of capitalism has been groaning under the strain. The engine could easily blow up (China would almost certainly be the epicentre for that) or grind to a halt (as seems to be the more likely outcome in contemporary Europe and Japan).

There is, in all of this, a deep irony. Historically, industrial capital waged a mighty struggle to free itself from the chains of the landlords who extracted rent, the usurious financiers and the merchants who looked to rob or buy cheap and sell dear in unevenly constructed markets. Twenty-first-century capitalism seems to be busy weaving a net of constraints in which the rentiers, the merchants, the media and communications moguls and, above all, the financiers ruthlessly squeeze the lifeblood out of productive industrial capital, to say nothing of the workers employed. It is not that industrial capital disappears. It has merely become subservient to capital in its other more fantastic and virulent forms.

A form of capital has emerged that is ruthlessly dynamic in the field of technological changes and in the globalisation of social relations, yet which not only pays no mind to the conditions under which social labour produces but even seems not to care too much whether production takes place at all. However, if all capitalists seek to live off rents, interest, profit on merchant’s and media capital, or even worse just on speculating in asset values or living off capital gains (as most of the top 1 per cent of income earners do in the USA), without producing social value, then the only possible outcome is a calamitous crisis. A political economy of this kind also betokens
the concentration and centralisation of immense economic wealth, power and privilege among the merchant and media capitalists, the financiers and the rentiers. The emergence of such a plutocracy is, sadly, all too plain to see. The fact that it does so well while the mass of the people does so badly is hard to disguise. The big question is if and when a mass political movement of the dispossessed might arise to repossess that which has been lost.

This leaves us with one critical residual question: if the immense disparities of wealth and income now emerging are a reflection of the rise of this new form of capital, then what were the contradictions that made for the rise of this new form of capital? This is a crucial question that will be taken up later in the context of the dangerous contradictions. It was not, I shall hope to show, a mere accident of history.

The political implications of all this for an anti-capitalist strategy are simple enough but far-reaching. If, for example, the poll data for the United States is at all emblematic, then there will be massive public support for a reform movement that produces far more egalitarian outcomes than is currently the case, even as it demands that the state not be the vehicle to accomplish this. There would be and is widespread support for worker-control initiatives, solidarity economies and autonomous communitarian and cooperative structures. The example of Mondragon, the largest and most long-lasting workers' cooperative in Europe, with its collective management bragging, until very recently, an income disparity of no more than three to one (compared to the 350 to one in a typical US corporation) is appealing.

In this case we also see the potential value of a very important category of political action. This is the idea of 'revolutionary reform'. Plainly, the reduction of wealth and income disparities from their current levels would not challenge the reproduction of capital one wit. Indeed, such a reduction, it can be plausibly argued, is absolutely necessary for capital to survive in the present conjuncture because the current disparities threaten to become an absolute contradiction by virtue of escalating imbalances between the capacity to manage the contradictory unity between production and realisation.

But, if the theory of capital's necessary inequalities is correct, then there will come a point where a programme to reduce wealth and income inequalities will threaten the reproduction of capital. Once a move towards a profit squeeze gets under way, then it can ultimately threaten to squeeze the lifeblood out of capital to compensate for the way capital systematically sucks the lifeblood out of labour. Nobody knows exactly where the breaking point might lie, but it will surely be well before the levels of equality preferred in the US public opinion polls are reached. A reform movement around reducing social inequality can become the cutting edge for revolutionary transformation.
Contradiction 10: Monopoly and Competition: Centralisation and Decentralisation
2. Ibid.

Contradiction 11: Uneven Geographical Developments and the Production of Space

Contradiction 12: Disparities of Income and Wealth
4. Craig Calhoun, 'What Threatens Capitalism Now?', in Immanuel Wallerstein, Randall Collins, Michael Mann, Georgi Derlugian and...
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Contradiction 13: Social Reproduction
11. Lefebvre, *Critique of Everyday Life*.

Contradiction 14: Freedom and Domination