



Philip Arestis, Malcolm Sawyer, eds

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### **Ernest MANDEL (1923–1995)**

Ernest Mandel was born in 1923 into a Flemish–Jewish family. He was educated at the Université Libre de Bruxelles, the Ecole Pratique des Hautes Etudes (Sorbonne), where he got his certificate, and the Free University of Berlin, where he received his Ph.D. After working as a journalist and a member of the Economic Studies Commission of the Belgian Trade Union Federation, he became professor at the Vrije Universiteit (Brussels) in 1972, teaching Marxist economic theory and political science. Until retiring, he was also Director of the Institute of Political Studies at Vrije. He has been politically active all his life in the Fourth International.

His first book appeared in 1962, translated into English under the title *Marxist Economic Theory*. Many other books have followed. Mandel would consider the contributions discussed below as his main ones, in which he generally dissents from the mainstream of economic thought in the West as well as in the East. Some of the publications have been quite seminal; others are still largely ignored by ‘official’ science.

With his article ‘The Heyday of Neo-Capitalism and its Aftermath’ (1964), Mandel revived the long-wave theory of economic development under capitalism, generally known as the Kondratief–Schumpeter theory. But he counterposed the idea of ‘long waves’ to the concept of ‘long cycles’. This meant rejecting any great regularity in the duration of long waves; it especially meant establishing the asymmetry between the turning of a ‘long expansive wave’ into a depression, and a ‘long depressive wave’ into a long-term expansion. While the first turn is inevitable, according to Mandel, the second one is not endogenous in the economic process properly speaking. It requires ‘system shocks’, to use a term introduced by Professor Forrester. Only such external shocks can explain what might appear as a paradox from a Marxist point of view: a sudden and lasting upturn of the average rate of profit, without which no long-term increase in the rate of capital accumulation and of economic growth is possible. Such sudden upturns have occurred thrice in the history of capitalism: in 1848–49, in 1893 and in 1948 (in the Anglo-Saxon countries in 1940). It remains controversial whether a first reversal of this kind can also be dated to the beginning of the Napoleonic Wars.

According to Mandel, such system shocks are essentially the results of radical changes in the relationship of forces between the classes, which induce a radical increase in the rate of surplus-value (rate of exploitation of wage labour), and radical declines in the value of the money-commodity gold (as distinct from paper money or bank money). Revolutions, counter-revolutions, sudden radical expansions of the world market, wars, the appearance of a hegemonic capitalist power on the world market – all play an important role in these processes. In the light of this theory, the ‘soft landing’ of the long depression which started in the late 1960s and early 1970s is neither automatic nor certain. Once an upsurge of the rate of profit begins, however, a technological revolution tends to make the higher rate of growth cumulative for several decades.

These ideas were further developed in Chapter IV of the book *Late Capitalism* (which appeared in German in 1972) and especially in the book *Long Waves of Capitalist Development* (an extension of the Alfred Marshall Lectures which Mandel delivered at the University of Cambridge in 1978).

In his book *Late Capitalism*, Mandel tries to explain that, with World War II, there came about a new sub-phase in the history of capitalism which, while maintaining the main characteristics of monopoly capitalism (imperialism according to Lenin’s vocabulary), adds significant new features. Mandel does not deny the important role of state intervention in the contemporary capitalist economy. But contrary to prevailing economic doctrine in the West (Samuelson, Galbraith, neo-Keynesians in general) and in the East (theory of ‘state monopoly capitalism’), he considers the growing internationalization of the productive forces and of capital, triggered off by the third technological revolution, as the main trend of international capitalism in the last 50 years. The emergence of the multinational (transnational) corporation as the main form of business organization synthetically expresses this tendency. Mandel was thereby able to predict both the decline of American hegemony on the world market and the decline of the power (efficiency) of nation-states to intervene in the economic process before either actually occurred. He considers the relative decline of neo-Keynesianism in favour of neo-liberalism as the prevailing doctrine of economic policy not as the cause, but as the consequence, of that reversal.

In his 1984 article Mandel analysed the emergence of semi-industrialized capitalist countries (Brazil, South Korea, Taiwan, Mexico and so on) as a result of transformations in the metropolitan countries and in these countries themselves. Since the latter remain dependent in the fields of finance and technology, Mandel rejects both the ‘dependency’ theory (which denies the possibility of semi-industrialization under capitalism) and the theory of ‘sub-imperialism’. He sees the vulnerability of these economies especially enhanced by successive international recessions (generalized crises of over-production) in the metropolitan countries.

Mandel tries to restate and refine classical business cycle (crises) theory, out of grace in academic and even Marxist (neo-Marxist) circles during the long post-war boom. He rejects any mono-causal explanation of crises of overproduction and, following Marx, stresses that all the inner contradictions of the capitalist mode of production and of bourgeois society are involved in the process leading up to such crises. In particular, he rejects any attempt to explain crises of overproduction simply in terms of what occurs in the sphere of production. Instead he insists that the problems of realizing surplus-value, of markets, of precise division of 'purchasing power' (national income) into effective demand for each basic category of commodity (with its peculiar use-value) play a key role in bringing about such crises. These problems cannot be automatically 'solved' by the structure of output, the rate and amount of surplus-value and so on.

This analysis, which implies a fundamental 'rehabilitation' of Volume II of Marx's *Capital* in the general corpus of economic theory, is further developed in the following: Chapters 10 and 11 of *Marxist Economic Theory*; Chapter IV of *Late Capitalism*; in Mandel's 'Introductions' to the first paperback edition of the three volumes of *Capital* in the Pelican Marx library, and in his books *The Second Slump* and *Cash, Crash and Crises*. The roles of inflation, of credit explosion ('the debt economy') and the subsequent emergence of a large sector of speculative capital inside the capitalist economy (both as a means of temporarily delaying the crisis and of making it more explosive in the long run) are extensively analysed in these successive books.

Mandel has devoted a systematic effort at determining the nature of the post-capitalist economies (Eastern Europe, China and especially the USSR) and at trying to lay out their long-term laws of motion. This was done especially in Chapters 15 and 16 of *Marxist Economic Theory*, in his article 'The Laws of Motion of the Soviet Economy' and in his book *Beyond Perestroika*. It is systematized most recently in *The Marxist Theory of Bureaucracy* (1990).

Mandel rejects any definition of these economies as 'socialist', as 'capitalist' (state capitalist), or as dominated by a new ruling class (bureaucratic collectivism). He sees them essentially as economies in transition between capitalism and socialism, frozen at that phase by the stranglehold of a privileged parasitic bureaucracy and by the stalemate of the worldwide struggle between capital and labour. In these economies, the law of value does not apply anymore (which proves that they are not capitalist), but it does still influence the economy (which confirms that they are not socialist or collectivist).

Contrary to a view long prevailing in left- as well as right-wing circles critical of these economics, Mandel sees their main feature not in a hypertrophy of Dept I (of productive accumulation, of heavy industry), but in a

hypertrophy of Dept III (unproductive state expenditure, not only and not even essentially of a military nature). This enabled him to predict a trend in the rate of growth of these economies. The principal cause of this decline is not the intrinsic nature of central planning. It is due to the nature of bureaucratic management (mismanagement, including built-in disproportions), flowing from the very nature of bureaucracy itself.

The bureaucratic 'caste' is basically motivated by the appropriation, extension and consolidation of privileges in the sphere of consumption. It wants to maintain its control over the social surplus product only in order to keep its monopoly of political power, which is the basis of these material privileges. It does not share with the capitalist class any bias towards maximizing profit, output or economic efficiency at firm (plant) level. It is not interested in systematically insuring a greater efficiency of the system as such. Mandel affirms that the basic ills of the Soviet economy do not result from too much but rather from too little planning, while he accepts that the artificial reduction of market relations in the fields of distribution and of light industry, as well as agriculture, also contribute to the growing disfunctioning of the system.

This basic critique of bureaucratic (as opposed to socialist) planning and the analysis of the social nature of bureaucratic power (bureaucratic dictatorship) linked to it are related to what Mandel considers one of his main contributions to economic analysis: the nature of goods and services consumed by producers as 'indirect producer goods'.

According to Mandel, there is no direct mechanical relation between investment (productive accumulation) and the rate of economic growth. Any extension of accumulation which results in a reduction of the level of consumption desired by producers will lead to a rate of economic growth lower than expected (to a rise of the 'capital coefficient'). Realized (as opposed to expected) productivity of labour is not only a function of the level of technology, of labour organization and so on. It is also a function of labour's willingness to work, of labour's motivation to contribute to the process of production, which is undermined by consumption levels below expectations (not to say by consumption levels which decline absolutely) and by the degree of producers' control over their work conditions. This fact in turn pushes the administrators (planners, managers, political bureaucrats) to increase the expanded dimensions of the apparatuses of control over producers, production and distribution, which in turn inflates tremendously unproductive expenditure (Dept III).

This is not only true for post-capitalist societies, but also increasingly for 'late capitalism'. This emerged embryonically during the final stages of World War II in Japan, where productivity of labour declined severely. Since the late 1960s, this has appeared on a broader and broader scale in many capitalist

countries where, contrary to the prevailing (according to Mandel, largely mystifying) thesis, the 'work ethos' of the direct producers is in constant decline, resulting in a huge part of the productive potential of society being underutilized. In fact, the overall, total rationality of the system (as distinct from its partial rationality at the level of the firm) is in growing disarray which expresses itself in a general crisis of bourgeois social relations and values. Without a workforce which feels itself responsible for production because it is the master of the economy, the full potential of the third technological revolution cannot be realized. The search for increased 'quality of life', for a radical reduction of the work week, the irruption of ecological consciousness both into general social behaviour and into economic science, are but different expressions of this basic thrust.

According to Mandel, it follows that democratic socialist planning, planned workers' (producers') self-management and socialist democracy (political pluralism, the possibility for all citizens to decide consciously about key priorities in the allocation of scarce resources) represent a fundamental 'third model' of economic and social order, distinct from bureaucratic central (state) planning and from the generalized (prevailing) market economy. Mandel considers both these models as despotic, the despotism of the market (of the pocketbook) being no less detrimental to human self-determination and freedom than the despotism of the state (of the bureaucracy). Real human freedom and self-determination are linked to the capacity of men and women consciously to determine their fate (their priorities) in the field of economic life as well as in the realm of politics. 'Economic democracy' cannot be restricted to having the state reduce the worst evils of capitalism (*soziale Marktwirtschaft*). Economic democracy is just that: the power of the mass of the people to decide where priorities should lie in the field of investment and consumption. These ideas were developed in Mandel's polemic with Alex Nove in his articles 'In Defence of Socialist Planning' and 'The Myth of Market Socialism'.

Thus Mandel tries to develop a unified theory of economic and social/political science, based upon a dialectical (parametrical) concept of determinism as opposed to a mechanistic one. Such a concept of determinism integrates into the economic and social processes the possibility, nay the inevitability, of choice – but choice within certain given constraints and choice, in the last analysis, determined by social interests which will remain conflicting ones unless a classless society can one day be established.

### **Mandel's Major Writings**

(1962), *Marxist Economic Theory*, London: Merlin Press.

(1964), 'The Heyday of Neo-Capitalism and its Aftermath', *Temps Modernes*, no. 219–20.

(1972), *Late Capitalism*, London: New Left Books/Verso Press.

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