

Long live capitalism ?

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(SPED : département des sciences de la population et du développement,
Université Catholique de Louvain, B-1348 Louvain-la-Neuve)

It is well-known that profit plays an essential rôle in the capitalist system : it can be considered as the very *end* towards which enterprises and groups work ; it must be considered at least as the *necessary condition* for their survival and growth. This profit requirement entails another one : in order to survive and grow, every enterprise must be *competitive* with respect to its national and foreign competitors.

This simultaneous requirement of profit and competitiveness spontaneously pushes enterprises in two directions : on the one hand, they seek to reduce production costs through introducing technical progress and limiting wages ; on the other hand, they put pressure on the State in order to ensure that the latter operate in the desired direction, i.e. reduction of wage costs and increase in profits (through regulating wages, reducing employers' contribution to national insurance, reducing taxes on profit, and so on).

The capitalist system, based on profit and competition, thus shows two spontaneous tendencies : first, the introduction of technical progress, with the resulting productivity gains ; second, the implementation of « neo-liberal » practices and policies, which aim at reducing wages, national insurance expenditure, taxation and public expenditure.

In order to counteract this second spontaneous tendency of the capitalist system, there must exist a balance of forces relatively favourable to wage-earners. This was the case – at least in the advanced capitalist countries – during the period 1945-1970 : a period of rising wages, extending national insurance, and increasing public expenditure. In a context of great productivity gains, enterprises were able to take advantage of both high *profits* and large *markets*, which stimulated the reinvestment of profits and a rapid growth in production and employment.

Since the 1980's, however, in all countries the balance of forces has been reversed to the detriment of wage-earners, and the spontaneous tendency of capitalism has prevailed again. Re-asserting the requirements of competitiveness and profitability, the enterprises and government of every country have put pressure on wages and employment, on national insurance and public expenditure. This has launched a general vicious circle : insofar as they are efficient, restrictive policies adopted by one country call for similar – and even more restrictive – policies in other countries. *Although rational on a microeconomic level* (each country seeks to improve the competitiveness of « its » enterprises so as to enable them to survive and grow), *neo-liberal policies result in completely adverse effects on a macroeconomic level* : indeed, the general reduction in wages and employment entail a reduction in aggregate demand, thus a slowing down of aggregate production, employment and consumption in all countries.

Due to insufficient markets, enterprises reinvest only a small part of their profits in increased production activities. An important part of total profit is then invested instead in *transfers of ownership* , which have assumed considerable importance since the 1980's: *take-overs* of private firms or corporations, purchase of public enterprises (the *privatization* phenomenon), speculation on currencies and securities (the « *financial bubble* » phenomenon)(1). Such operations redistribute the ownership over means of production and money ; they reinforce the concentration of capital and economic power, thus aggravating the antidemocratic character of the capitalist system.

From a strictly economic point of view – disregarding this growing democratic deficit, also disregarding the multiplication of human tragedies – the perpetuation of neo-liberal policies widens the gap between the growth of total profit and that of global markets. But *what is absurd taking the system as a whole, can make perfect sense to dominant companies and groups* : the latter increase *their* market share, to the detriment of less favourably positioned rivals. Hence the pressure put by dominant companies and groups on public authorities (both national and supranational) in favour of a continuation of neo-liberal policies.

Such are the economic and social consequences entailed by the logic of the capitalist system, based on competition and the search of profit. Hence the question, more and more often raised, more and more relevant : long live capitalism?

(1) The development of the « financial bubble » is usually considered as a *cause* of the low rate of growth of the economy : driven by the prospect of speculative profit, investors would deliberately choose not to invest in production activities, which are less profitable. We think, however, that the development of the « financial bubble » is rather a *consequence* of the low rate of growth of the economy, which is itself due to the neo-liberal policies : limited by too narrow markets (owing to the pressure on wages and public expenditure), investors seek to increase their capital through other means, namely through various types of transfer of ownership.