

[CN] JIANKANG XU**Contact Information:**

Address: Editorial board in Economics, *Social Sciences in China Press*, 158 Jia, west Gulou Avenue, Beijing 100720, China

Telephone: 010 - 64044107(O), 010 - 62021467(H).

Mobile: 13621047208

Email Address: binghamton66@hotmail.com, xujk@cass.org.cn

Jiankang Xu got a Master's degree in Economics granted by the Graduate School, Chinese Academy of Social Sciences in 1983. During 1983-1986, he was Editor and Vice director of editorial board of *World Economy*, published by The Institution of World Economy and Politics under Chinese Academy of Social Sciences. During 1986-2004, he was Research Group Member of "Structural Trends of the Capitalist World-Economy", presided by Prof. Immanuel Wallerstein at Fernand Braudel Center, Binghamton University in the USA. He got PhD advised by Prof. Immanuel Wallerstein, Prof. Arrighi, Giovanni, etc at the Department of Sociology, Binghamton University. A Master's degree in Sociology was granted in 1989. From 2005 to the Present, he has been an associate professor, working at Foreign Left-Wing Thought Studies at The Academy of Marxism under The Chinese Academy of Social Sciences. Since 2006, he has been Economic Managing Editor in *Journal of Chinese Academy of Social Science* (Social Science in China Press).

Since 2005 returning to China, he has published a series of articles in Chinese journals, including "The Challenge Faced by Guangdong Province's Economic Internationalization", "The Object of Marx's *CAPITAL* and the Fetishistic Formation of the Capitalist Mode of Production", "The Debate of China's Paths to Reform and Open its Economy", "The

Bankruptcy of the Global Reform Programs Made by New Liberalism”, etc.

The Globalization of Capital and the Pauperization of the US Working Class

[CN] Jiankang Xu

The fundamental contradiction in the capitalist mode of production, the causes of its cyclical crises and the cause of capital export, mentioned by Marx in *CAPITAL*, all of them are key points for our understanding the capital globalization. Marx puts “the contradiction between the conditions under which this surplus-value is produced and those under which it is realized” in a sticking point among all contradictions of the capitalist mode of production. “The conditions of direct exploitation, and those of realizing it, are not identical. They diverge not only in place and time, but also logically. The first are only limited by the productive power of society, the latter by the proportional relation of the various branches of production and the consumer power of society. But this last-named is not determined either by the absolute productive power, or by the absolute consumer power, but by the consumer power based on antagonistic conditions of distribution, which reduce the consumption of the bulk of society to a minimum varying within more or less narrow limits. It is furthermore restricted by the tendency to accumulate, the drive to expand capital and produce surplus-value on an extended scale. This is law for capitalist production...”

In so far as the limitation imposed by the productive power upon the conditions under which the surplus value is produced is concerned, it expresses itself in the process of the capitalist industrialization. While the majority of a country in question were composed of the agricultural population, the peasantry were expropriated from the land and becoming the proletariat. The migrant workers who came from countryside and were now often hired by manufacturing capitalists, regarded by Marx as “the stagnant part of the relative surplus-population”, took a proportionally greater part in the general increase of the proletarian class than the other elements. The level of national wages and with it the rate of

surplus value, in the last instance, is limited or determined by the wages of those migrant workers on an enlarging scale in terms of the production of absolute surplus value. However, the production of whether absolute surplus value or relative surplus value must have certain insurmountable physical limits. This is particularly true to the production of absolute surplus value through the prolongation of the working day beyond the point at which the laborer would have produced just an equivalent for the value of his labor-power. For the production of relative surplus value, which makes the capitalist mode of production a special social formation in history after the victory of the Industrial Revolution and which replaced the formal subjection with the real subjection of labor to capital, the necessary labor part of a working day is shortened by methods to improve productivities along with the rise of the organic composition of capital in the context of the development of the productive forces. For those reasons mentioned above, Marx concludes that the national differences of wages, the amount of the value of labor-power (the price and the extent of the prime necessities of life) among countries in the world, developed naturally and historically. Among the social factors that determine wage changes trade union plays an important role to prevent the value of labor power from sinking below the average normal level of the working-class. At certain moments of economic booming when the demand of labor exceeds its supply, a rising level of national wages makes the increase of the rate of surplus value impossible. The success or failure of labor movements determines the rising level of national wages in a moment becomes whether a historical factor precipitating into a long period of time or reversed afterwards. Anyway the difference of national wages becomes the cause of the capital export to pursue higher rates of surplus value abroad where industrialization is in process.

But a plethora of capital, which Marx calls “absolute over-production of capital”, is the fundamental cause of the capital export. That is, “when the increased capital produced just as much, or even less, surplus-value than it did before its increase, there would be absolute over-production of capital”. For developed capitalism a plethora of capital or absolute over-production of capital is a common phenomenon. Because the development of the productivity of labor creates out of the falling rate of profit a law, a plethora of the capital means for which the fall in the rate of profit is not compensated through the mass of profit. The rising organic composition of capital through competition results in a rise in the minimum capital required by an individual capitalist for the productive employment of labor. It is true for a large capital with a small rate of profit able to accumulate faster than a small capital with a large rate of profit, as its concentration of capital increases. And then the mass of small-dispersed capitals turn oneself into the excess capital placing themselves at the disposal of the managers of large enterprises in the form of credit. At an opposite pole against unemployed capital at one pole, stand unemployed worker population at the other, an over-population of laborers not employed by the surplus-capital owing to the same law and the same cause that result in a plethora of capital. Thereupon capital is sent abroad as it

can be employed at a higher rate of profit in a foreign country. Meanwhile for the home country such capital is absolute excess capital in general and exists as such alongside the relative over-population, both of which exists side by side, and mutually influence one another.

Only when the excess capital is not limited to the mass of small dispersed capitals, but also to cover the large capitals which now become unable to compensate the fall in the rate of profit with the mass of profit too, absolute over-production of capital then develops into its full scope extending to all fields of production--a cyclical crisis finally breaks out. This time the pervasion of over-production of capital is accompanied by more or less considerable relative over-population. The changeover of a plethora of capital having a small part in society into its coverage of all fields of production is driven by escalating competition among individual capitals by means of an absolute development of the productive forces. Since the accumulation of capital in its self-expansion as the motive and the purpose of production rest on the expropriation and pauperization of the great mass of producers, the means of capital accumulation thus continually comes into conflict with the end of the accumulation, which must be overcome constantly through crises. The conflict of antagonistic agencies finds vent in crises, which protrudes the two-tier barriers of capital accumulation imposed by both the conditions of the production of surplus value and the conditions of the realization of surplus value as mentioned above. "Capitalist production seeks continually to overcome these immanent barriers, but overcomes them only by means which again place these barriers in its way and on a more formidable scale." "And how does the bourgeoisie get over these crises? On the one hand by enforced destruction of a mass of productive forces; on the other, by the conquest of new markets, and by the more thorough exploitation of the old ones. That is to say, by paving the way for more extensive and more destructive crises, and by diminishing the means whereby crises are prevented."

It is the pervasion of absolute over-production of capital finding vent in crises in the core countries that drives up the globalization of capital. The capital conquest of new markets in underdeveloped countries sooner or later comes up against new immanent barriers over there. In those underdeveloped countries there are: (1) an overt dual structure of society with the majority of the agricultural population short of full-fledged market economy, capitalist ownership of means of production and socialization of production; (2) a higher level of polarization of incomes without a rapid growth of middle class, due to the lack of extra profits stably earning from the world market, and a lot of parvenu combining political power with capital—a high level of corruption; (3) every important linkage of industries forward and backward across national boundaries thrusting into the core areas; (4) over-competition imposed by foreign capitals, due to the lack of local government and healthy finance system's effective regulation and protection of local capital. Given the much wide gap between developed and underdeveloped countries in terms of both the conditions of the production of surplus value and the conditions of the realization of surplus

value for the international accumulation of capital, so the way to overcome crises by the conquest of new markets can reach at the end of one's tether with narrow time and space. When the co-existence of absolute surplus capital and relative over-population also pervade in underdeveloped countries, to avert and avoid a worldwide economic crisis will certainly become impossible.

By all of the reasons above, the processes of capital globalization lasting several hundred years have never linearly developed, but shown themselves like discontinuous waves of tidewater with high and low tide as well as ebb tide disrupted by great depression, world war and revolution. The current wave of capital globalization forced by neo-liberalism is receding to low tide, first indicated by the fact that the more thorough exploitation of the old markets in the case of the US economy, in order to prevent crisis from erupting, is almost falling out of use in evidence of unused capacity of production, lower real wages of workers, higher real unemployment rate, further polarization of incomes and wealths, the crisis of subprime mortgage loans, etc. The next question in focus is where China is going.