Long waves, business cycles, and class struggles revisited

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I- Over the last twenty years or so, we have witnessed repeated short-term business cycles followed by relatively fast recoveries. More surprising was the upturn in the leading economy of the United States which lasted until the end of the 1990s while the bust of 1990-1992 was one of the shortest. True, the impressive recovery in the US has triggered the accelerating recovery in the advanced capitalist countries in Europe, where higher growth rates have drastically reduced unemployment rates and allowed social expenditures to increase or to remain at the same level. This points to the difficulty of identifying the precise time when the upturn would happen as ending the business cycle. Uncertainty and instability characterized by fluctuations thus have become the salient features of the workings of the highly industrialized countries and are widely perceived by the public at large in a fatalistic mood. Downturns are occurring in most of the European countries with the decline of investment, the slowing down of the level of activity, low rates of growth and rising unemployment rates. It is then an appropriate time to revisit the long waves theory and especially, to contribute to a better understanding of Ernest Mandel's Marxist analysis of the crisis while making use of the long waves theory, or Kondratieff long cycle.

II- Let us sum up as precisely as possible Ernest Mandel's theoretical findings to account for the long-term crisis we can date back to the end of the 1960s. In order to investigate the accumulation process, i.e., the renewal of techniques and fixed capital articulated with the determinants of rates of profit, among which he emphasized the role of unions, the class struggles, the balance of forces between workers and capitalists. Empirical investigation has allowed him to assert the making of long waves for the following reasons: assuming that the expanded capital reproduction is realized in a 7-10 year cycle (Juglar cycle) based on identical techniques, there should be a thorough renewal of production techniques and fixed capital periodically, which will give a qualitative thrust to labour productivity. This will accelerate the process of accumulation which will not be possible without the rise of the profit rate. This will start the upswing which will deepen the initial accumulation process by increasing the organic composition of capital, lowering the average profit rate, while making it difficult to invest in new technologies and to make new investments. A downswing will then happen, which will open the way to overaccumulation, or idle capital. Most relevant, in this respect, is Ernest Mandel's observation that the building up of large funds of cheap loan capital during the long-wave depression – a "historic reserve funds of capital" - will later serve to feed the long-wave expansion. Exogenous factors combined may give a spurt to the profit rate and prepare for the next supswing when the downswing is still at work. As fact-finding evidence, Ernest Mandel recalls the rising imperialism of the 1890s when vast territories opened up a space for investments, cheap raw materials and overexploitation of manpower in colonized countries, making it possible the rise of relative surplus value and the second Long Wave of technological revolution, and paving the way for a new upswing by "depreciating the price of fixed capital and shortening the cycle of capital reproduction." He also recalls the end of 1930s when the working class was crushed in Germany, Italy, and Spain, the war economy in the United States. We may add the effects of the 1929-1932 depression with the tendency to stagnation. Such historical context has accounted for low wage and salary and the decline of private consumption as a share of GNP. This will allow a third technological revolution and the drastic revival of the accumulation process. As for the present time downswing we are in, it seems that Ernest Mandel has left open a variety of possibilities, either a new upswing along with the fourth technological revolution, or class struggles involving producers, consumers, citizens leading if not yet to people's power, at least to political and social progress, which is the meaning of one of those last sentences of his book *Power and Money* I was honoured to receive from hand to hand.

III- Revisiting the Long Wave theory, without going back again to the prehistory of the Long Wave(1780-1848), even a century earlier for England, there is a general agreement that technological breakthroughs made possible by major scientific discoveries, are crucial to the moving of the long-term cycle during the recession of the long waves upto the beginning of the next long upswing (Kleinknecht, 1987) and that innovations occur near discontinuously in time (Schumpeter,1939); that economies are characterized by uneven growth rates across different sectors of activity, and that innovations give rise to leading sectors propelling industrial and economic growth. It takes a lag of time for those innovations to spill over to other sectors. In time of depression, minor and major innovations continue which are usually applied only on a large scale in the next long upswing. As far as we are informed, we have not found series of statistics on innovation stocks through the number of patents deposited. It is well known, however, that major innovations in large firms are kept secret – less so during the upswing - as long as products based on previous innovations has not matured as yet, and also, for the sake of oligopolistic competition, while expecting the point of reversal of the Long Wave curve.

IV- As an outstanding Marxist, Ernest Mandel has not overlooked the processes of concentration, mergers, and acquisitions in highly industrialized countries during the 1970s up to the present time. Nor has he underestimated structural changes in the service and bank sectors. Would he still write, he would agree that globalization, during its first phase beginning in the 1980s, has brought about the upper hand of the bank sector over the industrial one. This is to say that new market forms have emerged along imperfect monopolistic or oligopolistic competition and that large firms have increasing power market versus State regulations, while speculative activities on the stock exchange markets have deviated a larger share of profits from production investments. This explains why the profit rate has never been as high as during the 1980s and the beginnings of 1990s, even for highly indebted large firms hindering investment. This does not, however paradoxically, preclude bankruptcies of the least performing medium-size and small firms, and even some large ones. Another aspect of the downswing period is revealing of close connections between large and performing small firms, the latter being the foci of some minor and major innovations allowing increased differentiation of products, while the market has the tendency to shrink. Labour productivity rate is therefore constantly progressing well above the rate of industrial production for some countries such as the United States, even though unemployment is on the rise.This may have accounted for fluctuations of short-term downturns and fast recoveries. Resorting to Long Wave explanation, the fourth technological revolution (1947-…present) under way – aerospace, electronics, biotechnologies, nuclear energy - has not yet matured enough to bring about a technological breakthrough and new technology systems (Freeman, 1982) up to the point of reversal for a new long wave upswing. In new forms of concentration and differentiation and new market forms and structures, and in time of recessions, prices and wages remain relatively constant depending upon variations in the cost of living as well as low inflation rates due to monetarist policy of the Central Banks. The problem large firms have to face, is the rise of direct costs, i.e., the cost of labour per unit. The building up of oligopolies precisely aims at reduction of production costs while putting the burden on workers and employees for streamlining the whole production process. Industrial prices fall not because of the weakening of demand, but because of the fall in production costs. This is why the relative unemployment rate fluctuates around critical points. When it declines and is sometimes near full employment, the immigration factor comes into play for unskilled or less skilled jobs, or low-paid intermittent and part-time skilled ones. periods of decrease in levels of activity and downturns.

An additional aspect to be stressed upon, which is important, is the fiscal and social crisis of highly industrialized countries in the midst of structural reforms in the 1980s and 1990s. The years of overall upturns after World War II have witnessed the sharp rise of social expenditures and increasing government intervention in economic life. In Ernest Mandel's words, "…with the development of the mass labour movement and the entry of capitalism into its imperialist phase, the bourgeois State had a tendency to grow stronger and stronger". Such a trend are being challenged, some times brutally, by the market along with strong resistance from workers and middle-classes supporting the process of growth, income, and employment they enjoyed increasingly over more than two decades (1950-1973). It is however true that the expansion of social expenditures does not match decreased fiscal receipts in time of downturns as capitalist governments have to cope at the same time with public deficits and indebtedness, while alleviating taxes for corporations with hope to boost investments. This explains why the Swedish welfare state has been at stake and had to undergo drastic structural reforms. Instead of reviewing the composition and content of social expenditures, governments are tempted to shift the burden to lower-bracket income classes while aiming at privatizing the welfare and social security system wholly, or partly, depending on the strength of the unions and social movements and the magnitude of public protests as well. This is clearly shown in countries where the expansion of the rate of public expenditures is higher than the rate of increase of national product in some highly industrialized European countries, as is the case at present in France and Germany.

The trend actually is to entrench *laisser-faire* and neo-liberal capitalism deemed to be compatible with the functioning of new market forms and structures. The globalization processes under way have expanded over to all the continents by means of foreign direct investments(FDI) and free capital flows. "Reserve funds of capital" have and are being invested across frontiers including European countries and the United States. This can be explained only by keeping in mind the emerging of a new international division of labour, which is at its initial stage. Highly industrialized countries will be the place for high-level, sophisticated and costly scientific research to be transferred accordingly to newly industrialized countries(NICs) for producing equipment and consumer goods with an upgraded technological content. Poor countries, however big or small, will be the reserve labour force for the production of low-grade consumer and equipment goods. There will be catch-ups in technology to some degree in those countries, but technology dependency will deepen, whereas trade for exports onto the world market is advertised as the best way to escape from underdevelopment and poverty. This is intuitive observation rather than demonstration, based on fact-findings and statements by chief executive officers of major corporations. From a Long Wave approach, such a division of labor indicates at least, that the decline of formerly leading sectors in highly industrialized countries – chemicals, steel, motor vehicles, electricity, consumption electronics – has triggered medium- and small-size enterprises delocations to the NICs and poor countries, the latter competing among themselves for cheapest labour. Ernest Mandel would rightly call it imperialist exploitation extracting large relative surplus value. While big corporations have invested in public infrastructure in cities – water, electricity, roads, highways – either taking legal control or pushing for privatization, major parts of the countryside are scattered with small foreign investments and enterprises. Such a context explains why highly industrialized countries were able to boost weakening effective demand by displacing, in time of downturns, production overcapacities to developing countries. Labour productivity is much higher in NICs than in other poor countries, which means that technology transfers are selective and are in accordance with the country hierarchy in the international division of labour. Highly industrialized countries then were able to avoid being plunged from recessions into depressions. Insofar as downward rigidity of prices and wages does not change during the downturn period, the accumulation process goes on with its inner contradictions, when changes in resource allocation and distribution of income have induced the restructuring of class and social production relations. As a consequence, minor devices are thought out by the capitalist class and State to bring down unemployment rate without any clear-cut social policy, whereas fiscal policy favors priviledged strata of high-income middle classes and middle-size and large firms. As long as effective demand slackens, firms have preference for speculative and financial activities and for delocating parts of their production to diminish direct costs and to sustain their profit rate. Capitalist States and governments are powerless to effectively monitor capital mobility and have the tendency to rely on employers' unions such as the MEDEF in France, to work out fiscal and social policies, and to progressively enforce flexibility in the field of public management.

The balance of power has put social movements and the capitalists and their unions face to face. Governments act more as proxies rather than exercising State power. It also brings up trade unions facing governments and employeres' unions as well. Collective bargaining which was an immense social step forward for the defense of workers' interests as a class, are on the way to be dismantled along with the implicit policy of favouring work time and wage negotiations in separate firms taken one by one. This indicates a global ideological trend encouraged and strongly promoted by what has been called a "transnational capitalist class"(Sklair, 2001). Regarding the emerging of the social movements, this points to changes in the forms and modalities of class struggles encompassing clusters of partly workers but mainly low- and middle-income middle classes victimized by concentration and cross-merging of firms, by lay-offs, delocations of firms, reduction, or mere cancellation of subsidies in services sectors. Fragile and non-co-ordinated connections do exist between the social movements and the trade-unions, especially when the latter are rather weak in some highly industrialized capitalist countries. Such a lack of common social and political strategy indeed do not facilitate tactical moves strong enough to challenge governments' direction towaqrd more neo-liberal policies. Even less are both social movements and trade unions capable of articulating their activities with those of left-wing political parties. Such a situation has left them with mutual suspicion and short of confidence, because of mixed and divergents interests reflecting, during the last four decades, the class recomposition and restructuring in modern capitalism, with new articulation of alliances among classes, making it easier for the capitalist class to mystify public opinion in civil society. A strong need therefore is being felt on the necessity to scrutinize the capitalist class's ways and means to push forward structural and institutional reforms in the middle-of-the road of Kondratieff Long Waves and in an environment of short and accelerating fluctuations in business cycles, as argued before.

Another issue te be clarified for deep research is the dynamics of the "leading national economy" conceptualizing and devising the restructuring of the world economy along neo-conservative and neo-liberal principles. The integration of developing countries in the world economy by the expansion of finance and industrial capital on a world scale has worsoned the deepening asymmetry of relations between the North and the South as is usually called, dividing the world into dominating and dominated countries. Hierarchy and differentiation (Beaud, 2000) have occurred between themselves within the dominating and dominated spheres while making the search of hegemony and alliances much more complex than ever seen before during the previous Long Waves. The capturing of human and natural resource endowments is still critical motive of rivalries among dominating countries. It is therefore crucial to look into the regional wars dynamics in the shaping of the "lead power" and "lead national economy" as with the end of Cold War, world wars seem to wane in the far-away horizon of our planet. Perspectives of rebellions, revolts and revolutions will take on diverse forms and modalities, which however will not necessarily challenge the fundamentals of the world capitalist system. Whatever alternatives there are, the transformation of society during the Long Wave downswing will be a gradual process, in which who losers and winners will be is open and fierce battles are ahead of our time. As far as periodization is concerned, there is only minor disagreements as the adherence to Simon Kuznet's work on the issue is widely endorsed. The critical point to be debated is the time when technological breakthroughs will initiate a new upswing of the Long Waves, and in what conditions of transformation of the capitalist society will be constraining the people's and nation's destiny.

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