

# CAPITAL AND LABOUR: CAN THE CONFLICT BE SOLVED?

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## **Abstract**

*This article attempts to solve the contradiction or conflict between capital and labour, as formulated by Karl Marx, with the use of Johan Galtung's theory of conflict transformation. It is concluded that, although solutions that are based upon the capitalist system are unstable, they can function for a given period of time where they are more favourable than the antagonistic structure between capital and labour. The reason for the instability of compromises and other solutions based on the capitalist system is the self-expansory nature of the capitalist system that, over time, re-creates the antagonistic relations that Marx identified. The only solutions that are not undermined by the self-expansory nature of the capitalist system are subsistence economies and experiments with socialist production relations, termed here as "labourism" – although the latter has not been (fully) realized in practice anywhere.*

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## **INTRODUCTION**

This paper is based on the tension between Karl Marx's theory of capitalism and Johan Galtung's *Transcend method*. Where Marx argues that the capitalist structure is one that necessarily is characterized by antagonistic relations between capital and labour, Galtung's theory of conflict transformation proposes that the conflict Marx identifies between capital and labour can be arranged according to five possible outcomes concerning the distribution of surplus value.

In my experience with conflict theory, I have learned that there are many ways to solve a conflict. Therefore, the idea came to mind that Marx's theory is essentially only dealing with one type of capitalist system, namely the system where capital and labour are confronting each other as antagonists. This project is based on the tension between these two theoreticians and, in a sense, is in concordance with Marx' favourite motto: "*De omnibus dubitandum*" – You should have doubt about

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everything (When 2001:403). I might add that this motto applies equally to Marx's own point of departure.

## CONFLICT IN THE CAPITALIST SYSTEM

Why is the capitalist system characterized by antagonism according to Marx? Under the capitalist mode of production, the capitalist enters the market with money (M), converts it into means of production and workers (both commodities) (C) – after which another set of commodities (C\*) are produced that thereafter are sold on the market for money (M\*) (Marx 1974a:145ff). M\* must therefore continually be higher than M.<sup>1</sup> Marx writes:

*Our capitalist has two objects in view: in the first place he wants to produce a use-value that has a value in exchange, that is to say, an article destined to be sold, a commodity; and secondly, he desires to produce a commodity whose value shall be greater than the sum of the values of the commodities used in its production, that is, of the means of production and the labour-power, that he purchased with his good money in the open market (Marx 1974a:181).*

Where does M\* come from? In the accumulation process the capitalist buys constant capital, C, which represents means of production and other inputs of production; and variable capital, V, which represents the price of labour power, that set the means of production into motion. Variable capital, according to Marx, is a commodity with special characteristics: it is the only commodity that can produce more value than the cost of maintaining it, thus, giving rise to surplus value, S, which the capitalist appropriates (Sweezy 1942:62ff). Marx argues that *the value* of a commodity is determined by the quantity of labour that is materialized in it under given social conditions of production.<sup>2</sup> The surplus value

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<sup>1</sup> M stands for money, C for commodities, C\* for the produced commodities, and M\* for the money realized when the commodities, C\*, are sold on the market.

<sup>2</sup> Thus, if the productive forces change; the social work necessary to produce the same commodities fall and hence the value of the commodity will as a consequence also fall (Marx 1974a:182ff). This labour theory of value has been highly criticised on a number of grounds. Marx assumes full competition which makes him generalize this principle into a measure for prices of commodities. Marx, therefore, does not take into account the circumstances where a commodity's value is realised, and he cannot explain why, for instance, water, which has no labour value, is much more valuable in a society ridden by water shortage than, for instance, a car. In addition, Marx cannot explain why a commodity that has required the same amount of labour obtains different prices on the market. In short, he neglects the demand or utility side of the equation. See Aage 2004, p.49-57 for more. But as a principle for where

therefore represents the amount of time the worker works free of charge for the capitalist.  $M^*$ , in other words, is created through the appropriation of *surplus value* (Horvat 1982:12).

To give an example, suppose the working day is twelve hours and that the worker only needs to work six hours in order for to produce the *commodities* which have a *labour value* that equals the competitive price for *labour power* for one day. This means, that if sold on the market, the commodities the worker produced until this point, would equal the wages received from the capitalist. If the production process stopped at this point, there would be no surplus value. However the capitalist has hired labour power for one day, which implies that the commodities produced during the remaining six hours of the working day will be appropriated by the capitalist for free.

The rate of surplus value can then be written in the following formula:  $S^* = S/V$  where  $S$  is the amount of *surplus labour*, or surplus value, relative to the amount of *necessary labour*,  $V$ , the price of labour power. In the example given above, the rate of surplus value would thus be  $6/6=100$ , in other words, a surplus value of 100%.

Surplus value is a specific capitalist way of ordering exploitation which is created in the accumulation process by the worker. The capitalist can appropriate surplus value from the worker because 1) the capitalist owns the means of production, and 2) because the worker is forced, by material necessity, to earn a living by selling his or her labour power to the capitalist, through the means of private property relations in society (Sweezy 1942:56-57). In other words, the rate of surplus value,  $S^*$ , can be expanded by depriving workers of the value they have produced. Exactly because of this relationship between the two structural positions Marx argues that the structure of capitalism *necessarily* is based on *antagonism*. The capitalist has an objective interest in paying the workers the lowest wages, giving them the poorest working conditions in the factory, and so on. Marx writes:

*Since the labourer passes the greater portion of his life in the process of production, the conditions of the production process are largely the conditions of his active living process, or his living conditions, and economy in these living conditions is a method of raising the rate of profit...the*

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value is essentially derived in society, his theory is consistent with the assumption of full competition on all inputs in production.

*transformation of the labourer into a work horse, is a means of increasing capital, or speeding up the production of surplus value. Such economy extends to overcrowding close and unsanitary premises with labourers, or, as capitalists put it, to space saving; to crowding dangerous machinery into close quarters without using safety devices... (Marx 1974b:86).*

The capitalist, in other words, has an objective interest in lowering the standards of working conditions because, all other things being equal, it raises the surplus value. Therefore, Marx argues that labour and capital confront each other as *antagonists*.

The human qualities of the labourer only exist in so far as they are relevant to the capital that exists external to the labourer, as abstract or general labour (Mészáros 1970:144). When labour becomes a commodity, it becomes something external to the worker; instead of being a natural element of life's activity, work becomes associated with hardship and pain. Marx writes: "The worker therefore only feels himself outside his work, and in his work feels outside himself. He feels at home when he is not working, and when he is working he does not feel at home" (Marx 1975:274). Marx argues that the worker becomes "...depressed spiritually and physically to the condition of a machine and from being a man becomes an abstract activity and a stomach...sunk to the level of the machine he can be confronted by the machine as a competitor" (Marx 1970:145).

The competition over markets implied by the self-expanding system creates a drive to invest and to create new technology in order to gain market access (Mészáros 1970:144). The competition between capital is conducive to the self-expanding nature of capitalist accumulation because it implies centralization of capital, through mergers and acquisitions. Marx writes:

*The development of capitalist production makes it constantly necessary to keep increasing the amount of capital laid out in a given industrial undertaking, and competition makes the immanent laws of capitalist production to be felt by each individual capitalist, as external coercive laws. It compels him to keep constantly extending his capital, in order to preserve it, but extend it he cannot, except by means of progressive accumulation (Marx 1974a:555).*

Marx noticed how a capitalist might be reluctant to replace their perfectly functioning constant capital, but if another capitalist is enabled to produce

products cheaper by introducing new constant capital, the former is forced to do the same in order to remain a capitalist. When the results of introducing new machines speak in a language the capitalist understands, namely in the language of “*pound sterling*” the machines will be introduced (Marx 1974b:99). In other words, when one capitalist is able to produce cheaper than another capitalist the latter has to obtain the same ratio of constant capital in order to be competitive on the market. By increasing the amount of constant capital, less human labour is needed in the production process, which means that the necessary social labour needed to produce the same goods is decreased, and with the decrease of the amount of labour crystallised in the final commodity the price of the commodity falls proportionally.

The *attitudes* of the capitalist towards the worker, thus, has nothing to do with the moral qualities of the capitalist but with the moral qualities the M-C-C\*-M\* cycle allows the capitalist to have. The *behaviour* of the capitalist is steered not by individual moral but by the abstract logic of converting M into M\*. For instance, the capitalist might find a particular worker loyal and stable; but if the system implies through competition that the worker becomes a burden for the accumulation process, the worker will be laid off. *Money* becomes the normative calculus by which relations between worker and capitalist are organized. Because everything in a capitalist society eventually is distributed via the monetized market, money becomes a basic value in society. Marx writes:

*If money is the bond binding me to human life, binding society to me, connecting me with nature and man, is not money the bond of all bonds? Can it not dissolve and bind all ties? Is it not, therefore, also the universal agent of separation? It is the coin that really separates as the real binding agent – the chemical power of society* (Marx 1975:324).

By being the measure of everything in the capitalist society, it can transform normative relations between human beings into a question of the possession of money. Marx writes: “It transforms fidelity into infidelity, love into hate, hate into love, virtue into vice, vice into virtue...” (Ibid.:326).

The conflict in the capitalist system is thus based on the necessarily antagonistic relationship between exploiter and exploited, centre and periphery. What makes the worker rich makes the capitalist poor and vice versa. In this structure the capitalist has the objective goal to *continue* exploitation and the worker the objective goal to *stop* exploitation.

## CONFLICT THEORY

Johan Galtung, in contrast to Marx, argues that conflicts can be solved in many different ways. According to Galtung a conflict consists of three different nodes, namely: attitudes, behaviour and contradictions. Of these, Johan Galtung gives primacy to the role of contradictions. A contradiction is the incompatibility that exists between parties in a conflict, which leads causally to different attitudes and behaviour. If A wants exactly the same as B then there is a conflict over “*something*” – this contradiction in goals can then lead to different attitudes and behaviour including violence and hatred (Galtung 2004:145ff). However, one could also postulate that a conflict starts with attitudes and/or behaviour which then lead to “objective” or real contradictions, as Galtung also acknowledges. If, for instance, a nation has a tendency to prejudice against immigrants, one could argue that the conflict originated in the attitude-dimension, which then translates into real world contradictions of, for instance, differential treatment.

One could also argue that the structure of capitalism itself is caused by a certain culture as Weber does; namely, that capitalism originated in Europe due to the existence of Protestant ethics (Collins 2000). In other words, the three analytical reference points – attitudes, behaviour and contradiction – point to different dynamics in the causation of a conflict where it is almost impossible to give primacy to one of them. Nonetheless, it is possible to take a point of departure in the *capitalist structure*, since it at some point *was created*, even though the Protestant ethics might have played a role in the creation of the capitalist structure. In other words, we do not want to examine the causation leading to the formation of the capitalist system; we want to deal with the conflict within that system when it *has been* created.

Since we are dealing with interactions between parties (capital and labour), we follow Galtung’s argument that there are two types of conflicts that must be distinguished from each other: actor conflicts and structural conflicts. Galtung argues that a conflict cannot simply be defined as something that is subjectively held by the parties, but also in terms of contradictions that have not yet become conscious in the minds of the parties (Galtung 1975:111ff). As Adam Curle puts it: “In this view, conflict is a question not of perception but of fact. Thus if, in a particular social system, one group gains what another loses, there is – even if the loser does not understand what is happening – a structural conflict” (Curle 1971:4).

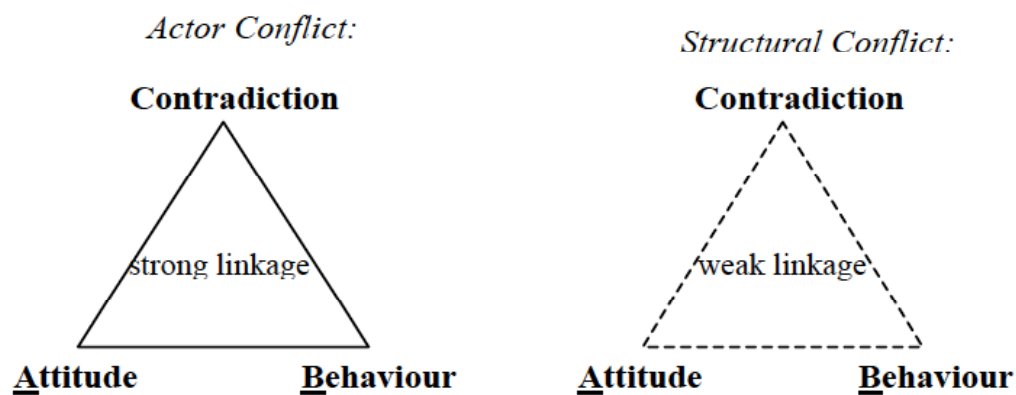
If one confines the definition of a conflict to the subjectively held perceptions then one cannot grasp and comprehend many aspects of reality. If a slave does not question the position he or she is placed in by the master, then there is no conflict according to the proponents of the subjectivist-actor oriented theory of conflict.

Curle rejects this notion and writes:

*In the objectivist view, however, there are certain privileges and possibilities that are not open to the slave. To the extent that he is unaware of them, ignorance may be bliss, but the fact remains that his existence is narrowed by social factors rather than by his own personal qualities (Curle 1971:4).*

This difference can be shown in the conflict triangle:

**FIGURE 1** ACTOR CONFLICT AND STRUCTURAL CONFLICTS



### SOLVING CONFLICTS

Galtung argues that it is important as a social scientist not only to understand conflicts, but also to construct solutions to the conflicts that can be observed. An analogy can be used from medical science: if we pay a visit to the doctor, we are in search for therapy and we would be offended if the doctor would only make use of us as patients for data material. Galtung has developed what is called the *Transcend method* for conflict transformation (Galtung 2004:12ff). This method argues that there are essentially five different ways by which you can resolve a conflict. In a conflict between A and B, here capitalist and worker respectively, there are five general ways of solving the problem of surplus value:

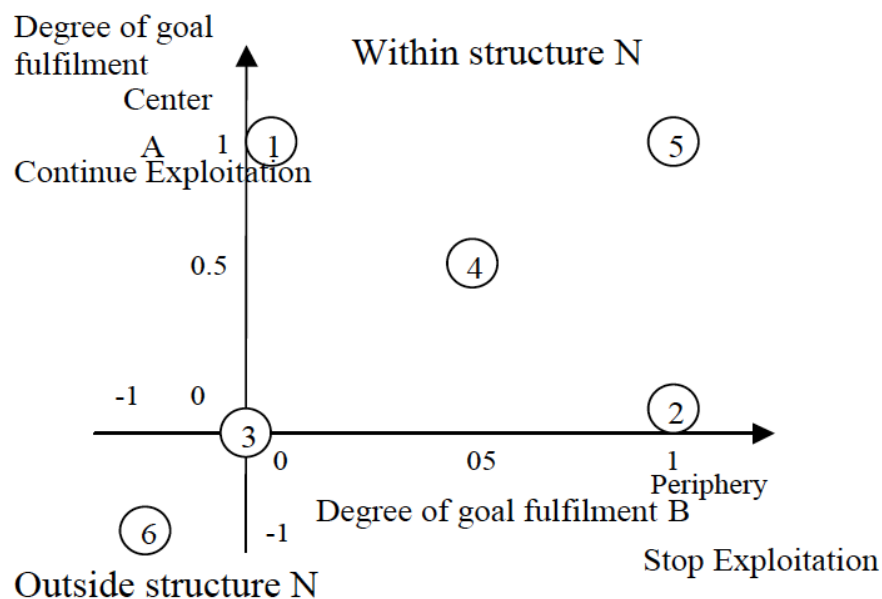
1. & 2. Either-or outcome: *either* A wins over B *or* B wins over A
3. Neither-nor outcome: *neither* B *nor* A wins; they *withdraw* from the conflict

4. Half-Half outcome: B and A negotiate a *compromise*
5. Both-and outcome: *Positive and negative transcendence*; a new reality is created that can transcend the goal of A and B

To further elaborate on the concepts, *either/or solutions* would be the equivalent to a system where either B or A would take up the position as centre/the capitalist, and leave the other party to the periphery/the worker. *Withdrawal* implies that you do not take on the conflict at all – you refuse to engage in the relation that creates the classes A and B. *Compromise* would imply that the conflict between the two are diffused through equality – equal distribution. *Positive transcendence* implies that you take the goals of A and B and transcend them within the structural context – a both/and solution within capitalism. *Negative transcendence* implies that, as in the withdrawal solution, you refuse to engage in relations that create the classes A and B – but at the same time, it implies a both/and solution in the new structure. For this reason, negative transcendence is placed at position six in order to differentiate it from the withdrawal structure.<sup>3</sup>

Therefore, we arrive at the following figure for the six ways of solving a conflict between A and B, where number six is negative transcendence:

**FIGURE 2 THE TRANSCEND METHOD**



<sup>3</sup> Johan Galtung does not differentiate between negative transcendence and withdrawal. I would argue that this is necessary to do because withdrawal does not imply a both/and outcome. Negative transcendence implies a both/and solution in a new structure – at least if a synthesis between Marx and Galtung is the objective.



## CONFLICT THEORY AND CAPITALISM

### COMPROMISE

The criteria for a compromise would be the logic of half-half distribution within the system, which would diminish the gap of exploitation between worker and capitalist, and between center and periphery within the structure of capitalism. The relation between worker and capitalist would still exist, but the interaction within the system would be fundamentally changed.

One of the most well known ways of creating a compromise in society is through the medium of the state system. One possibility is redistributive measures from the state that tax a part of the surplus value appropriated by the capitalist, with the aim of re-distributing the surplus value to the workers that produced it in the first place – after some time that is. The key dimension is time. This is a form of redistributive justice where the capitalist system's tendency to inequality is sought to be diminished through taxation. Some of the  $M^*$  appropriated by the capitalist is given directly back to the workers. This could, for instance, be done in the form of creating a state service sector in society or through direct monetary transfers.

Another possibility of creating a compromise between exploiter and exploited is the model advocated in the early writings of Robert Owen,<sup>4</sup> one of the pioneers in the cooperative movement, who owned and managed one of the largest spinning mills in England in the early nineteenth century (Gatrell 1970:40). Owen initiated a compromise directly with the workers in his factory, with the aim of producing a more stable society. The key dimension is again time; the workers work more for themselves and less for the capitalist. Owen's main thesis was that the capitalist, as any other good citizen, should provide his workers with a decent living, a decent wage and a decent moral. For Owen the main problem of capitalism was its destabilizing effect on society – it was socially unjust, where a small minority of capitalists got immensely rich while the workers were impoverished. Owen wanted to establish social harmony again and this could, in his opinion, not be established in a system where the impersonal ties of the market mechanism were guiding the moral behaviour of society. Owen wrote:

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<sup>4</sup> Later on in his life, Owen advocated a structure with his cooperative community, "*New Harmony*," that bore more similarity to positive transcendence than a compromise. I have, however, chosen to describe the compromise structure he advocated because it illustrates this empirical possibility.

*The value of mere manual labour has been so much reduced, that the working man...is now [in 1818] placed under circumstances far more unfavourable to his happiness than the serf or villain was under the feudal system, or than the slave was in any of the nations of antiquity (Owen in Gatrell 1970:57).*

Owen argued that the worker was entitled to a fair wage that would represent his hardship in the factory and not the monstrous competition on the labour market (Owen 1970:209). Owen's writings were, thus, as much an appeal to moral sense as it was an appeal to economic sense (from the capitalist's perspective). By compromising the exploitation of the worker, he tried to preserve a sense of community, security and interdependence like the relationship that had existed between the feudal peasant and master (Gatrell 1970:43). The gap between centre and periphery would, in Owen's theory of society, be reduced in such a way that the periphery would obtain a decent standard of living by appropriating some of the surplus value through the grace of the capitalist. Owen's structure would, to some extent, diffuse the tension between centre and periphery in the structure, and therefore point to the possibility of creating a compromise where the "necessary" antagonistic character of capitalism is circumvented by the introduction of the moral capitalist. In other words, the *necessary* relation has been modified, making the former *unnecessary*.

#### POSITIVE TRANSCENDENCE

Structures based on positive transcendence are characterized by the creation of a single centre where there is no clear demarcation of centre-periphery in terms of exploiter and exploited, because the former no longer appropriates the surplus value which was produced by the latter. In short, there is no exploitation but there is still capitalism. The parties realize their goals with the creation of a new reality within the structure of capitalism. The new reality maintains the original structure, and in the context of capitalism, this means a continuation of the M-C-C\*-M\* cycle. The exploiting relationship that was maintained in the compromise solution no longer exists structurally in the transcendence solution and no longer serves as a source for antagonism.

As an example of this ideal type of organization, I have chosen to describe the Mondragon cooperatives of Spain. The employees working in these cooperatives have the ability to control and manage their own production. In a labour-managed firm, it is labour that hires capital and not the other way around as in "traditional" capitalism. Employees employed at cooperatives in the Mondragon Group have the right to *elect* the "Supervisory Board" at the *general assembly* of the

cooperative. The *supervisory board* determines the policies and guidelines of the cooperative and therefore functions as the legislative body in the cooperative (Lutz and Lux 1988:258-259). Management of the company is appointed by the supervisory board and, once elected and appointed, the managers have executive power over the cooperative for a period of four years. However, significant decisions in the cooperative have to be ratified by the cooperative general assembly where all members have one vote (Wiener and Oakeshott 1987:3).

Lutz and Lux write: "...in signing the Contract of Association the cooperatives commit themselves to uniform principles pertaining to capital ownership, employment creation, earnings differentials, distribution of surplus, and democratic organization" (1988:256). The workers own the profits of their production. Of the net surplus, seventy percent is allocated to the members' *individualized internal capital accounts* (IICA). When the worker has paid for membership to the firm (around \$5,000), \$4,000 of this initial amount is used to create an IICA. Every year, profits will be added relative to the share of capital one has deposited. If there are losses in the cooperative, the account similarly contracts. The IICA is in principle a loan to the cooperative which the worker can get out when he or she decides to retire or to find employment outside the network of cooperatives (Ibid.:261). The surplus value will, therefore, naturally be paid out when the worker for legitimate reasons retires (Ibid.:175). Twenty percent of the net surplus goes to the company's collective reserves, and ten percent to the community, to be used to finance schools and other facilities (Ibid.:261). Because the worker appropriates the surplus of production, the antagonistic structure that Marx identified as the defining character of the system evaporates. The necessary antagonism is modified to such an extent that it no longer exists. The conflict within the capitalist system is solved.

In contrast to this approach, the remaining two forms, withdrawal and negative transcendence, entail a departure from capitalist relations.

#### WITHDRAWAL

The Indian economist Kumarappa's theory is a description of a system based on simple commodity production C-M-C, where the production is not oriented towards accumulation but towards the exchange and consumption of use values. The workers own their own means of production and mainly exchange goods in order to appropriate another use value. Capitalist commodity production is not favoured – capital is considered to be "evil" in this structure, which implies that the centre-periphery structure of capital is never established. The antagonism that

Marx envisioned in the capitalist structure is, therefore, completely diffused in this system – but the system does not exclude the possibility of other forms of exploitation, in principle. One possible way to modify the contradiction between capital and labour is to avoid the relation. Kumarappa writes:

*In the first instance, [...] we must proceed to organize the people to produce goods to satisfy their own needs, in regard to food materials to afford them an adequate diet, clothing to protect them against the weather and proper shelter; then we would arrange for their physical, mental and moral welfare by making available medical aid, education and other social amenities.... Money in itself satisfies nothing except the miser's pleasure of counting it* (Kumarappa 1948:127).

Money is given a whole other meaning in Kumarappa's withdrawal structure. To withdraw from something only implies that you will not take on a conflict, for instance, between exploiter and exploited. You remain in a non-capitalist economy and nothing is transcended.

#### NEGATIVE TRANSCENDENCE

Negative transcendence implies that you negate the existing structure and create a single centre in the new structure – if it is capitalism, then the form of capitalism itself is negated. In other words, it implies a jump from structure N to structure M. You negate the reality into which you find the categories of worker and capitalist and, at the same time, create a both/and solution.

Johan Galtung has proposed that the economic cycle could be based on labour rather than on capital. “*Labourism*” as a system would mean that one hour equals one hour. The time you work equals the time other people work for you. Alienation is circumvented through a different relation to work and *time*. One hour's dental service equals one hour of cleaning service. According to Galtung, we are all born with the potential for over 840,000 hours of work – so if this system is implemented, we are all from the outset potential millionaires. Imagine that there is a central bureaucracy that keeps account of the hours that one has given to others and the number of hours that a person has the right to obtain from others. The means to realise the human potential of the individual will be linked to the person and to no one else. The inequality in this system will be implied by *human differences* and not by *differences of capital power*. It is not the market forces or the world of things that decide if a person can get his labour used but the individual qualities of the person – you cannot lower the wage level. It is up to the

social individuals to decide if they want to make use of a person, which means that the normative relation is transformed from the *M-C-C\*-M\** cycle to a *human cycle*. Some individuals will be in more demand than others, but this is because of their individual qualities and not their qualities for capital accumulation. The person that, in the capitalist society, could not get essential services like medical help will now have the opportunity to give one hour of work in return for treatment by the doctor – if the consultation only takes 15 minutes then the cleaning woman would have three consultations left in her account. In the capitalist society this relationship would have been monetised and, therefore, have implied that the power of the money would have decided the outcome.

In Ithaca, New York there have been circulating “hour-bills” since 1991. The “Ithaca Hours” is a local issued money-bill that represents the value of one hour of work in this community. The money was printed because the local community was upset by the fact that many federal dollars were used to exploit far away areas and to wage wars against people they did not have anything against. One critique of this system, however, is that they made one dentist hour equal to three cleaning hours. Paul Glover, who took the initiative, writes: “...dentists, massage therapists and lawyers charging more than an average of \$10.00 per hour are permitted to collect several *Hours* hourly” (Glover 2005). With this kind of inbuilt asymmetry, the idea of equating one hour’s work with another potentially loses its meaning – one could say that 2000 hours equals one hour, in principle. There is no social justification as such that implies that a dentist must have one hour more than the cleaning woman.<sup>5</sup> The Ithaca model is also critiqued for making the hour-bills convertible into dollars (1 hour = \$10), which implies that the availability of capital is what determines the qualities of the individual and not the human qualities. But still, the idea represents an approximation of the ideal type model. If put into practice, this system would transcend the necessary antagonism *formed* by capitalist relations, and could exist side by side with the capitalist mode of production. The conflict between capital and labour would then be solved.

## **ARE THE SOLUTIONS SUSTAINABLE?**

The withdrawal and negative transcendence structures remain stable because they are not relying on the self-expansory system of the capitalist system, that is, they are not under the direct influence of the *M-C-C\*-M\** cycle. This implies that

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<sup>5</sup> However, there may be some economic justification for this in terms of covering costs associated with dental equipment, materials, support staff, education, and so on.

we need not take these structures into account here. We are left with an analysis of the sustainability of the structures of *compromise* and *positive transcendence*. Capitalist alienation implies that the solution that should have solved the initial contradiction over surplus value becomes unstable and has a tendency to degenerate into a new relation of centre and periphery. How does this play out in the structures of compromise and positive transcendence?

#### COMPROMISE

The structures based on *compromise* do not change the capitalist motive from M-C-C\*-M\*. This could explain why compromise structures within the capitalist system are unstable over time. If we take the example of Owen's moral capitalist who would pay the workers a decent wage, his moral must change or else he will go bankrupt. The behaviour of the capitalist must abide by the rules of M-C-C\*-M\*. If not, he or she will not be a capitalist for long and the fundament for the compromise will be eroded. If another capitalist is able to sell commodities at a lower price than Owen's factory, his factory would either go bankrupt or he would be forced to reduce wages in order to get enough investment potential by appropriating a greater surplus value in order to compete in the market. In other words, the alienated person still produces relations that are against the inherently social nature of humans. Competition and the quest for money set itself through this compromise structure and make it unstable – it turns its back on Owen with a tremendous force, namely, the force of competition and the need for larger markets. Over time, this compromise structure would thus tend to degenerate into the centre-periphery relations described by Karl Marx due to the dynamic qualities of the system.

The *external compromise* structure in space and time, where the state redistributes some of the surplus value, does not change the nature of the system either – the system remains one of alienated human relations. This structure relies on the essential alienated behaviour of the capitalist which is the embodiment of the M-C-C\*-M\* cycle. If, for instance, the companies in this compromise structure cannot generate enough profit, the whole system comes into crisis. The state stands as an actor outside the economic cycle and, at the same time, is dependent on the livelihood of its tax base, that is, the capitalist companies. Capital will, as Marx noted, eventually be in need of greater markets, for even the national unit cannot satisfy the drives of the accumulation process. More consumption is needed, which implies that capital has to wrestle itself loose from the chains of the national market. This was what happened, according to Robert Brenner, after the Keynesian boom period of the 1960s – the home markets became satisfied and

could, therefore, no longer absorb the greater productive powers that had been developed; hence, the state had to remove the restrictions on capital in order to facilitate continued accumulation and, in this sense, contradicted the goal of the Keynesian state that relied on the immobility of capital. The state needs to control capital in order to sustain its tax base at the same time as capital needs to expand, making for a highly unstable relation. The need for larger markets becomes a destabilizing factor for this compromise structure (Brenner 2002:13-17).

However, the export of excess capital will also increase this contradiction by increasing competition. When capital is allowed to invest abroad, it will create more productive powers that will be able to compete with the productive powers in the domestic market. This leads to even more overproduction, overcapacity and falling prices. Brenner explains:

*...given their low surpluses, firms with low rates of return could hardly undertake much capital investment or expansion. On the contrary in response to any given increase in aggregate demand resulting from Keynesian policies, firms were rendered unable and unwilling, as a consequence of their reduced profit rates, to bring about as great an increase in supply as in the past when profit rates were higher...with the result that the ever-increasing public deficits of the 1970s brought about not so much increases in output as rises in prices (Brenner 2002:33ff).*

Hence, the external compromise structures were eroded by the essential contradiction between the state's need for control and capital's inherent drive to accumulate and expand. Globalisation sets itself through as the token of this contradiction which reintroduces the strong centre-periphery antagonism. As Zygmunt Bauman noted, there is no reason why capital should help sustain a higher living standard of the national reserve army of labour when it can find another reserve army at a lower price on the other side of the planet (Bauman 1998:54).

#### SUSTAINABILITY IN POSITIVE TRANSCENDENCE STRUCTURES

As with the compromise structures, the system of positive transcendence is based on the structure of capitalism. Worker cooperatives must function through the market, and must also make enough profit to continue as a company (Lutz and Lux 1988:164). In other words, even though the immediate exploitation is transcended, the cooperative is merely transformed into a universal capitalist or a *group-capitalist*.

If there is free competition, then they will have to compete with other capitalist firms. If the other companies can produce their commodities cheaper, the cooperatives will have to invest in constant capital in order to maintain the rate of profit. The result is a heightened pressure to increase the amount of machines relative to the amount of labour needed in the production process, with the result that the workers, objectively speaking, would work to replace themselves. Worker cooperatives are based on worker equality but the capitalist accumulation process implies competition, which implies innovation, which implies redundancies of the labour force, which therefore transforms the seemingly equality of the workers into a mask that confronts the workers as structural unemployment. The remaining workers of such a firm would then, in the end, consist of an elite group – the best qualified and most productive workers – and would in turn exclude all other workers from participating in the productive sphere of society. Human beings would, in extreme situations, be so worthless for the accumulation process that the capitalist system would not even care to exploit them. In a not so distant future human knowledge will be the only thing left for capital to exploit. Therefore, with the development of the capitalist system, the worker-managed enterprise would create a conflict between worker and worker in the context of competition, creating an ever larger mass of proletarians that would be excluded and alienated from their natural ability to work. The mass of the proletariat would grow. The conflict in the capitalist system is, thus, only transformed into a conflict between worker and worker employed at two different cooperatives.

Mészáros writes: “...the reformer aims at an improvement within the given structure, and by the means of the same structure, and is therefore subject to the very contradictions which he intends to counteract or neutralize” (1970:126). In other words, the worker-cooperatives would just mean a perfection of capitalism, and subjugate all human beings to the effect of capital. Even if a community owned the capital and gave equal wages to the workers, it would only transform the community into a collective capitalist. Marx writes:

*The community is only a community of labour, and equality of wages paid out by communal capital – by the community as the universal capitalist. Both sides of the relationship are raised to an imagined universality – labour as the category in which every person is placed, and capital as the acknowledged universality and power of the community (1975:295).*



In other words, capital steers the community through the anti-social mechanism of competition and need for larger markets. The capitalist drive to expand markets in order to realize the value of their commodities will intensify this contradiction because the cooperatives in the end will fight for the export markets.

#### THE EXAMPLE OF MONDRAGON'S DIACHRONIC DEVELOPMENT

As a concrete empirical example of the above process, we can describe the development of the Mondragon cooperatives. The Mondragon cooperatives initially benefited from the highly protected market under Franco's regime and from the relatively low development of the home market. With the safe haven from international competition, the cooperatives could more easily establish themselves in the domestic market. This helped to provide the context for the cooperative expansions in the Basque region (Wiener and Oakeshott 1987:15-16). Increased competition after Spain joined the European Community and later on by globalisation in the 1990s had a noticeable effect on several of Mondragon's cooperatives (Ibid.:40-41). The first effect was a departure from the principle of economic democracy.

The democratic principle of "one worker one vote" was set aside during the era of globalisation. Mondragon now acknowledges that *over half* of the current staff working in the cooperatives are non-members, which in numbers means over 35,000 of the 70,000 employees. As a result, a hierarchical system has formed between members and non-members in the system. Also in the Basque region, only eighty-one percent of the workforce are members of the cooperative (Mondragon 2005). Thus, it seems that the positive transcendence structure is unstable. However, even though this was the case at Mondragon, this might not be the case if there existed what in theory is called a third sector of worker cooperatives. Therefore, the conclusion that the positive transcendence structure is unstable will only be of general quality for cases that resemble the case of Mondragon.

#### CONCLUSION

We can conclude that it is possible to solve the conflict over surplus value temporarily in the capitalist system and permanently in the structures that go beyond the system. This can be done in two ways: 1) one can try to solve the conflict within the capitalist system, and 2) one can solve the conflict by negating the capitalist system altogether. When the relation between the two classes is changed from inequality to equality, the antagonism in the system is diffused.

What Marx saw as the necessary relation within the capitalist mode of production does not seem so necessary after all.

Furthermore, we can conclude that *there are limits to solving contradictions when solutions are based on the dynamic nature of the capitalist system*. As is evident from the previous description, the structures based on the self-expansive nature of capital are unstable. The solutions based on compromise and positive transcendence have a structural tendency to degenerate into a centre-periphery relation. The basic problem with these solutions is that they require a static system in order to be sustainable, and when capitalism is a dynamic system they become unsustainable. So what seemed to be an unnecessary relation between centre and periphery became necessary again over time. Even though the solution within the capitalist system collapses because the fundament is unstable, a new solution can be built when the former collapses. In other words, if the centre-periphery structure resurfaces again, then solve it a second time.

The dialectic between a conflict and its solution within the capitalist system, therefore, runs like this: the conflict arises at one level of society - here it can be solved and thereafter the conflict recreates itself at another level of society where it can be solved again. The dialectic between the conflict and the solutions to it *within* the capitalist system therefore produces a *staircase-like* progression. At the first step of the staircase, one can solve the contradiction between capital and labour, but when this solution becomes unsustainable the capitalist system expands to another level of society, which would equal the next step on the staircase, a new step of capitalist expansion where the exact same contradiction can be solved again. To create a theory that takes its point of departure in a necessary antagonism is, therefore, problematic because this antagonism itself can be seen as a deviant case. What is deviant and what is not depends on where you start your analysis. It could be argued that the capitalist system tends to produce a compromise or positive transcendence outcome as much as it tends to go towards antagonism. The conclusion must, therefore, be that you only fully understand the capitalist system when you have examined not just under what conditions the antagonistic structures have existed, but also under what conditions the alternative structures have emerged. The development of the capitalist system cannot be reduced to a movement of antagonism; one needs to know the complete formation of possibilities within the capitalist system in order to comprehend even a single possibility.

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