

The Disastrous Rise of Lumpen-capitalism

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A recent piece in Bloomberg by Tracy Alloway began with Marx's definition of the lumpenproletariat:

"Alongside decayed roués with dubious means of subsistence and of dubious origin, alongside ruined and adventurous offshoots of bourgeoisie, were vagabonds, discharged soldiers, discharged jailbirds, escaped galley slaves, swindlers, tricksters, gamblers, pimps, porters, tinkers, beggars — in short, the whole indefinite, disintegrated mass, thrown hither and thither (here, there and everywhere)"

Using data compiled by Macquarie analysts, the current decline of well paying full time jobs and the rise in the so-called gig economy, the losers in the game are said to be a modern version of the lumpenproletariat. They are no such thing.

The folks that Marx described are either outside of the economy altogether (lump means 'vagabond' in German) or at best under the table -- and we probably have almost as many of those as during the hobo days of the Great Depression . If an Uber driver had previously been a wage worker they would have moved *up* from the proletariat to the petite bourgeoisie because they now own their means of production. A similar phenomenon occurred some time ago when large firms in need of transporting commodities encouraged the development of Mom and Pop trucking businesses to cheapen costs by skirting large, often unionized, trucking companies. In either case the work they perform is fully integrated into the needs of the economy. They are not shirkers; they are workers even if they are formally small business people.

Technological advances (the increase in the organic composition of capital in Marxian terms) eliminates jobs while creating new ones in those industries that develop and manufacture the new instruments of production. Assuming efficient use the net effect is the loss of jobs. Amazon, the internet seller of everything, has undercut the Wal-Mart in-store sales model. That also means fewer Wal-Mart sales associates and more Amazon warehouse slaves.

Shvets and Smith of Macquarie say that those who lost good jobs and were forced into gig work because of technological development must adapt, though they dare not make any suggestions because the new industrial revolution goes beyond increasing productivity and rather aims at replacing the worker altogether. In a humane society the advent of labor saving technology would be something to wish for -- It would mean more time for leisure, cultural development, and active participation in the democratic running of the society that we live in. But we live in a capitalist world, and capitalism only knows the maximization of profits as an end in itself. There is nothing humane in that modus operandi. Hence -- there is no solution, no way out unless they care to dump the system.

A difficult task to be sure but that system is currently in a helpful mode -- doing all it can to dump itself. It is in such discordance with the fundamental needs and desires of the peoples of the world -- irrational to the point of lunacy -- that it is

cycling up the economic crisis of all time -- from endless stagnation to perhaps what the loonies have predicted daily for years.

The source of the problem is that the real economy is saturated. Those with money to buy (consumers are 70% of GDP) have bought all they can afford. As demand slowed for real products the secondary support sector of the whole economy (finance) came to the fore and created a virtual economy -- one in which an unlimited number of buy-sell transactions may occur because nothing real is bought and sold -- thus the all-powerful consumer is rendered obsolete. There is no use value created and sold in these paper and electronic transaction. The only product successful investors make is the right cash in and buy whatever real stuff their heart desired. But even that becomes saturated for the super rich, thus their main use for financial wealth is to make more of it. To make matters worse, the infection, making money while producing nothing, spread to real economy operations as a way to supplant the stagnant growth of consumer demand.

So world capitalism has entered a new era - one in which a virtual financial economy sucks the life out of the real economy while simultaneously preserving its existence, for financiers are real and will not disappear willingly. The change may be termed an upwardly mobile degeneration. Unlike in the early days when failed capitalists joined the lower classes or went full lumpen, the new class of capitalists have learned how to convert the proclivities of the lumpen tradition into a highly lucrative business model. Marx had already anticipated their existence by giving them names -- tricksters, swindlers, gamblers, pimps, former jailbirds -- in his list of lumpen types. We may add modernized versions -- touts, shills, fraudsters, economists, speculators -- or just plain "investors". And if all that is not bad enough, unlike olden times when the grid-less mobs at least had enough charm to generate some excitement -- the ones we are lumbered with are too despicable to illicit much entertainment value. Greediness is boring.

Apple's earnings were down 15% in the second quarter year over year -- the second quarterly decline in a row -- but slightly above consensus so the markets were not troubled.

The Fed met today and decided to keep the Fed Funds rate as is. The economy is fine, but not quite fine enough. Raised September as a possibility.

Durable goods orders (-3.7%) and shipments (-3.3%) were down in June - that's 18 down months out of 20 for the former and 17 of 20 for the latter. Orders for capital goods and shipments were also down -- minus 4% and 6% respectively. So much for the real economy.

A few months ago every nickle rise in WTI oil caused equity upward momentum. On June 8th it peaked at \$51 a barrel. The rise contributed to a similar rise in other commodities which then could be misinterpreted (lied about) as something positive happening in the real economy. It was all just signposts to "buy". WTI oil is now \$41 a barrel. The fall caused nary a bit of concern because nothing has really changed other than the cues for the next "buy."

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