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Marx and the Crisis

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Marxists and the crisis

Debate on the Great Recession

among Marxists

- ✓ *Tendential fall of the rate of profits*
- ✓ *Underconsumptionism*
  - ✓ *=> 'world of low wages'*
  - ✓ *Sraffians, some Post-Keynesians*
    - ✓ *back to the 1960s/1970s, or 1979-82*
    - ✓ *crisis of a stagnationary capitalism*
    - ✓ *Real versus Financial crisis*

Marx and the crisis

- *Dynamism of 'new' capitalism*
  - *=> (new) form of the crisis*
  - *both have to be explained*
- *TFPR: meta-theory of the crisis, 'secular' perspective*
  - *increase in composition of capital GD JAS*
  - *realization crisis (disproportions/glut of commodities)   GC JMK*
  - *social crisis within immediate valorization GS PS*
  - *crisis of the real subsumption of labour to finance GR HPM*

Capitalist development and crisis

✓ *Accumulation: contradictory process*
  ✓ *Theory of Value is the theory of crisis*
✓ *Crisis: expression, solution of contradiction*
  ✓ *Capitalism: market, monetary economy*
    ✓ *Anarchy, Tesaurisation*
  ✓ *but in* Capital *I-III*
    ✓ *D=S, capitalists sell at 'social' value (or pp)*

Capitalist development and crisis

✓ Capital *II, reproduction schemes*
  ✓ *demand comes from capital itself*
  ✓ *equilibrium growth is possible (vs. Malthus/Sismondi), but it is a 'chance' (vs Ricardo/Say)*
    ✓ *mere 'possibility' of crisis => 'necessity'? "internal"?*
    ✓ *fall of 'investments' => fall of profit <u>rate</u>? => fall of the <u>mass</u> of profits*

Accumulation & wage

- ✓ *Chapter 25, first part*
  - ✓ *capital composition constant*
  - ✓ *rise in the rate of accumulation*
  - ✓ *and in labour demand*
  - ✓ *increase in wage (also, real) going beyond (given) productive power of labour*
  - ✓ *rise in the relative wage*
  - ✓ *'profit squeeze' (margin)*
  - ✓ *fall in the rate of accumulation*
  - ✓ *fall in labour demand*

Accumulation and wage

✓ *Chapter 25, second part*

   ✓ *capital composition rises*

   ✓ *<= labour saving technical change*

      ✓ *mechanization*

      ✓ *<= profit squeeze from high wages*

   ✓ *=> relative decrease in labour demand*

   ✓ *labour demand actually rises or fall depending on accumulation plus change in capital composition*

Accumulation and wage

- ✓ *actual labour demand function of the combination of capital increase and change in its composition*
  - ✓ *problem of the chapter: capitalist law of population*
  - ✓ *'positing of the presupposition': Industrial Reserve Army constantly reproducing 'living labour power', hence 'labour power' as potential 'living labour'*
- ✓ *wage dependent, accumulation independent variable*
  - ✓ *=> real w ↑, relative wage ↓ (relative pauperisation)*

Contradiction in movement

- ✓ *autonomous drive of capital towards mechanization*
  - ✓ *to guarantee LL > NL from LLP*
- ✓ *increase in the rate of surplus value*
  - ✓ *(relative) expulsion of workers*
- ✓ *absolute (length of the working day), relative (productive power of labour, but also intensity)*
- ✓ *the two goes together*
  - ✓ *simultaneity, not historical sequence*
  - ✓ *technical change pushes up absolute sv*

Contradiction in movement

✓ *Endogenous technical change generalized by the 'struggle of competition'*

   ✓ *'dynamic' competition (differetiantion of r among sectors) JAS, vs DR*

      ✓ *"extra surplus value" + "potentiated labour" => in any sector*

      ✓ *reduces 'labour contained' in vertically integrated sector producing wage goods*

      ✓ *'devaluation' of commodities in general, including capital goods*

Contradiction in movement

- ✓ *Technical change and competition 'rule' exchange value and use value of LP, to maximize LL*

- ✓ *CONTRADICTION: expelling workers (LLP), bearer of LP => "scarcity" LL, the 'source' of value*

Tendential fall of the rate of profits

- ✓ *Composition of capital*
  - ✓ *(i) Technical composition*
  - ✓ *(ii) Value composition*
  - ✓ *(iii) 'Organic' composition*
- ✓ *Marx:*
  - ✓ *Organic composition is Value Composition as long as it reflects Technical Composition*
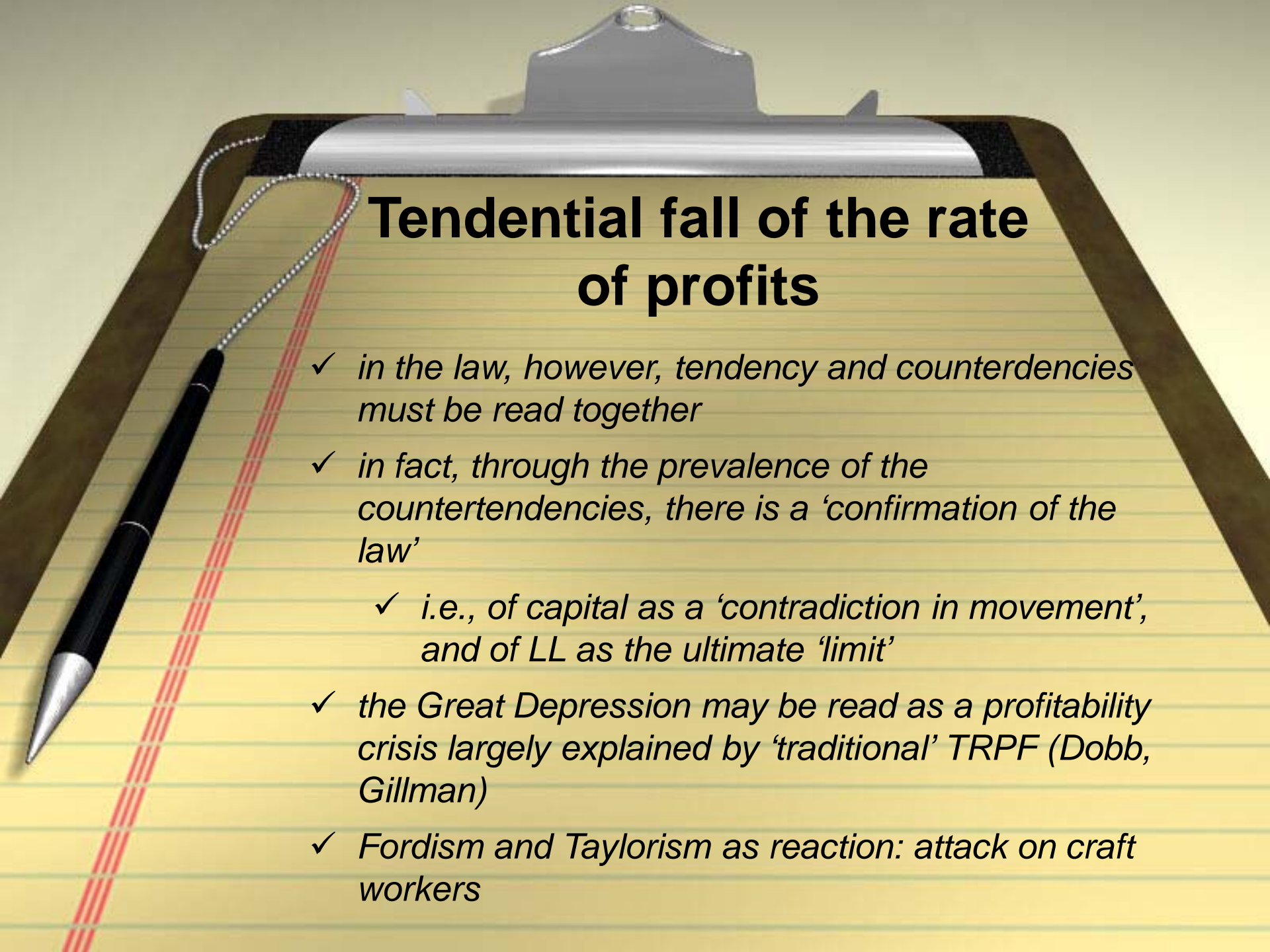 - ✓ *prices 'before' and 'after' innovation*

Tendential fall in the rate of profits

- ✓ *if (organic? value?) capital composition > rate of sv*
- ✓ *=> TFRP*
  - ✓ *collapse theory? secular tendency? long waves? cyclical*
  - ✓ *different phases in capitalism*

Tendential fall of the rate of profits

- ✓ *capital composition k: c/(v+s)*
  - ✓ *If v = 0, => k = c/y*
    - ✓ *c = pmpMP (value MP as labour commanded)*
    - ✓ *k is the inverse of R = y/c*
  - ✓ *Y = mLL, hence R = mLL/pmpMP*
    - ✓ *social working day over monetary exhibition of past dead labour: limits to LL given the working population, not to c*
    - ✓ *but 'devalorisation' of MP means that the 'tendency' may be systematically be beaten by 'counter-tendencies'*

Tendential fall of the rate of profits

- ✓ *in the law, however, tendency and counterdencies must be read together*

- ✓ *in fact, through the prevalence of the countertendencies, there is a 'confirmation of the law'*

  - ✓ *i.e., of capital as a 'contradiction in movement', and of LL as the ultimate 'limit'*

- ✓ *the Great Depression may be read as a profitability crisis largely explained by 'traditional' TRPF (Dobb, Gillman)*

- ✓ *Fordism and Taylorism as reaction: attack on craft workers*

Realization Crisis

- ✓ *if s/v > c/v => realization crisis. Why?*
  - ✓ *'disproportions' (Hilferding)*
    - ✓ *p changes, 'organized capital'*
    - ✓ *'production for production's sake' (Tugan): the fall in the wage share is irrelevant to equilibrium*
  - ✓ *general demand crisis: Luxemburg (non k NX)*
    - ✓ *RL is not an underconsumptionist (Joan Robinson, Michal Kalecki)*
    - ✓ *net I unable to cover the demand gap*

Realization Crisis

- ✓ *unitary reading of the TFRP*
  - ✓ *Marx,* Grundrisse
  - ✓ *Luxemburg:* AoC *with* Introduction
- ✓ *relative sv extraction, => fall relative w*
- ✓ *=> changes in equilibrium conditions*
- ✓ *=> imbalances in relevant sectors*
- ✓ *=> sectoral oversupplies are generalized*
- ✓ *(fall in PR, I, W, N, negative multiplier)*
- ✓ *commercial intermediation, credit, banks etc., accelerating growth, postpone day of reckoning*
- ✓ *the crisis first manifests itself as financial, then as real*

Social Crisis

- ✓ *The Great Crash was an effective demand crisis*
    - ✓ *gvt expenditure as 'internal exports' (Kalecki)*
    - ✓ *monopoly capital (Baran, Sweezy)*
    - ✓ *rise in (directly) unproductive labour*
- ✓ *increasing pressure on the workers in the (directly) productive area*
- ✓ *struggles in 'immediate' valorisation in late 1960s/early 1970s , key (not only!) factor of the crisis: limits on s/v, temporary reversal of the fall of the relative wage: another profitability crisis; production, not distribution*

The Ghost & the Vampire

- ✓ *Reading Marx and the LTV 'backwards'*
    - ✓ *value (substance+form)*
    - ✓ *'money exhibition of objectified labour time*
        - ✓ *intrinsic value: ghost, embodied in gold as money*
- ✓ *value 'creation': production & circulation, but as internal 'content' => external 'form' (expression)*
- ✓ *intrinsecally monetary: final validation of objectified labour (universal equivalent), ante-validation of living labour (finance)*
- ✓ *from money/chrysalis to capital/butterfly*

$$D-M(MP,FL)-LV-M'(LO)-D'$$

The Ghost & the Vampire

- ✓ *Capital is a Fetish: circularity*
- ✓ *based on a Real Inversion: linearity*
    - ✓ *=> LP bought by capital*
        - ✓ *LL **is** of capital*
    - ✓ *but LP and LL are 'attacched' to the body of workers, LP is **their** property and LL is still **their** labour*
    - ✓ *Capital is an 'open' totality: the 'positing of the presupposition (Hegel) is based on capital's constitution in a specific social relation of production, forced labour of free subjects*
    - ✓ *that is why the production of (new) value is ONLY consumption of LLP: ground of LTV*

The dual 'neoliberalism''

- ✓ *'Golden Age' falls also 'from the left'*
    - ✓ *capitalist counter-revolution 'from above':*
        - ✓ *deconstructing 'labour'*
            - ✓ *centralization without concentration*
        - ✓ *real subsumption of 'labour' to finance*
            - ✓ *financialisation*
- ✓ *Finance and Production: 3rd crisis in economic theory*
    - ✓ *insights from Magdoff-Sweezy plus Minsky, but*
        - ✓ *Stagnationism of MS (but stress on private debt)*
        - ✓ *FIH due to increasing firms' leverage (but vision)*
- ✓ *2 phases of Neoliberalism: 1st monetarist, 2nd asset-bubble driven privatized Keynesianism*

A 'new' capitalism

✓ *dynamical, not stagnationist*

    ✓ *effective demand was produced internally*

        ✓ *& politically: monetary policy, consumer debt*

✓ *'money manager capitalism'*

    ✓ *explosion of debt of finance & household, not firms'*

        ✓ *'pension-funds capitalism': corporate governance vs labour and high rate of returns on own funds*

        ✓ *'capital asset inflation'; CB as lender of first resort*

            ✓ *debt is forced upon firms by M&A, then by crisis*

    ✓ *continuous restructuring, and tendency of the surplus to grow*

Which crisis, of which capitalism?

- ✓ *The anglosaxon model:*
  - ✓ *Traumatized Workers*
  - ✓ *Manic(-Depressive) Savers*
  - ✓ *Indebted Consumers*
- ✓ *provider of demand to "neomercantilisms"*
- ✓ *new full (under-)employment: casualisation*
- ✓ *Schumpeterian elements? real/monetary I*
  - ✓ *Japan and Europe: particular cases, stagnat.*
  - ✓ *China: doubling IRA + wage & technology*
- ✓ *Repressed Instability & Eventual Unsustainability*
  - ✓ *Great Moderation, dot.com & subprime crisis*
  - ✓ *elements of effective demand crisis*

Everything appears upside down

- ✓ *futility of part of the debate:*
  - ✓ *the crisis real? financial?* **both, essentially**
    - ✓*real dynamism depends on perverse finance*
    - ✓*fictitious capital enforces real sv extraction and pushes up for a while effective demand*
    - ✓*subsumption to finance means 'old' exploitation*
- ✓ *End of Neoliberalism (as we knew it): or metamorphosis?*
  - ✓ *social-liberalism failed, Neoliberals managed the way out (Great Recession rather than Great Crash), through also policy innovations*