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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 rate? => fall of the mass 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
- $\Rightarrow$ real $w \uparrow$, relative wage $\downarrow$ (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 (differentiation 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 $k: \frac{c}{(v+s)}$

✓ If $v = 0$, $\Rightarrow k = \frac{c}{y}$

✓ $c = pmpMP$ (value MP as labour commanded)

✓ $k$ is the inverse of $R = \frac{y}{c}$

✓ $Y = mL, \text{ hence } R = mL/pmpMP$

✓ 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 counterdependencies must be read together.
- In fact, through the prevalence of the counterdependencies, 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 $s/v > c/v \Rightarrow \text{realization crisis. Why?}$
  - ‘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)
  ✓ intrinsically 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