MARXIST THEORY OF CRISIS

SELF-VALORISATION OF CAPITAL
OVERACCUMULATION

• Labour theory of value
• Commodities – use & exchange values
• Value based on labour time
• Labour power based on labour time necessary for production
• Adds value when consumed
• Necessary and surplus labour time (unpaid)
• Productivity
OVERACCUMULATION

→ Average labour time $< \text{less value for labour}$
→ $< \text{day for necessary labour time}$
→ $> \text{surplus labour time} \quad \text{greater profit}$

• Capitalism = raising Constant capital in relation to Variable capital (increase in the organic composition of capital)

• Smaller part of capital that can produce a profit $\quad$ Tendency for the rate of profit to fall
OVERACCUMULATION

• Rate of profit = profit/investment
• Industrial cycles: rate of profit rises in first part of cycle but declines at the end
• Profit rates come under most pressure in sectors with highest organic composition of capital
  → Export of capital to lower wage economies, shares, speculation (fictitious capital)
  → Economic crisis → devaluation of Capital
THE MOST IMPORTANT LAW

• Marx: “the most important law from the historical standpoint”
• “Accumulation leads to an excess of capital combined with an excess of population”
• Capitalism is a form of production and rule which steers towards its own collapse
TENDENCY OF THE RATE OF PROFIT TO FALL

• Improved technology + labour productivity → reduction of working time
• Relative decrease in variable vs. constant capital → increased organic composition of capital → fall in general rate of profit
• $s/v$ (rate of exploitation) $s/c+v$ (rate of profit)
• Crisis – when over accumulation overmasters countervailing tendencies → devaluation of capital
COUNTERVAILING TENDENCIES

- Export of capital
- Expansion of share capital
- Extension of credit
- Expansion of trade
- Reduction of the value of labour power
- Reduction of turnover and circulation time
COUNTERVAILING TENDENCIES (cont.)

• Reduction of the value of constant capital
• Expansion of the proportion of the working class that lives below the value of labour power
• Spending on waste and armaments
CONCLUSIONS

• Crisis product of over accumulation of capital
• Unsustainable expansion of credit
• Breakdown of accumulation
• Rupture in the circuit of capital (drying up of credit lines)
• Falling asset values
• Falling consumption levels
• Devaluation
CONCLUSIONS (cont.)

• Inflation (devaluation of wages)
• Uncontrolled expansion of over-exuberance (bubbles)
• States seeking to restore high profit levels by driving down wages
• Capitalism’s time has passed – time to fight for socialism