



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 < less value for labour
- < day for necessary labour time
- > surplus labour time  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  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
- Fictitious capital
- 

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