DOI: 10.31703/gsssr.2016(I-I).02
URL: http://dx.doi.org/10.31703/gsssr.2016(I-I).02

Unveiling the Capitalist Crises: A Marxist Perspective

Vol. I, No. I (2016)
Pages: 13 – 18
p- ISSN: 2708-2121
e-ISSN: 2708-3616
L- ISSN: 2708-2121

Uroosa Ishfaq * Kashif Ashfaq †

Abstract

This article offers a critical evaluation of the recurring economic crises within the capitalist system through the lens of Marxist theory. It explores how capitalist economies, driven by profit motives and class struggles, inherently generate instability and inequality. It also examines the cyclical nature of financial crises, emphasizing the role of overproduction, exploitation, and the inherent contradictions of capitalism. It underscores how these crises not only impact the working class but also reveal the fundamental flaws of the capitalist system. This Marxist perspective sheds light on the structural issues within capitalism, fuelling ongoing debates about economic and social reform.

Key Words: Capitalism, Marxism, Materialism, labor theory of value, Underconsumptionism

Introduction

Marx used the phrase "mode of production" to describe how the economic output of a certain civilization is organized. The phrase "mode of production" describes the tools, raw materials, machinery, and factories that make up a society's means of production. Employment and the composition of the labor force are also covered. "Relationships of production" describe the interplay between the bourgeoisie, or capitalists, and the proletariat, or workers, who do not own the means of production. According to Marx, the relations and the mode of manufacture both have an impact on how history develops. The mode of production is always changing to realize its maximum potential for productivity, but this process also breeds animosity between the two social groups that the relations of production define: the owners and the workers(Karl Marx and the World Crisis).

Capitalism is based on ownership by individuals of the resources of manufacturing. To be competitive, capitalists who manufacture items for the trading market must wring the most manpower that's possible from their employees at the lowest feasible cost. Paying the employee least as possible—in reality, only sufficient to ensure that everyone functioning and productive—is in his best economic interest as a capitalist. The laborers then discover that it is in their financial interest to stop the capitalists from mistreating them in this way. Humans lose this fundamental source of identity and self-worth as a result of capitalism's exclusive control of the means of manufacturing. In the meantime products of his labor are not his, the worker sees his employment only as a way to make ends meet and finds no personal fulfillment in it. Instead, capitalists steal these products and resell them for more money. In a capitalist economy, the worker is isolated not just from both the products he produces and the method of manufacturing that he views as little more than his source of subsistence. A worker removed from the manufacturing process is also removed from his or her humanity, given that the conversion of nature into usable items is one of the core characteristics of human existence. As a result, the worker feels cut off from their "individual identity" alongside whatever it means to belong to human beings. Lastly, the manufacturing system that is based on capitalism separates people from one another. The worker views the capitalist as hostile and external since they are deprived of the sense of fulfillment that comes from owning their labor's output. The foundation of the hostile social relations that will ultimately result in the collapse of capitalism is the alienation that workers experience from both

*Post Graduate Scholar, Department of Political Science, Abdul Wali Khan University Mardan, KP, Pakistan.
Email: uroosa.ishfaq@gmail.com
†Junior Research Fellow, Humanity Research Council, Islamabad, Pakistan.

their employers and capitalists. Because of market anarchy and capitalist exploitation, Karl Marx believed that capitalism was essentially different from other forms of production. It is a derivative of market anarchy, even though capitalist exploitation is distinct as well (Elwell, 2013)

Historical Materialism

Marx and other philosophers of the day were greatly influenced by the works of German utopian thinker Hegel. Both Marx and Hegel produced conceptions of history that are similar to one another; Marx is considered to have a materialistic view, whereas Hegel considers himself to have an idealistic view and this is the primary distinction between both of them. Stated differently, Hegel held that the fundamental method by which individuals connect to the world is through ideas and that the past can be comprehended in the context of the concepts that characterize every new historical era. Marx, on the contrary, thought that because a society's structure is created to meet material requirements, it is the basic reality of that society or historical time. Unlike Hegel, who perceived the past as a series of thoughts and the intellectual improvement of inconsistency, Marx viewed history as a series of financial structures or ways of manufacturing, each designed to meet the material needs of humans however providing lead to conflicts between different social classes that led to the formation of innovative groups in an ever-changing pattern. (Wolfe, 1986).

The Labour Theory of Value

According to the labor theory of value, the work input needed to produce a good determines its value rather than variables like supply and demand fluctuations. Marx distinguishes between two types of value that may be associated with a commodity: an external item that satisfies needs or desires. Because they can fulfill these needs and desires, Products contain a utility worth. They have a monetary or trade value that is determined by comparing them to other commodities on the market, for the sake of economic exchange. Marx argues that a quality shared by all very dissimilar goods, regardless of their estimate, value of exchange, or financial worth, has to be measurable to determine their relative values. All goods are different from one another apart from being the result of labor. As a result, the labor input required to produce a commodity is reflected in its market value.

Marx Perspective

Marx essentially thought that capitalism harmed society. In addition, He believed that because capitalism is based on social reasoning, it will inevitably fall apart by itself, much as earlier socio-economic systems had done throughout history. A form of economic determinism served as the main source of inspiration for this aspect of Marx's historical materialism (Clarke). According to Marx, the process of forcing a worker to sell their labor force—a piece of their life that they agree to devote to production—to a capitalist for less than what it is worth is known as exploitation. This occurs because the worker only receives a disproportionately low salary while their living labor produces surplus value (accumulated labor) for the capitalist after all other costs are taken into consideration. The process of obtaining a "profit" in accumulated labor because of the acquisition of work that is alive, in essence, what is meant by "exploitation." Given that this might occur in any system, why is this a bad thing for Marx? The Marxian response is no since Class exploitation is the hallmark of capitalism, and it is made worse by the system's underlying assumptions. Marx believed that an unforgivable evil existed when the proletariat as a whole could only survive by permitting itself to be exploited on a class scale. A single act of exploitation is by no means extremely problematic. As a result of treating the worker like a machine and reaping the same benefits as the capitalist, who simply needs to pay for the machines' basic upkeep, exploitation itself also has a very alienating effect on the worker (Wan, 2014).

An Assessment of Crisis in Capitalism

The majority of bourgeois and certain Marxist analysts were largely unprepared for the current economic difficulties that have engulfed the capitalist globe. The bourgeoisie believed that capitalist economies could grow endlessly with only minor crises because of the postwar era's perceived economic stability—the lack of severe depressions like those that happened during the interwar period. While offering insightful analysis, certain radical and Marxist literature on the state's increasing role after World War II has maintained that the rise in state spending is what brought about postwar stability (Clarke).

The Problem of Underconsumption

According to the theory of under-consumption, the inclination towards overproduction stemming from an uneven income distribution is the root cause of crises. The theory goes that the absence of "effective demand," to use the Keynesian term, for the goods created by expanding capital is the result of the low income of the masses in capitalist society, and that this deficiency is what prevents capital from expanding. Hence, the incapacity to realize excess value in the domain of circulation—that is, the incapacity to sell what is produced—is viewed as the root cause of crises. By increasing its spending on goods and services, the state is supposed to mitigate this overproduction situation (Sewell, 2012).

Lenin, Engels, and Marx himself were the three main contributors to the development of Marxian theory, and they all rejected underconsumptionism as a reason for capitalism's crises. Fundamentally, it is equivalent to denying the idea of the mode of production to blame capitalists for capitalism's crises for their incapacity to realize surplus value. The mass working class's poverty in comparison to the ruling classes' affluence has been and continues to be a defining feature of all class-divided societies. This doesn't explain anything; it only describes class societies. In this sense, capitalism is not special among social systems. However, crises—which manifest as mass unemployment and overproduction—are unique to capitalism and its economic structure. Economic crises do require widespread poverty, it is true, but this poverty does not explain why they arise only under capitalism and not under pre-capitalist modes of production (Engels, 1884).

Marx demonstrated that, under the presumption that there are no disruptions in the circulation process—that is, that surplus value is realized as profit—the risk of crisis is inherent in the capitalist mode of production. Increased salaries cannot help with the realization issue because surplus value needs to be realized as profit. This is where the paradox lies: when capitalists are unable to sell everything they produce, an increase in wages makes the crisis worse because it lowers the profit that they could make if they could sell everything they made. Realizing profit is the capitalist class's problem for the system as a whole; this problem cannot be solved by cutting down on the amount of output that capitalists obtain. The theory of under-consumption has a useful and direct role in explaining crises. The logical progression of reformism and social democratic doctrines is that, since crises are the result of inadequate demand, there is no reason why they cannot be eliminated or significantly reduced through more reactionary measures like military spending or income redistribution, which is the remedy advocated by social democrats. Conversely, should crises stem from the capitalist mode of production itself, as we contend below, then the only way to eradicate them would be to overturn capitalism and establish socialism (Hodgson, 1991).

The Genesis of the Current Crisis

The high rate of inflation that accompanies mass unemployment sets apart the current crisis from those that have come before it. This is because prior crises have resolved the contradictions of capital. Higher and more intense resolutions have led to the state taking on a more prominent and transformed form and they have strengthened the working class's ability to defend its material conditions. These two elements—one superstructural (the structure and function of the state) and the other innate to the contradictions in the production sphere (the working class's power)—are essential for the contemporary era. Marxist analysts tend to attribute the expansionary period from the end of World War II to the late 1960s to a change in the basic rules of capitalism. It has been argued that the law of value has been suspended specifically because of the decline in competition; specifically, the emergence of monopoly capitalism removes the system's natural inclination for the revenue margin to decrease. Due to this, sustained capital growth or system stagnation (without breakdown) is possible. This argument's main claim is that there is less of a predisposition towards crises and breakdown potential (Howard & King, 1989).

The world war that followed the 1930s financial crisis resulted in a significant reorganization of capital. The process of capital's overall centralization progressed during the interwar period. However, there was fierce competition among major cities on a global scale. The increased rivalry between capitals resulted from this centralization trend. Therefore, the Second World War catalyzed market redistribution, and the Great Depression served as the vehicle for capital reorganization. The war's aftermath was the temporary abolition of Germany and Japan, the emerging capitalist rivals of North American capitalism, and the relegation of the United Kingdom and France, the more established national capitals, to a secondary position (Marx, 1859).

The monopolistic status of American capital served as the foundation for a new period of accumulation, but this phase also brought about the resurgence of competition. The bourgeois state assumed a new and greatly expanded role in the restructuring of capital. Although this new role had initially developed during the interwar years, the trend towards a stronger state was further intensified during the war. The demands of capital gave rise to the state's new role, but more importantly, it symbolizes the political form that capitalism's conflicts take on when they reach a more intense level. It is crucial to recognize that the state did not adopt its new role as a result of the 1930s crisis. Such an argument stems from a bourgeois "pragmatic" perspective and fails to explain why earlier crises—like the one that occurred in the 1890s—did not result in the establishment of a government akin to the United States "New Deal". The expanding state was made possible by the increasing centralization of capital in the United States, which served as its material foundation. The historical process that made this theoretical possibility a reality was the crisis of the 1930s (Marx, Economic and Philosophic Manuscripts of 1844, 1844).

Fratricidal centralization produced an increasing harmonization of interests within the capitalist class, which allowed the class to transfer greater surplus value to the state collectively. The growing instability of capitalism—which was a by-product of the same process that led to centralization—and the growing power of the working class made this transfer necessary. The severity of a crisis must occur to restructure capital and allow it to emerge from the crisis with a greater social rate of profit rises with capital's centralization. This is because the fratricidal fight that occurs during a crisis typically involves large financial capitals, that can withstand a crisis of realization and profit from the devaluation of capital by eliminating their lesser siblings. However, as the crisis deepens, the likelihood that capitalism itself could collapse tempers the reality that big capital benefits comparatively from the crisis. Put another way, to accomplish the required capital restructuring, crises tend to get worse than they were before, but this tendency also poses a challenge to the whole nature of capitalism. It is the bourgeois state's responsibility to buck this trend (Marx, Manifesto of the Communist Party, 1848).

Reducing the intensity of the crises that come with capitalism's monopoly form is one of the expanding state's main purposes. This is a limited advantage, though, since one of the forces opposing the declining percentage of return is the crisis itself. When there are no catastrophes, or in the event of a minor one, wages tend to increase beyond the worth of labor; nonetheless, it is crucial to remember that capital restructuring is not necessary until it is accomplished in another way. Thus, it is a mixed benefit when crises are moderated, or when the "business cycle" fluctuations are lessened. It prevents one type of treatment in addition to suppressing the symptoms. Because international capitalist competition had been all but abolished as a result of World War II, the signs of the contradictions within the expansion of capital could be suppressed for such a long time (from 1945 till the middle 1960s). US capital gained a monopoly in the global capitalist economy after the war. When there was no significant crisis, accumulation could continue since there was no need to temporarily restructure capital due to the lack of competition. The fundamental paradoxes persisted, nevertheless. As accumulation continued, American capitalism evolved more precariously despite the inclination for the revenue margin to decrease. Because there was no competition, greater capitals were not compelled to revolutionize the means of production, and relatively inefficient capitalists were able to keep an artificial hold on life. In this way, the social output of labor tends to stagnate under monopolistic capitalism. Hence, post-war US capital growth was characterized by a rot at its core, necessitating the resurgence of competition to transform the threat of disaster into reality.

It was obvious that the technical relations of production would advance more quickly in the reconstruction-era nations than in the US. The re-emerging capitals needed to create and apply more advanced industrial techniques if they were to survive at all. This is because the internal markets of the economies undergoing reconstruction were where competition first appeared and had to exist. Growing national capitals had to compete in marketplaces dominated by producer and consumer commodities from the United States. Due to its dominance in the global market, U.S. monopoly capital did not feel much competition in the early stages of the growth of the war-torn countries. However, the primary determinant of accumulation for the national capitals in every capitalist nation was this competition. The current crisis resulted from the resurgence of global competition, which triggered the latent propensity of the profit rate to decline. The United States experienced a worsening in its balance of payments and pressure on the currency in international markets as early signs of this crisis. However, these were merely the outward signs of the falling relative effectiveness of US capital (Engels, 1884).

The crisis has to take the form of faster price inflation due to the state's increasing involvement whose material basis is national capital in monopoly form. The propensity for the revenue margin to decline towards reality was reversed by the diminishing competitiveness of U.S. capital. The rate at which the value increased decreased due to the reduction in both the pace of accumulation and the amount of profitability. This manifests as an increase in prices. The state makes an effort to support capitalist interests by attempting to keep the pace of accumulation steady through expenditure; nonetheless, capitalists in each subsequent uninterrupted cycle of capital find that the rate of accumulation decreases and their realized surplus value is less (relatively or absolutely). This attack on public spending is by definition an attack on the working class. The expansion of capital requires governmental spending, even though a sizable amount of it may be ineffective (i.e., not producing surplus value). Spending on the military is merely the most evident example. Therefore, at all levels of government, the capitalist class aims to cut back on government spending that is least critical to its interests in the near term and benefits the working class, such as "welfare," healthcare, education, and other services. The proletariat, who owns the source of value—labor power—must suffer the brunt of the crisis, as in all crises (Lawrence & Wishart, 1970).

Conclusion

Marx's interpretation of capitalism is unitary rather than dualistic. In other words, market anarchy and exploitative trade are not features of capitalism. Instead, the anarchy of production is the archetype of capitalism, and capitalist exploitation is a derived aspect. Marx therefore believes that the elimination of market anarchy, rather than just the denial of exploitation, is the primary step towards the development of socialism. The current crisis approach makes a sharp break with the underconsumptionist thesis. Subsequently, theoretical progress in the examination of capitalism's rules of motion presents itself once underconsumptionism is excluded. The analysis of the competition among capitals is one of the most significant areas where theoretical work is required; this topic is only touched upon in broad strokes here. The notion that the United States competition has virtually disappeared as a result of capitalization is yet another ideological tool in the reformer toolbox. It implies that rather than capital as a social connection in any form, the evils of capitalism are found in the form that capital takes, monopoly companies. Contradictions in the production realm are extended into the circulation sphere by the materialist theory of competition, which is derived from the theory of crisis.

Underconsumptionism must be rejected if we are to allow revolutionary theoretical developments in the field of imperialism. An abrupt break from the "search for markets" explanation is necessary since the study of imperialism has been entangled in the realm of circulation for far too long. To avoid the mistakes of the imperialist "super-exploitation" and "surplus extraction" theory, the great work of Bettelheim might be expanded upon from this angle. The United States is currently experiencing its worst economic crisis in thirty years. After the war, American capital accumulated a significant amount of inefficiency that called for a significant capital reform. Whether the current crisis has been enough to trigger this restructuring is still up in the air. The materialist technique, which starts with contradictions in the field of production, must be used to analyze the events leading up to the crisis and the recovery that followed. We can comprehend the antagonistic conflict between labor and capital as well as the revolutionary potential that arises from it only by comprehending these contradictions.

References

Clarke, S. (n.d.). The Marxist Theory of Overaccumulation and Crisis. Retrieved from http://homepages.warwick.ac.uk/~syrbe/pubs/sands.pdf

Elwell, F. (2013). Marx's Crisis of Capitalism.

Engels, F. (1884). The Origin of the Family, Private Property, and the State.

Hodgson, G. M. (1991). After Marx and Sraffa. Palgrave Macmillan London.

Howard, M. C., & King, J. E. (1989). A History of Marxian Economics, Volume I: 1883-1929. Princeton University Press.

Karl Marx and the World Crisis. (n.d.). Retrieved from Socialist Voice No. 19: https://www.marxists.org/history/etol/newspape/socialistvoice/marx19.html#:~:text=Marxist%20Theory%20of%20Crises&text=For%20Marx%2C%20capitalist%20crises%20are,share%20of%20the%20available%20profits.

Lawrence, & Wishart. (1970). The German Ideology, Part One with Selections From Parts Two and Three, Together with Marx's "Introduction to a Critique of Political Economy".

Marx, K. (1859). A Contribution to the Critique of Political Economy. Progress Publishers, Moscow.

Marx, K. (1844). Economic and Philosophic Manuscripts of 1844.

Marx, K. (1848). Manifesto of the Communist Party. Progress Publishers, Moscow.

Sewell, R. (2012, August 30). What Causes Capitalist Crises: Under-Consumption or Overproduction? Retrieved from https://www.marxist.com/underconsumption-and-marxist-theory-of-crisis.htm

Wan, N. (2014, April 02). Capitalism and crisis. Retrieved from https://socialist.net/capitalism-crisis-marxist-student/

Wolfe, D. A. (1986). Capitalist Crisis and Marxist Theory. JSTOR, 17, 225-254.