THE HISTORICAL SETTING AND ORIGINAL TRAITS OF THE WORLD CRISIS

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O CENARIO HISTORICO E TRAÇOS ORIGINAIS DA CRISE MUNDIAL
Resumo: Os mais dramáticos e mais divulgados episódios da crise mundial tem sido financeiros: o colapso do mercado de crédito de hipotecas em 2007, a falha dos irmãos Lehmann em setembro de 2008 e mais recentemente o comércio bancário da Euro zona e a soberana crise de débito. Esses é claro ocorreram cada um em seu tempo e tiveram seu próprio impacto na produção, comércio e emprego. Mas isso não faz da crise uma “crise da financeirização” ou do “neoliberalismo”, mas do capitalismo *tout court* em certo momento de sua história. Suas causas subjacentes são superprodução e superacumulação a nível mundial e um jogo eficaz da tendência da taxa de lucro para cair apesar do recurso por capital dos fatores de compensação. A duração da crise, que é agora chamada não de ‘Grande Recessão’ Americana mas sim de crise global (McNally,2011), e o fim da fase onde a China e o Brasil pareciam estar dissociadas da crise mundial são expressões disto.
Palavras-chave: Crise mundial, burguesia, Capital.

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Abstract: The most dramatic and most publicized episodes of the world crisis have been financial: the subprime mortgage market collapse in 2007, the failure of Lehmann Brothers in September 2008 and more recently the Eurozone banking and sovereign debt crisis. They have of course each time had their own impact on production, trade and employment. But this does not make the crisis a “crisis of financialisation” or of “neoliberalism”, but of capitalism *tout court* at a given moment of its history. Its underlying causes are overproduction and over-accumulation at world level and an effective play of the tendency of the rate of profit to fall despite the recourse by capital to the offsetting factors. The length of the crisis, which is now named not a US ‘Great Recession” but a global slump (McNally, 2011), and the end of the phase where China and Brazil appeared to be decoupled from the world crisis are expressions of this.
Key words: World crisis, bourgeoisie, Capital.

Recebido em: 26.11.2013. Aprovado em: 06.01.2014.

1 INTRODUCTION: the crisis in its long term setting

An economic and financial crisis which embraces be it in a differentiated manner, the whole of the world economy cannot be mono-causal and must be set in in its historical context. Paul Mattick (1981) observed that

> […] "the periodicity of crisis […] is affected by historical circumstances. If the ultimate reason for every crisis is capitalism itself, each particular crisis differs from its predecessors just because of the continuous transformation of world market relations and of the structure of global capital. Under these conditions neither the crises themselves nor their duration and gravity can be determined in advance".

He adds that the crisis cannot be reduced to

> […] "purely economic events, although it arises "purely economically," that is, from the social relations of production clothed in economic forms. The international competitive struggle, fought also by political and military means, influences economic development, just as this in turn gives rise to the various forms of competition. Thus every real crisis can only be understood in connection with social development as a whole".

The most important "*social development*" of the last fifty years has been "*globalization*" understood as the full "*globalization of capital*"[1] or in Marx's words "the establishment of the world market" (Capital, III, end of chap.15).

Following the globalization of financial flows and markets, the full re-conquest by capital of the USSR and its satellite states, the incorporation of China into WTO in 2001 and the rapid advance of liberalization in India, the crisis is a "*global one*" to a degree and in a ways unknown in previous crises. It is at this level that the crisis is truly a world crisis of over-accumulation of capital in the twofold form of productive capacity with overproduction and of a "*plethora of capital*" unable to reinvest at acceptable rates of profit. In the 1990s the law of tendency of the rate of profit to fall (LTRPF) was contained by the recourse by capital to the counteracting factors determining the rate of exploitation. But it was not nullified and continues today to underlie the world situation notably on account of the effects on constant capital of the progressive rarefaction of natural resources.

1.1 Accumulation in the advanced capitalist countries, unbroken but slower and slower

The vigor of true cyclical recovery and renewed expansion of accumulation depend on the scale on which the destruction of capital and commodities and so the extent to which the rate of profit reestablished and the deck cleared for new investment (KLIMAN, 2012, p. 3 and 77). A number of factors help to explain why this point is very long away today. The on-going crisis ended the longest unbroken phase of accumulation in the history of capitalism. Over sixty years if the end of the Second World War is taken as the starting point; a little over forty years if 1976, which saw the end of the first postwar world recession, is chosen. Taking the growth rate of GDP as a proxy the pace of accumulation in the advanced capitalist economies slowed continually but only broke in 2009. On account of the length of the phase and also because of the massive recourse to credit in the last stages, the crisis was preceded by the build-up of very large-scale excess capacity in a number of sectors and industries at different points of the world economy but also by the particularly high accumulation of claims on value and surplus value in the primary forms of dividend and interest along with the spurious growth of even more fictitious "assets" (CHESNAIS 2006 and 2007). Because of the economic and political strength of the organizations embodying interest-bearing capital and the extent to which the realization of value and surplus value had come to depend on private and public debt, the course of the crisis up till now has seen the destruction of only a very small part of this mass of fictitious capital and spurious "*assets*". In parallel China has become one of the cornerstones of the world capitalist system and the present most important locus of global over-accumulation and overproduction.

During its first period the foundations of long term accumulation laid in the scale of the opportunities for profitable investment stemming from the combined result of low investment over part of the Great Depression of the 1930s and the massive destruction of plant, infrastructure and housing of the Second World War. In Europe the Great Depression led straight into the war. In the United States return to full employment only came with the entry in the war in 1942. In Continental Europe accumulation began again around 1950 once the most basic industries and communication systems had been made to work again. It took off in Japan when the US helped Japanese capital rebuild its industry to serve as a second productive base for the war in Korea. The US experienced a very short crisis in 1952 before launching this war and so making its arms industry one of its major motors of accumulation over a long period and the principal basis of its innovation system to this day. In the 1950s and early 1960s US government financial support (the Marshall Plan) and foreign direct investment by US multinational corporations supported accumulation on both sides of the Atlantic. Due to the outcome of the Second World War the working class and its unions and political parties were in a position to limit the power of corporations and financial institutions.

Last but not least until the Federal deficit financing of the war in Vietnam made the pegging of the dollar to gold impossible for the United States to sustain, capitalism enjoyed a stable and legible international monetary. This laid the foundations for "*Fordism*" understood as an "*accumulation regime*" in the meaning of the Ecole de la régulation and for what came to be known in English as the "*Social Democratic Compromise*". The fall in profits in the face of workers' demands (GLYN; SUTCLIFFE, 1972) and the emergence of overproduction within the boundaries of interdependent but still self-centred national economies laid the ground for economic crisis.

Figura 1 - Annual GDP Growth in High Income Economies

Source: Durand & Légé, 2013

Figure 1 shows that the 1974-76 crisis was in fact preceded by a first fall in the GDP growth of the industrialised countries. In many countries the bourgeoisie was confronted by strong working class and student action. But political class relationships were still conditioned shaped by the interest of the Soviet bureaucracy. It gave capital the leeway to readjust strategically. A key phase was the containment of the French General Strike by the French Communist Party and the CGT late May 1968 followed crushing of the Prague Spring in August. This was reiterated in Italy in the autumn of 1969.

Ernst Mandel (1982) names the 1974-76 crisis, ("the first generalised recession of the international capitalist economy. It is often referred to as the starting point of the "structural crisis of capitalism"). (BOYER, 1987, p. 65). There are two related difficulties. The first is that this largely ignores (there are differences of course among authors) the very special historical conditions which had allowed the temporary establishment of the stable regime known as "Fordism": the outcomes of the Second World War in the form of a huge destruction of plant and infrastructure, a terrain cleared for profitable new investment and capital-labour relationships relatively favourable to the latter. Proponents of the Italian-originated theory of Neo-Capitalism even announced a form of capitalism which might have rid itself of crises. Nostalgia for the "*Glorious decades*" hangs in part of the European left. They were simply a parenthesis which ended once capital accumulation had led again to over-accumulation of productive capacities within national economies and that "*financial accumulation*" (this term is defined below) had got momentum again London's financial centre.

1.2 The bourgeoisie's fight against the immanent barriers of capitalist production

The second difficulty is that the expression "*structural crisis of capitalism*" is also used in ways that suggest the world capitalist economy never really recovered from the 1974-76 crisis. Obviously figure 1 gives support to this. Its records the 1990-1992 recession with Japan's financial system as a major casualty. But it does not capture the brutality of class aggression as captured by Andrew Glynn's "*capitalism unleashed*" (GLYNN, 2006).

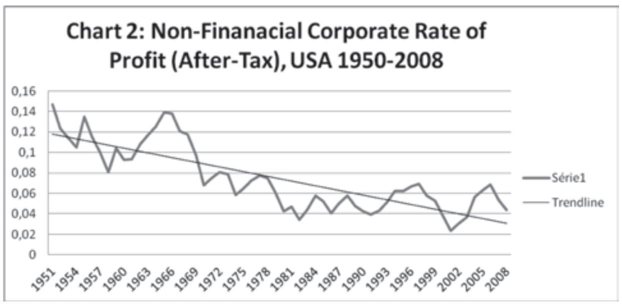
As McNally (2009, p.42-43) has rightly noted:

> […] "for the most part, the approaches (that read the current crisis in terms of a decline in the rate of profitability), tend to be amazingly static, ignoring the specific dynamics of capitalist restructuring and accumulation in the neoliberal period".

As he points out

("there is a particularly unhelpful tendency in many of these analyses to treat the entire thirty-five year period since 1973 as a 'crisis', a 'long downturn', or even a 'depression'"). The way I have approached the analysis of capital's very strong reactiveness and so the return to slower but unbroken accumulation from the 1980-1982 recession onwards (this second recession being a follow-on to that of 1974-76), takes its lead from Marx's observation that

> […] "capitalist production seeks continually to overcome its immanent barriers, but overcomes them only by means which again place them in its way and on a more formidable scale". (Capital, volume III, chap. 15)



Source: Smith and Butovsky (2012)

Between the late 1970s and the early 2000s, capital in the world system's core countries devised three main ways to prolong accumulation until 2007-2008, albeit at an ever slower rate. Although there are considerable overlaps between them is easiest for the sake of clarity to list them separately. The first was the neoconservative revolution planned by Friedrich Hayek and Milton Freidman and led by Margaret Thatcher and Ronald Reagan follow a first full scale application with the 1973 Chilean coup d'Etat and the sanguinary Pinochet regime. This response involved from the turn of the 1980s continuous steps towards the liberalization, deregulation and globalization of finance, trade and FDI. NAFTA, the Washington Consensus, the Treaty of Maastricht and the Treaty of Marrakesh were key landmarks. This created the conditions for an increase in the rate of surplus value from then on, not something specific to given countries but as a global (necessarily differentiated) worldwide process. Alongside the global financial instability born out of financial liberalisation, the conditions for global over-accumulation and overproduction were laid and first announced by the Korean and Taiwanese episodes of the 1988 Asian crisis. The second method used for prolonging accumulation was the setting up in the US of a debt-led growth regime which then spread to the industrialized countries in Europe. This method represented, and continues to represent, the response of finance capital to the weakening of effective demand as a result of the increasingly strong shift in income distribution between capital and labour as a result of globalization and the growth of financial markets. It experienced its climax in 2003-2006 in the US housing bubble fed by debt supported securitisation and unsustainable levels of leverage. Despite the financial crisis it remains the growth regime to which finance capital aspires to return. The third way of prolonging accumulation adopted by the world bourgeoisie under the leadership of the United States was the support given to successfully-managed reintroduction of capitalist production in China by the CCP and its incorporation into the world market crowned by its co-option into WTO in 2002.

1.3 The fall in the rate of profit and the play of the factors counteracting it

On account of the quality of the statistical data most calculations are made solely for the United States. The one made Murray Smith and Jonah Butovsky is chosen because it is set in a discussion of the contemporary play of the counteracting influences to the fall in the rate of profit.

Use by Marxian economics of the approach used by Marx in chapter XIV of volume III has always been sporadic. Yet the counteracting influences are major factors driving the dynamics of accumulation and class struggle. Theirs is thus welcome. Pointing out that the real problem is that

> [...]of explain why this fall (of the rate of profit) is not greater or faster", Marx writes in this short chapter that counteracting influences must be at work, checking and cancelling the effect of the general law and giving it merely the characteristic of a tendency, which is why we have described the fall of the general rate of profit as a tendential fall (MARX,1981, p. 14).

Even if capital or rather its personifications –banks and corporations – only experience this tendency for the rate of profit to fall intuitively, in the form in particular of heightened competition, neither they or the governments that aid them remain passive once they feel that it is at work. Accumulation as a process which bears *neither end nor limits* creates an imperative demand on corporations and governments spurred on by banks to react. It is these responses that contribute to shape the actual concrete course of capitalist development. Marx enumerates six counteracting factors: the degree of exploitation of labor, the depression of wages below the value of labor power, relative overpopulation, the cheapening of elements of constant capital, foreign trade and the increase of stock capital. The first three all increase the rate of exploitation and the amount of surplus value appropriated. The cheapening of elements of constant capital and foreign trade work both ways. They both support and offset the tendency towards the falling rate of profit, each effect getting the upper hand according to circumstances. The last factor relates to the increase in share capital. Here the analysis focuses on the first five factors.

Since the 1980s onwards factors numbers one, two and four have all been effectively tending towards a rise in the rate of exploitation. In the 1990s technological changes had strong effects on productivity; absolute surplus value has been continually obtained through the intensification of exploitation by management practices while wages have been pushed down and worker discipline enforced through the play of overpopulation, in the form of the *global industrial reserve army* which has emerged though trade and direct investment liberalization have all been at work. Special attention is paid to the third factor below. Saying that the effect of these three factors is *ephemeral* (SMITH; BUTOVSKY, p.47) does not make up for what they mean for the workers and exploited people. In the long run we are all dead as Keynes put it. In the context of the world market, their effect may be more lasting in that of a closed of a national economy.

In the 1990s trade and direct investment liberalization opened up even fully than before opportunities for industrialized countries firms to raise their rate of profit through exports[2], exploit the working force in situ and exercise their competitive advantage vis-à-vis local capital through foreign direct investment. Marx also points to the effects of imports. When

> […] commodities are bought abroad and sent home (not only) is the rate of profit

> higher because it is generally higher in the colonial country, favorable natural conditions may enable it to go hand in hand with lower commodity prices".

This can be extended to FDI. US imports from China and South and South-East Asia of cheap manufactured *wage-goods* entering into the cost of reproduction of labor power can be hypothesized to have had an effect on the movement of the US rate of profit of non-financial corporations.

The cheapening of the elements of constant capital is the factor most closely depended on precise circumstances. The scale of the labor-saving effects of information technology on the organic composition of capital and so the magnitude of the shift between constant and variable capital suggests that today the fall in the cost of "machines" *largo sensu*, however great it may be, will not be a factor offsetting the fall of the rate of profit. The raw materials and energy component of constant is likely to accentuate the fall of in the rate save for economies with specific endowments. will be a factor to watch. Laurent Baronian (2013) points out that Marx only discusses the vegetable and animal raw material components of constant capital (e.g. cotton and wool) and only envisages the rise in their price as a temporary, passing phenomenon[3]. The reverse is true today. The rise in the price of energy, many minerals and other raw material inputs to production in which China's huge demand only acts as an accelerator of a much longer term process, can be seen as a long term influence acting on the LTFRP. In this context the turn by the US to the massive exploitation of natural from shale may help it offset the impact experienced by heavily oil-import dependent countries (GEIER, 2012).

This stress on the counteracting factors leads me to accept calculations of the profit rate which find a partial recovery of the profit during the 1990s in the main EU countries and in particular in the US. Given all that has just been said about the vigorous recourse by capital to several key offsetting factors, it would have been really odd if the rate of profit had not recovered. In calculations other than those of Smith and Butovsky, recovery is stronger as in Kliman (2012) or weaker as in Duménil and Lévy (2011) where they are either negative (0.84 when 1998-2007 is compared to 1952-1971) or very low (1.13 when 1998-2007 is compared to 1974-1983). Their assertion that *the crisis of neoliberalism, just as the Great Depression, cannot be interpreted as a profitability crisis* is all the more striking. It cannot be understood independently of an overall theoretical framework a-Marxian stance which leads them to write that

> […] if an overreaching explanation (of the crisis) must be sought, it lies in the objectives of neoliberalism, the tools used in their pursuit and the contradictions inherent in these aims and methods. (KILMAN 2012, p.34).

2 THE WORLD CRISIS AT THE END OF 2013

The IMF and the OECD have both recently published their 2013 fourth semester forecasts. The IMF forecasts world growth to average 2.9 percent in 2013, below the 3.2 percent recorded in 2012, and to rise to 3.6 percent in 2014. The respective figures calculated by OCDE are 2.7% for 2013, 3.6% rate for 2014 and 3.9% for 2015. The OCDE (2013) observes that

> [...] this recovery, which is still weak by past standards points to a worrisome slowdown in world trade growth, in foreign direct investment flows and in fixed investment, as well as continuation of stubbornly high unemployment, particularly in Europe.

The IMF stresses that is also highly dependent on US fiscal and monetary policy decisions.

2.1 Over-accumulation and overproduction alongside a mountain of fictitious capital

The present situation is one where excess capital in all its forms overhangs the world economic situation (CHESNAIS, 2011). Huge nominal amounts of financial assets improperly named *capital* whereas they are only direct or indirect claims on production are lodged in very powerful financial conglomerates possessing the capacity of dictating their policies to governments through a variety of economic channels and political institutions. When writing his chapters on finance, Marx already made the observation that

> […] in all countries of capitalist production, there exists a tremendous amount of so-called interest-bearing capital, or moneyed capital in this form (stock and bonds). And by accumulation of money-capital means for the most part nothing more than an accumulation of these claims on production, and an accumulation of the market-price of these claims, their illusory capital-value. (Capital, III, chap.30).

The course of capitalist development over the last forty years has pushed this form of accumulation ever further. The magnitude of the claims on value and surplus value and the pace of their growth in comparison with that of world GDP is shown in figure 3 in one of the most reliable estimations of global financial assets. The initial twenty year period of exponential growth was brought to a halt by the 2000-2001 crash on NASDAQ. Much slower growth followed, but its pace was barely affected by the 2007-2008 financial crisis. In 2010, as noted by

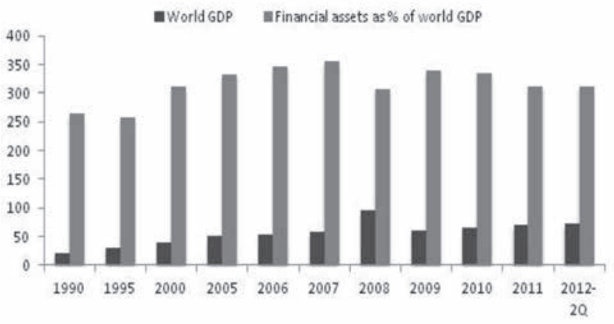
> [...]"growth resumed, fueled by expansion in developing economies but also by a $4.4 trillion by the McKinsey Global Institute increase in sovereign debt". (MCKINSEY Global Institute, 2013).

In its latest 2013 report McKinsey Global Institute expresses its concern that

> […] although global financial assets have surpassed their pre-crisis totals, growth has hit a plateau. Their annual growth was 7.9 percent from 1990 to 2007, but that has slowed to an anemic 1.9 percent since the crisis. (MCKINSEY GLOBAL INSTITUTE, 2012).

The authors are concerned that their indicators of financial globalization (flows of loans, cross-border holdings of bonds and equity, foreign direct investment) reveal a certain degree of *retreat from globalization*.

Figure 3 - Global Financial Assets as a % of World GDP)



Source: McKinsey Global Institute (2012).

Constant 2011 exchange rates and $ trillion What is striking is the resilience of the accumulation of fictitious capital rather than its slowdown. There are two main explanations. The first is the huge flow of interest from the servicing of government debt. The second is the continuous flow of profits stemming from unrelenting exploitation, which is not reinvested in production or circulation and enters the sphere of financial markets where it basically wages an inter-capitalist competition around the distribution of the surplus value channeled to financial markets.

With respect to over-accumulation and overproduction at world level in a liberalised and highly hierarchically differentiated global economy where some countries can still combine competitiveness and higher degrees of remaining protection relatively to others, their location is necessarily differentiated. Global over-accumulation and overproduction can go hand-in-hand with declining rates of productive investment in given countries as was the case of the United States in the late 1990s and 2000s. The unique international monetary status of the dollar (GUTTMANN, 1994) and huge household and financial sector debt made the US both **consumer of last resort** and recipient of central bank reserves and private hoards (Sovereign funds from the Gulf) in search of safe investment. In the industrialized countries over-accumulation and overproduction are largely lodged in specific industries, notably automobiles, and sectors, in particular housing and construction.

These industries and sectors have been the cornerstone of accumulation and in the case of housing and construction the terrain of the 2003-2006 financial bubble. In the US and in the EC, the level of unemployment reflects simultaneously domestic over-accumulation, the pro-cyclical policies dictated by finance and the flight of corporations to continents where markets still have a potential to grow, labour cheaper and largely unprotected by labour law and anti-pollution legislation less stringent if not inexistent. In far-East Asia excess capacity and overproduction concerns a wide spectrum of industries. This is a result of industrial accumulation in South-East Asia, in Korea and Taiwan and of course in China. Maria Ivanova (2011) has argued the close complementarity between the over-accumulation of capacity and of "*surplus*", e.g. non-reinvested capital in the manufacturing centres of the periphery, principally China and the U.S.-based overproduction of housing.

2.2. The contradictory role of China

Above it was argued that the third way of prolonging accumulation adopted by the world bourgeoisie under the leadership of the United States was the support given to successfully-managed reintroduction of capitalist production in China by the CCP and its incorporation in the world market crowned by its co-option into WTO in 2002.

The tendency towards over-accumulation and overproduction was already at work in China before 2008. Under Deng Xiaoping China progressively embraced, with an acceleration after Deng's 1992 *Southern Tour*, the model of export-led growth despite geo-economic and demographic characteristics very different from those of Korea or Taiwan: a continental economy and the world's largest population. This choice is the consequence of the relationships of production and distribution specific to China's single party Stalinist shaped oligarchical economic and social system and of the export orientation foreign investment, notably by US corporations, both in manufacturing and in commerce.

It is estimated that if Wal-Mart were a country it would rank as China's seventh-largest trading partner sourcing over $18 billion worth of goods from the Chines manufacturing system[4]. More generally in a liberalised global trading system over-accumulation can temporarily be offset and masked by exports as manufacturing capacity is destroyed by competition in other parts of the world economy. In the case of textiles for instance, China's very pronounced turn to the world market coupled with the total dismantling in

2005 of the Multi-Fibre Arrangement (MFA) in WTO seriously impacted the industry on both shores of the Mediterranean. As noted by Ho-Fung (2012, p. 222), the miracle of prolonged over-accumulation in China has lain in its *capacity to export excess capacity*.

In the industrialized countries the crisis has exercised its classical function and destroyed industrial capacity. This occurred first in the United States and elsewhere in the OECD in late 2008 and 2009 and then again in many EU countries from 2011 onwards. In Europe plant closures and intensive restructuring are continuing. This has not been true for the emerging countries, particularly China. Indeed since 2008, the destruction in the US and Europe of means of production unprofitable at prevailing rates of profit has been offset by the pursuit of Chinese capacity creation. China set the floor in 2008-2009 to world recession. Through very high investment outlays, it stopped the US *Great Recession* from leading to depression, in particular by ensuring a market for large primary products producers in South America thus insulating them from contagion very largely. In this way a break was put on the sharply downward path of world trade. In China, despite evidence regarding the fall in the rate of profit (Gaulard, 2009) during the whole of the first decade of the 21st century, extended reproduction as laid out in volume II of *Capital* has been marked by very strong differences between the rates of growth of sector I and that of sector II. Relatively to sector I sector II has grown very slowly. The way the CCP responded the call made on China, to prevent the collapse of world production and trade after the collapse of Lehmann and the spread of recession in the US and the EC has made disproportionality worse. Investment has grown fast, despite evidence of a falling rate of profit and savings in the form of non-reinvested profit made by firms even faster, while private consumption has fallen as a percentage of Chinese GDP (HO-FUNG, 2012). The communist-cum-capitalist elites entrenched in large cities and provinces are engaged in deep competition among themselves, the result of which is the multiplication of investment in plant. On the other hand, workers are refused the right to build independent trade unions of their own since the concession of this right by the Chinese Communist Party would open the door for the building of independent political organizations. An increasing number of workers now organize local industrial actions of different types, including strikes, but the working class does not exist as a force capable of weighing on the overall pattern of income distribution. The CCP is committed to growth even if this is based on accumulation internal to the sole capital-goods production sector (sector I). It has been all the less prone to put a break on investment by municipalities and provinces that until now it has been in a position to realise value and surplus through exports albeit at a slowing pace on account of weakening demand by the US and mores still the EU.

2.3 The globalisation of the labour force as the cornerstone of capital's present strength

The very slow growth rate of global GDP stemming from unresolved crisis in the US and near to recession conditions in much of the Eurozone and in the UK are creating export difficulties for China and leading to a slowdown in growth which in turn affects South America. In the industrialised countries despite the dead-end of the debt-led growth-model no substitute has been really envisaged and less still put in place. Since mid-2011 the process of capacity destruction has been launched again in most of Europe while in the US new investment has remained very low. China is pleaded again to boost the world economy but to do so this time by seriously expanding its domestic market. Capital's difficulties are persistent. But since the start of the world crisis it has succeeded in making the effects of the economic and financial crisis fall on labour and the most vulnerable people in society, not only in all the countries ranged under the name *developing*, but also in the erstwhile centres of the world system.

The single most important explanation is the following. Capital's greatest conquest during the past forty years has been the creation through the liberalisation of finance, trade and direct investment and the incorporation of China and India in the world market of a *global labour force*, coined as the *great doubling of the global labour pool*[5]. This sets the conditions for the increase in the rate of exploitation and the configuration of the industrial reserve army in each national economy. Capital can pit workers against one another between countries and so all the more easily also within them, on account of the economic, social and political relationships between itself and labour. They are extremely unfavourable for workers largo sensu and for the peasantry where it still exists. But they also represent an encouragement to capital and governments to dig in to policies of status quo and so to do two things: first put off any attempt to seek a way out of quasi-stagnation punctuated by financial crises; second incite the exploited and the oppressed to find new ways of fighting their way to emancipation. This is indeed happening, not least so in China.

At the moment however, what prevails is the extraordinary handicap of labour in the face of capital in the workplace and the macroeconomic advantages of cheap labour for governments and Central Banks. The global *low-wage economic regime* has been the setting for the expansionary monetary policy resorted to repeatedly since 1998 and for the unprecedented resort to *quantitative easing* in the most recent phase. Without this regime inflation would have exploded. It is also the setting for much of the discussion about the *new technologies*. The immense managerial opportunities created by ICTs, in particular for large transnational corporations, ranging from global network organisation and international and domestic outsourcing to the new methods of work surveillance in production sites or with the new forms of individual outputting[6], have given again a very high degree of topicality to what Marx names in chapter XXV of Volume I of Capital, *the general law of capitalist accumulation*. Namely that

> [...] the greater the social wealth, the functioning capital, the extent and energy of its growth, and, therefore, also the absolute mass of the proletariat and the productiveness of its labour, the greater is the industrial reserve army. (MARX, 1976, P. 15)

The advent of "structural unemployment", of a situation where the younger generations are denied employment and of the generalisation of short or very short work contracts calls for the re-appropriation and renovation of the analysis proposed by Marx of the different strata of the industrial reserve army. These strata have strong national specificities owing to demography, the moment and conditions of accumulation and the relationship to the world market. Harry Braverman (1974, p. 382-388) sought to analyse the industrial reserve army in the US in the early 1970s and identify its three classic strata. The notion would require re-appropriation by Marxist research today. The industrial reserve army available domestically has always made a call on immigration. This has taken the form of great waves as at the end of the 19th century or in the 1920s and of targeted demands for different types of workers at different moments in Europe from 1960 onwards (CHESNAIS, 2004). The extraordinary advantage that the creation of a global labour force has conferred on capital by making workers compete so hard for employment is one of the foundations of the power of contemporary financial capital.

3 CONCLUSION: no end of the world crisis in sight

Capitalist crises only end once the destruction of productive and of fictitious capital has taken place sufficiently strongly that the "*deck is cleared*", profitability restored and the opportunity for new investment recreated at levels that permit the accomplishment of the full accumulation on a scale that quenches a little capital's thirst for surplus value. This entails reenlisting a significant part of the industrial reserve army as workers producing surplus value and also in capitalism's derived manner as consumers. Today the scale on which these conditions must be satisfied is that of the world market. Fictitious capital *in toto* has been barely touched, even if a number of banks and investment funds have been hurt and seen a fall in their rates of return. As was said above, the destruction and restructuring of productive capital has taken place and will continue unequally between countries and continental blocks, but not on a sufficient scale. Financial consultants and the economic press report that banks and firms are awash with cash[7]. In the absence of investment opportunities with a rate of profit in accordance with shareholder satisfaction retained profits are not reinvested but used for share buybacks on a greater scale than ever. Interest rates are at their lowest level in thirty years, but the influence on investment is very small. In the words of one consulting firm: "*the growing challenge is too much capital*"[8]. Niches will of course appear where profitability is high. The rush to invest will transform them into short-lived speculative bubbles.

The low degree to which the destruction of capital has taken place differentiates the present world crisis deeply from the Great Depression of the 1930s. This has been due in the US and Europe to the speed and scale of government intervention in support of the financial system and also more temporally and to a lesser degree of the automobile industry. All remember the statement by G.W. Bush that he had had "to abandon the free market system in order to save the *free market system*". Elementary reflexes of direct involvement were evidently at work in the measures taken in rescue of the large banks and insurance companies at the core of the financial system. But ties to Goldman Sachs are not sufficient explain the Federal government and the Fed' conduct. A set of major factors, most importantly the dependence of the entire US retirement system on the financial market preformation of Pension and Mutual Funds and the US bourgeoisie's assessment that the its major rival China had preserved greater means of offsetting many of the consequences of a global collapse of the financial system than the United States' allies and liege governments. The crisis was stopped from playing its purgative role because the risks for capital were too high. All the national elites that met in the G20 initially shared the aim of preserving the status quo and restoring conditions permitting a return to the debt-led cum export-led international growth regime. Once this proved to be impossible it has been a case of *chacun pour soi*. In the context of "non-cooperative" relationships in the global economy the US project is the one with most scope. It involves the relocation of a part of manufacturing to benefit from cheap domestic shale gas as is it increasingly produced and so a new bout of exports from the US industrial base, With the additional support of the privileges of monetary seigneuriage, this will gradually lead to a reduced dependence of foreign money-capital inflows. Heed to the imperatives of climate change will be weaker than ever all the more so since Hurricane Katrina in New Orleans gave US capital in vivo large scale pilot experience of applying Shock Strategy on the most vulnerable layers of society and defending the richest in the face of the effects of climate change. Other bourgeoisies have other plans. The thorough and complete commodification and not simply privatisation of public analysed by Ursula Huws is one of the British ruling class's cherished projects. It represents the "expropriation of the results of past struggles by workers for the redistribution of surplus value in the form of universal public services" (this the most correct and telling definition given by a Marxist scholar). Its social and employment consequences will be devastating. Other bourgeoisies will seek to apply the model, but this cannot be the basis for the

> [...] next wave of accumulation" (HUWS, 2012, p. 88) which requires the opening of what Rosa Luxemburg (1913, chap.32) "*new provinces of accumulation*" – of profitability but also of markets – on a totally different scale.

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NOTAS

1 In French the precise Marxist translation of *globalization* is *mondialisation du capital* with its Portuguese, Spanish and Italian equivalents.

2 See Marx, "Capitals invested in foreign trade can yield a higher rate of profit, because, in the first place, there is competition with commodities produced in other countries with inferior production facilities, so that the more advanced country sells its goods above their value even though cheaper than the competing countries. (Capital III, chap.14).

3 See Baronian, 2013, *The problem of constant capital in crisis theory*, p.190. One of the relevant passages from Marx is found in the chapter on price fluctuations in volume III of Capital: [...] the development of capitalist production, and, consequently, the greater the means of suddenly and permanently increasing that portion of constant capital consisting of machinery, etc., and the more rapid the accumulation (particularly in times of prosperity), so much greater the relative overproduction of machinery and other fixed capital, so much more frequent the relative under-production of vegetable and animal raw materials, and so much more pronounced the previously described rise of their prices and the attendant reaction. And so much more frequent are the convulsions caused as they are by the violent price fluctuations of one of the main elements in the process of reproduction".

4 Data published by China Labor Watch inter alia the Guardian, www.guardian.co.uk/business/2010/jan/12/walmart-companies-to-shape-the-decade

5 Freeman (2008) estimates an increase in the size of the *global labor pool* from approximately 1.46 billion to 2.93 billion workers.

6 This is work commissioned by corporations in the form orders put to freelance workers, self-entrepreneurs and employees passing from a wage-earning status to one of contractual service provision.

7 The Economist Intelligence Unit, May 17, 2013.

8 See A World Awash in Money: Capital Trends Through 2020, Bain & Company, Inc., http://www.bain.com/Images/BAIN_REPORT_A_world_awash_in_money.pdf

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