Crisis theory/theories: a discussion

In his text[1], RS tries to reconcile two opposing explanations of crises. In my opinion, he fails. He doesn't demonstrate the need for such a reconcialiation (To me, Mattick's theory remains sufficient – though I admit that I didn't read it for quite a time). For those assuming this is necessary, his proposal fails to reconcile Mattick and the underconsumptionists.

The following is only reading notes for the discussion.

B.A., June 2009.

Page 1:

RS starts by affirming that the theoretical problem (an explanation of capital crises) seemed to be settled by Mattick, but finally is not resolved because « this crisis is a crisis of underconsumption » (is, and not seems to be). Nothing more on this very important statement. Why did previous crises *seem* to be due to « underconsumption » but *were* not, and why *is* this one of that model? No one knows. Maybe further in the text…

Then RS examines Marx's canonical analysis : the reason there are too many commodities on the market is that they are supposed to function as capital and cannot. OK. Note that what is overproduced here are the « means of production *and* subsistences » (my emphasis). That is important: the commodities that the market cannot absorb are also means of production. To be sold, it is necessary for capital to accumulates at the correct (high) rate.

Page 2:

Then RS quotes Marx as saying that, after all, he considers the crises as being provoked by « poverty and the limits on the masses' consumption ». Here, three observations:

1) RS finds a quotation that seems to indicate that the consumption of the masses is too low in relation to the productive forces. The reference to « the absolute capacity of consumption of the society » may indicate that Marx thought that consumption was the final aim of capitalist production – which is not the case, as RS admits further in his text. I don't have Editions Sociales, so I cannot find the quotation in its context.

2) Note that now the excess commodities are now only sector II commodities: those prevented from being sold by the masses' poverty. It is implied that, if there is overproduction of means of production (sector I), this is due to a chain reaction starting with demand for means of consumption, which is too low.

3) It is easy to find quotations in Marx to support RS' view, especially in Book 3 of Capital. I think that Marx had not fixed his ideas and that there enough in his writings to satisfy both Mattick and Luxemburg. As a rule, a quotation of Marx is never proof of anything.

Page 3

Another quote (in the 2nd §). This time, Marx clearly explains that the development of the productive forces comes up against the masses' low wages. Instead of taking Marx's own hesitation as a starting point (why not), RS assumes that everything that Marx wrote is correct and uses that confusion for his own purpose. What is this purpose: it is to reconcile Mattick and Luxemburg. Let's see if he can.

Page 4:

RS gets to the point he wants to prove when he writes (1st §): "Thus, the tendency of the rate of profit to fall is identical to a problem of realisation ». Here, some observations:

- If there really is a problem of realisation, doesn't that mean that there is too much surplus-value (Baran & Sweezy, for example) and not too little? Thus a « problem of realisation » should be identical to an increase of the rate of profit?
- In this statement, RS attempts to show that Luxemburg is right. He then turns to Mattick and criticizes him for not reading Marx attentively enough. RS finds a quote of Marx where we have the underconsumtionist point of view right after an expression of the overproduction/overaccumulation point of view. The first part (roman caracters) says 'fall of the rate of profit'. As the rate of profit is too low, commodities already produced cannot find their way back to productive capital because the capitalists do not want to invest anymore. It means that *when there is a crisis, there is a problem of realisation*. This is obvious. The second (italics) means what? That capital's rule of distribution and consumption prevent a new cycle of accumulation. Although one could argue that Marx had in mind here that workers onsume too much, I agree that in view of the context (pp. 1040-41 of vol. II of the Pléiade edition) underconsumption of the working class is what Marx wants to speak about. *And this is where he is wrong.* My feeling is that the text of Capital that RS uses in his presentation contains material for both Luxemburg and Mattick, and that it is not coming back to that text that will bring any help. If RS refuses to admit that Marx may sometimes be wrong, I do not need to go further.
- If not, let's observe that there seem to be a double identity in RS' mind: a) identity of the FRP and of realisation problems; and b) identity of realisation problems and of low working class cnsumption, as if the working class were 'responsible' for the realisation of *all* commodities, not only sector II commodities.
- As far as FRP and realisation in general are concerned, RS introduces the identity of the FRP and of the 'problem of realisation' on the basis of the situation of crisis, where the problem of realisation does exist, but as a consequence of the crisis, whereas the FRP is its cause. The FRP is not the crisis, but its preparation. RS fails to make the distinction, and thus can obtain an "identity" where there is none.

Page 5:

New formulation of the identity of underconsumption and FRP: 'The overproduction of means of production is in fact an overproduction of commodities, relatively to the necessary limitation of working-class consumption'. Capital produces too much and the working class cannot absorb it, because its wages are too low. Is that all that makes capital erupt in periodical crises? Well, the following sentence introduces a sort of condition that is hard to decypher: it answers yes provided this limitation is also understood as the continuous growth of constant capital'. What does that mean? I couldn't say exactly. Maybe simply that the low consumption of the working class is the reverse side of the increase in the organic composition of capital, which sends us back to the FRP? If this were the case, it would be consistent with what I understood up to here. And it would confirm that, in RS mind, the problem of capital realisation is focused on sector II commodities.

Of course one can as soon argue that if workers don't buy enough sausages, in the end capitalists will cease buying iron bars, because of the ripple effect through the economy. But this is bourgeois economics, where final demand is the one and only rationale of production. To me, up till now, this rationale is production of surplus-value, the realisation of which automatically finds its way as long as the rate of accumulation is high enough, that is, long as the rate of profit incites capitalists to invest.

RS admits that statement immediately, but only to reaffirm that it is identical to the

underconsumption of the working class: « it is because the workers' consumption fund is constantly reduced relative to the mass of production […] that one arrives at the overproduction of capital ».

To RS, under-consumption of the working class (which, remember, causes (not: seems to cause) the current crisis according to him) and non-realisation of the surplus-value were the same thing. He shifts nonchalantly from one notion to the other, which leads me to think that, to him, the realisation of total surplus-value (sectors I and II) is conditioned by the level of working class consumption. I cannot believe that such a connaisseur of Marx and Mattick and tutti quanti would reach such a conclusion, and why. Maybe I should read further.

Page 6:

RS begins by saying that he now wishes to turn from a static to a dynamic analysis of the crisis. At the first level (static), he considers that he has "produced a unified theory of crises ». What happens when the dynamic of the crisis is taken into account?

Mattick says that there is a disproportionality between production and consumption, and that it is a good thing for the accumulation of capital, and part of its expansion. If that means that the accumulation implies a rising organic composition of K and thus a decline of sector II relative to total production, I agree. And I agree with what follows, namely that all crises accentuate that tendency.

The following § has to be read with attention. First, Mattick's idea (to be checked but we cannot for lack of references) is reiterated: the growth of the organic composition of K is normal in an expansion phase. Then: « Under-consumption and over-production of K are the same immanent contradiction in K accumulation, which erupts in crises ». Are we still with Mattick, or is it RS speaking here? I assume the latter, judging from my memories of Mattick, but for those who haven't any, it is hard to distinguish and thus they believe that the notion of under-consumption has Mattick's blessing. (I can't exclude this, but would be surprised and, if so, compelled to disagree with dear old Paul).

Then comes a development on rate and mass of profit. This is a very old idea (including of Marx) that the FRP can be offset by its mass. To me, although this may be true for an individual capital, it is not for K as a whole. I may be wrong on that, but I still have to understand why. Anyway, let's simply retain here that RS' conclusion is: « over-accumulation *is* over-production, over-production *is* over-accumulation ». What a discovery! Either I miss the point completely or it is obvious. Whatever the answer, note what follows: RS recognises that sometimes Mattick gets near « this unification of the theory of crises ». But now, the unification is no longer the identity of over-production of capital and under-consumption of the masses. It is the unification of overaccumulation and overproduction. For those who noticed, in this subtle shift, something that is anathema to Mattick (underconsumption of the masses) is replaced by an obvious statement he would accept. And the shift allows RS to get Mattick's blessing for the anathema!

Page 6 sq:

A development on the fact that Mattick sometimes gets very near the unification that RS defends doesn't convince me. Without going into detail, it seems that RS misinterpretes Mattick's sentence which he himself stressed (italics). The purpose of this development is of course to support RS' interpretation, since Mattick himself was on the verge of obtaining the same result.

Page 7 has an interesting development on the lowering of the organic composition due to crises, showing that C is more severely devalued by the crisis than V. OK, maybe. This explains how the

rate of profit is more easily restored than currently thought, because the organic composition moves more quickly to an acceptable level when C decreases faster due to the crisis than V. This passage lays the ground for the § page 8 starting « Nous avons cherché… ». What do we read?

1. Re-affirmation that the FRP is identical to the underconsumption of the working class. This « was demonstrated earlier in the text ». No, it wasn't.
2. Then: the obvious statement (consistent with Mattick's thinking): that to resume capital accumulation, far from handing out money to the workers, the capitalists increase the rate of exploitation.
3. This is followed immediately by a bizarre mishmash in which the relatively higher share of capital invested in wages (due to the lower organic composition) is equated to the « increase, relative to total production, of the share of income intended for consumption ». Here wages become « income", not (variable) capital! I understand that in RS' mind, the relatively higher share of capital spent on variable capital after the crisis somehow eases the problem of realisation, thus reconciling the two branches of the theory of crises. But at the same time, RS feels obliged to reassure us of his orthodoxy by rejecting the under-consumptonists position: it is not the increase of the buying power of the workers that resolves the crisis, but that « the rate of profit has been restored by an increase of surplus-value *and* by a change of the organic composition that reduces the share of income transformed into constant capital ». This is basic Mattick, on both sides of the '*and*'. (But the purpose of the italics is to underline that RS has made a substantial breakthrough in terms of theoretical unification). Now follow me: if the share of income spent as constant capital is reduced, it necessarily means that the share spent as variable capital is increased. In the first part, income is the capitalist's profits, that he invests or consumes. In the second, the hiring of workers (investment in variable capital) tacitly becomes a growth in the income of the working class. It looks like an overture to the same under-consumptionists. Maybe not; maybe RS simply thinks that if total K divides into a smaller C and a higher V, its reproduction is easier, as if only workers were buyers of total output and as if the capitalists were not able to adjust the size of sector II to the changing size of V.

Page 8:

We have here yet another formulation of the identity of the FRP and under-consumption of the working class. « The same phenomenon, the increase in the organic composition, is on the one hand the FRP and on the other the structurally necessary decrease of working-class consumption ». The same idea is repeated four times in the four following sentences. Repetition is no proof. Furthermre, we sometimes have 'consumption of the society' and sometimes 'working-class consumption' as strict equivalent. In this summary version, the identity trick is obvious: V decreases absolutely/relatively compared to C, hence production bottlenecks. As this is an indomitable law of capital, it is also a law that there are fewer and fewer workers to buy the output. I wonder how RS can be convinced by this kind of reasoning. I do not want to enter into a lengthy discussion on the theme 'capital is its own market', which is the basis of Mattick's thinking (as far as I remember). It is up to RS to show that this is not valid anymore. The decrease of V relative to C is obvious. He should have shown that sv (pl), which is composed of both means of production and means of consumption, needs more working-class consumption to be realised – which to me, as yet, is absolutely wrong. The rest of the conclusion is nothing but endless repetition of the same proposition.

Page 9: The reason why.

Why do we have to unify the theories of crises? I don't know. RS says that this is "essential if we want to define the current crisis". He repeats that this crisis is a crisis of realisation, without explanations. Maybe he has shown that elsewhere. It seems that this is part of his view of the

specificity of the class relationship today. Here at least, I don’t see why, and this is the reason why, for the moment, I don’t consider the problem he poses as legitimate. And if we admit that this unification is a legitimate problem, then RS’ demonstration is unconvincing.

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[1] *Crisis theory/theories* : http://sic.communisation.net/en/crisis-theories