

A Structural Crisis of Capitalism

**Global Stagnation, Financialization & Trends in the
Average Rate of Profit, the Rate of Surplus-Value,
and the 'Composition of Capital' in the U.S.
Economy**

Based on Chapters 1 and 2 of Murray E.G. Smith, *Marxist Phoenix* (2014)
(Ch. 2 co-authored by Jonah Butovsky)

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Average Annual Growth Rates of Global GDP by Decade, and from 2011-13

<u>1960s</u>	<u>1970s</u>	<u>1980s</u>	<u>1990s</u>	<u>2000s</u>	<u>2011-13</u>
4.9%	3.93%	2.95%	2.70%	2.58%	2.4%

Source: World Bank

Average Annual Growth Rates of Global GDP per Capita by Decade, and in 2011-12

1960s	1970s	1980s	1990s	2000s	2011-12
3.5%	2.4%	1.4%	1.1%	1.3%	1.2%

Source: World Bank

Average Annual Growth Rates of the Combined GDPs of the Top 35 'Advanced Capitalist Economies' by Decade, and from 2010-14

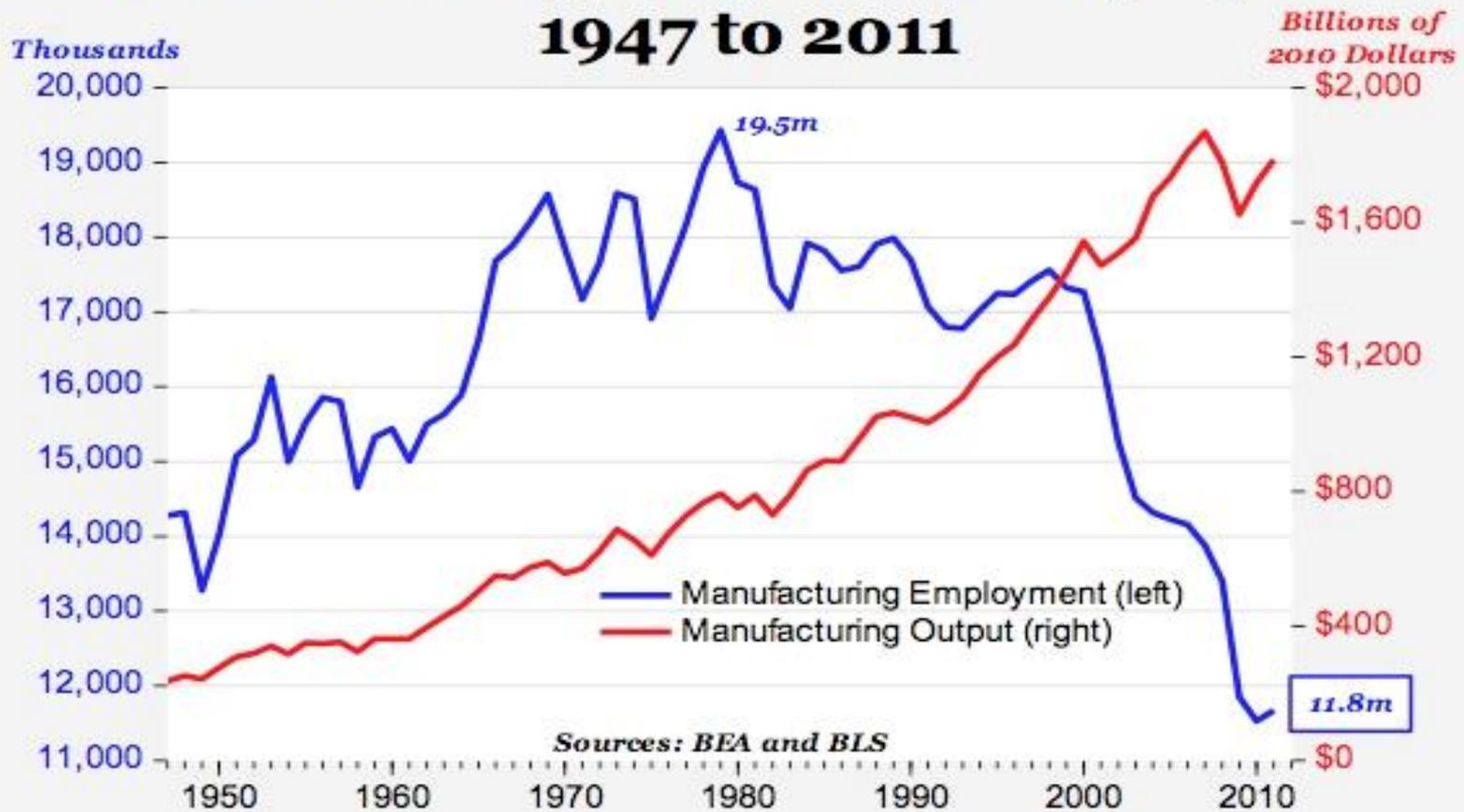
1980s	1990s	2000s	2010-14
3.09%	2.64%	1.65%	1.70%

Note: China is not included

Source: IMF, World Economic Outlook Database

U.S. Manufacturing, 1947-2011

Manufacturing Output vs. Employment 1947 to 2011



A Related Symptom of the Malaise: 'Financialization'

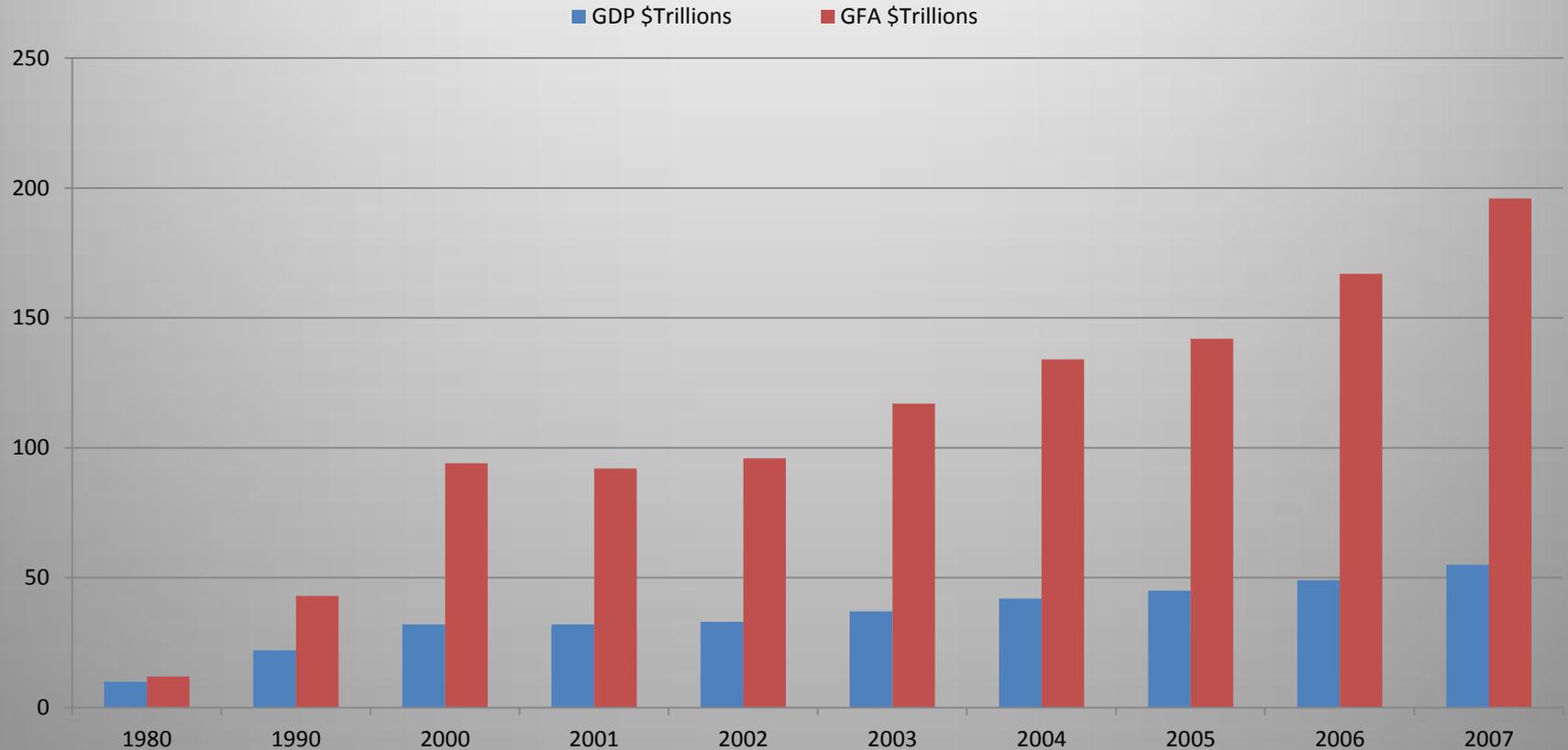
In the early 1980s, the U.S. financial sector accounted for just 10 percent of total corporate profits; by 2007, finance accounted for 40 percent.

Between 1981 and 2008, credit-market debt in the U.S. mushroomed from 164 percent to 370 percent of Gross Domestic Product.

In 1980, world financial assets -- bank deposits, securities and shareholdings -- were valued at 119 percent of the value of global output; by 2007, this valuation had reached 356 percent.

'Real' GDP Wealth & Global Financial Assets — 1980, 1990, and 2000-07

Source: McKinsey Global Institute



Postulates of Marx's Theory of Labour-Value

- 1) **Living labour**, directly involved in producing commodities, is **the sole source of new 'value'**. Under capitalism, economic value appears as a *social relation of people to people*, not a relation of things to things, nor a relation of people to things. It is a reflection of *the social division of living labour*.
- 2) **Value exists as a definite quantitative magnitude** that sets parametric limits on prices, profits, wages, interest, etc.
- 3) The substance of value is **abstract social labour**; its measure is **socially-necessary labour time**; and its necessary form of appearance is **money**.

Postulates of Marx's 'Law of the Tendency of the Rate of Profit to Fall'

- 1) *Displacing living labour from production depresses the average rate of profit*, since only living (productive) wage-labour creates surplus-value (the social substance of profit, rent and interest).
- 2) The tendency for the rate of profit to fall is offset by *counteracting factors*, but these factors cannot entirely negate 'the law as such'.
- 3) Economic crises create conditions for restoring profitability (up to a point), but also tend to become more acute over time. **The secular trend of the rate of profit is downward, barring a massive 'slaughtering' of capital values.**
- 4) The fundamental issue in capitalist economic crises is not a problematic 'distribution of income,' but *insufficient production of surplus value*.

Three Temporal Modes & Categories of 'Value'

New Value = variable capital (v) (the value represented by productive-labour wages) + surplus-value (s), including 'actual' profits of enterprise, rent and interest, as well as executive compensation.

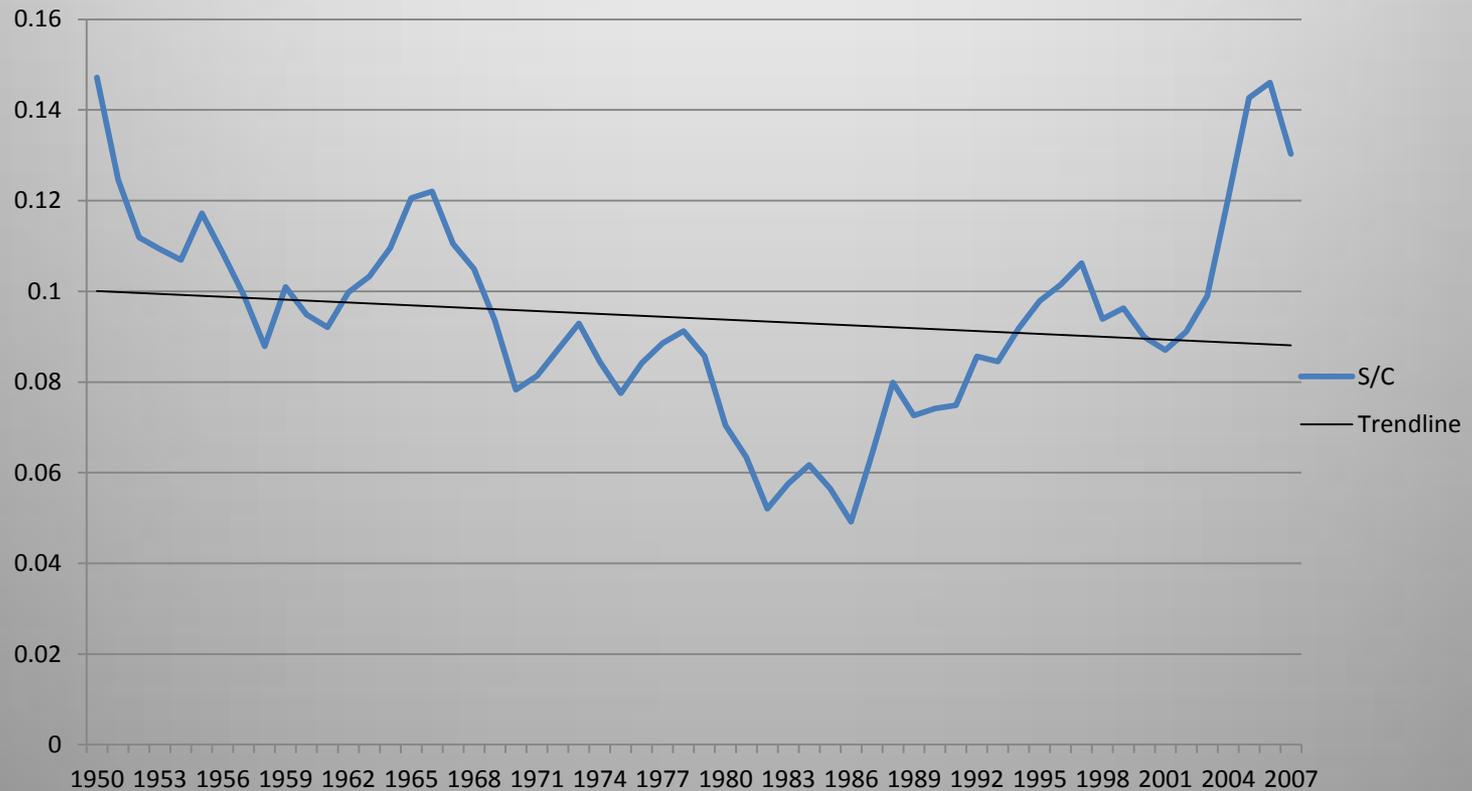
NV = v + s = value of net output

Previously Existing Value = value transferred to output by living labour. This includes non-labour costs of production, circulation and reproduction as well as unproductive-labour wage costs. (PEV is a *flow* of **constant capital (c)** values, preserved and transferred by living labour to gross output.)

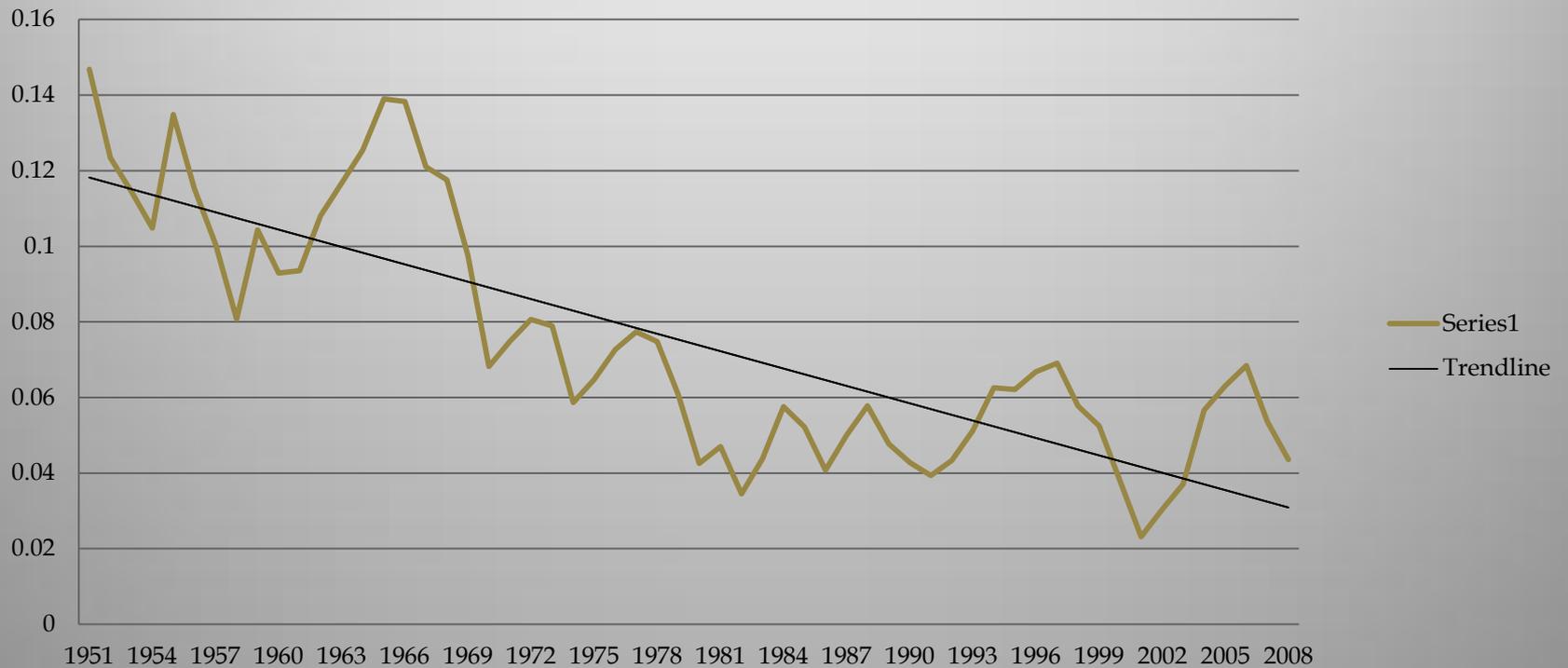
c + v + s = value of gross output

Anticipated Future Value = fictitious profits and assets arising from a *relation of credit/debt* rather than from a relation of production. Fictitious profits should **not** be counted as part of the 'value' of gross output, and yet figures for 'corporate profits' in national income accounts do include them.

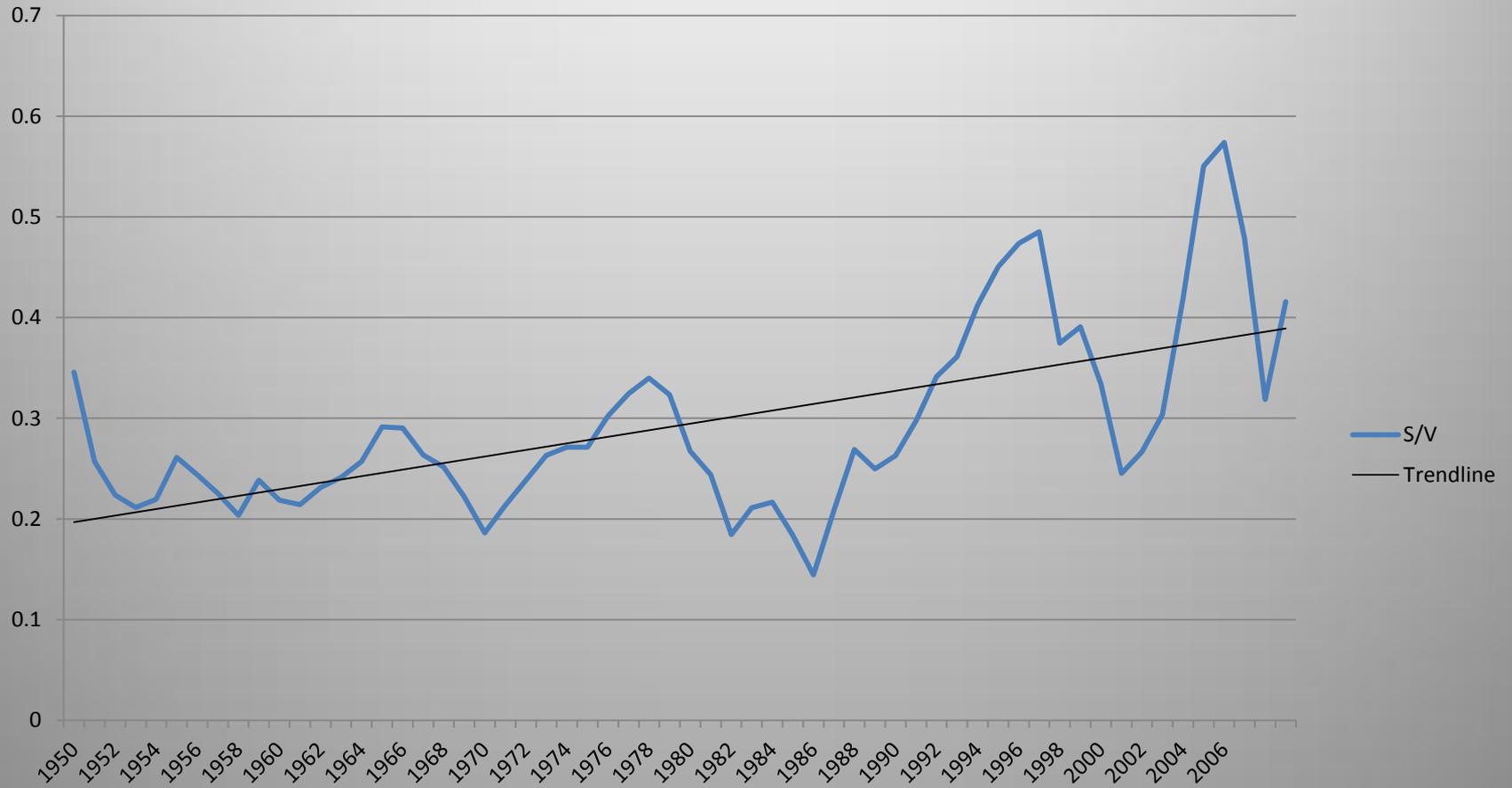
After-Tax Corporate Rate of Profit, USA 1950-2007 (Current Cost Measure: S/C^{s1})



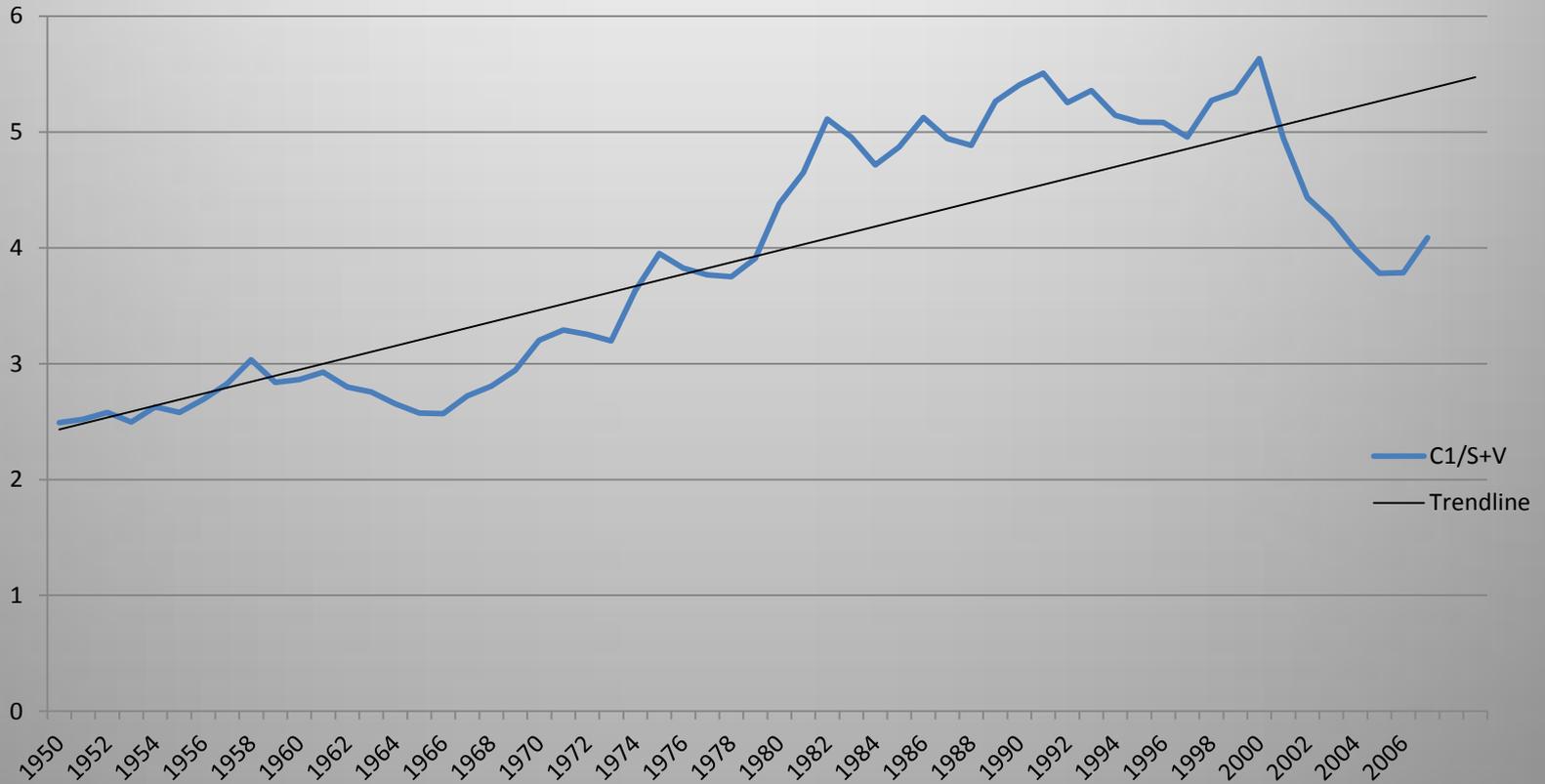
Non-Financial Corporate Rate of Profit (After-Tax), USA 1950-2008 (Current-Cost Measure)



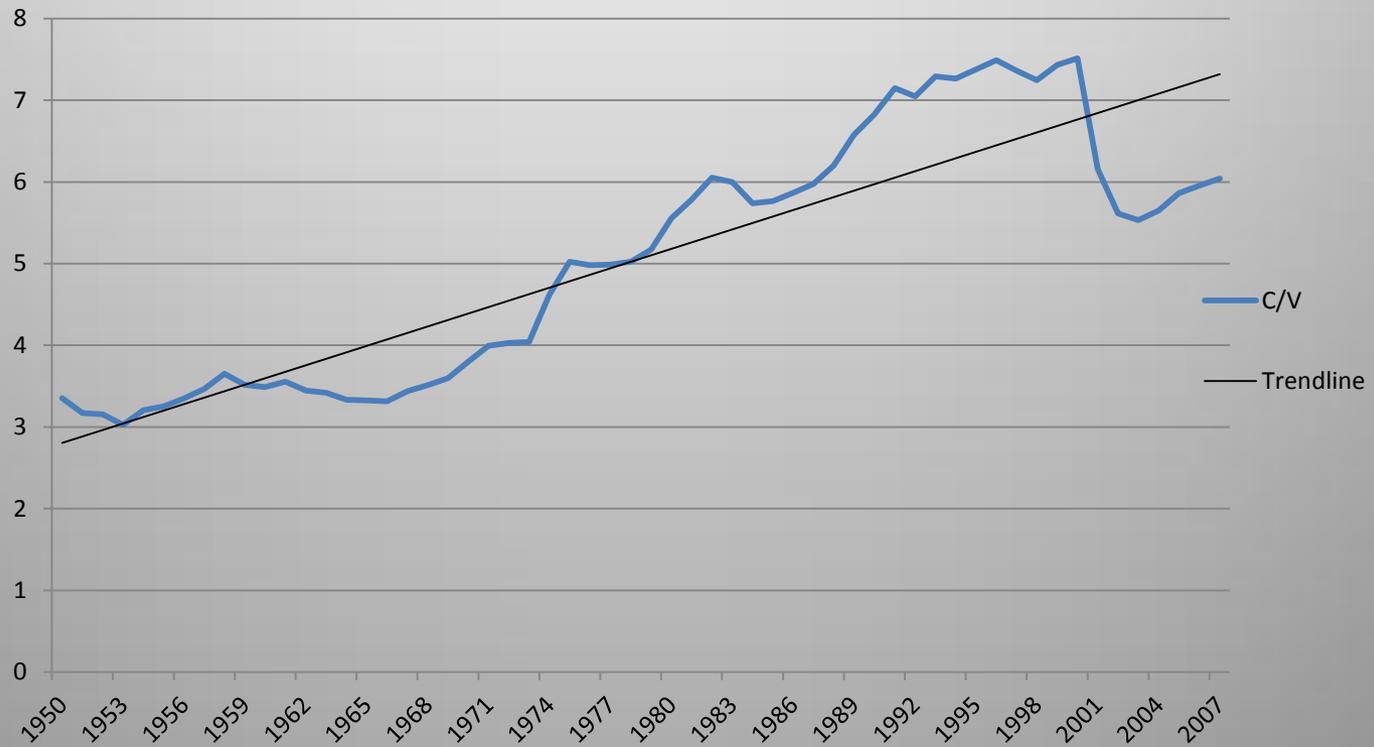
The Rate of Surplus Value, USA 1950-2007 (S/V)



The Organic Composition of Capital, USA 1950-2007 (Current-Cost Measure: $C^{S1}/S+V$)



The Value Composition of Capital, USA 1950-2007 (Current Cost Measure: C^S/V)



A Persistent 'Valorization' Problem in the Capitalist Core is Generating a Crisis of Immense Proportions

The economic dimension of this crisis portends ***growing attacks on the living standards, job security and democratic rights*** of the working population.

These attacks are already evident in the policies of economic and political establishments throughout the 'advanced' capitalist core.

The deepening structural crisis of capitalism is also producing ***a crisis of the nation-state system***, as national 'social capitals' and imperialist states move to solve their economic problems at the expense of other countries. Economic nationalism is on the rise, as are right-wing populism and overtly fascist movements. Accompanying these trends is ***a rising tide of imperialist militarism***, and the danger of catastrophic world war.

All of these contradictions and crisis tendencies of global capitalism are intensifying at the same time that humanity is facing ***an acute environmental crisis, above all the climate crisis***. The latter demands a ***rationally planned, global response*** -- an impossibility under capitalism.

A Marxist-Socialist Perspective

A workers' party, a class-struggle leadership in the unions, and the mobilization of working people around a socialist, transitional program of demands – a sliding scale of wages and hours, workers' defense guards, workers' control of production, and the expropriation of industry and the banks by a workers' government – are urgently needed.

The establishment of *rationally planned and democratically administered economies* on national, regional and world levels constitutes a *minimum* that must be achieved in the not-too-distant future.

Only *global socialism* can provide a progressive and sustainable way forward for humanity. Nothing less than the survival of our species is at stake.