

CRISES and CAPITALIST DEVELOPMENT

GLOBALIZATION AND CHALLENGES TO THIRD WORLD DEVELOPMENT

With thanks to Bonn Juego from whom these slides have been selected

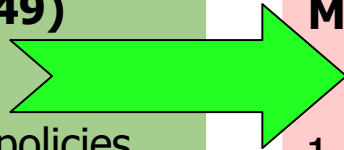
THE *CONSTITUTIVE* ROLE AND *FUNCTIONAL* CHARACTER OF CRISES IN THE EVOLUTION OF NEO-LIBERALISM

- **Relationship: Crisis and Neo-liberalism**
 - ✓ Dysfunctional or Functional (or both)
- **Constitutive Role of Crisis and Neo-liberalism**
 - ✓ *Born* out of crises
 - ✓ *Evolved* through crises
 - ✓ *Created* crises
 - ✓ *Died* of crises?

From Statism to Market Fundamentalism

March into Socialism (1949) (*state-led*)

- state-managed stabilisation policies
- principle of redistributive taxation
- price regulation
- public control over the labour and the money market
- public enterprises that satisfy wants
- all types of social security legislation



March into Neo-liberalism (1980s-2009) (*market-led*)

1. internationally-managed restructuring
1. fiscal reforms that encourage entrepreneurship
1. deregulation of prices
1. labour and market affairs have been left to the market forces
1. 'the sphere of wants' is a task to be satisfied by the market
1. restructuring of social security legislation to work for the market

Development Paradigm: State vs Market

NEO-LIBERALISM

(Washington Consensus, 1980s-present)



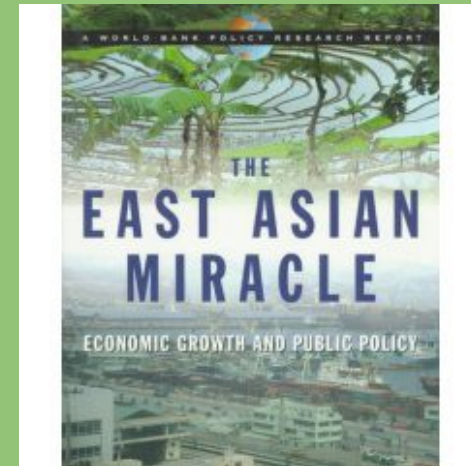
Market-led Development

Through

Privatisation, Liberalisation, Deregulation,
Open Market Economy, Competitiveness

DEVELOPMENTAL STATE

(East Asian Miracle, 1965-1990)



Industrial Policy

Industrial Policy and active role of state in
development

High growth, high equity with state
intervention

NEO-LIBERALISM HAS DIED OF CRISES?

Multiple Crises:

RIP Neo-liberalism (1980s-2008)

- Is neo-liberalism dead?
 - Depends on what we mean by 'neo-liberalism'....
- The neo-liberal **form** (i.e., market fundamentalism) is dead;
 - But not the **substance** of capitalism as a:
 - ✓ **process** of capital accumulation;
 - ✓ **relations** in which labour is subordinated to capital

The Multiple Crises Today

- Overproduction
- Finance (securitisation, speculative investments etc.)
- Environment
- Climate (global warming/cooling)
- Oil
- Food (post-Green Revolution, the Great Hunger of 2008)
- Governance (WB, IMF, WTO)

Marx's Theory of Crisis

- Crisis of **OVERPRODUCTION**
 - Crises in realising surplus value (overcapacity)
 - Too much is produced for the capitalists to sell at a profit
 - Capitalism: production for profit, not for needs
- **Tendency of the rate of profit to fall**
 - Crises in extracting surplus value
 - 'The real barrier of capitalist production is capital itself' (Marx's *Capital, Vol. III*)
 - The amount of total capital invested has increased, without changing the amount of surplus value generated

FUNDAMENTALLY THE SAME RESPONSES TO THE GLOBAL CRISIS

- **SCHUMPETERIAN:**

- **'IT HAS TO BURN OUT ALONE'**

- **KEYNESIAN:**

- **'REPAIR IT'**, but without encouraging the very behaviour that caused the problem in the first place.

- **MARXIST:**

- **'REPLACE IT'** — overthrow crisis-ridden capitalist system; establish socialism, a democratic economic planning



“Times of innovation ... are times of effort and sacrifice, of work for the future, while the harvest comes after.... The harvest is gathered under recessive symptoms and with more anxiety than rejoicing.... ***[During] recession ... much dead wood disappears.***”

—Joseph Schumpeter (1939)
Business Cycles

*“I sympathize, therefore, with those who would minimize, rather than with those who would maximize, economic entanglement among nations. Ideas, knowledge, science, hospitality, travel – these are the things which should of their nature be international. But **let goods be homespun** whenever it is reasonably and conveniently possible, and, above all, **let finance be primarily national**. Yet, at the same time, those who seek to disembarrass a country of its entanglements should be very slow and wary. It should not be a matter of tearing up roots but of slowly training a plant to grow in a different direction.*



*For these strong reasons, therefore, I am inclined to the belief that, after the transition is accomplished, a greater measure of **national self-sufficiency** and economic isolation among countries than existed in 1914 may tend to serve the cause of peace, rather than otherwise.*

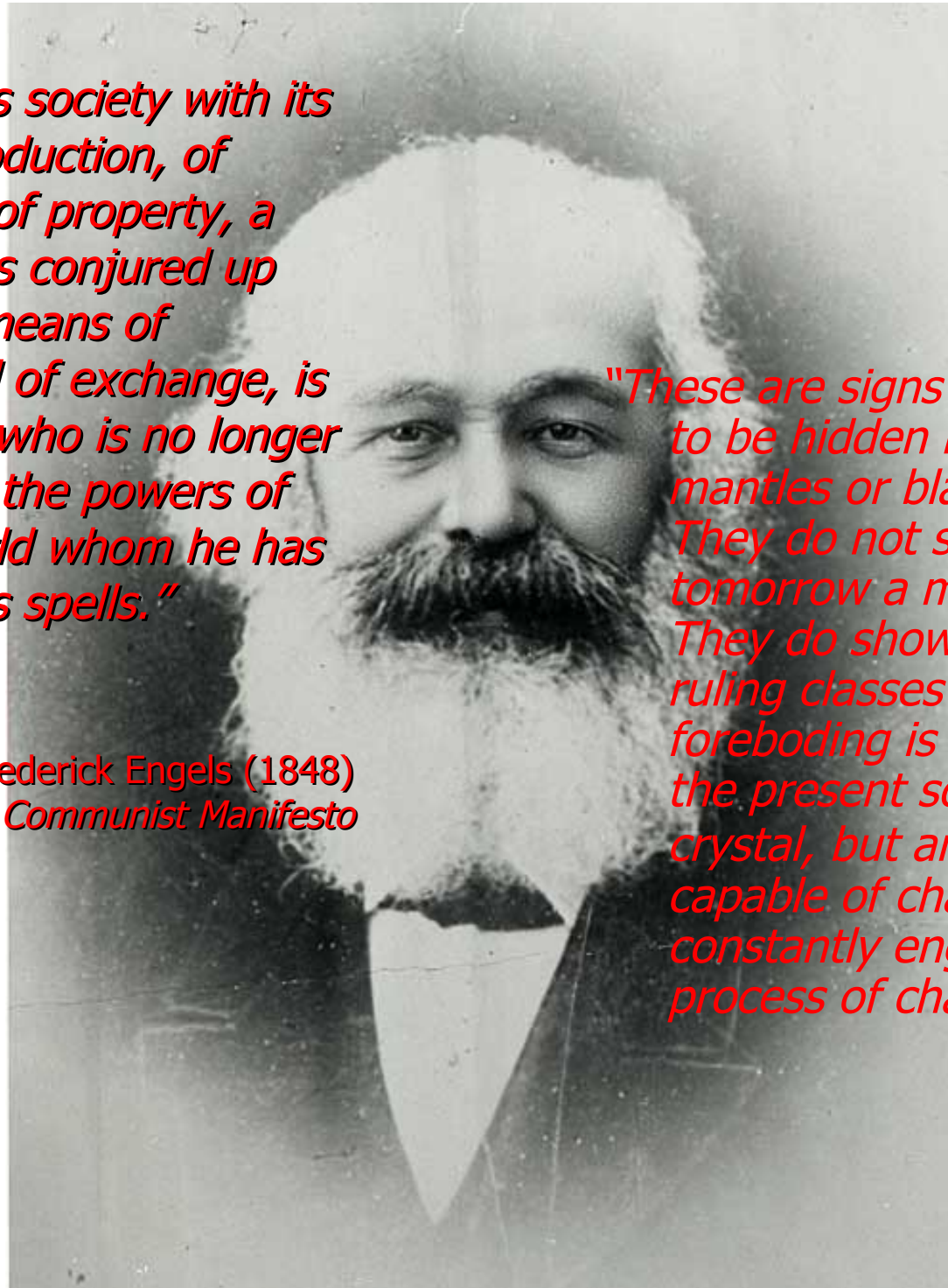
At any rate, the age of economic internationalism was not particularly successful in avoiding war; and if its friends retort, that the imperfection of its success never gave it a fair chance, it is reasonable to point out that a greater success is scarcely probable in the coming years.”

— John Maynard Keynes (1933 [1972]),

National Self-sufficiency

"Modern bourgeois society with its relations of production, of exchange and of property, a society that has conjured up such gigantic means of production and of exchange, is like a sorcerer who is no longer able to control the powers of the nether world whom he has called up by his spells."

—Karl Marx and Frederick Engels (1848)
Communist Manifesto



"These are signs of the times, not to be hidden by purple mantles or black cassocks. They do not signify that tomorrow a miracle will occur. They do show that, within the ruling classes themselves, the foreboding is emerging that the present society is no solid crystal, but an organism capable of change, and constantly engaged in the process of change."

—Karl Marx (1867)
Capital, Vol. 1

As it shows, **crises** have so far been *functional*, rather than dysfunctional, **to neo-liberalism:**

- ❑ Crises *reshape class and social relations* but in ways that perpetuate the **hegemony of capital over labour** and the preservation of elite rule.
- ❑ Crises *restrategize development plans* of institutions from international organizations to states to further **advance**, not retreat from, **market-led development**.
- ❑ Crises *restructure states and societies* in which social institutions are oriented towards the logic, requirements, and **imperatives of neo-liberalism**.